

# **HAYAT FİNANS KATILIM BANKASI A.Ş.**

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

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



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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 June 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 six-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 June 30, 2023, and the results of its operations and its unconsolidated cash flows for the six-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

11 August 2023  
Istanbul, Turkey

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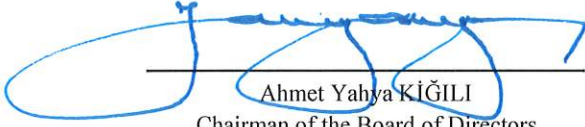
**THE UNCONSOLIDATED FINANCIAL REPORT OF HAYAT FİNANS KATILIM BANKASI A.Ş.  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2023**

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E-mail address : [hayatfinans@hayatfinans.com.tr](mailto:hayatfinans@hayatfinans.com.tr)


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


  
Ahmet Yahya KİĞİLİ  
Chairman of 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 JUNE 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.

It has been confirmed by the BRSA in its letter dated 4 August 2023 and numbered E-43890421-101.01.01-92017 that the Bank has resolved the remediation matters that are reported in the BRSA’s letter in regards to Operating Permit dated March 31, 2023 and numbered E-43890421-101.01.01-81061. The Bank will start its operations with this approval.

**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 June 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	-	-	Master	-
Osman AKYÜZ	Member of the Board of Directors and Chairman of the Audit Committee	15/08/2022	15/08/2022	-	Bachelor	-
Oğuz KAYHAN	Member of the Board of Directors and Member of the Audit Committee	15/08/2022	15/08/2022	-	Master	-
Soner CANKO	Member of the Board	15/08/2022	-	-	Master	-
Melih Murat ERTEM	Member of the Board of Directors and General Manager	15/08/2022	-	-	Master	-
Özer BARAN	Assistant General Manager for Credits	16/08/2022	-	-	Master	-
Ömer ÇEKİN	Assistant General Manager for Treasury and Financial Affairs	16/08/2022	-	-	Master	-
Çetin Yalçın GÜLEÇ	Assistant General Manager for Technology	16/08/2022	-	-	Bachelor	-
Sami KAYA	Assistant General Manager of Marketing	16/08/2022	-	-	Bachelor	-

**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 JUNE 2023**

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

**4. Information on qualified shareholders**

<b>Name / Commercial Name</b>	<b>Share amount (Nominal)</b>	<b>Shareholding percentage</b>	<b>Paid shares (Nominal)</b>	<b>Unpaid shares</b>
Hayat Kimya Sanayi A.Ş.	750,000	50.0000%	750,000	-
Kastamonu Entegre Ağaç Sanayi Ticaret A.Ş	749,996	49.9997%	749,996	-
<b>Total</b>	<b>1,499,996</b>	<b>99.9997%</b>	<b>1,499,996</b>	<b>-</b>

**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 30 June 2023, the Bank is operating through 145 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 transaction is decided to be beneficial to the Bank, the transaction 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 JUNE 2023**

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

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

	ASSETS	Notes	Reviewed Current Period 30.06.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>1,494,530</b>	<b>11,084</b>	<b>1,505,614</b>	<b>1,512,062</b>	<b>15,172</b>	<b>1,527,234</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	<b>(1.1)</b>	<b>688,902</b>	<b>11,084</b>	<b>699,986</b>	<b>1,512,062</b>	<b>15,172</b>	<b>1,527,234</b>
1.1.1	Cash and Balances with Central Bank		-	-	-	-	-	-
1.1.2	Banks	(1.3)	689,375	11,092	700,467	1,512,062	15,172	1,527,234
1.1.3	Money Markets Placements		-	-	-	-	-	-
1.1.4	Expected Credit Loss (-)		473	8	481	-	-	-
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>	<b>(1.2)</b>	<b>805,628</b>	-	<b>805,628</b>	-	-	-
1.2.1	Government Debt Securities		-	-	-	-	-	-
1.2.2	Equity Instruments		-	-	-	-	-	-
1.2.3	Other Financial Assets		805,628	-	805,628	-	-	-
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>(1.4)</b>	-	-	-	-	-	-
1.3.1	Government Debt Securities		-	-	-	-	-	-
1.3.2	Equity Instruments		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
<b>1.4</b>	<b>Derivative Financial Assets</b>	<b>(1.2.)</b>	-	-	-	-	-	-
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		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)</b>	<b>(1.5.)</b>	-	-	-	-	-	-
<b>2.1</b>	<b>Loans</b>		-	-	-	-	-	-
<b>2.2</b>	<b>Leasing Receivables</b>	<b>(1.10.)</b>	-	-	-	-	-	-
<b>2.3</b>	<b>Financial Assets Measured at Amortized Cost</b>	<b>(1.6.)</b>	-	-	-	-	-	-
2.3.1	Government Debt Securities		-	-	-	-	-	-
2.3.2	Other Financial Assets		-	-	-	-	-	-
<b>2.4</b>	<b>Expected Credit Loss (-)</b>		-	-	-	-	-	-
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)</b>	<b>(1.16.)</b>	-	-	-	-	-	-
3.1	Held for Sale		-	-	-	-	-	-
3.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		-	-	-	-	-	-
<b>4.1</b>	<b>Investments in Associates (Net)</b>	<b>(1.7.)</b>	-	-	-	-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
<b>4.2</b>	<b>Investment in Subsidiaries (Net)</b>	<b>(1.8.)</b>	-	-	-	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>4.3</b>	<b>Investment in Joint Ventures (Net)</b>	<b>(1.9.)</b>	-	-	-	-	-	-
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>(1.12.)</b>	<b>28,334</b>	-	<b>28,334</b>	<b>6,165</b>	-	<b>6,165</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>(1.13.)</b>	<b>48,432</b>	-	<b>48,432</b>	<b>32,018</b>	-	<b>32,018</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		48,432	-	48,432	32,018	-	32,018
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>(1.14.)</b>	-	-	-	-	-	-
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>980</b>	-	<b>980</b>	-	-	-
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>(1.15.)</b>	<b>265</b>	-	<b>265</b>	-	-	-
<b>X.</b>	<b>OTHER ASSETS</b>	<b>(1.17.)</b>	<b>12,383</b>	-	<b>12,383</b>	<b>3,693</b>	-	<b>3,693</b>
	<b>TOTAL ASSETS</b>		<b>1,584,924</b>	<b>11,084</b>	<b>1,596,008</b>	<b>1,553,938</b>	<b>15,172</b>	<b>1,569,110</b>

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

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET AS OF 30 JUNE 2023**

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

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

	LIABILITIES	Notes	Reviewed Current Period 30.06.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>FUNDS COLLECTED</b>	(2.1.)	-	-	-	-	-	-
<b>II.</b>	<b>FUNDS BORROWED</b>	(2.3.)	-	-	-	-	-	-
<b>III.</b>	<b>MONEY MARKETS</b>		-	-	-	-	-	-
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	(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		-	-	-	-	-	-
<b>VII.</b>	<b>LEASE PAYABLES</b>	(2.5.)	4,390	-	4,390	-	-	-
<b>VIII.</b>	<b>PROVISIONS</b>	(2.7.)	8,573	-	8,573	-	-	-
8.1	Restructuring Provision		-	-	-	-	-	-
8.2	Reserves for Employee Benefits		8,573	-	8,573	-	-	-
8.3	Insurance for Technical Provision (Net)		-	-	-	-	-	-
8.4	Other Provisions		-	-	-	-	-	-
<b>IX.</b>	<b>CURRENT TAX LIABILITIES</b>	(2.8.1.)	11,171	-	11,171	16,312	-	16,312
<b>X.</b>	<b>DEFERRED TAX LIABILITIES</b>	(2.8.1.4.)	-	-	-	2,652	-	2,652
<b>XI.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	(2.9.)	-	-	-	-	-	-
11.1	Held for Sale		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>XII.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	(2.10.)	-	-	-	-	-	-
12.1	Loans		-	-	-	-	-	-
12.2	Other Debt Instruments		-	-	-	-	-	-
<b>XIII.</b>	<b>OTHER LIABILITIES</b>		21,974	-	21,974	21,070	-	21,070
<b>XIV.</b>	<b>SHAREHOLDERS' EQUITY</b>	(2.11.)	1,549,900	-	1,549,900	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		20,824	-	20,824	29,076	-	29,076
14.6.1	Retained Earnings		-	-	-	-	-	-
14.6.2	Current Period's Net Profit / Loss		20,824	-	20,824	29,076	-	29,076
14.7	Minority Shares	(2.12.)	-	-	-	-	-	-
	<b>TOTAL LIABILITIES</b>		<b>1,596,008</b>	<b>-</b>	<b>1,596,008</b>	<b>1,569,110</b>	<b>-</b>	<b>1,569,110</b>

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 JUNE 2023**

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

**2. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**

		Notes	Reviewed Current Period		
			TL	FC	30.06.2023 Total
<b>A.</b>	<b>COMMITMENTS AND CONTINGENCIES (I+II+III)</b>		-	-	-
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>		-	-	-
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		-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		-	-	-
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		-	-	-
2.2.1	Revocable Loan Granting Commitments		-	-	-
2.2.2	Other Revocable Commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-
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>B.</b>	<b>CUSTODY AND PLEDGES SECURITIES (IV+V+VI)</b>		-	-	-
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		-	-	-
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		-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>		-	-	-
5.1	Marketable Securities		-	-	-
5.2	Guarantee Notes		-	-	-
5.3	Commodity		-	-	-
5.4	Warranty		-	-	-
5.5	Properties		-	-	-
5.6	Other Pledged Items		-	-	-
5.7	Pledged Items-Depository		-	-	-
<b>VI.</b>	<b>ACCEPTED GUARANTEES AND WARRANTEES</b>		-	-	-
	<b>TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)</b>		-	-	-

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 JUNE 2023**

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

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

			Reviewed Current Period 01.01.2023-30.06.2023	Reviewed Current Period 01.04.2023-30.06.2023
	<b>INCOME AND EXPENSE ITEMS</b>	<b>Notes V</b>		
<b>I.</b>	<b>PROFIT SHARE INCOME</b>	<b>(4.1.)</b>	<b>142,834</b>	<b>63,130</b>
1.1.	Profit Share on Loans		-	-
1.2.	Profit Share on Reserve Deposits		-	-
1.3.	Profit Share on Banks		142,834	63,130
1.4.	Profit Share on Money Market Placements		-	-
1.5.	Profit Share on Marketable Securities Portfolio		-	-
1.5.1.	Fair Value Through Profit or Loss		-	-
1.5.2.	Fair Value Through Other Comprehensive Income		-	-
1.5.3.	Measured at Amortized Cost		-	-
1.6.	Finance Lease Income		-	-
1.7.	Other Profit Share Income		-	-
<b>II.</b>	<b>PROFIT SHARE EXPENSE</b>		<b>255</b>	<b>125</b>
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		255	125
2.6.	Other Profit Share Expense		-	-
<b>III.</b>	<b>NET PROFIT SHARE INCOME (I - II)</b>		<b>142,579</b>	<b>63,005</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>(197)</b>	<b>(2)</b>
4.1.	Fees and Commissions Received		-	-
4.1.1.	Non-Cash Loans		-	-
4.1.2.	Other		-	-
4.2.	Fees and Commissions Paid		197	2
4.2.1.	Non-Cash Loans		-	-
4.2.2.	Other	<b>(4.13.)</b>	197	2
<b>V.</b>	<b>DIVIDEND INCOME</b>		-	-
<b>VI.</b>	<b>NET TRADING INCOME / LOSS</b>	<b>(4.5.)</b>	<b>33,529</b>	<b>33,378</b>
6.1.	Capital Market Transaction Gains/Losses		32,195	32,195
6.2.	Gains/Losses from Derivative Financial Instruments		-	-
6.3.	Foreign Exchange Gains/Losses		1,334	1,183
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(4.6.)</b>	<b>24</b>	<b>(652)</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME / LOSS (III+IV+V+VI+VII+ VIII)</b>		<b>175,935</b>	<b>95,729</b>
<b>IX.</b>	<b>EXPECTED LOSS PROVISIONS (-)</b>	<b>(4.7.)</b>	<b>481</b>	<b>(557)</b>
<b>X.</b>	<b>OTHER PROVISIONS (-)</b>	<b>(4.7.)</b>	-	-
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>		<b>82,931</b>	<b>47,768</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(4.8.)</b>	<b>74,616</b>	<b>25,573</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (IX-X-XI)</b>		<b>17,907</b>	<b>22,945</b>
<b>XIV.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XV.</b>	<b>INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XVI.</b>	<b>INCOME / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)</b>	<b>(4.9.)</b>	<b>17,907</b>	<b>22,945</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(4.10)</b>	<b>(2,917)</b>	<b>(1,684)</b>
18.1.	Current Tax Provision		-	(644)
18.2.	Deferred Tax Expense Effect (+)		3,626	3,190
18.3.	Deferred Tax Income Effect (-)		6,543	4,230
<b>XIX.</b>	<b>CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>(4.11.)</b>	<b>20,824</b>	<b>24,629</b>
<b>XX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
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		-	-
<b>XXI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
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		-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1.	Current Tax Provision		-	-
23.2.	Deferred Tax Expense Effect (+)		-	-
23.3.	Deferred Tax Income Effect (-)		-	-
<b>XXIV.</b>	<b>CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>(4.12.)</b>	<b>20,824</b>	<b>24,629</b>
25.1.	Group's Income/Loss		20,824	24,629
25.2.	Minority Interest Income/Loss (-) Earnings Per Share Income/Loss (Full TL)		-	-

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 JUNE 2023**

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

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

		Reviewed Current Period 01.01.2023-30.06.2023
<b>I.</b>	<b>CURRENT PROFIT/LOSS</b>	<b>20,824</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>
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	<b>Other Comprehensive Income Reclassified Through Profit or Loss</b>	<b>-</b>
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	-
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>20,824</b>

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 JUNE 2023**

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

**5. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Notes	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						
<b>Current Period (01/01/2023 – 30/06/2023)</b>																	
<b>I. Prior Period Ending Balance</b>		1,500,000	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076	-	1,529,076
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		1,500,000	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076	-	1,529,076
<b>IV. Total Comprehensive Income (Loss)</b>		-	-	-	-	-	-	-	-	-	-	-	-	20,824	20,824	-	20,824
<b>V. Capital Increase by Cash</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital Increase by Internal Reserves</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid in Capital Inflation Adjustment Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase / Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	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)	-	-	-
<b>Balances at end of the period (III+IV+.....+X+XI)</b>	(2.11.)	1,500,000	-	-	-	-	-	-	-	-	-	29,076	-	20,824	1,549,900	-	1,549,900

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

2. Accumulated Remeasurement Gain / Loss of Defined Benefit Pension Plan

3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)

4. Foreign Currency Translation Differences

5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Asset at Fair Value Through Other Comprehensive Income

6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 JUNE 2023**

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

**6. UNCOLIDATED STATEMENT OF CASH FLOWS**

	Notes	Reviewed Current Period
		01.01.2023- 30.06.2023
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>	
<b>1.1</b>	<b>Operating Profit Before Changes in Assets and Liabilities from Banking Operations</b>	<b>(24,279)</b>
1.1.1	Profit Share Income Received	115,579
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	(68,197)
1.1.8	Taxes Paid	5,271
1.1.9	Others	(76,956)
<b>1.2</b>	<b>Changes in Assets and Liabilities from Banking Operations</b>	<b>(749,656)</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(788,909)
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	23,282
1.2.5	Net Increase (Decrease) in Bank Deposits	-
1.2.6	Net Increase (Decrease) in Other Deposits	-
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	15,971
<b>I.</b>	<b>Net Cash Provided From / (Used in) Banking Operations</b>	<b>(773,935)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
<b>II.</b>	<b>Net Cash Provided from / (Used in) Investing Activities</b>	<b>(30,011)</b>
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	(21,044)
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	-
2.8	Cash Obtained from Sale of Investment Securities	-
2.9	Other	(8,967)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
<b>III.</b>	<b>Net Cash Provided from / (Used in) Financing Activities</b>	<b>(255)</b>
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	(255)
3.6	Other	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>4,221</b>
<b>V.</b>	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(799,980)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>1,493,990</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>694,010</b>

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

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
**NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2023**

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

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**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 June 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 June 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.

Since the Bank obtained its operating license after 30 June 2022, previous period Income Statement, Profit or Loss and Other Comprehensive Income Statement, Statement of Changes in Equity and Cash flow statement and related footnotes are not presented.



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**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 June 30, 2023, the Bank has no subsidiaries or affiliates.

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

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

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

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

**5. Explanations on profit share income and expense**

As of June 30, 2023, the Bank has not yet actually started fund collection and fund disbursement. Within the scope of the evaluation of its equity, the Bank enters into murabaha and investment proxy transactions with other participation banks. Dividend income derived from them is recorded in the records on an accrual basis and is recognized in the dividend income account in the financial statements. The Bank is also critical of the investment funds entry document buying/selling environment, and on 30 June 2023, the funds in its portfolio have been valued at the end-of-period market value and the related income has been accounted for in capital economy transaction profits.

As of June 30, 2023, the Bank has a profit share expense of TL 255 (December 31, 2022- None) arising from the operating lease.

**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.

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**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.

As of 30 June 2023, the Bank has investment funds participation certificates amounting to TL 805,628 (31 December 2022-None) as financial assets at fair value through profit or loss.

**7.2 Financial assets at fair value through other comprehensive income**

A financial asset is classified as at fair value through other comprehensive income when the asset is managed within a business model whose objective is achieved by collecting contractual cash flows and selling the financial asset, as well as when the contractual terms of the financial asset give rise on specified dates to cash flows are solely payments of principal and profit share on the principal amount.

During initial recognition an entity can make an irrevocable election regarding the presentation of the subsequent changes in the fair value of the investment in an equity instrument, that is not held for trading purposes, in the other comprehensive income. In the case that the entity elects to present the changes as described, dividends arising from the investment is accounted in the financial statements as profit or loss.

As of 30 June 2023, the Bank has no financial assets at fair value through other comprehensive income.

**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.

As of 30 June 2023, the Bank has no financial assets measured at amortized cost.

**7.4 Derivative financial assets**

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

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**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".

As of June 30, 2023, the Bank has no loan transactions.

**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 June 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.

**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 prior as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

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**12. Explanations on tangible assets**

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

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

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**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.

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**16. Explanations on taxation**

***Current Tax***

While corporate earnings in Turkey are subject to corporate tax at the rate of 20%; in accordance with the regulation introduced by the Law No. 7394 "On the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law and the Law on the Amendment of Some Laws and Decree Laws", the rate applied to banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be applied as 25% for corporate earnings of the taxation period of 2022 and after periods.

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.

75% of the earnings arising from the sale of the founder's shares, beneficial ownership shares and priority rights held by the corporations for the same period as the subsidiary shares in their assets for at least two full years and 50% of the gains arising from the sale of the immovable properties in their assets for the same period; It is exempted from corporate tax, provided that it is held in a special fund account in the passive until the end of the fifth year following the year in which the sale is made and collected until the end of the second calendar year.

Institutions that are in legal proceedings due to their debts to banks, leasing or financing companies or that are in debt to the Savings Deposit Insurance Fund and their guarantors and mortgage lenders have immovable properties, subsidiary shares, founding deeds and beneficial ownership rights that hit the portion of the proceeds from the transfer of such debts to banks, leasing or financing companies or to this Fund in exchange for such debts. All of the earnings and 50% of the gains arising from the sale of immovable properties from the said assets obtained by banks, leasing or financing companies in this way and 75% of the gains arising from the sale of others are exempted from corporate tax.

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**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 March 31, 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.

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**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 explained under the heading of Current Tax, the corporate tax rate is determined in accordance with the regulation introduced by the Law No. 7394 "On the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law and the Law on the Amendment of Some Laws and Decree Laws", this rate is paid to banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies are set at 25% to be applied to corporate earnings for the taxation period. For this reason, as of March 31, 2023, the Bank calculated deferred tax at the rate of 25% for assets and liabilities.

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 June 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 June 30, 2023, the Bank has no availed drafts and acceptance transactions.

**20. Explanations on government grants**

As of June 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.



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**SECTION FOUR**

**INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

**1. Explanations on Equity Items**

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of June 30, 2023, Bank’s total capital has been calculated as TL 1,504,213 (31 December 2022: TL 1,499,709), capital adequacy ratio is 617% (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 21.12.2021, numbered 9996 and dated 31.01.2023, 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 30.12.2022.

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**1.1 Components of Total Capital:**

	<b>Current Period Amount</b>	<b>Prior Period Amount</b>
<b>COMMON EQUITY TIER I CAPITAL</b>		
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	20,824	29,076
Current Period Profit	20,824	29,076
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
<b>Common Equity Tier I Capital Before Deductions</b>	<b>1,549,900</b>	<b>1,529,076</b>
<b>Deductions From Common Equity Tier I Capital</b>		
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	45,687	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	-	-
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 (-)	-	-
<b>Total Deductions from Common Equity Tier I Capital</b>	<b>45,687</b>	<b>29,367</b>
<b>Total Common Equity Tier I Capital</b>	<b>1,504,213</b>	<b>1,499,709</b>

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<b>ADDITIONAL TIER I CAPITAL</b>		
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)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions From Additional Tier I Capital</b>		
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 (-)	-	-
<b>Items To Be Deducted from Tier I Capital During the Transition Period</b>		
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 (-)	-	-
<b>Total Deductions from Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)</b>	<b>1,504,213</b>	<b>1,499,709</b>
<b>Tier II Capital</b>		
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)	-	-
<b>Tier II Capital before deductions</b>	-	-
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	-	-
<b>Total Equity (Total Tier I And Tier II Capital)</b>	<b>1,504,213</b>	<b>1,499,709</b>

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<b>Total Tier I Capital and Tier II Capital (Total Equity)</b>		
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 (-)	-	-
<b>Items to be Deducted from The Sum of Tier I and Tier II Capital (Capital) During the Transition Period</b>	-	-
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 (-)	-	-
<b>Capital</b>	-	-
Total Capital (Total of Tier I Capital and Tier II Capital)	1,504,213	1,499,709
Total Risk Weighted Assets	243,947	329,966
<b>Capital Adequacy Ratios</b>	-	-
CET1 Capital Ratio (%)	617%	%455
Tier I Capital Ratio (%)	617%	%455
Capital Adequacy Ratio (%)	617%	%455
<b>Buffers</b>	-	-
Bank-Specific Total CET1 Capital Ratio	4	4
Capital Conservation Buffer Ratio (%)	4	4
Systemic Significant Bank Buffer Ratio (%)	-	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	% 152	%447
<b>Amounts Lower Than Excesses as Per Deduction Rules</b>	-	-
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	-	-
<b>Limits For Provisions Used in Tier II Capital Calculation</b>		
General Loan Provisions for Exposures in Standard Approach (Before Limit of One Hundred and twenty-five Per Ten Thousand)	-	-
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	-	-
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	-	-
<b>Debt Instruments Covered by Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)</b>		
Upper Limit for Additional Tier I Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-

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**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 June 2023, the Bank has a balance sheet net close position of TL 11,084 (31 December 2022 – TL 15,172 closed) off-balance sheet position.

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

	21/06/2023	22/06/2023	23/06/2023	26/06/2023	27/06/2023	Balance Sheet Valuation Rate
<b>USD</b>	23.5493	23.6239	25.2505	25.8231	25.8231	25.8231
<b>EURO</b>	25.7113	25.9732	27.4579	28.1540	28.1540	28.1540

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):

	Monthly average FC purchase rate
<b>USD</b>	23.2789
<b>EURO</b>	25.1986

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**3. Explanations on currency risk (continued)**

**Currency risk of the Bank**

	<b>Euro</b>	<b>USD</b>	<b>Other FC</b>	<b>Total</b>
<b>Current Period</b>				
<b>Assets</b>				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-
Banks (*****)	1	11,083	-	11,084
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans and finance lease receivables	-	-	-	-
Subsidiaries, associates and joint ventures (**)	-	-	-	-
Financial assets at amortized cost	-	-	-	-
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	-	-	-	-
<b>Total assets</b>	<b>1</b>	<b>11,083</b>	<b>-</b>	<b>11,084</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	-	-	-	-
Current and profit-sharing accounts FC	-	-	-	-
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net balance sheet position	<b>1</b>	<b>11,083</b>	<b>-</b>	<b>11,084</b>
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
<b>Prior Period</b>				
Total assets	4	15,168	-	15,172
Total liabilities	-	-	-	-
Net balance sheet position	<b>4</b>	<b>15,168</b>	<b>-</b>	<b>15,172</b>
Net off-balance sheet position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio: Not Available.

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions: Not Available.

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**3. Explanations on currency risk (continued)**

**Sensitivity to exchange rate risk**

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

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%	1,108	1,517	1,108	1,517
Euro	10%	-	-	-	-

**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 June 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.

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**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. As of 30 June 2023 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 ISEDES, Budget, etc. and integrated with risk appetite metrics. Stress test results are reported to APKO.



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**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.

The Current Period and Previous Period Liquidity Coverage Ratio tables have not been prepared due to the fact that the Bank has not yet commenced banking activities as of June 30, 2023, and that the necessary system installation and external integration studies have been carried out in order to start banking activities only, as well as the fact that it has no activities other than the evaluation of capital in murabaha and investment proxy transactions, through the buying/selling of mutual funds in portfolio management companies in other participation banks.

**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
<b>Assets</b>								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	-	-	-	-	-	-	-	-
Banks (*)	8,577	691,409	-	-	-	-	-	699,986
Financial assets at fair value through profit and loss	805,628	-	-	-	-	-	-	805,628
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Loans	-	-	-	-	-	-	-	-
Financial assets measured with amortized cost	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	90,394	90,394
<b>Total assets</b>	<b>814,205</b>	<b>691,409</b>	-	-	-	-	<b>90,394</b>	<b>1,596,008</b>
<b>Liabilities</b>								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit-sharing accounts	-	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	21,974	-	-	-	-	-	21,974
Other Liabilities	-	-	-	-	-	-	1,574,034	1,574,034
<b>Total Liabilities</b>	-	<b>21,974</b>	-	-	-	-	<b>1,574,034</b>	<b>1,596,008</b>
Net liquidity gap	814,205	669,435	-	-	-	-	(1,483,640)	-
<b>Prior Period</b>								
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.

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**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:

<b>On-balance sheet assets (*)</b>		<b>Current Period</b>	<b>Prior Period</b>
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	1,575,590	1,569,110
2	(Assets amounts deducted in determining Basel III Tier I Capital)	40,944	32,018
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	1,534,646	1,537,092
<b>Derivative financial instruments and credit derivatives</b>			
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)	-	-
<b>Securities or commodity financing transactions (SCFT)</b>			
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)	-	-
<b>Other off-balance sheet transactions</b>			
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)	-	-
<b>Capital and total risks</b>			
13	Tier I Capital	1,495,883	1,499,709
14	Total risks (sum of lines 3, 6, 9 and 12)	1,534,646	1,537,092
<b>Leverage ratio</b>			
15	Leverage ratio	97.5	97.5

The leverage ratio calculated unconsolidated balance sheet date was 97.5% (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.

**Representation of certain balance sheet and income statement items by operating segments**

**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).

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**10. Explanations on risk management**

Explanations according to “Communiqué on Public Disclosures about Risk Management” published on the Official Gazette No.29511 dated October 23, 2015 are included below.

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

**10.1.1. The Bank's approach to risk management**

The purpose of risk management policies is to define, measure, report, monitor and control the risks that the Bank is exposed to on the basis of risk type as a result of its activities.

At a minimum, the following points are taken into account in the creation of internal regulations regarding risk management:

- 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 past experience and performance of the bank,
- The level of expertise of the managers of the departments that carry out the activities on the subjects related to their fields,
- Obligations envisaged in the law and other relevant legislation.

Risk management activities, risks exposed and risks arising from the transactions carried out with the risk group that the Bank is included in; It consists of timely and comprehensive definition, measurement, monitoring, control and reporting activities.

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

It is the responsibility of the Board of Directors to ensure that the bank's risk profile does not go beyond the risk limits and that the realized values are monitored by the Bank's Senior Management. Limit usages are closely monitored, and limit exceedances are promptly reported to the Senior Management in order to take necessary measures.

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

The risk appetite structure expresses the level of risk that the Bank is willing to bear in order to realize its targets and strategies, taking into account its risk capacity. risk appetite; risk types and main indicators and other levels deemed necessary, allocated and approved by the Board of Directors. The risk appetite structure is reviewed when deemed necessary, at least once a year.

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**10.Explanations on risk management (continued)**

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

- The structure, volume and complexity of the activities,
- The need for the model or method,
- Assumptions of the method or model,
- Availability of data to be used,
- Availability of information systems,
- Experience of the staff.

The control methodology for the risk limits defined in the Bank's risk appetite is based on the triple line approach. It is essential that a strong risk culture is established and that a good communication infrastructure is established between the three lines in question.

The Bank's personnel and departments at all levels are responsible for managing the risks that arise or may occur during the execution of the transactions they perform. The first level controls refer to the controls made by the employee himself to manage the risks arising from the activities during the execution of the transaction. While the bank staff performs the first level checks;

- Compliance of transactions with risk appetite and risk limits,
  - In case of detection of exceeding the limit, informing the relevant persons and the Senior Management and taking the necessary actions regarding the exceeding,
  - To carry out transactions within the framework of rules designed in accordance with the procedures.
- provides.

Second-level controls refer to controls performed by non-executive departments that are exclusively assigned to perform control activities (Internal Control and Risk Management departments, etc.). Second-level controls are performed by testing and reporting the effectiveness of controls made by first-level departments.

Third level controls refer to the inspection, investigation and audit activities carried out by the Board of Inspection as an internal audit function. The Board of Inspectors provides assurance to the Board of Directors regarding the effectiveness and adequacy of the internal control and risk management systems, and that the Bank's activities are carried out in line with the Law and other relevant legislation and in-house strategies, policies, principles and targets.

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**10.Explanations on risk management (continued)**

**10.1.2 Overview of risk-weighted amounts**

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/06/2023	Prior Period 31/12/2022	Current Period 30/06/2023
1	Credit risk (excluding counterparty credit risk) (CCR)	179,851	314,794	14,388
2	Standardized approach (SA)	179,851	314,794	14,388
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	64,096	15,172	5,128
17	Standardized approach (SA)	64,096	15,172	5,128
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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>243,947</b>	<b>329,966</b>	<b>19,516</b>

(\*) Excluding the investments made in CIC and the amounts below the discount thresholds from own funds

**10.2 Links to financial statements and risk amounts**

Not prepared in accordance with the Communiqué on Public Disclosures on Risk Management by Banks.

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**10. Explanations on risk management (continued)**

**10.3 Issues to be disclosed to the public regarding credit risk**

**10.3.1 General Information on Credit Risk**

**10.3.1.1 General qualitative information on credit risk**

Credit risk is generally the possibility of loss that the Bank may encounter due to the fact that the counterparty of the transaction does not comply with the requirements of the contract with the Bank and does not fulfill its obligation partially or completely on time.

The Credit Risk Management Process ensures the identification, measurement and management of the credit risks involved in all of the Bank's products and activities. Its main objective is to ensure the healthy and effective functioning of the loan function and to ensure that the asset quality is compatible with the Bank's objectives and risk appetite.

Required management environment for credit risk, determination of acceptable risk level and risk limits, avoidance of risk concentration, establishment of credit risk assessment processes for new products and services, regulation of delegation of authority, monitoring of credit quality through obtaining comprehensive information about borrowers and their activities in the lending process, It is ensured by methods such as careful evaluation and monitoring of the remaining risks, and applying risk-reducing factors such as collateral and guarantees.

The bank's credit policies are determined in the "Regulation on Individual Loans" and "Regulation on SME and Corporate Loans" and approved by the Board of Directors. If deemed necessary, it is updated within the framework of the bank's financial position, market conditions, strategy and equity level.

Controlled growth of the loan portfolio is the main target in credit risk management. The entire monitoring of whether the lending process is carried out in accordance with the principles of the relevant loans regulation, measurement and analysis of the credit risk is provided by the Risk Management Department.

The amount subject to credit risk is the amount to be taken into account in determining the amount of equity that should be kept against losses that may be exposed due to credit risk in the calculation of the capital adequacy standard ratio in accordance with the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks". The amount subject to credit risk is calculated using either the standard approach or the internal rating-based approach. However, economic (internal) capital can also be used to measure credit risk.

In addition to the measurement method used in legal capital calculation, measurement of credit risk in the Bank, credit regulations, general risk management and efficiency of processes, risk rating systems (rating and scoring models), decision support systems, İSEDES, risk appetite, stress tests, portfolio analyzes (quality, trend, etc.), delays in repayments, management of non-performing loans, loan portfolio trends, loan loss provision, credit risk concentrations (concentration on parameters such as borrower, sector, loan type, collateral, country, maturities, currency, etc.).

In order to manage credit risk effectively and proactively, limits have been determined within the scope of risk appetite, and in case of exceeding limit risk compliance is closely monitored, the relevant departments are informed and necessary actions are taken.

Measurement, monitoring and credit analysis activities and results and recommendations regarding credit risk are reported to the Board of Directors through the Audit Committee and also to the Senior Management of the Credit Committee.

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**10. Explanations on risk management (continued)**

**10.3.1.2 Credit quality of assets**

Current Period	Gross Carrying Calue in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values
	Defaulted	Non-defaulted		
1 Loans	-	-	-	-
2 Debt Securities	-	805,628	-	805,628
3 Off-balance sheet exposures	-	-	-	-
<b>4 Total</b>	-	805,628	-	805,628

Prior Period	Gross Carrying Calue in Financial Statements Prepared in Accordance with Turkish Accounting Standards (TAS)		Allowances/ amortization and impairments	Net Values
	Defaulted	Non-defaulted		
1 Loans	-	-	-	-
2 Debt Securities	-	-	-	-
3 Off-balance sheet exposures	-	-	-	-
<b>4 Total</b>	-	-	-	-

**10.3.1.3. Changes in the stock of defaulted receivables and debt instruments**

	Current	Prior Period
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	-	-
2 Loans and debt securities that have defaulted since the last reporting period	-	-
3 Receivables back to non-defaulted status	-	-
4 Amounts written off	-	-
5 Other changes	-	-
<b>6 Defaulted loans and debt securities at end of the reporting period</b>	-	-

**10.3.1.4 Additional disclosures on the credit quality of assets**

Not prepared in accordance with the Communiqué on Public Disclosures on Risk Management by Banks.

**10.3.2. Credit risk mitigation**

**10.3.2.1. Credit risk mitigation techniques:**

During the lending process, the Bank considers the cash flow of the activity or investment subject to the loan as the primary repayment source.

The calculation of the margin amount is based on the margins determined by the market and currency risk. Standard margins applied throughout the bank are specific to the type of collateral and may vary depending on the type of loan and the currency used.

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**10. Explanations on risk management (continued)**

**10.3.2.1 Qualitative requirements to be disclosed to the public regarding credit risk mitigation techniques (continued)**

In case the loan is established with a guarantee condition, the guarantees must be entered into the Banking system. The loan disbursement is realized as a result of systematically comparing the notification conditions regarding the loan with the collaterals. The current value of the collateral is monitored in terms of collateral type. In the credit risk monitoring process, the collateral-risk balance is checked as well as the credit worthiness of the customer.

Within the scope of capital adequacy ratio calculations, the credit risk that the Bank is exposed to and the credit risk mitigation techniques used to reduce this risk are taken into account within the standards specified in the legislation. Credit risk reduction is made according to the comprehensive financial collateral method, in which the risk reduction effects are calculated over the volatility adjusted values of financial collaterals. Standard risk weights are applied to the unprotected part after risk reduction techniques are applied. Cash or similar assets, real estate mortgages, debt instruments with high credit quality and Treasury-backed Credit Guarantee Fund guarantees are used to mitigate credit risk.

<b>Current Period</b>	<b>Exposures unsecured</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures Secured by Financial Guarantees, of which: Secured Amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
Loans	-	-	-	-	-	-	-
Debt securities	805,628	-	-	-	-	-	-
<b>Total</b>	<b>805,628</b>	-	-	-	-	-	-
Of which defaulted (*)	-	-	-	-	-	-	-

(\*) Defaulted amounts are given as gross.

<b>Prior Period</b>	<b>Exposures unsecured</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures Secured by Financial Guarantees, of which: Secured Amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
Loans	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-
Of which defaulted (*)	-	-	-	-	-	-	-

(\*) Defaulted amounts are given as gross.



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**10. Explanations on risk management (continued)**

**10.3.3.2 Standard approach - Exposure credit risk and credit risk mitigation effects**

	Current Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Groups	Off-balance sheet amount	Off-balance sheet amount	On-balance sheet Amount	Off-balance sheet amount	Risk-weighted amount	Risk-weighted amount density
1	Exposures to sovereigns and their central banks	-	-	-	-	-	-
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	695,941	-	695,941	-	139,188	20.00%
7	Exposures to corporates	-	-	-	-	-	-
8	Retail exposures	212	-	212	-	159	75.00%
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-
12	Exposures in higher-risk categories by the Board	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	90,181	-	90,181	-	40,504	44.91%
17	Equity investments	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	<b>786,334</b>	<b>-</b>	<b>786,334</b>	<b>-</b>	<b>179,851</b>	<b>22.87%</b>

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	Prior Period	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Groups	Off-balance sheet amount	Off-balance sheet amount	On-balance sheet Amount	Off-balance sheet amount	Risk-weighted amount	Risk-weighted amount density
1	Exposures to sovereigns and their central banks	-	-	-	-	-	-
2	Exposures to regional and local governments	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to banks and securities firms	1,525,502	-	1,525,502	-	305,100	20.00%
7	Exposures to corporates	-	-	-	-	-	-
8	Retail exposures	164	-	164	-	123	75.00%
9	Exposures secured by residential property	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-
12	Exposures in higher-risk categories by the Board	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-
16	Other exposures	-	-	-	-	-	-
17	Equity investments	-	-	-	-	-	-
<b>18</b>	<b>Total</b>	-	-	-	-	-	-

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**10.3.3.3 Standardised Approach-Exposures by Risk Classes and Risk Weights:**

Current Period	Risk Weights											
	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Other	Total
<b>Risk Groups</b>												
1 Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-	-
3 Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to banks and securities firms	-	-	-	695,941	-	-	-	-	-	-	-	695,941
7 Exposures to corporates	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail exposures	-	-	-	-	-	-	-	212	-	-	-	212
9 Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10 Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11 Past-due loans	-	-	-	-	-	-	-	-	-	-	-	-
12 Exposures in higher-risk categories by the Board	-	-	-	-	-	-	-	-	-	-	-	-
13 Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14 Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15 Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
16 Equity investments	-	-	-	-	-	-	-	-	-	-	-	-
17 Other exposures	49,677	-	-	-	-	-	-	-	40,504	-	-	90,181
<b>18 Total</b>	<b>49,677</b>	<b>-</b>	<b>-</b>	<b>695,941</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>212</b>	<b>40,504</b>	<b>-</b>	<b>-</b>	<b>786,334</b>

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Prior Period	Risk Weights											Total
	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Other	
<b>Risk Groups</b>												
1	Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-	-	-
2	Exposures to regional and local governments	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to banks and securities firms	-	-	-	1,525,502	-	-	-	-	-	-	1,525,502
7	Exposures to corporates	-	-	-	-	-	-	-	-	-	-	-
8	Retail exposures	-	-	-	-	-	-	164	-	-	-	164
9	Exposures secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10	Exposures secured by commercial property	-	-	-	-	-	-	-	-	-	-	-
11	Past-due loans	-	-	-	-	-	-	-	-	-	-	-
12	Exposures in higher-risk categories by the Board	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Equity investments in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	32,143	-	-	-	-	-	-	9,570	-	-	41,713
<b>18</b>	<b>Total</b>	<b>32,143</b>	<b>-</b>	<b>-</b>	<b>1,525,502</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>9,570</b>	<b>-</b>	<b>1,567,379</b>

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**10. Explanations on risk management (continued)**

**10.4 Matters to be disclosed regarding counterparty credit risk (CCR)**

**10.4.1 Qualitative explanations regarding KKR**

Counterparty credit risk management policies are the evaluation and monitoring of the developments in risks, taking the necessary precautions, establishing risk limits, ensuring that the limits are kept within the determined limits, and establishing the necessary reporting, control and audit systems, by using methods in accordance with international standards and local regulations. Policies regarding the measurement and monitoring of counterparty credit risk and setting limits are determined by the Board of Directors.

Counterparty credit risk related to derivative transactions is periodically monitored and reported by the Risk Management Department on the basis of product, country, counterparty type and counterparty.

**10.4.2 Evaluation of CCR according to measurement methods**

	Current Period	Replacement Cost	Potential Future Exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
1	Standardised Approach -CCR (for derivatives)	-	-	-	-	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	-

	Prior Period	Replacement Cost	Potential Future Exposure	EEPE (Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	Exposure after Credit Risk Mitigation	Risk Weighted Amounts
1	Standardised Approach -CCR (for derivatives)	-	-	-	-	-	-
2	Internal Model Method (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
5	Value-at-Risk (VaR) (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)	-	-	-	-	-	-
6	<b>Total</b>	-	-	-	-	-	-

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**10.4.3 Capital requirement for credit valuation adjustments (CVA)**

	Current Period		Prior Period	
	Risk Amounts	Risk Weighted Amounts	Risk Amounts	Risk Weighted Amounts
Total portfolio value with standardized approach CVA capital charge	-	-	-	-
1 (i) Value-at-risk component (including 3*multiplier)	-	-	-	-
2 (ii) Stress value-at-risk (including 3* multiplier)	-	-	-	-
3 Total amount of portfolios subject to KDA capital requirement according to the standard method	-	-	-	-
4 Total subject to the CVA capital charge	-	-	-	-

**10.4.4 CCR exposures by risk class and risk weights:**

Current Period	Risk Weights								Total Credit Exposure(*)
	0 %	10 %	20 %	50 %	75 %	100 %	150 %	Other	
<b>Risk Groups</b>	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and securities firms	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Other Exposures (**)	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-
Prior Period	Risk Weights								Total Credit Exposure(*)
	0 %	10 %	20 %	50 %	75 %	100 %	150 %	Other	
<b>Risk Groups</b>	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-	-	-	-	-
Conditional and unconditional exposures to banks and securities firms	-	-	-	-	-	-	-	-	-
Exposures to corporates	-	-	-	-	-	-	-	-	-
Retail exposures	-	-	-	-	-	-	-	-	-
Other Exposures (**)	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-

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**10.4.5 Collaterals Used for Counterparty Credit Risk:**

Current Period	Collateral used in derivative transactions				Collateral used in other transactions	
	Received		Given		Received Collateral	Given Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Domestic Currency	-	-	-	-	-	-
Cash-Other Currencies	-	-	-	-	-	-
Government bonds/bonds-domestic	-	-	-	-	-	-
Government bonds/bonds-domestic	-	-	-	-	-	-
Public institution bonds/bonds	-	-	-	-	-	-
Corporate bonds/bonds	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Other guarantee	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

rior Period	Collateral used in derivative transactions				Collateral used in other transactions	
	Received Collateral		Given Collateral		Received Collateral	Given Collateral
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-Domestic Currency	-	-	-	-	-	-
Cash-Other Currencies	-	-	-	-	-	-
Government bonds/bonds-domestic	-	-	-	-	-	-
Government bonds/bonds-domestic	-	-	-	-	-	-
Public institution bonds/bonds	-	-	-	-	-	-
Corporate bonds/bonds	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Other guarantee	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

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**10.4.6 Credit derivatives**

	<i>Current Period</i>		<i>Prior Period</i>	
	<i>Protection Bought</i>	<i>Protection Sold</i>	<i>Protection Bought</i>	<i>Protection Sold</i>
<b>Nominal</b>	-	-	-	-
Single reference borrower credit default swaps	-	-	-	-
Index credit default swaps	-	-	-	-
Total credit swaps	-	-	-	-
Credit options	-	-	-	-
Other credit derivatives	-	-	-	-
<b>Total Nominal</b>	-	-	-	-
<b>Fair Value</b>	-	-	-	-
Positive fair value (asset)	-	-	-	-
Negative fair value (liability)	-	-	-	-

**10.4.7 Risks to CCP**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Post CRM risk exposure</b>	<b>RWA</b>	<b>Post CRM risk exposure</b>	<b>RWA</b>
<b>Exposure to Qualified Central Counterparties (QCCPs) (total)</b>	-	-	-	-
Exposures for trades at WCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities Financing Transactions	-	-	-	-
(iv) Netting sets where cross-product has been approved	-	-	-	-
Non-segregated initial margin	-	-	-	-
Segregated initial margin	-	-	-	-
Paid guarantee fund amount	-	-	-	-
Unpaid guarantee fund commitment	-	-	-	-
<b>Exposures to non-QCCPs (total)</b>	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities Financing Transactions	-	-	-	-
(iv) Netting sets where cross-product has been approved	-	-	-	-
Non-segregated initial margin	-	-	-	-
Segregated initial margin	-	-	-	-
Paid guarantee fund amount	-	-	-	-
Unpaid guarantee fund commitment	-	-	-	-



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**10.5 Explanations on securitizations:**

Not prepared in accordance with the Communiqué on Public Disclosures on Risk Management by Banks

**10.6 Matters to be disclosed to the public regarding market risk**

**10.6.1 Qualitative information to be disclosed to the public regarding market risk**

In order for the Bank to carry out the market risk management in a healthy and effective manner, it is ensured that sufficient and competent personnel are employed, that the authorities, roles and limits are determined clearly and necessary controls are established. In this context, the types of controls specified in the examples below are carried out.

- Compliance of transactions with the restrictions approved by the legal authority and the Board of Directors is checked.
- Necessary notifications are made in case of exceeding the limit.
- The actions to be taken after the limit is exceeded are checked.
- By performing stress test analyzes on market risk, appropriate capital levels are maintained against unexpected losses.
- Necessary measures are taken to reduce the currency risk, if any, of the Bank.

Calculation of the amount subject to market risk is calculated with the standard method within the scope of the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”.

Within the scope of the calculation, there are securities held for trading, derivative products followed at fair value in the financial statements, and currency and commodity risk calculated over the entire balance sheet. The amount subject to market risk is calculated by multiplying the sum of profit share rate risk, currency risk (including gold), commodity risk capital liabilities calculated according to the standard method by twelve and a half.

The reports submitted to the Senior Management regarding market risk include information on the excesses that have occurred within the determined limits, which causes the bank's risk to increase within the scope of market risk as a bank, and the actions taken regarding these issues.

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**10.6.1 Qualitative information to be disclosed to the public regarding market risk (Continued)**

Transactions for trading purposes at the bank are monitored within the limits approved by the Board of Directors. For the purpose of market risk mitigation technique, compliance with the risk limits determined within the scope of treasury transaction limits and risk appetite determined by the Bank's Board of Directors is monitored. In case of exceeding the limits, the relevant departments are informed and necessary actions are taken.

Market risk issues are reported to the Board of Directors as well as to the relevant senior management and business division managers through the Audit Committee. Compliance with limits and policies is monitored.

		Current Period	Prior Period
		RWA	RWA
<b>Outright Products</b>		64,096	15,172
1	Interest rate risk (general and specific)	53,012	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	11,084	15,172
4	Commodity risk	-	-
Options		-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisations	-	-
9	<b>Total</b>	<b>64,096</b>	<b>15,172</b>

**10.7 Issues to be disclosed to the public regarding operational risk**

Not prepared in accordance with the Communiqué on Public Disclosures on Risk Management by Banks.

**10.8 Issues to be disclosed to public regarding profit share rate risk in banking accounts**

Not prepared in accordance with the Communiqué on Public Disclosures on Risk Management by Banks.

**11. Securitization positions**

Not available.

**12. Qualitative information to be disclosed about 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.

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**13. Explanations on Business Segments**

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

**Specific balance sheet and income statement items according to segments**

<b>Current Period</b> <b>1 January 2023-30 June 2023</b>	<b>Retail</b> <b>Banking</b>	<b>Corporate and</b> <b>Commercial</b> <b>banking</b>	<b>Treasury and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Bank's total</b> <b>operation</b>
Operating income	-	-	-	176,190	176,190
Operating expenses (-)	-	-	-	158,283	158,283
<b>Net operating income(loss)</b>	-	-	-	17,907	17,907
<b>Income (loss) before tax</b>	-	-	-	17,907	17,907
Provision for taxation (-)	-	-	-	(2,917)	(2,917)
<b>Net income for the period</b>	-	-	-	20,824	20,824
<b>Current Period</b>					
<b>30 June 2023</b>					
Segment assets	-	-	-	-	-
Undistributed assets	-	-	-	1,596,008	1,596,008
<b>Total assets</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,596,008</b>	<b>1,596,008</b>
Segment liabilities	--	--	--	--	--
Undistributed liabilities	--	--	--	46,108	46,108
Shareholders' equity	--	--	--	1,549,900	1,549,900
<b>Total liabilities</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,596,008</b>	<b>1,596,008</b>

**13. Explanations on Business Segments**

**Specific balance sheet and income statement items according to segments**

<b>Prior Period</b> <b>1 January 2022 – 30 June 2022</b>	<b>Retail</b> <b>Banking</b>	<b>Corporate and</b> <b>Commercial</b> <b>banking</b>	<b>Treasury and</b> <b>international</b> <b>banking</b>	<b>Unallocated</b>	<b>Bank's total</b> <b>operation</b>
Operating income	-	-	-	-	-
Operating expenses (-)	-	-	-	-	-
<b>Net operating income(loss)</b>	-	-	-	-	-
<b>Income (loss) before tax</b>	-	-	-	-	-
Provision for taxation (-)	-	-	-	-	-
<b>Net income for the period</b>	-	-	-	-	-
<b>Prior Period</b>					
<b>31 December 2022</b>					
Segment assets	-	-	-	-	-
Undistributed assets	-	-	-	1,569,110	1,569,110
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,569,110</b>	<b>1,569,110</b>
<b>Prior Period</b>					
<b>31 December 2022</b>					
Segment liabilities	-	-	-	-	-
Undistributed liabilities	-	-	-	40,034	40,034
Shareholders' equity	-	-	-	1,529,076	1,529,076
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,569,110</b>	<b>1,569,110</b>

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**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**

None (31 December 2022 – None).

**1.1.2 Balances with the Central Bank of Turkey**

None (31 December 2022 – None).

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

On 22 May 2023, the Bank purchased a mutual fund participation certificate and classified it for trading purposes. As of 30 June 2023, the amount of the said account is TL 805,628 (31 December 2022 – None).

**a) Information on financial assets at fair value through profit or loss, subject to repo transactions, given as collateral, blocked as of 30 June 2023.**

None (31 December 2022 – None).

**b) Statement of positive differences related to derivative financial assets held for trading**

None (31 December 2022 – None).

**1.3 Information on Banks**

**1.3.1 Information on Banks**

	Current period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	688,902	11,084	1,512,062	15,172
Domestic	688,902	11,084	1,512,062	15,172
Foreign	-	-	-	-
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	688,902	11,084	1,512,062	15,172

The Bank has allocated TL 481 (31 December 2022: None) expected loss provision for the relevant amount.

**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).

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**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**

None (31 December 2022 – None).

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

None (31 December 2022 – None).

**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.

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

None (31 December 2022 – None).

**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**

None (31 December 2022 – None).

**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).

**1.5.10 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).

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**1. Explanations and notes related to assets (continued)**

**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).

**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**

None (31 December 2022 – None).

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

None (31 December 2022 – None).

**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).

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**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)

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**1.15 Information on deferred tax asset**

As of 30 June 2023, deferred tax asset and deferred tax liability have been netted off in the balance sheet within the scope of the relevant regulations. Deferred tax asset is calculated as 6,543 TL (31 December 2022 – None) and deferred tax liability is calculated as 6,278 TL (31 December 2022 – 2,652 TL). Net deferred tax asset TL 265 (December 31, 2022 - TL 2,652 net deferred tax liability).

	Cari Dönem	Önceki Dönem
Employee Rights Obligation	700	-
Severance Pay Liability	1,443	-
Deferred Income	-	-
Provisions for Impairment of Fixed Asset and Disposal Securities of Subsidiaries	-	-
Derivative Financial Instruments Rediscounts	-	-
TFRS 9 provisions	121	-
Precious Metal Valuation Difference	-	-
Securities Valuation Difference	-	-
Other	4,279	-
<b>Deferred Tax Asset</b>	<b>6,543</b>	<b>-</b>
Derivative Transactions Valuation Differences	-	-
Property, Plant and Equipment Valuation Differences	(6,278)	(2,652)
Financial Assets Valuation Differences	-	-
Precious Metal Valuation Difference	-	-
Other	-	-
<b>Deferred Tax Liability</b>	<b>(6,278)</b>	<b>(2,652)</b>
<b>Net Deferred Tax Liability</b>	<b>265</b>	<b>(2,652)</b>

Deferred tax asset movement table:

	Cari Dönem	Önceki Dönem
As of January 1	(2,652)	-
Deferred Tax (Expense)/Income	2,917	(2,652)
Deferred Tax Accounted Under Equity	-	-
<b>Deferred Tax Asset</b>	<b>265</b>	<b>(2,652)</b>

**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 12,383 (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.



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**2. Explanations and Notes Related to Liabilities**

**2.1 Information on funds collected**

**2.1.1 Information on maturity structure of funds collected:**

None (31 December 2022 – None).

**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**

None (31 December 2022 – None).

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 or legal entity up to 400 TL, 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:**

None (31 December 2022 – None).

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

None (31 December 2022 – None).

**2.2 Information on 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).

**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).

**2.4 Information on other liabilities and miscellaneous payables**

As of the balance sheet date, the Bank's other liabilities, BES and Private Health Insurance Premiums Payable 1,150 TL (December 31, 2022 – 274 TL), Payments to the Personnel 8,169 TL (31 December 2022 – 4,759 TL), and Goods and Services Purchase Fees Payable 12,655 TL (31 December 2022 – 16,039 TL), a total of 21,974 TL (31 December 2022 – 21,070)

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**2. Explanations and Notes Related to Liabilities (continued)**

**2.5 Information on finance lease payables (net):**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	-	-	-	-
1 to 4 years	5,152	4,390	-	-
More than 4 years	-	-	-	-
<b>Total</b>	<b>5,152</b>	<b>4,390</b>	<b>-</b>	<b>-</b>

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).

**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 2,802 (31 December 2022 - None) and TL 5,771 (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 19,982.83 (full TL amount) (31 December 2022 – TL 15,371 (full TL amount)). The liability is not funded, as there is no funding requirement.

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**2. Explanations and Notes Related to Liabilities (continued)**

**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.

	<b>Current Period</b>	<b>Prior Period</b>
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:

	<b>Current Period</b>	<b>Prior Period</b>
Balance at the beginning of the period	-	-
Provisions recognized during the period	2,802	-
Paid during the period	-	-
Actuarial loss	-	-
<b>Balances at the end of the period</b>	<b>2,802</b>	<b>-</b>

**2.8 Explanations on tax liability**

**2.8.1 Explanations on current tax liability**

**2.8.1.1 Information on tax provisions:**

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

**2.8.1.2 Information on taxes payable**

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Tax Payable	-	7,625
Income tax deducted from wages	3,517	3,908
Value Added Tax Payable	1,178	1,461
Taxation of marketable securities	35	44
Taxation of immovable property	-	-
Banking Insurance Transaction Tax (BITT)	979	-
Foreign Exchange Transaction Tax	-	-
Other	125	773
<b>Total</b>	<b>5,834</b>	<b>13,811</b>

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

**2.8.1.3 Information on premiums (\*)**

	<b>Current Period</b>	<b>Prior Period</b>
Social Insurance Premiums-Employer	3,068	1,206
Social Insurance Premiums-Employee	1,897	1,071
Unemployment insurance-Employer	248	149
Unemployment insurance-Employee	124	75
Other	-	-
<b>Total</b>	<b>5,337</b>	<b>2,501</b>

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

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**2. Explanations and Notes Related to Liabilities (continued)**

**2.8 Explanations on tax liability (continued)**

**2.8.1.4 Information on deferred tax liability**

As of 30 June 2023, there is no deferred tax liability (31 December 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**

	<b>Current Period</b>	<b>Prior Period</b>
Common shares	1,500,000	1,500,000
Preference shares	-	-
<b>Total</b>	<b>1,500,000</b>	<b>1,500,000</b>

**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.

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

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 .

**2.11.7 Information on marketable securities value increase fund**

None.

**2.12 Information on minority shares**

None.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**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.

**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.

**3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies**

None.

**3.1.3 Total amount of non-cash loans:**

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**  
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**4. Explanations and Notes Related to The Statement of Income**

Due to the fact that the Bank was not active during the period of June 30, 2022, there is no information for the previous period.

**4.1 Information on profit share income**

**4.1.1 Information on profit share received from loans**

None.

**4.1.2 Information on profit share received from banks**

	Current Period	
	TL	FC
The Central Bank of the Republic of Turkey	-	-
Domestic Banks	142,794	40
Foreign Banks	-	-
Branches and head office abroad	-	-
<b>Total</b>	<b>142,794</b>	<b>40</b>

**4.1.3 Information on profit share income from securities portfolio:**

None.

**4.1.4 Information on profit share income received from associates and subsidiaries**

None.

**4.2 Information on profit share given to loans used**

None.

**4.2.1 Profit share expense given to associates and subsidiaries**

None.

**4.2.2 Profit share expense paid to securities issued**

None.

**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.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**4. Explanations and Notes Related to The Statement of Income (continued)**

**4.5 Information on trading income/loss (Net)**

	<b>Current period</b>
<b>Trading profit / loss (net)</b>	<b>33,529</b>
<b>Profit</b>	<b>33,549</b>
Gain on capital market transactions	32,195
Gain on derivative financial instruments	-
Foreign exchange profit	1,354
<b>Losses (-)</b>	<b>(20)</b>
Losses on capital market transactions	-
Losses on derivative financial instruments	-
Foreign exchange losses	(20)

**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 24 TL.

**4.7 Provisions for loan losses and other receivables of the Bank**

	<b>Current Period</b>
<b>Expected Credit Loss</b>	<b>481</b>
12 month expected credit loss (Stage 1)	481
Significant increase in credit risk (Stage 2)	-
Non-performing loans (Stage 3)	-
<b>Marketable Securities Impairment Expense</b>	<b>-</b>
Financial Assets at Fair Value through Profit or Loss	-
Financial Assets at Fair Value Through Other Comprehensive Income	-
<b>Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities</b>	<b>-</b>
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
<b>Other</b>	<b>-</b>
<b>Total</b>	<b>481</b>

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**4. Explanations and Notes Related to The Statement of Income (continued)**

**4.8 Information on other operating expenses**

	<b>Current Period</b>
T.R. Central Bank EFT and FAST System Participation Share	20,000
Provision for Severance	2,802
Intangible Asset Depreciation Expenses	7,447
Tangible Fixed Asset Depreciation Expenses	1,329
Tangible Asset Impairment Expenses	-
Intangible Assets Impairment Expenses	-
Assets to be disposed off Depreciation Expenses	-
Other Operating Expenses	<b>23,517</b>
Computer Usage Expenses	9,658
Leasing Expenses Related to TFRS 16 Exceptions	2,251
Communication Expenses	2,571
Vehicle Expenses	2,213
Advertising and Advertisement Expenses	294
Stationery Expense	90
Maintenance and Repair Expenses	205
Other expenses	6,235
Audit and Consultancy Expenses	15,230
Tax and Fee Expenses	4,291
<b>Total</b>	<b>74,616</b>

**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 Bank's period; There is no current tax expense. (1 January-30 June 2022 – None), deferred tax income amounting to TL 6.543 (1 January-30 June 2022 – None) and deferred tax expense amounting to TL 3.626 (1 January-30 June 2022 – None).

**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.

**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:**

As the Bank has not actually started its banking activities as of 30 June 2023, there is no data to evaluate the Bank's ordinary banking activities performance during the period.

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

None.



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

**4.12 Informations on net income/loss (continued)**

**4.12.3 Profit/Loss attributable to minority interest:**

None.

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

As of 30 June 2023, other fees and commissions in the amount of 197 TL (1 January-30 June 2022 – None) (1 January-30 June 2021 – None) BKM (the interbank card center) consists of participation fee.

**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**

None (31 December 2022- None).

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

None (31 December 2022- None).

**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 June 2023 amounted to TL 13,728 (1 January-30 June 2022 – None).

**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.

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

The corporate tax rate that will be applied to the corporate earnings of banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies for the taxation period of 2022 and beyond While it is 25, with the Law No. 7456 published in the Official Gazette dated 15 July 2023 and numbered 32249, the corporate tax rate for banks has been determined as 30%. This rate has entered into force to start with the declarations that must be submitted as of October 1, 2023 and to be applied to the corporate earnings for the accounting periods starting from January 1, 2023.

With the Law No. 7456 published in the Official Gazette dated 15 July 2023 and numbered 32249, the tax exemption for the profits arising from the sale of immovables has been terminated as of 15 July 2023, and the exemption rate of the profits that will arise in case of the sale of immovables in the assets of the institutions before this date has been determined as 25%.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**SECTION SIX**

**OTHER EXPLANATIONS**

- 1. Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet:**  
Since the Bank has received its establishment and operating permits but has not actually commenced its banking activities as of June 30, 2023, the information reported in this period consists of the Balance Sheet and Income Statement items, which consist of the Bank's pre-activity preparatory studies and the evaluation of its shareholders' equity in instruments in accordance with the principles of participation banking.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**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 11 August 2023 is presented preceding the financial statements.

**2. Notes and disclosures prepared by the independent auditor.**

None.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**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 June 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.

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**1.2 Financial Informations Summary:**

<b>UNCONSOLIDATED BALANCE SHEET</b>	<b>30.06.2023</b>	<b>31.12.2022</b>
CASH BALANCES AND CENTRAL BANK	-	-
BANKS	700,467	1,527,234
SECURITIES	805,628	-
FINANCE LEASE RECEIVABLES (Net)	-	-
EXPECTED LOSS PROVISIONS (-)	481	-
TANGIBLE AND INTANGIBLE ASSETS (Net)	76,766	38,183
OTHER ASSETS	13,628	3,693
<b>TOTAL ASSETS</b>	<b>1,596,008</b>	<b>1,569,110</b>
FUND COLLECTED	-	-
FUNDS BORROWED	-	-
ISSUED SECURITIES	-	-
FINANCE LEASE PAYABLES (Net)	4,390	-
SUBORDINATED LOANS	-	-
OTHER LIABILITIES	41,718	40,034
EQUITY	1,549,900	1,529,076
<b>TOTAL LIABILITIES</b>	<b>1,596,008</b>	<b>1,569,110</b>
<b>UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<b>30.06.2023</b>	
PROFIT SHARE INCOME		142,834
PROFIT SHARE EXPENSE		255
NET PROFIT SHARE INCOME/EXPENSE		142,579
NET FEES AND COMMISSION INCOME/EXPENSE		(197)
PERSONNEL EXPENSES		82,931
NET TRADING INCOME / LOSS		33,529
OTHER OPERATING INCOME		24
EXPECTED CREDIT LOSS (-)		481
OTHER PROVISION EXPENSES (-)		-
OTHER OPERATING EXPENSES (-)		74,616
INCOME/ LOSS BEFORE TAX		17,907
TAX CHARGE		(2,917)
<b>CURRENT PERIOD INCOME/LOSSES</b>		<b>20,824</b>

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**1.3 Message from the Chairman of the Board**

Dear Shareholders,

In the current period, as the global inflationary pressures continue, interest rate hikes by the central banks of developed countries stand out as the main determinants of capital flows. The effects of the monetary tightening process on the financial structures of the banks and the recession concerns cause concerns about the continuation of current policies in the upcoming period. As stated in the OECD's latest June Economic Outlook Report, the global real economic growth forecast for 2023 was raised to 2.7 percent due to the decrease in inflation and China's removing of the Covid-19 restrictions. However, the fact that this rate is the lowest growth rate reached since 2008 stands before us as a remarkable result. In general, all kinds of difficulties experienced in regressing chronic core inflation to desired levels cause such low growth rates, while causing interest rates and risk perception to remain high on a global scale.

The tightening monetary policies implemented in our country as well as in the rest of the world managed to control the upward trend in inflation to some extent. We clearly see that there is a growth expectation above the global growth average in 2023, similar to the rates realized last year. At this point, the Turkish banking sector, which is ahead of its counterparts in the world, especially with its resilient structure against crises, continues to show resistance in the face of difficult economic conditions with its asset quality, sectoral ratios and equity structure, and continue to offer hope with brand new formations.

As Turkey's first digital bank, we have been carrying out our work with the same self-confidence and devotion since March 23, 2023, when we received our operating license. As one of the newest members of the Turkish Banking Sector, we fully believe that our Bank, with its strong capital and information systems infrastructure, will contribute significantly to the growth and digitalization of the sector.

At this point, I would like to express my gratitude to all our stakeholders, especially our valuable employees, who contributed to the establishment of our Bank.

Best regards,

**Ahmet Yahya KİĞİLİ**  
Chairman of the Board

**HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ**  
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**1.4 Message from the CEO**

Dear Shareholders and Members of the Board of Directors

As Turkey's first digital bank, Hayat Finans aims to provide our customers with an end-to-end financial technology experience where they can seamlessly complete all financial processes over digital platforms, and with this aspect, we aim to contribute to the financial technology transformation of our country. In this journey, we will focus on creating economic added value for our stakeholders thanks to our bank's strong capital structure and shareholder support, and we will prioritize keeping our financial structure resilient against possible external factors.

As Hayat Finans, we care about contributing to the innovative and future-oriented face of the Turkish banking sector since the day we were founded. With its solid foundations, our sector continued to support the economy by further strengthening its balance sheet structure in this period. In the first six months of the year, total loans increased by 58 percent annually to reach 9,345 billion TL, while the deposit base increased by 69 percent to 10,469 billion TL in the same period. Thus, the loan/deposit ratio of our sector improved by 6 points compared to the same period of the previous year, reaching the level of 85 percent. While the positive development on the asset quality side continued, the non-performing loans ratio decreased by 44 basis points to 1.7 percent since the end of 2022. Parallel to these positive developments in the sector, our bank will focus on creating a healthy loan-deposit base with its current capital level in the last four months of its operation and aim to achieve a prudent asset-liability and liquidity management.

I would like to thank our esteemed shareholders for their strong support and our colleagues for their devoted efforts.

Kind 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 JUNE 2023**

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

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

As of the report date, our asset size was TL 1,596,008 and our equity was TL 1,549,900.

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 6 Months**

The Ordinary General Assembly meeting held on March 29, 2023 was registered and published. According to the said General Assembly Decision, 1,453,773 TL of the 2022 net profit of 29,075,462 TL was transferred to Legal Reserves and 27,621,689 TL to Extraordinary Reserves.

**1.7 Assessment of the Expectations Related to the Subsequent Interim Period**

Both the global and our country's macroeconomic conditions are closely followed. 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.