

HAYAT FİNANS KATILIM BANKASI A.Ş.

**Independent auditor's report, unconsolidated
financial statements and related disclosures as of and
for the year ended December 31, 2023**

*(Convenience translation of unconsolidated financial statements, related disclosures and
independent auditor's report originally issued in Turkish)*



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Convenience Translation of the Auditor’s Audit Report Originally Issued in Turkish

Independent Auditors’ Report on Audit of Unconsolidated Financial Statements

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

A) Audit of Unconsolidated Financial Statements

Opinion

We have audited the unconsolidated statement of financial position of Hayat Finans Katılım Bankası A.Ş. (the “Bank”) at December 31, 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.

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2023, and unconsolidated financial performance and unconsolidated its cash flows for the year then ended in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation” which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no. 26333 dated November 1, 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 Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

Basis of Opinion

Our audit was conducted in accordance with “Regulation on independent audit of the Banks” published in the Official Gazette no.29314 dated April 2, 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (“ISA”) which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matter	How the Key Audit Matter is addressed in our audit
<p><i>Financial impact of TFRS 9 “Financial Instruments” standard and recognition of classification, measurement and impairment on financial assets and related important disclosures</i></p>	
<p>As disclosed in footnote VII of Section 3; the Bank measured expected credit losses for financial assets by TFRS 9 “Financial Instruments Standards” in financial statements. The rationale reasons for selecting TFRS 9 implementation and impairment of financial assets as key audit subject are as follows;</p> <ul style="list-style-type: none"> ▪ Financial assets within balance-sheet and off-balance-sheet subject to TFRS 9 expected credit losses measurement have significant balance in the financial statements ▪ The applications TFRS 9 are complex and comprehensive ▪ The classification of financial instruments based on the Bank’s business models and the characteristics of contractual cash flows in line with TFRS 9 and requirement of important judgments to determine this business model and the characteristics of contractual cash flows ▪ Risks related to the policies established by the management with the compliance and requirements of the legislation and other applications for the calculation of expected credit losses ▪ The complexity and intensity of the control environment in the processes designed or reorganized for TFRS 9 ▪ Estimations and assumptions used in expected credit losses are new, important and complex ▪ Complex and comprehensive disclosure requirements of TFRS 9. 	<p>Our audit procedures in addition to our current audit procedures:</p> <ul style="list-style-type: none"> ▪ Evaluation of the compliance of the accounting policies adopted with regard to TFRS 9, the Bank's past performance, and local and global practices ▪ Analysis and testing of processes, systems, and controls originated or re-designed in order to calculate expected credit losses by the Information Systems and Process Audit specialists ▪ Evaluation of the key judgments, assumptions, methods used for calculation of expected credit loss determined by the management, and whether the data source is reasonable or not, and their compliance and standard requirements in light of industry and global practices. ▪ Evaluation of significant increase in credit risk, definition of default, definition of restructuring, probability of default, loss given default, exposure at default and macro-economic variables, and related basic and significant estimates and assumptions determined for calculation process of expected credit loss and whether these assumptions determined by financial risk management are in line with the, legislation, and reasonableness of the estimation process regarding future performance and investigation of credit risk portfolio on a sample basis ▪ Evaluation of the accuracy and completeness of attributes of the data used for the calculation process of expected credit losses ▪ Detailed testing of mathematical verification of expected credit losses’ calculation on a sample basis ▪ Evaluating the necessity and accuracy of the updates made or required updates after the modeling process

Responsibilities of Management and Directors for the Unconsolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



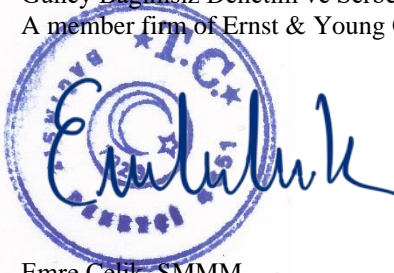
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B) Report on Other Legal and Regulatory Requirements

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities and financial statements for the period January 1 – December 31, 2023 are not in compliance with the TCC and provisions of the Bank’s articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor’s report is Emre Çelik.

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



Emre Çelik, SMMM
Partner

February 29, 2024
Istanbul, Turkey

SECTION ONE

GENERAL INFORMATION

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	1
II.	Shareholding structure, shareholders jointly or individually having direct or indirect control over the management and supervision of the Bank and the disclosures on any related changes in the current period, if any, and information about the group that the bank belongs to	1
III.	Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the bank	1
IV.	Information on qualified shareholders	2
V.	Explanations of the bank's services and field of operations	2
VI.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between parent bank and its subsidiaries	2

SECTION TWO

THE UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Unconsolidated balance sheet (Statement of financial position)	3
II.	Unconsolidated statement of off-balance sheet items	5
III.	Unconsolidated income/expense statement (Income statement)	6
IV.	Unconsolidated statement of income/expense items accounted under shareholder's equity	7
V.	Unconsolidated statement of changes in shareholders' equity	8
VI.	Unconsolidated statement of cash flows	10
VII.	Unconsolidated profit distribution table	11

SECTION THREE

ACCOUNTING PRINCIPLES

I.	Explanations on basis of presentation	12
II.	Explanations on strategy of using financial instruments and foreign currency transactions	13
III.	Explanations on forward transactions and option contracts and derivative instruments	13
IV.	Explanations on profit share income and expense	13
V.	Explanations on fees and commission income and expenses	13
VI.	Explanations on financial assets	14
VII.	Explanations on impairment of financial assets	15
VIII.	Explanations on offsetting of financial assets and liabilities	17
IX.	Explanations on sale and repurchase agreements and lending of securities	17
X.	Explanations on assets held for sale and discontinued operations and related liabilities	18
XI.	Explanations on goodwill and other intangible assets	18
XII.	Explanations on tangible assets	18
XIII.	Explanations on leasing transactions	19
XIV.	Explanations on provisions and contingent liabilities	19
XV.	Explanations on liabilities relating to employee benefits	20
XVI.	Explanations on taxation	20
XVII.	Explanations on additional disclosures on borrowings	22
XVIII.	Explanations on share certificates issued	22
XIX.	Explanations on acceptances and availed drafts	22
XX.	Explanations on government grants	22
XXI.	Explanations on segment reporting	22
XXII.	Explanations on other matters	22

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

I.	Explanations on equity items	23
II.	Explanations and disclosures related to credit risk	27
III.	Explanations on currency risk	37
IV.	Explanations related to stock position risk	39
V.	Liquidity risk management and liquidity coverage ratio	39
VI.	Explanations on leverage ratio	43
VII.	Explanations on fair values of financial assets and liabilities	43
VIII.	Explanations on fair values of financial assets and liabilities	44
IX.	Explanations on hedge accounting practices	44
X.	Explanations on risk management	44
XI.	Securitization positions	55
XII.	Qualitative explanations on market risk	55
XIII.	Explanations on business segments	58

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations and notes related to assets	59
II.	Explanations and notes related to liabilities	67
III.	Explanations and notes related to off-balance sheet contingencies and commitments	72
IV.	Explanations and notes related to the statement of income	74
V.	Explanations and disclosures related to statement of changes in shareholders' equity	78
VI.	Explanations and notes related to cash flow statement	79
VII.	Explanations and notes related to the risk group of the bank	80
VIII.	Domestic, foreign and offshore branches or equity investments and foreign representative offices	81
IX.	Significant events and matters arising subsequent to balance sheet date	81

SECTION SIX

OTHER EXPLANATIONS

I.	Other matters which must be explained in terms of explicitness, interpretability and understandability of the balance sheet	82
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SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

I.	Explanations on independent auditor's report	82
II.	Notes and disclosures prepared by the independent auditors	82



**THE YEAR-END UNCONSOLIDATED FINANCIAL REPORT OF
HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
AS OF 31 DECEMBER 2023**

Address of the Bank's Headquarters : Mahir İz Cad., No: 25, 34662 Altunizade Üsküdar / İstanbul
Telephone of the Bank : 0 850 224 29 28
Web site of the Bank : www.hayatfinans.com.tr
E-mail for correspondence : hayatfinans@hayatfinans.com.tr

The unconsolidated year-end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

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

The accompanying unconsolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been audited and presented hereafter.

Ahmet Yahya KİĞİLİ
Chairman of
Board of Directors

Osman AKYÜZ
Chairman of the Audit
Committee

Oğuz KAYHAN
Member of the Audit
Committee

Galip KARAGÖZ
General Manager

Özgür BİLGİLİ
Treasury and Financial Affairs
Deputy General Manager

Erkan AKGÜZEL
Financial Affairs and
Reporting Assistant Manager

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

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Hayat Finans Katılım Bankası A.Ş.

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HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ

NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR-ENDED 31 DECEMBER 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. The bank became the first digital participation bank to obtain an operating license in Turkey with the BRSA decision dated March 23, 2023 and numbered 10543. Main field of operation is, in addition to the Bank's equity, to collect funds from domestic and foreign customers through “Current Accounts” and “Profit/ Loss Sharing Accounts” and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

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

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

As of 31 December, 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 ²

Name	Title	Date of Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Ahmet Yahya KİGİLİ	Chairman of the Board	15.08.2022	-	-	-	-
Mehmet Avni KİGİLİ	Deputy Chairman of the Board of Directors	15.08.2022	-	-	-	-
Murat ULUS	Executive Board Member	15.08.2022	-	-	Postgraduate	-
Osman AKYÜZ	Member of the Board of Directors and Chairman of the Audit Committee	15.08.2022	15.08.2022	-	Graduate	-
Oğuz KAYHAN	Member of the Board of Directors and Member of the Audit Committee	15.08.2022	15.08.2022	-	PhD	-
Soner CANKO	Member of the Board	15.08.2022	-	-	PhD	-
Melih Murat ERTEM	Member of the Board	15.08.2022	-	-	Postgraduate	-
Galip KARAGÖZ ¹	Member of the Board of Directors and General Manager	01.12.2023	-	-	Postgraduate	-
Özer BARAN	Assistant General Manager for Credits and Operation	16.08.2022	-	-	Postgraduate	-
Mükremin Seçkin YENİEL ³	Assistant General Manager of Corporate Marketing	20.11.2023	-	-	Postgraduate	-
Cetin Yalçın GÜLEÇ	Assistant General Manager for Technology and Banking Services	16.08.2022	-	-	Graduate	-
Mehmet Necati ÖZDENİZ	Assistant General Manager of Retail Marketing	04.09.2023	-	-	Postgraduate	-

¹ Galip Karagöz became General Manager replacing M. Murat Ertem, who resigned from General Manager on December 1, 2023.

² Deputy General Manager of Treasury and Financial Affairs Ömer Çekin resigned on January 15, 2024, and has been acting for Financial Affairs Director Özgür Bilgili since the same date.

³ Mükremin Seçkin Yeniel was appointed as the deputy general manager responsible for Corporate Banking on November 20, 2023.

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

None (31 December 2022 - None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

4. Information on qualified shareholders

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

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

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

As of 31 December 2023, the Bank is operating through 256 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 activity is decided to be beneficial to the Bank, the activities must be recommended by the Board of Directors, approved by the General Assembly and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association.

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

None.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Unconsolidated Balance Sheet (Statement of Financial Position)
- 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
- VII. Unconsolidated Statement of Profit Distribution Table

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2023

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

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

	ASSETS	Notes Section V	Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS (Net)		1,341,903	174,508	1,516,411	1,512,062	15,172	1,527,234
1.1.	Cash and Cash Equivalents		51,762	144,120	195,882	1,512,062	15,172	1,527,234
1.1.1.	Cash and Balances with Central Bank	(1.1.)	51,498	127,599	179,097	-	-	-
1.1.2.	Banks	(1.3.)	284	16,651	16,935	1,512,062	15,172	1,527,234
1.1.3.	Money Markets Placements		-	-	-	-	-	-
1.1.4.	Expected Credit Loss (-)		(20)	(130)	(150)	-	-	-
1.2.	Financial Assets at Fair Value Through Profit or Loss	(1.2.)	1,254,789	30,388	1,285,177	-	-	-
1.2.1.	Government Debt Securities		-	30,388	30,388	-	-	-
1.2.2.	Equity Instruments		-	-	-	-	-	-
1.2.3.	Other Financial Assets		1,254,789	-	1,254,789	-	-	-
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(1.4.)	35,352	-	35,352	-	-	-
1.3.1.	Government Debt Securities		-	-	-	-	-	-
1.3.2.	Equity Instruments		-	-	-	-	-	-
1.3.3.	Other Financial Assets		35,352	-	35,352	-	-	-
1.4.	Derivative Financial Assets		-	-	-	-	-	-
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(1.2.)	-	-	-	-	-	-
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(1.11.)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COSTS (Net)		686,459	474,658	1,161,117	-	-	-
2.1.	Loans	(1.5.)	686,798	416,552	1,103,350	-	-	-
2.2.	Leasing Receivables	(1.10.)	-	-	-	-	-	-
2.3.	Other Financial Assets Measured at Amortized Cost	(1.6.)	1,195	59,472	60,667	-	-	-
2.3.1.	Government Debt Securities		1,195	59,472	60,667	-	-	-
2.3.2.	Other Financial Assets		-	-	-	-	-	-
2.4.	Expected Credit Loss (-)		(1,534)	(1,366)	(2,900)	-	-	-
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(NET)	(1.16.)	-	-	-	-	-	-
3.1.	Held For Sale		-	-	-	-	-	-
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1.	Investments in Associates (Net)	(1.7.)	-	-	-	-	-	-
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
4.2.	Investment in Subsidiaries (Net)	(1.8.)	-	-	-	-	-	-
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3.	Investment in Joint Ventures (Net)	(1.9.)	-	-	-	-	-	-
4.3.1.	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(1.12.)	68,785	-	68,785	6,165	-	6,165
VI.	INTANGIBLE ASSETS (Net)	(1.13.)	133,224	-	133,224	32,018	-	32,018
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		133,224	-	133,224	32,018	-	32,018
VII.	INVESTMENT PROPERTIES (Net)	(1.14.)	-	-	-	-	-	-
VIII.	CURRENT TAX ASSETS		980	-	980	-	-	-
IX.	DEFERRED TAX ASSETS	(1.15.)	52,487	-	52,487	-	-	-
X.	OTHER ASSETS	(1.17.)	43,489	-	43,489	3,693	-	3,693
	TOTAL ASSETS		2,327,327	649,166	2,976,493	1,553,938	15,172	1,569,110

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2023

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

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

	LIABILITIES	Notes Section V	Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(2.1.)	743,168	545,710	1,288,878	-	-	-
II.	FUNDS BORROWED	(2.3.)	-	-	-	-	-	-
III.	MONEY MARKETS		-	-	-	-	-	-
IV.	SECURITIES ISSUED (Net)	(2.4.)	-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(2.2.)	-	-	-	-	-	-
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(2.7.)	-	-	-	-	-	-
VII.	LEASE PAYABLES	(2.6.)	3,703	-	3,703	-	-	-
VIII.	PROVISIONS	(2.8.)	6,717	791	7,508	-	-	-
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves For Employee Benefits		6,289	-	6,289	-	-	-
8.3.	Insurance For Technical Provision (Net)		-	-	-	-	-	-
8.4.	Other Provisions		428	791	1,219	-	-	-
IX.	CURRENT TAX LIABILITIES	(2.9.)	22,191	-	22,191	16,312	-	16,312
X.	DEFERRED TAX LIABILITIES	(1.15.)	-	-	-	2,652	-	2,652
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(2.10.)	-	-	-	-	-	-
11.1.	Held For Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(2.11.)	-	-	-	-	-	-
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	-	-	-	-	-
XIII.	OTHER LIABILITIES	(2.5.)	62,973	-	62,973	21,070	-	21,070
XIV.	SHAREHOLDERS' EQUITY	(2.12.)	1,591,240	-	1,591,240	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		(11)	-	(11)	-	-	-
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		62,175	-	62,175	29,076	-	29,076
14.6.1.	Prior Years' Profits or Losses		-	-	-	-	-	-
14.6.2.	Current Period Net Profit or Loss		62,175	-	62,175	29,076	-	29,076
	TOTAL LIABILITIES AND EQUITY		2,429,992	546,501	2,976,493	1,569,110	-	1,569,110

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 DECEMBER 2023

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

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

	Notes Section V	Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
		TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)	5,400	-	5,400	-	-	-
I.	GUARANTEES AND WARRANTIES (3.1.)	5,400	-	5,400	-	-	-
1.1.	Letters of Guarantee	5,400	-	5,400	-	-	-
1.1.1.	Guarantees Subject to State Tender Law	-	-	-	-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations	-	-	-	-	-	-
1.1.3.	Other Letters of Guarantee	5,400	-	5,400	-	-	-
1.2.	Bank Loans	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptances	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	-	-	-	-	-
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	-	-	-	-	-
1.4.	Guaranteed Refinancing	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey	-	-	-	-	-	-
1.5.2.	Other Endorsements	-	-	-	-	-	-
1.6.	Other Guarantees	-	-	-	-	-	-
1.7.	Other Warrantees	-	-	-	-	-	-
II.	COMMITMENTS	-	-	-	-	-	-
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	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS (3.2.)	-	-	-	-	-	-
3.1.	Derivative Financial Instruments Held for Risk Management	-	-	-	-	-	-
3.1.1.	Fair Value Hedges	-	-	-	-	-	-
3.1.2.	Cash Flow Hedges	-	-	-	-	-	-
3.1.3.	Hedge of Net Investment in Foreign Operations	-	-	-	-	-	-
3.2.	Held For Trading Transactions	-	-	-	-	-	-
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1.	Forward Foreign Currency Buy Transactions	-	-	-	-	-	-
3.2.1.2.	Forward Foreign Currency Sell Transactions	-	-	-	-	-	-
3.2.2.	Other Forward Buy/Sell Transactions	-	-	-	-	-	-
3.3.	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGED ITEMS (IV+V+VI)	3,960,450	88,519	4,048,969	-	-	-
IV.	ITEMS HELD IN CUSTODY	36,190	88,519	124,709	-	-	-
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	36,190	88,519	124,709	-	-	-
V.	PLEDGED ITEMS	3,924,260	-	3,924,260	-	-	-
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	-	-	-	-	-	-
5.3.	Commodity	17,260	-	17,260	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Properties	-	-	-	-	-	-
5.6.	Other Pledged Items	3,907,000	-	3,907,000	-	-	-
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES	-	-	-	-	-	-
	TOTAL OFF BALANCE SHEET ITEMS (A+B)	3,965,850	88,519	4,054,369	-	-	-

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)
AS OF 31 DECEMBER 2023

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

3. STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

	Notes Section V	Current Period	Prior Period
		Audited 01.01.2023- 31.12.2023	Audited 10.08.2022- 31.12.2022
PROFIT AND LOSS TABLE			
I.	PROFIT SHARE INCOME	235,782	97,367
1.1.	Profit Share on Loans (4.1)	45,770	-
1.2.	Profit Share on Reserve Deposits (4.1)	-	-
1.3.	Profit Share on Banks (4.1)	182,168	97,367
1.4.	Profit Share on Money Market Placements	-	-
1.5.	Profit Share on Marketable Securities Portfolio (4.1)	7,844	-
1.5.1.	Fair Value Through Profit or Loss	625	-
1.5.2.	Fair Value Through Other Comprehensive Income	410	-
1.5.3.	Measured at Amortised Cost	6,809	-
1.6.	Finance Lease Income	-	-
1.7.	Other Profit Share Income	-	-
II.	PROFIT SHARE EXPENSE (-)	14,261	-
2.1.	Expense on Profit Sharing Accounts (4.4)	13,772	-
2.2.	Profit Share Expense on Funds Borrowed (4.2.)	-	-
2.3.	Profit Share Expense on Money Market Borrowings	-	-
2.4.	Profit Share Expense on Securities Issued (4.2.)	-	-
2.5.	Profit Share Expense on Leasing	489	-
2.6.	Other Profit Share Expenses	-	-
III.	NET PROFIT SHARE INCOME/EXPENSE (I - II)	221,521	97,367
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE	(2,769)	(13)
4.1.	Fees And Commissions Received	33	-
4.1.1.	Non-Cash Loans	-	-
4.1.2.	Other (4.13.)	33	-
4.2.	Fees And Commissions Paid (-)	2,802	13
4.2.1.	Non-Cash Loans	-	-
4.2.2.	Other (4.13.)	2,802	13
V.	DIVIDEND INCOME	(4,3)	-
VI.	NET TRADING INCOME / LOSS	206,855	651
6.1.	Capital Market Transaction Gains/Losses	196,875	-
6.2.	Gains/Losses from Derivative Financial Instruments	-	-
6.3.	Foreign Exchange Gains/Losses	9,980	651
VII.	OTHER OPERATING INCOME	397	4
VIII.	GROSS OPERATING PROFIT (III+IV+V+VI+VII+ VIII)	426,004	98,009
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	3,207	-
X.	OTHER PROVISIONS (-)	1,187	-
XI.	PERSONNEL EXPENSES (-)	224,286	37,548
XII.	OTHER OPERATING EXPENSES (-)	190,283	21,108
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)	7,041	39,353
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	7,041	39,353
XVIII.	PROVISION FROM TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(4,10)	(10,277)
18.1.	Current Tax Provision	-	7,625
18.2.	Deferred Tax Income Effect (+)	20,636	2,652
18.3.	Deferred Tax Expense Effect (-)	75,770	-
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	(4,11.)	29,076
XX.	INCOME FROM DISCONTINUED OPERATIONS	-	-
20.1.	Income on Non-Current Assets Held for Sale	-	-
20.2.	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-
20.3.	Income on Other Discontinued Operations	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)	-	-
21.1.	Expenses From Non-Current Assets Held for Sale	-	-
21.2.	Expenses From Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)	-	-
21.3.	Expenses From Other Discontinued Operations	-	-
XXII.	PROFIT / LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	-	-
23.1.	Current Tax Provision	-	-
23.2.	Deferred Tax Expense Effect (+)	-	-
23.3.	Deferred Tax Income Effect (-)	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(4,12.)	29,076
	Earnings Per Share Income/Loss	0.0415	0.0194

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME AS OF 31 DECEMBER 2023

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Audited Current Period 01.01.2023-31.12.2023	Audited Prior Period 10.08.2022-31.12.2022
I.	CURRENT PROFIT (LOSS)	62,175	29,076
II.	OTHER COMPREHENSIVE INCOME	(11)	-
2.1	Other Comprehensive Income Not Reclassified Through Profit or Loss	-	-
2.1.1	Property And Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2	Other Comprehensive Income Reclassified Through Profit or Loss	(11)	-
2.2.1	Foreign Currency Translation Difference	-	-
	Valuation And/Or Reclassification Income/Expense of the Financial Assets at Fair Value Through		
2.2.2	Other Comprehensive Income	(16)	-
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	5	-
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	62,164	29,076

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2023

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

5. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in Capital	Share Premiums	Share Cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity
					1	2	3	4	5	6				
Current Period (01/01/2023 – 31/12/2023)														
I.	Prior Period Ending Balance	1,500,000	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076
II.	Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1,500,000	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	(11)	-	-	62,175	62,164
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
	Paid in Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Difference	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	29,076	-	(29,076)	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	29,076	(29,076)	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	29,076	(29,076)	-
	Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	(11)	29,076	-	62,175	1,591,240

1. Accumulated revaluation increase/ decrease of fixed assets,

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

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

4. Foreign currency translation differences

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 31 DECEMBER 2023

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

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

		Paid-in Capital	Share Premiums	Share Cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity	
						1	2	3	4	5	6					
	Prior Period (10/08/2022 – 31/12/2022)															
I.	Prior Period Ending Balance	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000
	Corrections and Accounting Policy Changes Made According to TAS 8															
II.	Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes In Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1,500,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,500,000
IV.	Total Comprehensive Income (Loss)	-	-	-	-	-	-	-	-	-	-	-	-	29,076	29,076	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves Paid in Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers To Legal Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of the period (III+IV+.....+X+XI)	1,500,000	-	-	-	-	-	-	-	-	-	-	-	29,076	1,529,076	

1. Accumulated revaluation increase/ decrease of fixed assets,

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

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

4. Foreign currency translation differences

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023

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

6. STATEMENT OF CASH FLOWS

	Note Section V	Audited Current Period 01.01.2023- 31.12.2023	Audited Prior Period 10.08.2022- 31.12.2022
A.			
CASH FLOWS FROM BANKING OPERATIONS			
1.1		(177,524)	4,678
1.1.1		214,700	64,122
1.1.2		(6,263)	-
1.1.3		-	-
1.1.4		1,879	(13)
1.1.5		30,772	32
1.1.6		-	-
1.1.7		(406,800)	(37,548)
1.1.8		-	-
1.1.9	(6.3)	(11,812)	(21,915)
1.2		(1,004,742)	29,201
1.2.1		(1,115,167)	-
1.2.2		(137,078)	-
1.2.3		(1,059,654)	-
1.2.4	(6.3)	(19,446)	(556)
1.2.5		-	-
1.2.6		1,281,369	-
1.2.7		-	-
1.2.8		-	-
1.2.9		-	-
1.2.10	(6.3)	45,234	29,757
I.		(1,182,266)	33,879
B.			
CASH FLOWS FROM INVESTING ACTIVITIES			
II.		(262,611)	(40,513)
2.1		-	-
2.2		-	-
2.3		(172,043)	(40,513)
2.4		-	-
2.5		(35,050)	-
2.6		-	-
2.7		(105,518)	-
2.8		50,000	-
2.9		-	-
C.			
CASH FLOWS FROM FINANCING ACTIVITIES			
III.		(1,683)	1,500,000
3.1		-	-
3.2		-	-
3.3		-	1,500,000
3.4		-	-
3.5		(1,683)	-
3.6		-	-
IV.	(6.3)	4,322	623
V.		(1,442,238)	1,493,989
VI.	(6.1)	1,493,989	-
VII.	(6.1)	51,751	1,493,989

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
UNCONSOLIDATED PROFIT DISTRIBUTION TABLE
FOR THE YEAR ENDED 31 DECEMBER 2023

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

7. PROFIT DISTRIBUTION TABLE

		Current Period 01.01.2023 - 31.12.2023 ¹	Prior Period 10.08.2022 - 31.12.2022
I.	DISTRIBUTION OF CURRENT PERIOD PROFIT		
1.1	CURRENT YEAR'S PROFIT	7,041	39,353
1.2	TAXES AND DUES PAYABLE (-)	55,134	(10,277)
1.2.1	Corporate Tax (Income Tax)	-	(7,625)
1.2.2	Income Tax Withholding	-	-
1.2.3	Other Taxes and Dues Payable	55,134	(2,652)
A.	NET PROFIT FOR THE YEAR (1.1-1.2)	62,175	29,076
1.3	PRIOR YEAR'S LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	(1,454)
1.5	OTHER RESERVES (-)	-	-
B.	DISTRIBUTABLE NET PERIOD PROFIT [(A-(1.3+1.4+1.5))]	62,175	27,622
1.6	First Dividend to Shareholders (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit and loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit/loss Sharing Certificates	-	-
1.10	STATUTORY RESERVES (-)	-	-
1.11	EXTRAORDINARY RESERVES	-	27,622
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	DISTRIBUTION FROM RESERVES	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1	The Owners of Ordinary Shares	-	-
2.2.2	The Owners of Preferred Stocks	-	-
2.2.3	The Owners of Preferred Stocks (Preemptive Rights)	-	-
2.2.4	The Profit-Sharing Bonds	-	-
2.2.5	The Owners of the profit/loss Sharing Certificates	-	-
2.3	Share to Personnel (-)	-	-
2.4	Share to Board of Directors (-)	-	-
III.	EARNINGS PER SHARE	-	-
3.1	TO OWNERS OF STOCKS	-	-
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

¹ Profit distribution is decided by the Bank's General Assembly, and as of the date of preparation of the financial statements, the General Assembly meeting has not been held yet.

² The amount represent in the other tax and legal liabilities line is deferred tax income/expense

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 YEAR-ENDED 31 DECEMBER 2023

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES IN THE RELATED PERIOD

1. Explanations on basis of presentation

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.

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

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

The 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.

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

Accordingly, "TAS 29 Financial Reporting Standard in High Inflation Economies" was not applied in the Bank's financial statements dated 31 December 2023.

Changes in accounting estimates, errors and classifications

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

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

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

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

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

4. Explanations on profit share income and expense

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

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

5. Explanations on fees and commission income and expenses

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

6. Explanations on financial assets

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through other comprehensive income

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Financial assets measured at amortized cost

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

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

Derivative financial assets

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

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

Loans

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

7. Explanations on impairment of financial assets

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

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

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

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

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

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

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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

A discontinued operation is a part of the Bank’s business classified as sold or held-for-sale. The operating results of the discontinued operations are disclosed separately in the income statement.
The Bank has no discontinued operations.

11. Explanations on goodwill and other intangible assets

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

12. Explanations on tangible assets

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

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

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

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than its 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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

13. Explanations on leasing activities

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

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

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

Right of use assets

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

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

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

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

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

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

Lease Obligation

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

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

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

14. Explanations on Provisions and contingent liabilities

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

15. Explanations on liabilities relating to employee benefits

Defined benefit plans

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

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

Defined contribution plans

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

Short term benefits to employees

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

16. Explanations on taxation

Corporate Tax

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

Deferred Tax

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

According to the temporary article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of corporate taxes in the financial statements dated 31 December 2023 are included in the deferred tax calculation as of 31 December 2023.

17. Explanations on additional disclosures on borrowings

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

18. Explanations on share certificates issued

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

19. Explanations on acceptances and availed drafts

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

20. Explanations on government grants

None (31 December 2022 – None).

21. Explanations on segment reporting

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

22. Explanations on other matters

The Bank has no disclosures on other matters.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

1. Explanations on Equity Items

Total capital and Capital Adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 31 December 2023, Bank’s total capital has been calculated as TL 1,416,027 (31 December 2022 - TL 1,499,709), capital adequacy ratio is 216.9% (31 December 2022 - 455%).

The standard ratio of capital adequacy is calculated on the basis of the Regulation on the Equity of Banks, the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, the decisions of the BRSA dated 21 December 2021, numbered 9996 and dated 31 January 2023, numbered 10496 and other legal regulations. Within the framework of the 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 29 December 2023.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Components of Total Capital

	Current Period	Prior Period
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital to Be Entitled for Compensation After All Creditors	1,500,000	1,500,000
Share Premium	-	-
Reserves	29,076	-
Other Comprehensive Income According to TAS	93	-
Profit	62,175	29,076
Current Period Profit	62,175	29,076
Prior Period Profit	-	-
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	1,591,344	1,529,076
Deductions From Common Equity Tier I Capital		
Valuation Adjustments Calculated as Per the Article 9. (I) Of The Regulation on Bank Capital	-	-
Current And Prior Periods' Losses Not Covered by Reserves, And Losses Accounted Under Equity According to TAS (-)	104	-
Leasehold Improvements on Operational Leases (-)	-	-
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	125,809	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	52,487	-
Differences Arise When Assets and Liabilities Not Held at Fair Value, Are Subjected to Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According to The Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains and Losses from Changes in Bank's Liabilities' Fair Values Due to Changes in Creditworthiness	-	-
Net Amount of Defined Benefit Plans	-	-
Direct And Indirect Investments of The Bank on Its Own Tier I Capital (-)	-	-
Shares Obtained Against Article 56, Paragraph 4 Of the Banking Law (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of The Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising from Temporary Differences Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold of Tier I Capital as Per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
The Portion of Net Long Position of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or More of the Issued Share Capital Not Deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Deductions From Tier I Capital in Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	178,400	29,367
Total Common Equity Tier I Capital	1,412,944	1,499,709

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions From Additional Tier I Capital		
Direct And Indirect Investments of the Bank on Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in The Article 7 of the Regulation	-	-
Total Of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items To Be Deducted from Tier I Capital During the Transition Period		
Goodwill And Other Intangible Assets and Related Deferred Taxes Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	1,412,944	1,499,709
Tier II Capital		
Debt Instruments and The Related Issuance Premiums Defined by the BRSA	-	-
Debt Instruments and The Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts Explained in the First Paragraph of the Article 8 of the Regulation on Bank Capital)	3,082	-
Tier II Capital before deductions	3,082	-
Deductions From Tier II Capital		
Direct and Indirect Investments of The Bank on Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	3,082	-
Total Equity (Total Tier I And Tier II Capital)	1,416,026	1,499,709

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 Of the Banking Law and The Assets Acquired Against Overdue Receivables and Held for Sale but Retained More Than Five Years (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items to be Deducted from The Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital Not Deducted from Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of The Regulation (-)	-	-
The Portion of Net Long Position of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 2, Paragraph (1) And (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	1,416,026	1,499,709
Total Risk Weighted Assets	652,772	329,966
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	216.5%	455%
Tier I Capital Ratio (%)	216.5%	455%
Capital Adequacy Ratio (%)	216.9%	455%
Buffers		
Bank-Specific Total CET1 Capital Ratio	4.0	4
Capital Conservation Buffer Ratio (%)	2.5	4
Systemic Significant Bank Buffer Ratio (%)	1.5	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	208.9%	447%
Amounts Lower Than Excesses as Per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or Less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% or Less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising from Temporary Differences	-	-
Limits For Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (Before Limit of One Hundred and twenty-five Per Ten Thousand)	3,082	-
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	3,082	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier II Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Information on debt instruments to be included in equity calculation:

None.

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

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

2. Explanations and Disclosures related to Credit Risk

Credit risk means the risks and damages to arise because of partial or complete non-fulfillment of the obligations timely by non-compliance of the counter party with the requirements of the agreement concluded with the Bank.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. The upper limit of the rate of the credits granted to the companies in one sector to the total credits is determined annually by the Board of Directors and is updated as required.

The credit risk which the Bank is subjected to outside of Turkey is followed up by the Board of Directors within the frame of the determined limits based on countries and regions.

Risks and limits arising from treasury transactions and customer-based commercial transactions are monitored daily. In addition, the limits allocated to the correspondent banks according to their degrees and the maximum risk that the Bank can take within its own resources are controlled on a daily basis.

As provided for in the Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves to be provided for the Loans, the credit worthiness of the debtors of the loans and the other receivables are followed up at regular intervals, in case of early determination of a probable repayment problem, the credit limits redefined, and additional guarantees are taken and this way the prevention of the bank's loss is aimed. The account statement documents for the loan generations are taken as defined in the legislation. The guarantees are taken within the frame of the relevant legislation, by consideration of the quality of the credit and the financial structure of the company and as based on the allocation decision taken by the credit committee

The indemnified non-cash loans are subject to the same risk weight as the unpaid credits, in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Credits and Other Receivables in Banks and the Provisions to be Forged". Renewed and restructured loans are monitored in accordance with the methods set out in the relevant legislation.

Foreign trade financing and interbank loan disbursement transactions are carried out through the correspondent network, and in this context, country risks, limits, correspondent risks and limits are evaluated regularly.

The Bank's top 100 and 200 cash loan customers represents 100% and 100% of the total cash loan portfolio, respectively.

The Bank's top 100 and 200 non-cash loan customers represent 100% and 100% of the total non-cash loan portfolio, respectively.

The Bank's top 100 and 200 cash and non-cash loan customers represent 100% and 100% of the total cash and non-cash loan portfolio, respectively.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Current Period		
Risk Classifications	Risk Amount ¹	Average Risk Amount ²
Conditional and unconditional receivables from central governments or Central Banks	235,725	114,072
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	489,652	435,898
Conditional and unconditional receivables from corporates	337,048	184,938
Conditional and unconditional receivables from retail portfolios	-	94
Conditional and unconditional receivables secured by mortgages	-	-
Past due receivables	-	-
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	-
Stock Investments	-	-
Other receivables	303,038	223,743
Total	1,365,463	958,745

¹ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

² Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

Prior Period		
Risk Classifications	Risk Amount ¹	Average Risk Amount ²
Conditional and unconditional receivables from central governments or Central Banks	-	-
Conditional and unconditional receivables from regional or local governments	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,527,234	1,527,234
Conditional and unconditional receivables from corporates	-	-
Conditional and unconditional receivables from retail portfolios	-	-
Conditional and unconditional receivables secured by mortgages	-	-
Past due receivables	-	-
Receivables defined under high risk category by BRSA	-	-
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	-
Stock Investments	-	-
Other receivables	41,876	41,876
Total	1,569,110	1,569,110

¹ Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

² Average risk amounts are the arithmetical average of the amounts in monthly reports prepared starting from the date of publication of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Bank.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Profile of significant exposures in major regions

Current Period ¹	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Stock Investments	Other receivables	Total
Domestic	235,725	-	-	-	-	478,610	337,048	-	-	-	-	-	-	-	-	-	303,038	1,354,421
European Union Countries	-	-	-	-	-	11,042	-	-	-	-	-	-	-	-	-	-	-	11,042
OECD Countries ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	235,725	-	-	-	-	489,652	337,048	-	-	-	-	-	-	-	-	-	303,038	1,365,463

¹ Includes total risk amounts before the effect of Credit Risk Mitigation but after credit conversions.

² Includes OECD countries other than EU countries, USA and Canada.

³ Includes assets and liability items that cannot be allocated on a consistent basis

Prior Period ¹	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Stock Investments	Other receivables	Total
Domestic	-	-	-	-	-	1,527,234	-	-	-	-	-	-	-	-	-	-	41,876	1,569,110
European Union Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries ²	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-Shore Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities ³	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	1,527,234	-	-	-	-	-	-	-	-	-	-	41,876	1,569,110

¹ Includes total risk amounts before the effect of Credit Risk Mitigation but after credit conversions.

² Includes OECD countries other than EU countries, USA and Canada.

³ Includes assets and liability items that cannot be allocated on a consistent basis

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Risk profile by sectors or counterparties

Current Period	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Stock Investments	Other receivables	TL	FC	Total ¹
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	167,710	-	-	-	-	-	-	-	-	-	-	12,180	155,530	167,710
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	166,170	-	-	-	-	-	-	-	-	-	-	10,640	155,530	166,170
Electricity, Gas and Water	-	-	-	-	-	-	1,540	-	-	-	-	-	-	-	-	-	-	1,540	-	1,540
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	489,652	169,288	-	-	-	-	-	-	-	-	-	-	550,372	108,568	658,940
Wholesale and Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade	-	-	-	-	-	-	168,100	-	-	-	-	-	-	-	-	-	-	154,547	13,553	168,100
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation and Communication	-	-	-	-	-	-	1,188	-	-	-	-	-	-	-	-	-	-	1,188	-	1,188
Financial Institutions	-	-	-	-	-	489,652	-	-	-	-	-	-	-	-	-	-	-	394,637	95,015	489,652
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	235,725	-	-	-	-	-	50	-	-	-	-	-	-	-	-	-	303,038	351,742	187,071	538,813
Total	235,725	-	-	-	-	489,652	337,048	-	-	-	-	-	-	-	-	-	303,038	914,294	451,169	1,365,463

¹ Includes risk amounts before the effect of Credit Risk Mitigation but after the credit conversions.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Prior Period	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporate	Investments similar to collective investment funds	Stock Investments	Other receivables	TL	FC	Total ¹	
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Electricity, Gas and Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Construction	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Services	-	-	-	-	-	1,527,234	-	-	-	-	-	-	-	-	-	-	-	1,512,061	15,173	1,527,234	
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accommodation and Dining	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transportation and Communication	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Financial Institutions	-	-	-	-	-	1,527,234	-	-	-	-	-	-	-	-	-	-	-	1,512,061	15,173	1,527,234	
Real Estate and Rental Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,876	41,876	41,876	
Total	-	-	-	-	-	1,527,234	-	-	-	-	-	-	-	-	-	-	-	41,876	1,553,937	15,173	1,569,110

¹ Includes risk amounts before the effect of Credit Risk Mitigation but after the credit conversions.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Analysis of Maturity-Bearing Exposures According to Remaining Maturities

Risk Classifications ¹ – Current Period	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	175,058	1,195	-	-	59,472
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	454,299	35,353	-	-	-
Conditional and unconditional receivables from corporates	32,333	58,640	85,244	160,831	-
Conditional and unconditional receivables from retail portfolios	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	303,038	-	-	-	-
Total	964,728	95,188	85,244	160,831	59,472

¹ Risk amounts are stated before credit risk mitigation and after credit conversion ratio. Risk categories in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy have been considered.

Risk Classifications ¹ – Prior Period	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
Conditional and unconditional receivables from central governments or Central Banks	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	-	-	-	-	-
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	1,527,234	-	-	-	-
Conditional and unconditional receivables from corporates	-	-	-	-	-
Conditional and unconditional receivables from retail portfolios	-	-	-	-	-
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Stock Investments	-	-	-	-	-
Other receivables	41,876	-	-	-	-
Total	1,569,110	-	-	-	-

¹ Risk amounts are stated before credit risk mitigation and after credit conversion ratio. Risk categories in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy have been considered.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Credit risk using the standard approach

Credit risk exposed and credit risk mitigation effects

	Current Period	Credit conversion rate and credit risk amount receivable before reduction		Credit conversion rate and credit risk amount of receivable after reduction		Risk weighted amount and risk weighted amount concentration	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density(%)
1	Receivables from central governments and Central Banks	235,725	-	235,725	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	489,652	-	489,652	-	104,836	21.41
7	Receivables from corporate	334,348	5,400	334,348	2,700	227,016	67.35
8	Retail receivables	-	-	-	-	-	-
9	Receivables secured by residential property	-	-	-	-	-	-
10	Receivables secured by commercial property	-	-	-	-	-	-
11	Non-performing receivables	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	303,038	-	303,038	-	112,309	37.06
17	Stock investments	-	-	-	-	-	-
18	Total	1,362,763	5,400	1,362,763	2,700	444,161	32.53

	Prior Period	Credit conversion rate and credit risk amount receivable before reduction		Credit conversion rate and credit risk amount of receivable after reduction		Risk weighted amount and risk weighted amount concentration	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density(%)
1	Receivables from central governments and Central Banks	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	1,527,234	-	1,527,234	-	305,100	19.98
7	Receivables from corporate	-	-	-	-	-	-
8	Retail receivables	-	-	-	-	-	-
9	Receivables secured by residential property	-	-	-	-	-	-
10	Receivables secured by commercial property	-	-	-	-	-	-
11	Non-performing receivables	-	-	-	-	-	-
12	Receivables in high-risk categories	-	-	-	-	-	-
13	Mortgage-backed securities	-	-	-	-	-	-
14	Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	41,876	-	41,876	-	9,693	23.15
17	Stock investments	-	-	-	-	-	-
18	Total	1,569,110	-	1,569,110	-	314,793	20.06

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Exposures by asset classes and risk weights

Classifications/Risk Weights (Current Period)	0%	10%	20%	25%	35%	50%	75%	100%	150%	200%	Others%	Total risk amount (post-CCF and CRM)
1 Receivables from central governments and Central Banks	235,725	-	-	-	-	-	-	-	-	-	-	235,725
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	-	-	443,667	-	-	40,166	-	5,819	-	-	-	489,652
7 Receivables from corporate	-	-	-	-	-	-	-	237,688	50	99,310	-	337,048
8 Retail receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Receivables secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10 Receivables secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11 Non-performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
12 Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-	-
16 Stock investments	-	-	-	-	-	-	-	-	-	-	-	-
17 Other receivables	190,730	-	-	-	-	-	-	112,308	-	-	-	303,038
18 Total	426,455	-	443,667	-	-	40,166	-	355,815	50	99,310	-	1,365,463

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Classifications/Risk Weights (Prior Period)	0%	10%	20%	25%	35%	50%	75%	100%	150%	200%	Others%	Total risk amount (post-CCF and CRM)
1 Receivables from central governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-	-
2 Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-	-	-
3 Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-	-	-
4 Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5 Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6 Receivables from banks and brokerage houses	-	-	1,527,234	-	-	-	-	-	-	-	-	1,527,234
7 Receivables from corporate	-	-	-	-	-	-	-	-	-	-	-	-
8 Retail receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Receivables secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10 Receivables secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11 Non-performing receivables	-	-	-	-	-	-	-	-	-	-	-	-
12 Receivables in high-risk categories	-	-	-	-	-	-	-	-	-	-	-	-
13 Mortgage-backed securities	-	-	-	-	-	-	-	-	-	-	-	-
14 Short term receivables to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
15 Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-	-
16 Stock investments	-	-	-	-	-	-	-	-	-	-	-	-
17 Other receivables	32,143	-	-	-	-	-	164	9,569	-	-	-	41,876
18 Total	32,143	-	1,527,234	-	-	-	164	9,569	-	-	-	1,569,110

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Risk Amounts According to Risk Weights

Current Period Risk Weights	0%	10%	20%	25%	35%	50%	75%	100%	150%	200%	Other Risk Classes	Deductions from Equity
Exposures before Credit Risk Mitigation	426,455	-	443,667	-	-	40,166	-	355,815	50	-	99,310	185,711
Exposures after Credit Risk Mitigation	540,503	-	484,715	-	-	40,166	-	241,767	50	-	58,262	185,711

Current Period Risk Weights	0%	10%	20%	25%	35%	50%	75%	100%	150%	200%	Other Risk Classes	Deductions from Equity
Exposures before Credit Risk Mitigation	32,143	-	1,527,234	-	-	-	164	9,569	-	-	-	32,143
Exposures after Credit Risk Mitigation	32,143	-	1,527,234	-	-	-	164	9,569	-	-	-	32,143

Information by major sectors and type of counterparties

Impaired Loans: are the credits that either overdue more than 90 days as of the reporting date or are treated as impaired due to their creditworthiness according to TFRS 9 Financial Instruments. For such credits, “specific provisions” are allocated as TFRS 9 suggests.

Past Due Loans; are the credits that overdue up to 90 days but not impaired.

As of 31 December 2023, the Bank does not have any second or third stage impaired loans (31 December 2022 - None).

Information for value adjustments and provisions

Current Period	Opening Balance	Provisions for period	Provision Reversals	Other Adjustments	Closing Balance
Stage 3 Provisions	-	-	-	-	-
Stage 1&2 Provisions	-	3,207	-	-	3,207

Prior Period	Opening Balance	Provisions for period	Provision Reversals	Other Adjustments	Closing Balance
Stage 3 Provisions	-	-	-	-	-
Stage 1&2 Provisions	-	-	-	-	-

Risk involved in counter-cyclical capital buffer calculation

Country	Current Period			Prior Period		
	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total	RWAs of Banking Book for Private Sector Lending	RWAs of Trading Book	Total
Turkey	664,731	208,611	873,342	-	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

3. Explanations on currency risk

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

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

The announced current foreign exchange buying rates of the Bank as of 31 December 2023 and the prior five working days are as follows (full TL):

	25/12/2023	26/12/2023	27/12/2023	28/12/2023	29/12/2023	Balance Sheet Valuation Rate
Usd	29.2491	29.3102	29.3321	29.4022	29.5092	29.5092
Euro	32.1907	32.2871	32.3980	32.6768	32.6516	32.6516
Gold	1,926.18	1,972.84	2,010.03	2,015.73	2,029.57	2,029.57

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

	Monthly Average FC Purchase Rate
Usd	29.1229
Euro	31.8223
Gold	1,935.88

Sensitivity to exchange rate risk

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

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

	% Increase in the exchange rate	Effects on profit/loss		Effects on equity	
		Current Period	Prior Period	Current Period	Prior Period
Usd	10%	9,275	1,517	9,275	1,517
Euro	10%	792	-	792	-
Gold	10%	200	-	200	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Currency risk of the Bank

Current Period	EUR	USD	Other FC	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey ¹	122,473	966	4,039	127,478
Banks ¹	11,066	5,576	-	16,642
Financial assets at fair value through profit and loss	-	30,388	-	30,388
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans and finance lease receivables ¹	415,885	-	-	415,885
Subsidiaries, associates, and joint ventures	-	-	-	-
Financial assets at amortized cost ¹	-	58,773	-	58,773
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	-	-	-	-
Intangible assets	-	-	-	-
Other assets	-	-	-	-
Total Assets	549,424	95,703	4,039	649,166
Liabilities				
Current account and funds collected from Banks via participation accounts	-	-	-	-
Current and profit-sharing accounts FC	540,728	2,940	2,042	545,710
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	775	16	-	791
Total Liabilities	541,503	2,956	2,042	546,501
Net balance sheet position	7,921	92,747	1,997	102,665
Net off-balance sheet position				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-
Prior Period				
Total assets	4	15,168	-	15,172
Total liabilities	-	-	-	-
Net balance sheet position	4	15,168	-	15,172
Net off-balance sheet position				
Financial derivative assets	-	-	-	-
Financial derivative liabilities	-	-	-	-
Non-cash loans	-	-	-	-

¹ The net amounts after deducting expected loss provisions of which TL 121 from cash assets (31 December 2022 - None), TL 9 from banks (31 December 2022 - None), TL 667 from loans (31 December 2022 - None) and TL 699 from financial assets measured at amortized cost (31 December 2022 - None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

4. Explanations related to stock position risk

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

As of 31 December 2023, the Bank has no shares.

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

None.

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

None.

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.

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

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

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

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

The Bank's liquidity management is carried out by the Asset Liability Committee. Since the Bank has no associates or subsidiaries subject to consolidation as of 31 December 2023, consolidated liquidity risk management is not possible.

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

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

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

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

Information on liquidity risk mitigation techniques

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

Information on the use of stress tests

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

General information about the Contingency Funding Plan

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

Analysis of financial liabilities by remaining contractual maturities

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

Prior Period	Up to 1 months	1-3 months	3-12 months	1-5 years	Above 5 years	Total	Balance Sheet Value
Funds Collected	-	-	-	-	-	-	-
Finance Lease Payable	-	-	-	-	-	-	-
Miscellaneous Payables	21,070	-	-	-	-	21,070	21,070
Total	21,070	-	-	-	-	21,070	21,070

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Liquidity coverage ratio

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

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

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

The lowest, highest and average liquidity coverage rates in the last 3 months of 2023 are stated as table below.

	Highest	Date	Lowest	Date	Average
TL+FC (%)	953	10.11.2023	301	08.12.2023	604
FC (%)	240,328	06.10.2023	4,179	08.12.2023	81,000

Since the bank started its banking activities as of 7 August 2023, previous period liquidity coverage ratio, highest, lowest and average liquidity coverage ratio tables have not been prepared.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Presentation of assets and liabilities according to their remaining maturities

Prior period	Demand	Up to 1 month	1-3 Months	3-12 months	1-5 Years	Over 5 years	Unallocated	Total
Assets								
Cash (cash in vault, effectives, cash in transit, cheques purchased) and balances with the CBRT	34,816	144,281	-	-	-	-	(141)	178,956
Banks	16,935	-	-	-	-	-	(9)	16,926
Financial assets at fair value through profit and loss	1,254,789	-	879	-	29,509	-	-	1,285,177
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive	-	-	35,352	-	-	-	-	35,352
Loans	-	492,944	118,014	492,391	1	-	(2,200)	1,101,150
Financial assets valued at amortized cost	-	-	1,195	555	58,917	-	(700)	59,967
Other assets	-	20,570	5,917	14,864	601	-	257,013	298,965
Total Assets	1,306,540	657,795	161,357	507,810	89,028	-	253,963	2,976,493
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	-	-	-	-	-	-
Current and profit-sharing accounts	425,595	404,675	43,065	415,543	-	-	-	1,288,878
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	59,736	-	-	-	-	-	59,736
Other Liabilities	-	23,823	743	2,239	2,326	-	1,598,748	1,627,879
Total Liabilities	425,595	488,234	43,808	417,782	2,326	-	1,598,748	2,976,493
Net Liquidity Gap	880,945	169,561	117,549	90,028	86,702	-	(1,344,785)	-
Prior Period								
Total Assets	867	1,493,122	-	-	-	-	75,121	1,569,110
Total Liabilities	-	21,072	-	-	-	-	1,548,038	1,569,110
Net Liquidity Gap	867	1,472,050	-	-	-	-	(1,472,917)	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

6. Explanations on leverage ratio

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

As of the balance sheet date, the Bank's leverage ratio, calculated based on the arithmetic average of the values found at the end of the months in the previous three-month period, was 68.8% (31 December 2022 - 97.6%). While the main capital decreased by 5.8%, the total risk amount increased by 33.6%. Accordingly, there is a decrease of 288 basis points in the current period leverage ratio compared to the previous period.

On-balance sheet assets ¹		Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	2,210,488	1,569,110
2	(Assets deducted in determining Tier I Capital)	(158,109)	(32,018)
3	Total on-balance sheet risks (sum of lines 1 and 2)	2,052,379	1,537,092
Derivative financial instruments and credit derivatives			
4	Replacement cost associated with all derivative instruments and credit derivatives	-	-
5	Add-on amounts for PFE associated with all derivative instruments and credit derivatives	-	-
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	-	-
Securities or commodity financing transactions (SCFT)			
7	Risks from SCFT assets (excluding on-balance sheet)	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	-	-
Other off-balance sheet transactions			
10	Gross notional amounts of off-balance sheet transactions	1,800	-
11	(Adjustments for conversion to credit equivalent amounts)	-	-
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	1,800	-
Capital and total risks			
13	Tier I Capital	1,412,460	1,499,709
14	Total risks (sum of lines 3, 6, 9 and 12)	2,054,179	1,537,092
Leverage ratio			
15	Leverage ratio	68.8	97.6

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

7. Explanations on fair values of financial assets and liabilities

Book value represents the sum of the acquisition price and accumulated dividend accruals of the relevant assets and liabilities. The estimated fair value of the loans is calculated by discounting future cash flows by using current market rates of profit share. The fair value of financial assets and liabilities carried at amortized cost other than loans, available for sales financial assets and funds provided from other financial institutions approximates to their book values since they are short term in nature and their effective profit share rates are similar with current effective profit rates.

	Book Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial assets				
Banks	16,935	1,527,234	16,935	1,527,234
Money market receivables	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	35,352	-	35,352	-
Financial Assets Valued at Amortized Cost	60,667	-	60,142	-
Loans and Lease Receivables	1,103,350	-	1,102,350	-
Financial liabilities				
Current account and funds collected from banks via participation accounts.	-	-	-	-
Other current and profit-sharing accounts	1,288,878	-	1,288,878	-
Funds provided from other financial institutions	-	-	-	-
Issued securities	-	-	-	-
Miscellaneous Payables	59,736	21,070	59,736	21,070

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

9. Explanations on hedge accounting practices

None (31 December 2022 – None).

10. Explanations on risk management

Bank's risk management approach

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

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

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

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

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

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

GB1 - Overview of risk weighted amounts

	Risk Weighted Amounts		Minimum Capital Requirements
	Current Period 31/12/2023	Prior Period 31/12/2022	Current Period 31/12/2023
1 Credit risk (excluding counterparty credit risk) (CCR)	444,161	314,793	35,533
2 Standardised approach (SA)	444,161	314,793	35,533
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	-	-	-
5 Standardised approach for counterparty credit risk	-	-	-
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization exposures in banking book	-	-	-
13 IRB ratings-based approach	-	-	-
14 IRB supervisory formula approach	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	208,611	15,173	16,689
17 Standardised approach	208,611	15,173	16,689
18 Internal model approaches	-	-	-
19 Operational risk	-	-	-
20 Basic indicator approach	-	-	-
21 Standardised approach	-	-	-
22 Advanced measurement approach	-	-	-
23 Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	652,772	329,966	52,222

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Differences and matching between asset and liabilities' carrying values in financial statements and in capital adequacy calculation

Current Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to dedication from capital
Assets						
Cash and Balances with Central Bank of Turkey	195,882	196,032	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	1,285,177	-	-	-	1,285,177	-
Financial Assets at Fair Value Through OCI	35,352	35,352	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
Loans,net	1,101,150	1,103,350	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Financial Assets Measured at Amortized Cost	59,967	60,667	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Associates (Net)	-	-	-	-	-	-
Subsidiaries	-	-	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	-	-	-	-	-	-
Tangible Assets (Net)	68,785	68,785	-	-	-	-
Intangible Assets (Net)	133,224	133,224	-	-	-	133,224
Investment Properties (Net)	-	-	-	-	-	-
Current Tax Asset	980	980	-	-	-	-
Deferred Tax Asset	52,487	52,487	-	-	-	52,487
Other Assets	43,489	43,521	-	-	-	-
Total Assets	2,976,493	1,694,398	-	-	1,285,177	185,711
Liabilities						
Funds Collected	1,288,878	-	-	-	-	1,288,878
Borrowings	-	-	-	-	-	-
Debt to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Lease Payables	3,703	-	-	-	-	3,703
Provisions	7,508	-	-	-	-	7,508
Current Tax Liabilities	22,191	-	-	-	-	22,191
Deferred Tax Liabilities	-	-	-	-	-	-
Liabilities for Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	-	-	-	-	-	-
Other Liabilities	62,973	-	-	-	-	62,973
Equity	1,591,240	-	-	-	-	1,591,240
Total Liabilities	2,976,493	-	-	-	-	2,976,493

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Prior Period	Carrying values in financial statements prepared as per TAS	Carrying values of items in accordance with Turkish Accounting Standards				
		Credit Risk	Counterparty Credit Risk	Securization Positions	Market Risk	No subject to capital requirements or subject to dedication from capital
Assets						
Cash and Balances with Central Bank of Turkey	1,527,234	1,527,234	-	-	-	-
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-
Financial Assets at Fair Value Through OCI	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
Loans,net	-	-	-	-	-	-
Lease Receivables	-	-	-	-	-	-
Financial Assets Measured at Amortized Cost	-	-	-	-	-	-
Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Associates (Net)	-	-	-	-	-	-
Subsidiaries	-	-	-	-	-	-
Jointly Controlled Entities (Joint Ventures) (Net)	-	-	-	-	-	-
Tangible Assets (Net)	6,165	6,165	-	-	-	-
Intangible Assets (Net)	32,018	32,018	-	-	-	32,018
Investment Properties (Net)	-	-	-	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	-	-	-	-	-	-
Other Assets	3,693	3,693	-	-	-	-
Total Assets	1,569,110	1,569,110	-	-	-	32,018
Liabilities						
Funds Collected	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Debt to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Financial Liabilities at Fair Value Through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Lease Payables	-	-	-	-	-	-
Provisions	-	-	-	-	-	-
Current Tax Liabilities	16,312	-	-	-	-	16,312
Deferred Tax Liabilities	2,652	-	-	-	-	2,652
Liabilities for Property And Equipment Held For Sale Purpose And Related To Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt Instruments	-	-	-	-	-	-
Other Liabilities	21,070	-	-	-	-	21,070
Equity	1,529,076	-	-	-	-	1,529,076
Total Liabilities	1,569,110	-	-	-	-	1,569,110

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

Current Period	Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	2,976,493	2,976,493	-	-	1,285,177
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	2,976,493	2,976,493	-	-	1,285,177
4- Off-balance sheet amounts	5,400	2,700	-	-	-
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
9-Risk Amounts		2,979,193	-	-	1,285,177

Prior Period	Total	Items subject to credit risk	Items subject to securitization	Items subject to counterparty credit risk	Items subject to market risk
1- Carrying Value of Assets in Accordance with TAS (as in template 1B)	1,569,110	1,569,110	-	-	-
2- Carrying Value of Liabilities in Accordance with TAS (as in template 1B)	-	-	-	-	-
3- Total net amount	1,569,110	1,569,110	-	-	-
4- Off-balance sheet amounts	-	-	-	-	-
5- Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
7- Differences due to consideration of provisions	-	-	-	-	-
8- Differences due to prudential filters	-	-	-	-	-
9-Risk Amounts		1,569,110	-	-	-

KRA - General qualitative information on credit risk

How the business model translates into the components of the bank's credit risk profile

The Bank's business model essentially consists of two main areas of activity. Within the rules of interest-free banking, it collects funds through current accounts and profit/loss sharing accounts and provides funds to its customers through funds and equity. In line with this main business model, the bank has a credit-oriented asset structure. Reflecting the Bank's business model, cash loans are predominantly included in total assets. The bank aims to increase the loan amount and thus achieve sustainable growth by providing funds mainly for the financing of the real sector and taking into account the risk-return balance.

The Bank's risk profile shows the types of risks that the Bank is exposed to or expects to be exposed to and the risk level based on risk type. The biggest type of risk that the Bank is exposed to and expects to be exposed to within the framework of its current and targeted business model is credit risk. Regarding credit risk concentrations, internal limits have been determined for the first 25, first 50 and first 100 debtors/credit risk groups on the basis of debtor and credit risk group. Country limits have been created in order to prevent concentration in countries determined within the scope of country risk.

Criteria and approach used for defining credit risk policy and for setting credit risk limits

The main purpose of the Credit Risk Policy is to measure the counterparty risk undertaken during credit transactions, monitor the risk against legal and our Bank's limits, research new techniques and applications regarding the measurement and control of risk, monitor overdue receivables, analyze the reasons for delay, and take measures to prevent their recurrence. . Credit Risk refers to the possibility of loss that the Bank may incur due to the credit customer not complying with the requirements of the contract and not fulfilling its obligations partially or completely on time. This risk also includes loss of market value caused by deterioration in the counterparty's financial condition. The definition of credit risk used includes on-balance sheet and off-balance sheet transactions.

Risk limits; as part of the risk appetite structure, it is determined by taking into account the size of the Bank within the financial system. In this context, the risk appetite approved by the Board of Directors; it is divided and allocated on the basis of risk types and other levels deemed necessary. Limit usage is closely monitored, and limit exceedances are reported to senior management so that necessary measures can be taken.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Relations between the credit risk management, risk control, compliance and internal audit functions

The departments within the scope of internal systems have been established within the Bank's organizational structure, reporting to the Board of Directors. Risk Management Department, Internal Control Department and Compliance Department carry out their activities under the supervision and coordination of the Risk Committee. The Board of Directors carries out its duties and responsibilities regarding internal audit through the Audit Committee consisting of three Board members. The Board of Inspectors carries out its internal audit activities under the supervision and coordination of the Audit Committee.

The Bank's internal control function is carried out by the Internal Control Department. Internal Control System, in order to reduce, manage, monitor and control the risks to which the Bank is exposed, in line with the Bank's organizational structure and the scope of its activities and in accordance with changing conditions, it was established with the competence and effectiveness to cover all partnerships and all activities subject to consolidation. The internal control system and internal control activities at the Bank are designed together with the Internal Control Department and relevant senior managers and are carried out adequately and effectively.

The Compliance Department carries out studies to ensure that compliance risks in the Bank are effectively managed and kept under control, that such risks are detected and prevented before they occur, and that the Bank's activities are constantly carried out in accordance with the relevant legislation and regulations.

The Risk Management Department effectively carries out its duties of identifying, measuring and managing the risks faced by the Bank. An effective risk management systems infrastructure is established for credit risk management activities, credit policy and risk management activities within the scope of credit risk policy. Internal credit risk limits determined by the decision of the Board of Directors are measured and presented to the Audit Committee and ALCO through periodic reports.

Inspection Board Presidency is responsible for providing assurance to the board of directors and senior management that the Bank's activities are carried out in line with the Banking Law and other relevant legislation and the Bank's internal strategies, policies, principles and targets, and the effectiveness and adequacy of internal control and risk management systems.

Scope and main content of the reporting on credit risk exposure and on the credit risk management function to the executive management and to the Board of Directors

The Senior Risk Management Report, which is the basic report provided to the Board of Directors and senior management, is prepared quarterly. The main content of the report includes the following issues.

Quality of the assets are analyzed in accordance with the classification specified in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside and the assets are compared with those of the previous fiscal period to monitor the sustainability of the asset quality. Credit risk limits and realizations in the relevant period are included.

The shares of economic sectors in credit disbursement and their development trends are monitored. Risk limits and their realizations defined regarding our bank's risk appetite are included. In the section where key risk indicators are monitored, the ratio of credit risk-weighted items to total assets, the ratio of gross follow-up amount to the total financing (cash loans) portfolio, as well as their distribution according to each sector, distribution of collaterals on the basis of collateral groups, the total financing (cash and non-cash) of the top 25, 50,100 risk loans ratio to its portfolio.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

The distribution of cash loans according to maturity is monitored. Explanations about limits, risks, guarantee and provision amounts, sector information and the status of companies are included. Additionally, disbursements are reported to the Bank's Risk Group

It prepared loan portfolios according to the bank's own internal segment structure. These segments are further divided into sub-segments. Risk realizations are monitored on a cash, non-cash and total basis on the basis of these portfolios.

Credit quality of assets

Current period		Gross amount valued as per TAS and presented in the financial statements prepared according to legal consolidation		Provisions / depreciation and impairment	Net amount
		Defaulted	Non-Defaulted		
1	Loans	-	1,103,350	2,200	1,101,150
2	Debt securities	-	96,019	793	95,226
3	Off-balance sheet exposures	-	5,400	32	5,368
4	Total	-	1,204,769	3,025	1,201,744

Prior period : None.

Changes in stock of defaulted loans and debt securities

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

Provisions based on geographical and written off amounts

None (31 December 2022 – None).

Provisions based on sectoral concentration and written off amounts

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Qualitative disclosures related to the credit quality of assets

Scope and definitions of “overdue” and “provision allocated” receivables for accounting purposes and the differences of definitions between “overdue” and “provision allocated”, if any

Overdue receivables: Overdue receivables and provision allocated receivables are determined according to the Communique on Principles and Procedures for the Determination of the Quality of Loans and Other Receivables and Reserves. Provision for receivables: All financial instruments other than those covered by TFRS 9 and whose fair value is reflected in the profit / loss.

Definitions of the methods used when determining the provision amount

TFRS 9 requires a 12-month expected credit loss provision for all financial assets in Stage 1 and the expected credit loss for all other financial assets. 12-month expected credit loss represents the portion of the expected credit loss from probable default events within 12 months after the reporting date. Lifetime losses are losses from all possible default events during the expected life of the financial instrument after the reporting date. Lifetime refers to the maturity of the financial instrument. In non-maturity financial instruments, the bank calculates the behavioral maturity and uses this to calculate the expected loan loss. The ECLs are calculated at each instrument level by taking into account the projected cash flows, the PoP (Probability of Probation), the DoL (Default on Loss), the CCR (Credit Conversion Rate) and the discount rate. In small, very unimportant and unrated portfolios, the ECL can be estimated on a collective basis.

Definition of restructured receivables

The financial terms in existing financial difficulties may be amended to facilitate payment of the debt, and the original loan terms that were previously signed can be changed according to the borrower's new financing power and structure when the loan cannot be repaid or a potential non-repayment is encountered. For a loan to be considered as restructured, the debtor must be in financial difficulty and the debtor must be provided with the concession requirements for changing the loan conditions.

Breakdown of cash loans by sector

Sectors	Current Period	Prior Period
Agriculture	-	-
Farming and Stockbreeding	-	-
Forestry	-	-
Fishery	-	-
Manufacturing	332,648	-
Mining and Quarrying	-	-
Production	332,648	-
Electricity, Gas and Water	-	-
Construction	-	-
Services	770,603	-
Wholesale and Retail Trade	329,604	-
Accommodation and Dining	-	-
Transportation and Communication.	-	-
Financial Institutions	438,620	-
Real Estate and Rental Services	2,379	-
Professional Services	-	-
Educational Services	-	-
Health and Social Services	-	-
Others	99	-
Total	1,103,350	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Remaining maturities of the cash loans

It was presented at disclosures of remaining maturities of the assets and liabilities.

Aging analysis for non-performing loans

None (31 December 2022 – None).

Aging analysis of financial assets that are overdue but not non-performing receivables, by financial instrument classes

Current Period	Less than 30 days	31-60 days	More than 61 days	Total
Corporate Loans	-	-	-	-
Retail Loans	1	-	-	1
Credit Cards	-	-	-	-
Total	1	-	-	1

Prior Period : None.

Breakdown of restructured receivables according to live and non-performing

None (31 December 2022 – None).

Credit Risk Mitigation

KRC - Qualitative information on Credit Risk Mitigation Techniques

Credit policies establish an operational link between the Bank's activities and risk capacity and cover the main areas of activity compatible with the target portfolio structure, risk targets for expected and unexpected losses compatible with the risk capacity, and limits regarding risk concentration. It is ensured that the limits comply with the relevant legislation and the limitations determined by the regulatory and supervisory authorities. The Bank uses a holistic approach in concentration risk management, where all risk concentrations are identified, monitored and evaluated.

Within the scope of capital adequacy ratio calculations, the credit risk 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 mitigation techniques

Current period	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	713,266	387,884	310,190	387,884	310,190	-	-
2 Debt Securities	95,226	-	-	-	-	-	-
3 Total	808,492	387,884	310,190	387,884	310,190	-	-
4 Overdue	-	-	-	-	-	-	-

Prior Period : None.

Explanations on Counterparty Credit Risk (CCR)

Risk management objectives and policies for CCR

Determination of the creditworthiness of financial counterparties has been made in addition to the Credit Policy of the Bank in accordance with the regulations published by BRSA and the international practices in order to limit the exposure to be suffered by the Bank in case of financial counterparty default. This annex describes allocation of limit to financial counterparties and continuous monitoring activities. In this respect, the creditworthiness assessments of the financial and non-financial entities for CCRs especially including sovereign assessments and limits are finally decided by the committees specified under the Policy.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks

Internal model method is not used for calculating the capital requirements for counterparty credit risk and central counterparty risks.

The method used to allocate the operational limits defined in terms of internal capital for CCR and central counterparty risks

All of the Bank's counterparty credit risk and central counterparty limits are non-committed limits and they include cash, non-cash and guarantee limits. In case of any transactions involving non-cash risk exposure, the reinsurance of the organizations such as International Development Banks is used. If required, cash collateral is sought in order to minimize the exposure. In case of transactions involving cash risk exposure, the risk exposure is mitigated by obtaining shares and bills (sukuk) as security.

Counterparty credit risk (CCR) approach analysis

Current Period	Replacement Cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	Risk amount after credit risk mitigation	Risk weighted amounts
1 Standardized Approach CCR (for derivatives)	-	-	-	1.4	-	-
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 Total	-	-	-	-	-	-

Prior Period : None.

Capital requirement for credit valuation adjustment (CVA)

	Current Period		Prior period	
	Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts	Risk amount (after using credit risk mitigation techniques)	Risk weighted amounts
Total portfolios subject to the Advanced CVA capital obligation				
1 (i) VaR component (including the 3×multiplier)	-	-	-	-
2 (ii) Stressed VaR component (including the 3×multiplier)	-	-	-	-
3 All portfolios subject to the Standardized CVA capital obligation	-	-	-	-
4 Total subject to the CVA capital obligation	-	-	-	-

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

CCR exposures by risk class and risk weights

Current Period - Risk Classes / Risk Weights ¹		0%	10%	20%	50%	75%	100%	150%	200%	Others	Total credit risk ¹
1	Receivables from central governments and Central Banks	-	-	-	-	-	-	-	-	-	-
2	Receivables from regional and local government	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	-	-	-	-	-	-	-	-
7	Receivables from corporate	-	-	-	-	-	-	-	-	-	-
8	Retail receivables	-	-	-	-	-	-	-	-	-	-
9	Other receivables	-	-	-	-	-	-	-	-	-	-
10	Total	-	-	-	-	-	-	-	-	-	-

¹ Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

Prior Period : None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

11. Securitization Positions

None.

12. Qualitative explanations on market risk

Bank's processes and strategies

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Bank's Risk Management Department.

Risk management activities are consisting of the measurement, monitoring, control and reporting of the risks, arising from risks incurred on the consolidated and solo basis and transactions carried out with the risk group that the Bank is involved in. These activities are carried out by the Bank's Risk Management Department.

Measurement of the market risk is carried out by the Risk Management Department. Market risk is measured by the standard method as specified in the third part of the Regulation on the Measurement and Evaluation of Banks' Capital Adequacy. The Risk Management Department adopts international standardized methods and advanced statistical methods, which are included in the legislation, in the measurement of risks falling within the scope of the Pillar 2. Developed models as well as the stress tests and scenario analysis are used in the measurement and monitoring of the market risk.

The primary purpose of market risk is for the bank's risk exposure to be within the limits specified by the legislation and to be in accordance with the Bank's risk appetite. In this context, market risk is periodically measured, monitored and reported.

Risk limits related to market risk are established in accordance with The Bank's Risk Appetite Policy. Aforementioned risk limits are determined by the Board of Directors and reviewed at least once a year. Limit usages are closely monitored.

Risk mitigation techniques have been applied in line with the size and complexity of the undertaking market risk and the controls are implemented in order to ensure their effectiveness.

Treasury Group Department monitors foreign currency positions and cash flows on behalf of the Bank.

Moreover, new products and projects are examined in terms of market risk management and appropriate internal controls are implemented in case of necessity.

The Bank's strategic objectives for trading activities are given below.

- Ensure that the bank's lease certificate portfolio is managed at the optimum level within the risk-return balance limits
- Implement transaction by taking into account the future prospects of market developments/movements and the framework of trading opportunities in the current market prices
- Invest in Sukuk (lease certificates) as an alternative investment tool to manage the liquidity profitably

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Structure and scope of risk reporting and/or measurement systems

Within the scope of risk management system, the Bank established a reporting system which ensures effective analysis and evaluation for market risks. The risk measurement and risk monitoring results are reported to the Risk Committee on a timely manner.

There is a risk measurement system which covers the scope and complexity of significant market risk components including transactions and operations exposed to market risk. This system is being reviewed regularly.

The details of the market risk calculated as of 31 December 2023 and 31 December 2022 in accordance with the principles in the third part of the "The Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette numbered 29511 and dated 23 October 2015 are as follows:

Market risk under standardised approach

		Risk Weighted Amounts	Risk Weighted Amounts
		Current Period	Prior Period
	Outright products	208,611	15,173
1	Profit share risk (general and specific)	104,040	-
2	Equity risk (general and specific)	408	-
3	Foreign exchange risk	104,163	15,173
4	Commodity risk	-	-
	Options	-	-
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	208,611	15,173

Explanations on Operational Risk

To calculate the operational risk capital requirement, the Bank uses the Basic Indicator Method in accordance with Article 24 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. The operational risk amount calculated according to the results of 2023 will begin to be used in the capital adequacy ratio calculation as of 2024.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Profit-share rate risk related to banking book

Economic value differences arising from fluctuations in profit share rates in accordance with the regulation on measurement and evaluation of profit share rates derived from banking accounts with standard shock method

Currency	Applied Shock (+/- x basis points)	Current Period		Prior Period	
		Gains/ Losses	Gains/Shareholder's equity -Losses/ shareholder's equity	Gains/ Losses	Gains/Shareholder's equity -Losses/ shareholder's equity
1.TRY	(+) 500bp	(3,880)	(0.27%)	(2,103)	(0.14%)
2.TRY	(-) 400bp	3,275	0.23%	1,739	0.23%
3.USD	(+) 200bp	(1,572)	(0.11%)	-	-
4.USD	(-) 200bp	1,649	0.12%	-	-
5.EURO	(+) 200bp	1,512	0.11%	-	-
6.EURO	(-) 200bp	(1,574)	0.11%	-	-
Total (For Negative Shocks)		3,350	0.46%	1,739	0.23%
Total (For Positive Shocks)		(3,940)	(0.27%)	(2,103)	(0.14%)

Risk management objectives and policies

Stress tests and scenario analyzes regarding capital adequacy in line with market movements, the course of the economy and the Bank's strategic growth, and the evaluation of economic developments in the world and in Turkey are presented to the Risk Committee and the Board of Directors by RM. These analyzes make significant contributions to the decision-making processes of the Bank's senior management regarding risk appetite and risk awareness, capital adequacy, strategy revisions and future forecasts.

In addition, RM coordinates business continuity and related issues with a proactive approach to ensure that the Bank is always ready and that quick action can be taken in case of an emergency.

RM continues all kinds of risk monitoring and analysis activities to enable the Board of Directors to manage the risks that may arise in line with the Bank's mission, vision and growth strategy. In this context, in addition to studies on credit and market risks, liquidity risk, operational risks and all limits, IT risks, internal individual and corporate rating modelling, IT risk assessment, operational loss database, key risk indicators, operational risk insurance, market risk calculations, treasury transactions and asset-liability risks are monitored.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

13. Explanations on business segments

Selected balance sheet and income statement items according to segments

Current Period	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Profit Share Income	5	30,164	205,613	-	235,782
Profit Share Expense (-)	12,596	1,176	-	489	14,261
Net Profit Share Income/Expense	(12,591)	28,988	205,613	(489)	221,521
Net Fees And Commissions Income/Expense	(1,630)	(1)	(1,055)	(83)	(2,769)
Dividend Income	-	-	-	-	-
Net Trading Income / Loss	-	-	206,855	-	206,855
Other Operating Income	-	-	29	368	397
Gross Operating Profit/Loss	(14,221)	28,987	411,442	(204)	426,004
Provision Expenses (-)	-	1,944	1,263	1,187	4,394
Operating Expenses (-)	-	-	-	414,569	414,569
Profit/Loss Before Taxation	(14,221)	27,043	410,179	(415,960)	7,041
Taxation	4,266	(8,113)	(123,054)	182,035	55,134
Net Profit/Loss	(9,955)	18,930	287,125	(233,925)	62,175
					-
Segment Assets	99	662,720	2,014,709	298,965	2,976,493
Total Liabilities	869,182	419,664	-	1,687,647	2,976,493

Prior Period	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	Bank's total operation
Profit Share Income	-	-	97,367	-	97,367
Profit Share Expense (-)	-	-	-	-	-
Net Profit Share Income/Expense	-	-	97,367	-	97,367
Net Fees And Commissions Income/Expense	-	-	(13)	-	(13)
Dividend Income	-	-	-	-	-
Net Trading Income / Loss	-	-	651	-	651
Other Operating Income	-	-	-	4	4
Gross Operating Profit/Loss	-	-	98,005	4	98,009
Provision Expenses (-)	-	-	-	-	-
Operating Expenses (-)	-	-	-	58,656	58,656
Profit/Loss Before Taxation	-	-	98,005	(58,652)	39,353
Taxation	-	-	(24,501)	14,224	(10,277)
Net Profit/Loss	-	-	73,504	(44,428)	29,076
					-
Segment Assets	-	-	1,527,234	41,876	1,569,110
Total Liabilities	-	-	-	1,569,110	1,569,110

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

SECTION FIVE

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to assets

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

Cash and balances with the Central Bank of Republic of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Cash/foreign currency	-	-	-	-
The Central Bank of Republic of Turkey	51,498	123,560	-	-
Other ¹	-	4,039	-	-
Total	51,498	127,599	-	-

¹ As of 31 December 31 2023, precious metal deposit amount of TL 4,039 (31 December 31 2022 - None) are presented in this line.

Balances with the Central Bank of Turkey

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	30,771	6	-	-
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	20,727	123,554	-	-
Total	51,498	123,560	-	-

According to the CBRT's Communiqué on Reserve Requirements No. 2005/1, the Bank operates in Turkey; required reserve ratios for Turkish currency and foreign currency liabilities are determined between 3% and 30%, differentiated according to the maturities of the liabilities, and these rates are applied by banks as of the report date.

Effective from October 27, 2023, it has been decided to apply an additional reserve requirement of 4 percent to be established in Turkish lira for all maturities for foreign currency deposits (except foreign bank deposits and precious metal deposit accounts). Additional Reserve Requirement rates applied by the decision of the CBRT are excluded from the Reserve Requirement commission application.

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

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

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

Positive differences related to marketable derivative financial assets:

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

1.3 Information on Banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks	284	16,651	1,512,062	15,172
Domestic	284	5,609	1,512,062	15,172
Foreign	-	11,042	-	-
Headquarters and branches abroad	-	-	-	-
Total	284	16,651	1,512,062	15,172

Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current period	Prior period	Current period	Prior period
EU Countries	11,042	-	-	-
USA and Canada	-	-	-	-
OECD Countries ¹	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
Total	11,042	-	-	-

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

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

	Current period	Prior period
Debt Securities	35,460	-
Quoted on stock exchange	35,460	-
Not quoted on stock exchange	-	-
Share certificates/Investment Funds	-	-
Quoted on stock exchange	-	-
Not quoted on stock exchange	-	-
Impairment provision (-)	(108)	-
Total	35,352	-

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

1.5 Explanations on financial assets measured at amortized cost

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

Prior Period : None.

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

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

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

None (31 December 2022 – None).

Distribution of cash loans and other receivables according to their maturities

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

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

Prior period : None.

Information on commercial installment loans and corporate credit cards

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Allocation of loans by customers

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

Breakdown of domestic and foreign loans

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

Loans granted to subsidiaries and associates

None (31 December 2022 – None).

Specific provisions for loans or default (Third Stage) provisions

None (31 December 2022 – None).

Information on non-performing loans (Net)

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

None (31 December 2022 – None).

Information on the movement of total non-performing loans

None (31 December 2022 – None).

Information on non-performing loans granted as foreign currency

None (31 December 2022 – None).

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

None (31 December 2022 – None).

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

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

Main guidelines for liquidation process of uncollectible loans and other receivables

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

Information on the write-off policy

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

1.6 Information on other financial assets measured at amortized cost

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

An expected loss provision of TL 700 TL (31 December 2022 - None) has been set aside for other financial assets measured at amortized cost.

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

Information on government debt securities measured at amortized cost

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

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

1.7 Information on investment in associates (Net)

None (31 December 2022 – None).

1.8 Information on subsidiaries (Net)

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)

None (31 December 2022 – None).

1.11 Information on derivative financial assets for hedging purposes

None (31 December 2022 – None).

1.12. Explanations on Tangible Assets

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

Prior Period	Buildings	Vehicles	Right of Use Assets	Other Tangible Assets	Total
Prior period ending					
Cost	-	-	-	-	-
Accumulated depreciation (-)	-	-	-	-	-
Prior Period Ending Net Book Value	-	-	-	-	-
Current Period Beginning Net Book Value	-	-	-	-	-
Additions	-	-	-	6,373	6,373
Disposal (-), cost	-	-	-	-	-
Disposal, accumulated depreciation	-	-	-	-	-
Depreciation (-)	-	-	-	(208)	(208)
Current Period Ending Net Book Value	-	-	-	6,165	6,165
Current Period Ending Cost	-	-	-	6,373	6,373
Current Period Ending Acc. Depreciation (-)	-	-	-	(208)	(208)
Current Period Ending Net Book Value	-	-	-	6,165	6,165

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

1.13. Explanations on Intangible Assets

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

	Current period	Prior period
Cost	139,492	34,140
Accumulated Amortization	(6,268)	(2,122)
Total (net)	133,224	32,018

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

	Current period	Prior period
Opening balance	32,018	-
Additions	105,353	34,140
Disposals (-), net	-	-
Depreciation amount (-)	(4,147)	(2,122)
Closing net book value	133,224	32,018

1.14. Explanations on investment property

None (31 December 2022 – None).

1.15. Information on deferred tax asset

	Current period	Prior period
Employee Benefits Liability	1,887	-
TFRS 9 Provisions	934	-
Other Provisions	572	-
Tax Loss	54,588	-
Other	1,325	-
Deferred Tax Assets	59,306	-
Fixed Assets	(6,706)	(2,652)
Other	(113)	-
Deferred Tax Liabilities	(6,819)	(2,652)
Net Deferred Tax Assets / (Liabilities)	52,487	(2,652)

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

Table of deferred tax asset movement

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

1.16. Assets held for sale and assets of 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 43,489 (31 December 2022 – TL 3,693) and other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

2. Explanations and notes related to liabilities

2.1 Information on funds collected

Information on maturity structure of funds collected

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

Prior period: None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

Current and participation accounts attributable to real and legal entities under the guarantee of Saving Deposit Insurance Fund exceeding the limit of the deposit insurance fund

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

Funds collected by Participation Banks (except for foreign branches) through current and profit share accounts which are opened by real and legal entities and denominated in Turkish Lira or foreign currency with a limit of maximum of TL 400 (including both capital and profit shares) for each person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law No. 5411 which issued in official gazette no. 25893 on 1 November 2005.

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

The headquarters of the Bank is in Turkey.

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

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

2.2 Information on derivative financial liabilities held for trading

None (31 December 2022 – None).

2.3 Information on funds borrowed

Information on banks and other financial institutions

None (31 December 2022 – None).

Information on maturity structure of borrowings

None (31 December 2022 – None).

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

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

2.4. Information on issued securities

None (31 December 2022 – None).

2.5 Information on other liabilities and miscellaneous payables

As of 31 December 2023, other liabilities include miscellaneous payables item amounting to TL 59,736 (31 December 2022 – TL 21,070) and other liabilities item amounting to TL 3,237 TL (31 December 2022 - None), and these items do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (Net)

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

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

None (31 December 2022 – None).

Information on Financial Lease Obligations

None (31 December 2022 – None).

Information on Operational Leases

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

2.7. Information on hedging derivative financial liabilities

None (31 December 2022 – None).

2.8. Information on provisions

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

None (31 December 2022 – None).

Information on other provisions

	Current Period	Prior Period
Expected Credit Loss for Non-Cash Loans	32	-
Provision for Profits will be Allocated to Participation Accounts	1,187	-
Total	1,219	-

Information on provisions for employee benefits

The provision for employee benefits in the balance sheet includes severance pay obligations amounting to TL 2,488 TL (31 December 2022 - None) and leave pay provision amounting to TL 3,801 TL (31 December 2022 - None).

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.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

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

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

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

2.9. Explanations on tax liability

Information on current year tax liability

None (31 December 2022 – None).

Information on taxes payable

	Current Period	Prior Period
Corporate tax payable	-	7,625
Taxation of marketable securities	605	44
Taxation of immovable property	-	-
Banking Insurance Transaction Tax (BITT)	1,002	-
Foreign Exchange Transaction Tax	4	-
Value Added Tax Payable	2,234	1,461
Other	8,280	4,681
Total	12,125	13,811

Information on premiums

	Current Period	Prior Period
Social Security Premiums – Employee	4,245	1,071
Social Security Premiums – Employer	4,971	1,206
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	283	75
Unemployment Insurance – Employer	567	149
Other	-	-
Total	10,066	2,501

Information on deferred tax liability

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

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

2.10. Information on payables related to assets held for sale

None (31 December 2022 – None).

2.11. Information on subordinated loans

None (31 December 2022 – None).

2.12. Information on shareholders' equity

Presentation of paid-in capital

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

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

Registered capital system is not applied in the Bank.

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

None (31 December 2022 – None).

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

None (31 December 2022 – None).

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

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

Summary of privileges given to shares representing the capital

None (31 December 2022 – None).

Information on marketable securities value increase fund

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

Information on minority shares

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

3.1 Explanations on off-balance sheet accounts

Types and amounts of irrevocable commitments

None (31 December 2022 – None).

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

None (31 December 2022 – None).

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

As of 31 December 2023, the Bank has guarantees due to the letter of guarantee in the amount of TL 5,400 (31 December 2022 - None).

Revocable, irrevocable guarantees and other similar commitments and contingencies

As of 31 December 2023, the Bank has guarantees due to the letter of guarantee in the amount of TL 5,400 (31 December 2022 - None).

Total amount of non-cash loans

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

Information on sectoral risk concentrations of non-cash loans

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

Prior period : None.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

Prior period : None.

3.2. Financial derivative instruments

None (31 December 2022 – None).

3.3. Credit derivatives and risk exposures on credit derivatives

None (31 December 2022 – None).

3.4. Contingent liabilities and assets

None (31 December 2022 – None).

3.5. Explanations on custodian and intermediary services

None (31 December 2022 – None).

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

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

4. Explanations and notes related to the statement of income

4.1 Information on profit share income

Information on profit share received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans	41,731	4,039	-	-
Short term loans	16,395	1,312	-	-
Medium and long-term loans	25,336	2,727	-	-
Profit share on non-performing loans	-	-	-	-
Premiums received from resource utilization	-	-	-	-
Total	41,731	4,039	-	-

Information on profit share received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	182,100	68	97,173	194
Foreign Banks	-	-	-	-
Branches and head office abroad	-	-	-	-
Total	182,100	68	97,173	194

Information on profit share income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	625	-	-
Financial Assets at Fair Value Reflected in Other Comprehensive Income	410	-	-	-
Financial Assets Valued Over Amortized Cost	3,752	3,057	-	-
Total	4,162	3,682	-	-

Information on profit share income received from associates and subsidiaries

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

4.2 Information on profit share expenses from funds borrowed

None (31 December 2022 – None).

Profit share expense given to associates and subsidiaries

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

Profit share expense paid to securities issued

None (31 December 2022 – None).

4.3 Information on dividend income

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

Current Period Account Name	Profit Sharing Accounts						Acc. profit- sharing accounts	Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year		
Turkish Lira								
Collected funds from banks through current and profit share accounts	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing	2	11,216	13	5	5	-	-	11,241
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	-	1,176	-	-	-	-	-	1,176
Other institutions profit sharing account	-	-	-	-	-	-	-	-
Total	2	12,392	13	5	5	-	-	12,417
Foreign currency								
Banks	-	-	-	-	-	-	-	-
Real person's non-trading profit sharing	-	454	6	6	6	883	-	1,355
Public-sector profit-sharing account	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	-	-	-	-	-	-	-	-
Other institutions profit sharing account	-	-	-	-	-	-	-	-
Precious metal accounts	-	-	-	-	-	-	-	-
Total	-	454	6	6	6	883	-	1,355
Grand Total	2	12,846	19	11	11	883	-	13,772

Prior period : None.

4.5 Information on trading income/loss (Net)

	Current Period	Prior Period
Income	220,491	652
Gain on capital market transactions	196,875	-
Gain on derivative financial instruments	-	-
Foreign exchange profit	23,616	652
Losses (-)	(13,636)	(1)
Losses on capital market transactions	-	-
Losses on derivative financial instruments	-	-
Foreign exchange losses	(13,636)	(1)
Trading income/loss (Net)	206,855	651

4.6 Information on other operating income

The total of other operating income is TL 397 (31 December 2022 – TL 4) and there are no extraordinary items that significantly affect the Bank's income.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

4.7 Provisions for loan losses and other receivables of the Bank¹

	Current Period	Prior Period
Expected Credit Loss	3,207	-
12 month expected credit loss (Stage 1)	3,207	-
Significant increase in credit risk (Stage 2)	-	-
Non-performing loans (Stage 3)	-	-
Marketable Securities Impairment Expense (**)	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other²	1,187	-
Total	4,394	-

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

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

4.8 Information on other operating expenses

	Current Period	Prior Period
Reserve for employee termination benefits	2,489	-
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	8,951	208
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	4,147	2,122
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed	-	-
Amortization expenses of investment securities that will be disposed	-	-
Impairment expenses for property and equipment held for sale purpose and terminated operations	-	-
Other operating expenses	76,319	9,707
Leasing expenses related to TFRS 16 exemptions	5,037	1,293
Maintenance expenses	136	-
Advertisement expenses	16,479	-
Other expenses ¹	54,667	8,414
Loss on sales of assets	-	-
Other²	98,377	9,071
Total	190,283	21,108

¹ Includes computer usage expenses amounting to TL 30,236.

² Includes audit and consultancy fee expenses of TL 59,988.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

According to the decision of POA dated March 26, 2021, the fee information for the reporting period for services received from the independent auditor or audit organization is given in the following table. These fees also include the audit fees of the Bank's subsidiaries. The fee information given in the table is excluding VAT.

	Current Period	Prior Period
Independent audit fee for the reporting period	2,400	-
Fees for tax consulting services	90	-
The cost of other services outside the independent audit	360	-
Total	2,850	-

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

The bank's profit before tax was TL 7,041 (31 December 2022 – TL 39,353)

TL 221,521 TL (31 December 2022 – TL 97,367) of the profit before tax comes from net profit share income, TL 2,769 (31 December 2022 – TL 13) from net fees and commission expenses, TL 206,855 (31 December 2022 - TL 651) from net commercial profit and loss, TL 397 (31 December 2022 – TL 4) from other operating income, TL 4,394 (31 December 2022 - None) from provision expenses, TL 414,569 (31 December 2022 – TL 58,656) consists of other operating expenses, including personnel expenses.

4.10 Information on tax provision for continued and discontinued operations

The Bank has no current tax provision expense (31 December 2022 – TL 7,625 TL). The Bank has deferred tax expense of TL 20,636 (31 December 2022 – TL 2,652) and deferred tax income of TL 75,770 (31 December 2022 - None) in the current period.

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

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

4.12 Information on net income/loss

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

Net profit share income among income items in the accounting period ending as of 31 December 2023 is TL 221,521 (31 December 2022 – TL 97,367).

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

None (31 December 2022 – None).

Profit/Loss attributable to minority interest

None (31 December 2022 – None).

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

As of 31 December 2023, other items in the income statement do not exceed 10% of the total income statement.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

Explanations on profit distribution

The authorized body of the Bank regarding profit distribution is the General Assembly, and as of the date of preparation of these financial statements, the annual ordinary General Assembly meeting has not been held yet.

Information on financial assets at fair value through other comprehensive income

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

As of 31 December 2023, the Bank has booked TL 11 decrease (31 December 2022 – None) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income

Explanations on profit reserves and previous years' profit/loss

TL 1,454 of the previous period profit was transferred to the legal reserves and TL 27,622 to the extraordinary reserve with the decision taken at the ordinary general assembly meeting held on March 29, 2023,

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

6. Explanations and Disclosures Related to Statement of Cash Flows

6.1. Information on cash and cash equivalents

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

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

Cash and cash equivalents for the periods

	Current Period	Prior Period
Cash	179,097	-
Cash and Foreign Currency Cash	-	-
Turkish Central Bank	175,058	-
Other	4,039	-
Cash Equivalents	16,935	1,527,234
Banks	16,935	1,527,234
Interbank Money Market Placements	-	-
Total Cash and Cash Equivalents	196,032	1,527,234
Total Cash and Cash Equivalents	(144,281)	-
Rediscounts on Cash and Cash Equivalents	-	(33,245)
Cash Flow Statements Cash and Cash Equivalents	51,751	1,493,989

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

The Bank has cash and equivalent assets that are not in free use in the amount of TL 144,281 as a required reserve balance at central bank (31 December 2022 - None).

6.3. Explanations on other items in the cash flow statement

The "Other" amounting to TL 11,812 (31 December 2022 – TL 21,915) of included in "Operating profit before changes in banking activity assets and liabilities" consists mainly of items such as paid fees and commissions, taxes, duties and fees.

The "Net increase/decrease in other assets" item amounting to TL 19,446 (31 December 2022 – TL 556) included in the "Change in assets and liabilities subject to banking activities" consists mainly of changes in other assets.

The "Net increase/decrease in other debts" item amounting to TL 45,234 (31 December 2022 – TL 29,757) included in the "Change in assets and liabilities subject to banking activities" consists of changes in various debts, other liabilities and taxes, duties, fees and premiums to be paid

The effect of the change in foreign exchange rate on cash and cash equivalent assets is calculated as approximately TL 4,322 (31 December 2022 – TL 623) as of 31 December 2023.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

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

Current Period Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	296,793	-	198,634	-
Profit share and commission income	-	-	11,225	-	15,411	-

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

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior Period	Current period	Prior Period	Current period	Prior Period
Current and profit-sharing accounts						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	418,150	-	18,797	-
Profit share expense	-	-	-	-	1,432	-

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

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

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

None (31 December 2022 – None).

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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

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

None (31 December 2022 – None).

7.6 Information on remunerations provided to top management

As of 31 December 2023, a payment of TL 44,512 (31 December 2022 – TL 10,201) was made to the Bank's senior management.

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

8.1. Domestic and foreign branches and representative offices

	Number of Branches	Number of Employees			
Domestic branches ¹	1	256			
			Country		
				Total Assets	Legal Capacity
Foreign representative offices	-	-	-	-	-
Foreign bank	-	-	-	-	-
Foreign branches	-	-	-	-	-

¹ It represents the Head Office.

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

None.

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

In accordance with BRSA Board decision dated January 11, 2024, the banks, financial leasing, factoring, financing, savings financing and asset management companies will start applying inflation accounting as of January 1, 2025.

HAYAT FİNANS KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR-ENDED 31 DECEMBER 2023

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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:**

None.

SECTION SEVEN

INDEPENDENT AUDITORS' REPORT

- 1. Explanations on independent auditors' report**

The unconsolidated financial statements as at 31 December 2023 and notes to these financial statements have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' report dated 29 February 2024 is presented before the accompanying the financial statements.

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

None.