

Türkiye Finans Katılım Bankası Anonim Şirketi

**Publicly Announced Unconsolidated Financial Statements and
Related Disclosures at June 30, 2023 together with Auditor's
Review Report.**

*(Convenience translation of financial statements and Related Disclosures and
Footnotes originally issued in Turkish, See Note.I.b. of Section Three)*



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**Convenience Translation of the Review Report Originally Prepared and Issued
in Turkish to English**

**Independent Auditor's Report on Review of Unconsolidated Interim Financial
Information**

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

Introduction

We have reviewed the accompanying unconsolidated balance sheet of Türkiye Finans Katılım Bankası A.Ş. ("the Bank") as at 30 June 2023 and the 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 for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The Bank management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 "*Interim Financial Reporting*" for the matters not regulated by the aforementioned legislations (together referred as "BRSA Accounting and Reporting Legislation"). Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Basis for Qualified Conclusion

As stateted in Note 2.5.3 of Section Five, the accompanying unconsolidated interim financial information as at 30 June 2023 includes a general provision of total of TL 1,155,000 thousands which recognised as expense in prior periods which does not meet the requirements of BRSA Accounting and Reporting Legislation. This general provision is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information does not present fairly, in all material respects, the unconsolidated financial position of Türkiye Finans Katılım Bankası A.Ş. as at 30 June 2023 and its unconsolidated financial performance and its unconsolidated cash flows for the six month period then ended in accordance with the BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the interim annual report included in section seven of the accompanying unconsolidated interim financial information is not consistent, in all material respects, with the reviewed unconsolidated interim financial information and explanatory notes.

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated interim financial information is not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial information and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Alper Güvenç, SMMM
Partner

8 August 2023
İstanbul, Turkey

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

Address of the Headquarter of the Bank	:	Saray Mahallesi Sokullu Caddesi No:6 34768 Ümraniye / İstanbul
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The Unconsolidated Interim Financial Report for the six-month period ended June 30, 2023 prepared in accordance with the communique of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

GENERAL INFORMATION ABOUT THE BANK

UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK

EXPLANATIONS ON ACCOUNTING POLICIES IN THE CURRENT PERIOD OF THE BANK

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK

EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS

INDEPENDENT AUDITORS’ REVIEW REPORT

INTERIM REPORT

The Unconsolidated Interim Financial Statements for the six-month period ended June 30, 2023 and related disclosures and footnotes that were subject to independent review, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira (TL)**.

Wael Abdulaziz A. RAIES Chairman of the Board of Directors	Süleyman Murat AKŞAM CEO	Mete M. KANAT Finance Executive Vice President	Dr. Eyüp ASKER Statutory Reporting & Financial Control Dep. Vice President
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Müge ÖNER Chair of the Audit Committee	Meriç ULUŞAHİN Member of the Audit Committee	Sara Abdullatif A NUGALI Member of the Audit Committee
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Information on the authorized personnel to whom questions may be directed related to this financial report

Name-Surname/Title: Sefa SEYHAN / Assistant Vice President

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SECTION ONE: GENERAL INFORMATION

I. Explanations On The Date Of Establishment And The Initial Status Of The Participation Bank, And The History Including The Changes In The Former Status

Participation banks started their operations in accordance with the Provision on Establishment of Participation Banks of Decree No. 83/7506 dated December 16, 1983 and the related Communiqués issued by Prime Ministry Undersecretariat of Treasury and by Central Bank of Turkish Republic. Participation banks then continued their operations in accordance with Banking Act Nr. 4389, dated June 18, 1999, with the change declared in Act Nr. 4491, dated December 17, 1999. In the Provisional Article Nr. 3, of Act Nr. 4491, a transition period of two years is stated to complete the compliance to Banking Act. The Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Participation Bank began its operations on November 4, 1991 in accordance with the regulation Nr. 83/7506 published on December 16, 1983.

According to the decision made by Board of Directors' meeting of Anadolu Finans Kurumu AŞ Nr. 1047 on May 31, 2005, it is decided that Anadolu Finans Kurumu AŞ is merged with Family Finans Kurumu AŞ.

The merger was realized by transferring all assets, liabilities and off-balance sheet items of Family Finans Kurumu AŞ to Anadolu Finans Kurumu AŞ. Banking Regulation and Supervision Agency ("BRSA") affirmed both the transfer agreement signed between Anadolu Finans Kurumu AŞ and Family Finans Kurumu AŞ and alterations in primary contract of Anadolu Finans Kurumu AŞ on October 20, 2005 and with its Decision No. 1726. The decision related to merger, which was taken on both participation banks' General Assembly Meetings on December 23, 2005, approved by the decree nr. 1764 dated December 28, 2005 of BRSA.

BRSA approved the title of the Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Participation Bank"), during the merger process, with the decision dated November 30, 2005 and Nr. 1747, in compliance with Article 48 of Turkish Commercial Code, and subject to the approval of Council of Ministers. The change in title of the Participation Bank was registered by T.R. Istanbul Trade Registry Office on December 30, 2005, in compliance with Turkish Commercial Code Nr. 6762.

As of June 30, 2023; the Participation Bank operates through 307 (December 31, 2022: 308) branches with 3,817 (December 31, 2022: 3,735) employees.

II. Explanations Regarding the Participation Bank's Shareholder Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, The Managing And Controlling Power And Changes in Current Period, if any and Explanations on The Controlling Group Of The Participation Bank

The shareholder structure of the Participation Bank is presented in note IV.

With the authorization of BRSA, numbered 2489 and dated February 28, 2008, 60% of the Participation Bank was acquired by the National Commercial Bank (As of April 1, 2021, The National Commercial Bank merged with Samba Financial Group. changed its title to The Saudi National Bank ("SNB")). The Parent Participation Bank increased its capital from TL 292,047 to TL 800,000 with the capital increase in 2008 and from TL 800,000 to TL 1,775,000 with the capital increase in 2012. As per decision has taken by the Extraordinary General Assembly on August 29, 2014, the Parent Participation Bank's share capital increased by TL 825,000 from TL 1,775,000 to 2,600,000. The part of this increase amounting to TL 600,000 was transferred from general reserve and the remaining part amounting to TL 225,000 was paid in cash. Cash commitment amounting to TL 100,000 recorded into capital accounts on October 24, 2014, and remaining part amounting to TL 125,000 recorded into capital accounts on November 19, 2014 with the approval of Banking Regulation and Supervision Agency.

As of June 30, 2023, the Participation Bank's paid-in-capital consists of 2,600,000,000 shares of full TL 1 nominal each.

The Participation Bank is controlled by the Saudi National Bank group.

The Saudi National Bank "SNB" established as the first and the biggest bank of Saudi Arabia. The Bank is performing its banking operations through cross-border in Bahrain and Singapore. The headquarter of The Saudi National Bank is located in Riyadh.

III. Explanations Regarding The Chairman and The Members of Board of Directors, Members of Audit Committee, Chief Executive Officer and Assistants, If Any, Their Shares and Responsibilities in The Participation Bank

Title	Name and Surname	Educational Degree	Responsibilities	Ownership percentage %
Chairman of the Board of Directors	Wael Abdulaziz A. Raies	Master	Chairman of the Board of Directors	-
Members of the Board	Moath Saad M. Alnasser	Master	Member of the Board	-
	Sara Abdullatif A. Nugali	University	Member of the Board and the Audit Committee	-
	Meriç Uluşahin	University	Member of the Board	-
	Müge Öner	University	Member of the Board and the Chair of Audit Committee	-
	Hakan Bekiroğlu	Master	Member of the Board	-
	Süleyman Murat Akşam	University	Member of the Board and CEO	-
Members of the Audit Committee	Müge Öner	University	Member of the Board and the Chair of Audit Committee	-
	Eren Gıra	Master	Member of the Board and the Audit Committee	-
	Sara Abdullatif A. Nugali	University	Member of the Board and the Audit Committee	-
General Manager Assistants	Mahmut Emre Ertürk	Master	Credits	-
	Ahmet Mert	Master	Retail Banking	-
	Fahri Öbek	Master	Information Systems and Operations	-
	Mete M. Kanat	Master	Finance and Strategy	-
	Züleyha Büyükyıldırım	University	Human Resources	-
	Yiğit Satılmaz	University	Treasury	-
	Murat Altun	University	Commercial Banking	-
	Oğün Ataoğlu	University	Credit Quality and Collections	-

Mr. Hakan BEKİROĞLU was elected as a Member of the Board of Directors in accordance with the 8th agenda of the Bank's 32nd Ordinary General Assembly Meeting held on May 18, 2023 and started his duties following the oath ceremony dated May 22, 2023.

Mr. Eren GÜRA's duties as a Member of the Board of Directors and as a member of the Audit Committee have ended in accordance with the 32nd Ordinary General Assembly Meeting of the Bank held on May 18, 2023.

Ms. Meriç ULUŞAHİN was appointed as a Member of the Audit Committee with the Board Decision dated May 26, 2023 and numbered 6969.

IV. Explanations on the Persons and Institutions that have Qualified Shares of the Participation Bank

Name Surname / Commercial Name	Share Amounts	Share Rates %	Paid Up Shares	Unpaid Shares
THE SAUDI NATIONAL BANK	1,742,676	67.03	1,742,676	-
GÖZDE GİRİŞİM SERMAYESİ YATIRIM ORTAKLIĞI AŞ	274,838	10.57	274,838	-

V. Summary on the Participation Bank's Functions and Areas of Activity

The Participation Bank operates in accordance with the principles of interest-free banking, by collecting funds through current accounts and profit sharing accounts, and lending such funds through individual and corporate financing, production support, financial leasing and profit/loss sharing partnership investment.

The Participation Bank has three ways of collecting funds; current accounts, profit sharing accounts and profit sharing accounts of wakala. The Participation Bank classifies current accounts and profit sharing accounts separately in accordance with their maturities in its accounting system. Profit sharing accounts are categorized into six different maturity groups; one month, up to three months (three months included), up to six months (six months included), and up to one year and more than one year (one month, three months, six months and one year profit share payment) and cumulative participation account.

The Participation Bank profit participation rates arising from the operation of participation accounts; could freely determine the participation rates on profit/loss sharing accounts or estimated profit rate. The participation rate on loss of participation accounts is 100%.

The Participation Bank constitutes specific fund pools, allocated to the individually predetermined projects for financing purposes. Profit sharing accounts, which are part of the funds collected for project financing purpose, are

distinguished from others with respect to the terms, accounted separately from the others and it is not allowed to make any transfers from these accounts to any other maturity groups. Specific fund pools are clarified at the end of the financing period.

In addition to ordinary banking activities, the Participation Bank has services through branches. It has insurance agency operations through Türkiye Sigorta, Türkiye Katılım Sigorta, Bereket Sigorta, HDI Sigorta, HDI Katılım Sigorta, Doğa Sigorta, Türkiye Hayat ve Emeklilik, Türkiye Katılım Hayat, Bereket Emeklilik ve Hayat and has an individual pension insurance agency operation through Bereket Emeklilik ve Hayat.

Participation Bank, Turkey Participation Banks Association within the scope of brokerage activity authority to order transmission Center Advisory Board determined share certificate issuance and trading of the interest-free banking principles and standards according to the criteria specified in the standard suitable stocks, mutual funds, purchases for products such as Sukuk sale of Oyak Securities A.Ş. realizes through. In addition, it has the authority to operate as an intermediary for order transmission, transaction intermediation, portfolio intermediation and limited custody activity.

On the other hand Participation Bank mainly has services such as letters of guarantee, import credits and acceptance credits and other kind of non-cash credits as well.

The Participation Bank's operations are not limited as mentioned above. In case of any transaction else made, not mentioned above, and considered as in favor of participating bank, upon the request of the board of directors, this case is adjudicated by general meeting and is proceeded to be get required approval from competent authority and depends on the approval of Ministry of Commerce. Thus, the approved decision is added on main agreement.

VI. Differences Between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards and Short Explanation About The Institutions Subject To Line-By-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods

TF Varlık Kiralama AŞ, which was established on February 11, 2013 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank starting from June 30, 2013. TFKB Varlık Kiralama AŞ, which was established on July 8, 2014 and the subsidiary of the Participation Bank with 100% ownership is fully consolidated in the consolidated financial statements of the Participation Bank from December 31, 2014.

Katılım Finance Kefalet A.Ş., which was acquired with a 15% share on April 27, 2023, is accounted under the equity method in the consolidated financial statements.

VII. The Existing or Potential, Actual or Legal Obstacles on The Transfer of Shareholder's Equity between the Bank and Its Subsidiaries or The Reimbursement of Liabilities

The transfer of shareholder's equity between the Bank and its subsidiaries is not in question.

There is no restriction on existing or potential, actual or legal obstacles on the Reimbursement of Liabilities between the Bank and its subsidiaries. The Bank can receive or pay the amounts regarding rendering and getting services from its subsidiaries within the framework service agreements.

SECTION TWO
UNCONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED BALANCE SHEET (Statement of Financial Position)

ASSETS	Footnotes (5-I)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD Reviewed (30/06/2023)			PRIOR PERIOD Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		23,197,591	52,558,068	75,755,659	19,400,247	42,949,288	62,349,535
1.1 Cash and cash equivalents		5,257,366	29,568,740	34,826,106	3,503,413	26,214,375	29,717,788
1.1.1 Cash and balances with central bank	(1)	5,257,428	23,848,879	29,106,307	3,503,304	19,666,297	23,169,601
1.1.2 Banks	(2)	975	5,727,769	5,728,744	734	6,555,656	6,556,390
1.1.3 Money market placements		-	-	-	-	-	-
1.1.4 Expected Loss Provisions (-)		(1,037)	(7,908)	(8,945)	(625)	(7,578)	(8,203)
1.2 Financial assets valued at fair value through profit or loss	(3)	4,475	6,567,378	6,571,853	3,912	4,524,669	4,528,581
1.2.1 Government debt securities		-	6,566,373	6,566,373	-	4,520,880	4,520,880
1.2.2 Equity securities		-	-	-	-	-	-
1.2.3 Other financial assets		4,475	1,005	5,480	3,912	3,789	7,701
1.3 Financial assets valued at fair value through other comprehensive income	(4)	17,260,936	16,346,318	33,607,254	15,770,743	12,017,343	27,788,086
1.3.1 Government debt securities		9,375,949	16,336,532	25,712,481	8,870,577	12,010,414	20,880,991
1.3.2 Equity securities		38,085	9,786	47,871	38,085	6,929	45,014
1.3.3 Other financial assets		7,846,902	-	7,846,902	6,862,081	-	6,862,081
1.4 Derivative financial assets	(5)	674,814	75,632	750,446	122,179	192,901	315,080
1.4.1 Derivative financial assets valued at fair value through profit and loss		674,814	75,632	750,446	122,179	192,901	315,080
1.4.2 Derivative financial assets valued at fair value through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS VALUED AT AMORTISED COST (Net)	(6)	89,067,444	26,549,374	115,616,818	59,921,784	25,702,192	85,623,976
2.1 Loans		76,920,652	26,601,944	103,522,596	54,605,513	25,483,886	80,089,399
2.2 Lease receivables		6,059,346	1,155,442	7,214,788	956,806	968,743	1,925,549
2.3 Other financial assets valued at amortised cost		9,197,100	-	9,197,100	7,036,428	-	7,036,428
2.3.1 Government debt securities		9,197,100	-	9,197,100	7,036,428	-	7,036,428
2.3.2 Other financial assets		-	-	-	-	-	-
2.4 Expected Loss Provisions (-)		(3,109,654)	(1,208,012)	(4,317,666)	(2,676,963)	(750,437)	(3,427,400)
III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(7)	2,165	-	2,165	11,691	-	11,691
3.1 Assets held for sale		2,165	-	2,165	11,691	-	11,691
3.2 Assets of discontinued operations		-	-	-	-	-	-
IV. SUBSIDIARY INVESTMENTS		22,600	-	22,600	100	-	100
4.1 Investments in associates (net)	(8)	22,500	-	22,500	-	-	-
4.1.1 Valued under equity method		-	-	-	-	-	-
4.1.2 Unconsolidated associates		22,500	-	22,500	-	-	-
4.2 Investments in subsidiaries (net)	(9)	100	-	100	100	-	100
4.2.1 Unconsolidated financial subsidiaries		100	-	100	100	-	100
4.2.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Jointly controlled entites (joint ventures) (net)	(10)	-	-	-	-	-	-
4.3.1 Valued under equity method		-	-	-	-	-	-
4.3.2 Unconsolidated associates		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)		3,015,471	-	3,015,471	2,712,010	-	2,712,010
VI. INTANGIBLE ASSETS (Net)		237,991	-	237,991	206,612	-	206,612
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		237,991	-	237,991	206,612	-	206,612
VII. INVESTMENT PROPERTY (Net)	(11)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(12)	1,950,706	-	1,950,706	376,582	-	376,582
X. OTHER ASSETS	(13)	1,169,428	506,126	1,675,554	1,267,343	214,273	1,481,616
TOTAL ASSETS		118,663,396	79,613,568	198,276,964	83,896,369	68,865,753	152,762,122

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED BALANCE SHEET (Statement of Financial Position)							
LIABILITIES	Footnotes (5-II)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD Reviewed (30/06/2023)			PRIOR PERIOD Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	82,444,004	59,245,488	141,689,492	52,815,798	50,031,460	102,847,258
II. FUNDS BORROWED	(2)	15,674,363	6,259,841	21,934,204	10,523,466	11,473,217	21,996,683
III. MONEY MARKET BALANCES		524,567	-	524,567	3,130,312	-	3,130,312
IV. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
V. FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(3)	1,513,657	132,677	1,646,334	30,450	393,238	423,688
6.1 Derivative financial liabilities valued at fair value through profit and loss		1,513,657	132,677	1,646,334	30,450	393,238	423,688
6.2 Derivative financial liabilities valued at fair value through other comprehensive income		-	-	-	-	-	-
VII. LEASE LIABILITIES	(4)	545,239	2,151	547,390	447,596	788	448,384
VIII. PROVISIONS	(5)	2,434,153	281,933	2,716,086	2,312,109	242,551	2,554,660
8.1 Restructuring provisions		-	-	-	-	-	-
8.2 Reserve for employee benefits		945,224	-	945,224	861,830	-	861,830
8.3 Insurance technical reserves (Net)		-	-	-	-	-	-
8.4 Other provisions		1,488,929	281,933	1,770,862	1,450,279	242,551	1,692,830
IX. CURRENT TAX LIABILITY	(6)	1,522,550	-	1,522,550	1,057,840	-	1,057,840
X. DEFERRED TAX LIABILITY	(7)	-	-	-	-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(8)	-	-	-	-	-	-
11.1 Assets held for sale		-	-	-	-	-	-
11.2 Assets of discontinued operations		-	-	-	-	-	-
XII. SUBORDINATED DEBTS	(9)	-	6,458,932	6,458,932	-	4,678,005	4,678,005
12.1 Loans		-	6,458,932	6,458,932	-	4,678,005	4,678,005
12.2 Other borrowing instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(10)	3,316,054	2,747,264	6,063,318	3,052,620	1,497,477	4,550,097
XIV. SHAREHOLDERS' EQUITY	(11)	15,533,621	(359,530)	15,174,091	11,281,039	(205,844)	11,075,195
14.1 Paid-in capital		2,600,000	-	2,600,000	2,600,000	-	2,600,000
14.2 Capital reserves		(92)	-	(92)	(92)	-	(92)
14.2.1 Share premium		-	-	-	-	-	-
14.2.2 Share cancellation profits		-	-	-	-	-	-
14.2.3 Other capital reserves		(92)	-	(92)	(92)	-	(92)
14.3 Other accumulated comprehensive income that will not reclassified in profit or loss		1,647,875	-	1,647,875	676,817	-	676,817
14.4 Other accumulated comprehensive income that will be reclassified in profit or loss		938,341	(359,530)	578,811	1,305,972	(205,844)	1,100,128
14.5 Profit reserves		6,698,342	-	6,698,342	3,794,237	-	3,794,237
14.5.1 Legal reserves		379,698	-	379,698	269,456	-	269,456
14.5.2 Statutory reserves		-	-	-	-	-	-
14.5.3 Extraordinary reserves		6,217,778	-	6,217,778	3,424,482	-	3,424,482
14.5.4 Other profit reserves		100,866	-	100,866	100,299	-	100,299
14.6 Profit or loss		3,649,155	-	3,649,155	2,904,105	-	2,904,105
14.6.1 Prior years' profit/loss		-	-	-	-	-	-
14.6.2 Current period net profit/loss		3,649,155	-	3,649,155	2,904,105	-	2,904,105
14.7 Non-controlling Interest (-)		-	-	-	-	-	-
TOTAL LIABILITIES		123,508,208	74,768,756	198,276,964	84,651,230	68,110,892	152,762,122

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED OFF-BALANCE SHEET ITEMS	Footnotes (5-III)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD			PRIOR PERIOD		
		Reviewed (30/06/2023)			Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		35,653,102	63,807,372	99,460,474	20,337,750	58,115,827	78,453,577
I. GUARANTEES AND SURETIES	(1)	13,253,894	14,140,635	27,394,529	9,900,441	8,950,510	18,850,951
1.1. Letters of guarantee		12,194,059	7,734,616	19,928,675	9,375,332	4,870,449	14,245,781
1.1.1. Guarantees subject to State Tender Law		257,961	-	257,961	329,264	-	329,264
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		11,936,098	7,734,616	19,670,714	9,046,068	4,870,449	13,916,517
1.2. Bank acceptances		1,059,835	246,720	1,306,555	525,109	181,402	706,511
1.2.1. Import letter of acceptance		316,665	246,720	563,385	260,747	181,402	442,149
1.2.2. Other bank acceptances		743,170	-	743,170	264,362	-	264,362
1.3. Letters of credit		-	6,159,299	6,159,299	-	3,898,659	3,898,659
1.3.1. Documentary letters of credit		-	6,159,299	6,159,299	-	3,898,659	3,898,659
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
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 sureties		-	-	-	-	-	-
II. COMMITMENTS	(1)	7,427,456	2,655,437	10,082,893	6,086,459	2,405,943	8,492,402
2.1. Irrevocable commitments		7,427,456	2,655,437	10,082,893	6,086,459	2,405,943	8,492,402
2.1.1. Forward asset purchase and sale commitments		13,023	2,543,346	2,556,369	790,943	2,405,943	3,196,886
2.1.2. Share capital commitments to associates and subsidiaries		67,500	-	67,500	-	-	-
2.1.3. Loan granting commitments		609,665	112,091	721,756	76	-	76
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Commitments for cheque payments		1,580,618	-	1,580,618	1,024,121	-	1,024,121
2.1.7. Tax and fund obligations on export commitments		111,446	-	111,446	76,344	-	76,344
2.1.8. Commitments for credit card limits		4,504,448	-	4,504,448	3,298,057	-	3,298,057
2.1.9. Commitments for credit cards and banking services promotions		9,185	-	9,185	9,349	-	9,349
2.1.10. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.11. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Other irrevocable commitments		531,571	-	531,571	887,569	-	887,569
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		14,971,752	47,011,300	61,983,052	4,350,850	46,759,374	51,110,224
3.1. Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		14,971,752	47,011,300	61,983,052	4,350,850	46,759,374	51,110,224
3.2.1. Forward foreign currency buy/sell transactions		14,533,334	39,142,469	53,675,803	4,350,850	44,482,108	48,832,958
3.2.1.1. Forward foreign currency transactions-buy		9,307,437	15,328,776	24,636,213	3,158,438	20,122,825	23,281,263
3.2.1.2. Forward foreign currency transactions-sell		5,225,897	23,813,693	29,039,590	1,192,412	24,359,283	25,551,695
3.2.2. Other forward buy/sell transactions		438,418	7,868,831	8,307,249	2,277,266	2,277,266	2,277,266
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,007,003,228	356,198,194	1,363,201,422	772,820,143	252,796,994	1,025,617,137
IV. ITEMS HELD IN CUSTODY		17,255,837	34,884,992	52,140,829	13,595,863	19,259,338	32,855,201
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		9,119,410	620,195	9,739,605	7,351,961	586,814	7,938,775
4.4. Commercial notes received for collection		1,795,168	551,938	2,347,106	1,369,382	393,910	1,763,292
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received through public offering		-	-	-	-	-	-
4.7. Other items under custody		1,769	14,680,675	14,682,444	1,769	11,231,390	11,233,159
4.8. Custodians		6,339,490	19,032,184	25,371,674	4,872,751	7,047,224	11,919,975
V. PLEDGED ITEMS		989,747,391	320,888,224	1,310,635,615	759,224,280	233,207,876	992,432,156
5.1. Securities		2,115	-	2,115	2,115	-	2,115
5.2. Guarantee notes		374,829,187	67,177,774	442,006,961	292,173,419	48,476,419	340,649,838
5.3. Commodities		32,265,429	15,014,960	47,280,389	20,703,284	10,911,333	31,614,617
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		82,659,710	7,242,347	89,902,057	66,370,446	5,224,017	71,594,463
5.6. Other pledged items		499,771,278	231,453,143	731,224,421	379,738,943	168,596,107	548,335,050
5.7. Pledged items-depository		219,672	-	219,672	236,073	-	236,073
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	424,978	424,978	-	329,780	329,780
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,042,656,330	420,005,566	1,462,661,896	793,157,893	310,912,821	1,104,070,714

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSE ITEMS	Footnotes (5-IV)	THOUSAND TURKISH LIRA		THOUSAND TURKISH LIRA	
		Reviewed		Reviewed	
		CURRENT PERIOD		PRIOR PERIOD	
		1 January- 30 June 2023	1 April- 30 June 2023	1 January- 30 June 2022	1 April- 30 June 2022
I. PROFIT SHARE INCOME	(1)	10,116,210	5,377,776	6,761,526	3,714,056
1.1 Profit share on loans		6,198,504	3,327,032	3,877,285	2,181,124
1.2 Profit share on reserve deposits		11,780	10,207	41,799	6,702
1.3 Profit share on banks		45,481	22,088	2,215	1,775
1.4 Profit share on money market placements		155	-	-	-
1.5 Profit share on marketable securities portfolio		3,380,882	1,671,481	2,718,285	1,459,108
1.5.1 Financial assets at fair value through profit and loss		65,698	38,856	45,729	22,778
1.5.2 Financial assets valued at fair value through other comprehensive income		2,386,903	1,190,148	2,286,356	1,071,070
1.5.3 Financial assets valued at amortised cost		928,281	442,477	386,200	365,260
1.6 Finance lease income		439,807	324,949	75,460	41,965
1.7 Other profit share income		39,601	22,019	46,482	23,382
II. PROFIT SHARE EXPENSE	(2)	6,667,250	3,824,842	2,842,181	1,634,893
2.1 Expense on profit sharing accounts		4,947,382	2,910,838	1,748,909	1,062,080
2.2 Profit share expense on funds borrowed		924,841	496,530	330,888	155,430
2.3 Profit share expense on money market borrowings		339,715	198,244	531,880	287,308
2.4 Expense on securities issued		-	-	-	-
2.5 Finance lease expense		57,501	31,330	36,248	18,804
2.6 Other profit share expense		397,811	187,900	194,256	111,271
III. NET PROFIT SHARE INCOME (I - II)		3,448,960	1,552,934	3,919,345	2,079,163
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,573,032	688,332	132,029	85,316
4.1 Fees and commissions received		1,944,263	831,284	401,690	231,399
4.1.1 Non-Cash loans		109,872	56,050	68,643	39,561
4.1.2 Other	(9)	1,834,391	775,234	333,047	191,838
4.2 Fees and commissions paid		371,231	142,952	269,661	146,083
4.2.1 Non-Cash loans		-	-	-	-
4.2.2 Other	(9)	371,231	142,952	269,661	146,083
V. DIVIDEND INCOME		-	-	774	774
VI. TRADING INCOME/EXPENSES (Net)	(3)	2,871,924	1,997,848	804,909	371,417
6.1 Trading account income/expenses		(7,502)	(12,901)	2,880	533
6.2 Income/expenses from derivative financial instruments		(522,373)	(661,117)	707,702	785,530
6.3 Foreign exchange gains/losses		3,401,799	2,671,866	94,327	(414,646)
VII. OTHER OPERATING INCOME	(4)	1,417,822	668,227	642,884	234,757
VIII. TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII+VIII)		9,311,738	4,907,341	5,499,941	2,771,427
IX. PROVISION FOR EXPECTED LOSS (-)	(5)	(1,938,309)	(986,567)	(1,221,796)	(566,857)
X. OTHER PROVISION EXPENSES (-)	(5)	(107,557)	(45,255)	(464,216)	(55,449)
XI. STAFF EXPENSES (-)		(1,216,586)	(575,390)	(530,591)	(258,281)
XII. OTHER OPERATING EXPENSES (-)	(6)	(1,440,749)	(788,597)	(785,042)	(410,345)
XIII. NET OPERATING INCOME/EXPENSE (IX-X-XI)		4,608,537	2,511,532	2,498,296	1,480,495
XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XV. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		-	-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XII+...+XV)		4,608,537	2,511,532	2,498,296	1,480,495
XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(7)	959,382	472,366	663,734	363,177
18.1 Current tax charge		1,377,682	1,254,147	737,240	360,120
18.2 Deferred tax charge (+)		132,797	(321,325)	94,640	54,888
18.3 Deferred tax credit (-)		551,097	460,456	168,146	51,831
XIX. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)		3,649,155	2,039,166	1,834,562	1,117,318
XX. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income on 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. EXPENSE ON DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expense on assets held for sale		-	-	-	-
21.2 Expense on sale of associates, subsidiaries and jointly controlled entities (Joint Vent.)		-	-	-	-
21.3 Expense on other discontinued operations		-	-	-	-
XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current tax provision		-	-	-	-
23.2 Deferred tax provision (+)		-	-	-	-
23.3 Deferred tax provision (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	-	-
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(8)	3,649,155	2,039,166	1,834,562	1,117,318
25.1 Group's Profit / Loss		3,649,155	2,039,166	1,834,562	1,117,318
25.2 Non-controlling Interest (-)		-	-	-	-
Earnings / (Loss) per share		1.404	0.784	0.706	0.430

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED STATEMENT OR PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

UNCONSOLIDATED STATEMENT OR PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSAND TURKISH LIRA	THOUSAND TURKISH LIRA
	CURRENT PERIOD Reviewed (01/01/2023 - 30/06/2023)	PRIOR PERIOD Reviewed (01/01/2022 - 30/06/2022)
I. CURRENT PERIOD INCOME/LOSS	3,649,155	1,834,562
II. OTHER COMPREHENSIVE INCOME	449,741	602,025
2.1 Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss	971,058	(1,877)
2.1.1 Gains (Losses) on Revaluation of Property and Equipment	(2,485)	-
2.1.2 Gains (Losses) on Revaluation of Intangible Assets	-	-
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans	(9,251)	-
2.1.4 Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit or Loss	-	-
2.1.5 Taxes Relating to Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss	982,794	(1,877)
2.2 Other Comprehensive Income That Will Be Reclassified To Profit or Loss	(521,317)	603,902
2.2.1 Exchange Differences on Translation	-	-
2.2.2 Valuation and/or Reclassification Profit or Loss From Financial Assets at Fair Value Through Other Comprehensive Income	(694,347)	808,095
2.2.3 Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investment Foreign Operations	-	-
2.2.5 Other Components of Other Comprehensive Income That Will Be Reclassified To Profit or Loss	-	-
2.2.6 Tax Relating to Components of Other Comprehensive Income That Will Be Reclassified to Profit or Loss	173,030	(204,193)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	4,098,896	2,436,587

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																	
THOUSAND TURKISH LIRA																	
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes					Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
		Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total equity excluded from non controlling interests	Non-controlling Interest (-)	Total Shareholders' Equity
CURRENT PERIOD Reviewed (01.01-30.06.2023)																	
I. BALANCES AT BEGINING OF THE PERIOD		2,600,000	-	-	(92)	1,066,159	(282,023)	-	-	1,076,512	-	3,697,793	2,920,185	-	11,078,534	-	11,078,534
II. CORRECTION MADE AS PER TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. ADJUSTED BALANCES AT BEGINNING OF THE PERIOD (I+II)		2,600,000	-	-	(92)	1,066,159	(282,023)	-	-	1,076,512	-	3,697,793	2,920,185	-	11,078,534	-	11,078,534
IV. TOTAL COMPREHENSIVE INCOME		-	-	-	-	977,996	(6,938)	-	-	(530,972)	-	-	-	3,647,951	4,088,037	-	4,088,037
V. CAPITAL INCREASE IN CASH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. CAPITAL INCREASE THROUGH INTERNAL RESERVES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. CAPITAL RESERVES FROM INFLATION ADJUSTMENTS TO PAID-IN CAPITAL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. CONVERTIBLE BONDS		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. SUBORDINATED DEBT		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. INCREASE/DECREASE BY OTHER CHANGES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. PROFIT DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	2,904,110	(2,904,110)	-	-	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	2,904,110	(2,904,110)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (III+IV+.....+X+XI)		2,600,000	-	-	(92)	2,044,155	(288,961)	-	-	545,540	-	6,601,903	16,075	3,647,951	15,166,571	-	15,166,571

1. Tangible and Intangible Asset Revaluation Reserve
2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans
3. Other (Other comprehensive income of Associates and Joint Ventures Accounted for Using Equity Method That Will Not Be Reclassified To Profit or Loss and Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss)
4. Exchange Differences on Translation
5. Accumulated Gains (Losses) due to revaluation and/or reclassification of financial assests measured at fair value through other comprehensive income
6. Other (Accumulated gains or losses on Cash flow hedge, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes					Other Accumulated Comprehensive Income or Expense That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
		Paid-in Capital	Share Premium	Share Certificate Cancellatio n Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Net Income / (Loss)	Current Period Net Income / (Loss)	Total equity excluded from non controlling interests	Non- controlling Interest (-)	Total Shareholders' Equity
PRIOR PERIOD Reviewed (01.01-30.06.2022)																	
I. BALANCES AT BEGINING OF THE PERIOD		2,600,000	-	-	5,044	167,082	(44,225)	-	-	34,705	-	2,873,140	921,048	-	6,556,794	-	6,556,794
II. CORRECTION MADE AS PER TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. ADJUSTED BALANCES AT BEGINNING OF THE PERIOD (I+II)		2,600,000	-	-	5,044	167,082	(44,225)	-	-	34,705	-	2,873,140	921,048	-	6,556,794	-	6,556,794
IV. TOTAL COMPREHENSIVE INCOME		-	-	-	-	(4,641)	2,764	-	-	603,902	-	-	-	1,834,562	2,436,587	-	2,436,587
V. CAPITAL INCREASE IN CASH		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. CAPITAL INCREASE THROUGH INTERNAL RESERVES		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. CAPITAL RESERVES FROM INFLATION ADJUSTMENTS TO PAID- IN CAPITAL		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. CONVERTIBLE BONDS		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. SUBORDINATED DEBT		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. INCREASE/DECREASE BY OTHER CHANGES		-	-	-	1,830	-	-	-	-	-	-	49	-	-	1,879	-	1,879
XI. PROFIT DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	921,048	(921,048)	-	-	-	-
11.1 Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves		-	-	-	-	-	-	-	-	-	-	921,048	(921,048)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (III+IV+.....+X+XI)		2,600,000	-	-	6,874	162,441	(41,461)	-	-	638,607	-	3,794,237	-	1,834,562	8,995,260	-	8,995,260

1. Tangible and Intangible Asset Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurement of Defined Benefit Plans

3. Other (Other comprehensive income of Associates and Joint Ventures Accounted for Using Equity Method That Will Not Be Reclassified To Profit or Loss and Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss)

4. Exchange Differences on Translation

5. Accumulated Gains (Losses) due to revaluation and/or reclassification of financial assests measured at fair value through other comprehensive income

6. Other (Accumulated gains or losses on Cash flow hedge, other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss and other accumulated amounts of other comprehensive income that will be reclassified to profit or loss)

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ UNCONSOLIDATED STATEMENT OF CASH FLOWS		THOUSAND TURKISH LIRA		THOUSAND TURKISH LIRA
		Footnotes (5-V)	CURRENT PERIOD Reviewed	PRIOR PERIOD Reviewed
			(01/01/2023 - 30/06/2023)	(01/01/2022 - 30/06/2022)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		2,959,831	902,247
1.1.1	Profit share income received		7,340,708	4,249,493
1.1.2	Profit share expense paid		(5,202,297)	(2,350,288)
1.1.3	Dividend received		-	774
1.1.4	Fees and commissions received		1,944,263	401,690
1.1.5	Other income		323,775	105,037
1.1.6	Collections from previously written off loans and other receivables		324,221	375,482
1.1.7	Cash payments to personnel and service suppliers		(1,699,118)	(743,960)
1.1.8	Taxes paid		(314,176)	(677,272)
1.1.9	Other		242,455	(458,709)
1.2	Changes in Operating Assets and Liabilities		2,808,259	1,606,942
1.2.1	Net(Increase) Decrease in financial assets at fair value through profit or loss		(504)	638,665
1.2.2	Net(Increase) Decrease in due from banks and other financial institutions		5,471,071	2,034,291
1.2.3	Net(Increase) Decrease in loans		(20,593,353)	(9,399,630)
1.2.4	Net(Increase) Decrease in other assets		218,820	183,718
1.2.5	Net Increase(Decrease) in bank deposits		696,774	(2,249)
1.2.6	Net Increase(Decrease) in other deposits		21,491,897	10,029,470
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net Increase(Decrease) in funds borrowed		(1,460,457)	(329,783)
1.2.9	Net Increase(Decrease) in due payables		-	-
1.2.10	Net Increase(Decrease) in other liabilities		(3,015,989)	(1,547,540)
I.	Net cash provided from banking operations		5,768,090	2,509,189
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		(2,155,148)	1,018,424
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries		(22,500)	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries		-	-
2.3	Purchases of tangible assets		(370,287)	(92,261)
2.4	Sales of tangible assets		3,116	833
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(3,792,892)	(8,497,127)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		3,527,415	11,466,979
2.7	Cash paid for the purchase of financial assets at Amortised Cost		(1,500,000)	(2,560,000)
2.8	Cash obtained from sale of financial assets at amortised cost		-	700,000
2.9	Other		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		(125,175)	(83,328)
3.1	Cash obtained from funds borrowed and securities issued		-	-
3.2	Cash used for repayment of funds borrowed and securities issued		-	-
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for leases		(125,175)	(83,377)
3.6	Others		-	49
IV.	Effect of change in foreign exchange rate on cash and cash equivalents		2,289,068	2,786,286
V.	Net increase/(decrease) in cash and cash equivalents		5,776,835	6,230,571
VI.	Cash and cash equivalents at beginning of period		11,658,130	13,279,840
VII.	Cash and cash equivalents at end of period	(1)	17,434,965	19,510,411

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

SECTION THREE: ACCOUNTING POLICIES

I. Explanations on Presentation Principles

a. 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 unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated November 1, 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

The unconsolidated financial statements are prepared in TL, in accordance with the historical cost basis except for financial assets and liabilities at fair value through profit or loss and real estates which are presented on a fair value basis.

The preparation of unconsolidated financial statements requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

b. Additional paragraph for convenience translation to English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

c. Accounting policies and valuation principles applied in the presentation of financial statements:

Accounting policies and valuation principles used in the preparation of the financial statements are determined and applied, in accordance with the principles of BRSA Accounting and Reporting Regulation. The Participation Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated January 19, 2017 in lieu of TAS 39 Financial Instruments: “Accounting and Measurement” starting from January 1, 2018. TFRS 9 sets out the new principles for the classification and measurement of financial instruments and expected credit loss which will be calculated for financial assets.

The accounting policies and valuation principles related with current and prior period are explained in Notes II to XXIII below.

The preparation of unconsolidated financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Participation Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent matters as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the profit and loss statement.

The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

According to the announcement made by Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it has been stated that corporations applying TFRS do not need to make any adjustments in their financial statements for the year ended on December 31, 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of June 30, 2023, Public Oversight Accounting and Auditing Standards Authority has not made a new announcement within the scope TAS 29. Therefore, no inflation adjustment has been applied on the financial statements dated June 30, 2023 in accordance with TAS 29.

Following the earthquake disaster in Kahramanmaraş and surrounding provinces in February, aid was provided to the region, and interest-free deferral of loan and credit card debts and free transaction/service opportunities were offered to customers affected by the earthquake. The effects of the earthquake disaster were reviewed and it was evaluated that there was no effect on the financial statements that would affect the continuity.

d. Comparative information and classifications:

The changes in accounting policies are applied retrospectively and prior period financial statements are restated. The financial statements of the Bank are prepared comparative to the prior period in order to determine its financial position and performance trends. If appropriate, the comparative information are restated in order to provide comparativeness to the statements of current term financial statements.

II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

The Participation Bank collects funds on the basis of taking share from both profit and loss. Funds collected on the basis of profit and loss from depositors are generally evaluated as Corporate Finance Support, Individual Finance Support and Financial Leasing. Yields of these funds are fixed.

Active credit risk management procedures are applied due to fixed yields of funds. The rating and scoring systems applied by the Participation Bank, includes detailed company analysis realized in annually or semi-annually and enables rating of all companies and loans without any restrictions regarding credibility. Loans and companies, which have been renewed, restructured or rescheduled, are rated within the scope of this system and if acceptable, loan limits are revised.

In order to maintain the ratio of liquid assets to total assets (except statutory reserves) around 15%-17% is adopted as liquidity principle by the Participation Bank. Equity profitability is maximized by evaluating this liquidity opportunity in short maturity transactions in international markets.

Foreign exchange gains and losses arising from foreign currency (FC) transactions are recorded at transaction dates. At the end of the periods, foreign currency assets and liabilities evaluated with the Central Bank of Turkey's spot purchase rates and the differences are recorded as foreign exchange gain or loss in the income statement.

As of June 30, 2023 USD and EURO rates that converted TL on foreign currency transactions and reflected on financials are TL 25.8231 and TL 28.1540, respectively.

Net foreign currency position is followed in legal limits. Besides, different policies and strategies are settled according to macroeconomic situations about foreign currency position. However, the Participation Bank avoids taking positions that expose high level of currency risk.

III. Explanations on Investments in Associates and Subsidiaries

Subsidiaries are accounted for at cost in accordance with the "Turkish Accounting Standard for Individual Financial Statements" ("TAS 27") and are reflected in the unconsolidated financial statements after deducting the provision for impairment, if any.

IV. Explanations on Forward and Option Contracts and Derivative Instruments

The Participation Bank's derivative financial instruments consist of forward foreign currency buy/sell agreements and options. The Participation Bank has no derivative products that are detached from the host contract.

Derivative payables and receive are initially recorded in off-balance sheet accounts at their contract values.

Subsequently, the derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under "derivative financial assets" or "derivative financial liabilities", respectively. Subsequent fair value changes for trading derivatives are recorded under "income/expense from derivative financial instruments".

TFRS 9 permits to defer application of TFRS 9 hedge accounting and continue to apply hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Participation Bank will continue to apply hedge accounting in accordance with TAS 39 in this context.

The Participation Bank hedges its cash flow risk arising from foreign currency liabilities by using cross currency swap. The effective portion of the fair value changes of the hedging instruments are recorded in “Other accumulated comprehensive income that will not reclassified in profit or loss ” under shareholders’ equity. These funds are transferred to profit or loss from equity when the cash flows of the hedged items impact the income statement.

In case the cash flow hedge accounting is discontinued due to the expiry, realization for sale of the hedging instrument, discontinuing or due to the results of the effectiveness test the amounts accounted under shareholders’ equity are transferred to the profit and loss accounts as these cash flows of the hedged item are realized.

Changes in the fair value of derivative instruments subject to fair value hedges are recognized under profit or loss accounts together with the variation in the fair value of the hedged items. The changes of fair value of derivative transactions for fair value hedge are classified in “income/expense from derivative financial instruments” account. In the balance sheet, changes in the fair value of hedged assets and liabilities are shown with the related assets and liabilities during the effective period of hedge accounting.

V. Explanations on Profit Share Income and Expenses

Profit share income and expenses are recognized in the income statement on an accrual basis.

The Participation Bank has begun to account rediscounts for non-performing loans as of January 1, 2018.

VI. Explanations and Disclosures on Fees and Commission Income and Expenses

Banking service revenues are recognized as income only when they are collected while only the current portion of the prepaid commission income obtained from corporate loans is recorded as income on an accrual basis in accordance with the TFRS 15 Revenue from Contracts with Customers.

Fees and commissions for funds borrowed paid to other financial institutions, as part of the transaction costs, are recorded as prepaid expenses and calculated based on internal rate of return method.

VII. Explanations and Disclosures on Financial Assets

Initial recognition of financial instruments

The Participation Bank shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. Purchase and sale transactions of securities are accounted at the settlement date.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the contractual conditions and the relevant business model. Except for the assets in the scope of TFRS 15 Revenue from contracts with customers, at initial recognition, the Bank measures financial asset or financial liabilities at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit/loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification of financial instruments

On which category a financial instrument shall be classified at initial recognition depends on both the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Assessment of business model

As per TFRS 9, the business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective.

Participation Bank's business models consist of three categories.

Business model aimed to hold assets in order to collect contractual cash flows:

This is a model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial

asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding. Receivables from the Central Bank, Banks, Money Market Placements, investments under financial assets measured at amortized cost, loans, leasing receivables, factoring receivables and other receivables are assessed within this business model.

Business model aimed to collect contractual cash flows and sell financial assets:

It is the business model in which financial assets are held for both the collection of contractual cash flows and the sale of financial assets. Financial assets held under this business model are accounted for at fair value through other comprehensive income if the contractual terms of the financial asset pass the cash flow test, which includes only the principal and dividend payments arising from the principal balance on certain dates. Financial assets at fair value through other comprehensive income are evaluated within the scope of this business model.

Other business models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Financial assets measured at fair value through profit/loss and derivative financial assets are assessed in this business model.

Measurement categories of financial assets and liabilities

In accordance with TFRS 9 of the Participation Bank, financial assets are as follows on three main classes:

- Financial assets measured at fair value through profit/loss,
- Financial assets measured at fair value through other comprehensive income and
- Financial assets measured at amortized cost.

Financial assets at the 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.

Financial assets measured 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 asset 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 initial rate of return 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 amortized 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. When these securities are collected or disposed of, the accumulated fair value differences recognized in equity are reflected in the income statement.

For the first time on an entity's financial statements, an entity may choose an irrevocable option to present subsequent amendments to fair value of an investment in an equity instrument that are not held for trading purposes in other comprehensive income. In the case of this preference, the dividend from the investment is taken into the financial statements as profit or loss.

In the securities portfolio of the Participation Bank, there are consumer price indexed government lease certificates classified as financial assets at fair value through other comprehensive income. These securities are valued and accounted for using the effective profit share method based on the real coupon rates, the reference inflation index on the issue date and the reference inflation index on the valuation date. As stated in the CPI-Indexed Rent Certificates Investor's Guide of the Undersecretariat of Treasury, the reference indices used in the calculation of the actual coupon payment amounts of these securities are based on the CPI of two months ago.

Financial Assets Measured at Amortized Cost:

Financial asset as a financial asset measured at amortized cost if the financial asset is held under a business model aiming at collecting contractual cash flows and the terms of the contract for the financial asset result in cash flows that include dividend payments from principal and principal balances on certain dates.

Financial assets measured at amortized cost are initially measured at fair value by adding transaction costs to their acquisition costs, and are subsequently measured at amortized cost using the internal rate of return method. Profit share income related to financial assets measured at amortized cost is reflected in the income statement.

VIII. Explanations on Expected Credit Losses

As of January 1, 2018, the Participated Bank recognises a loss allowance for expected credit losses on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit/loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated June 22, 2016 in connection with “Procedures and Principals regarding Classification of Loans and Allowances Allocated for Such Loans” effective from January 1, 2018. At each reporting date, the Participated Bank shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Participation Bank considers the changes in the default risk of financial instrument.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions. These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Stage 1:

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. The twelve-month expected credit loss is calculated on the basis of a default estimate of twelve months following the reporting date. These expected twelve-month Probability of Defaults (PD) are applied to an estimated amount of default. This expected twelve-month default is calculated by multiplying with LGD.

LGD calculation is made using the payment plans of the customers and discounting is made over the profit rates of the customers.

Stage 2:

As of the reporting date of the financial asset, in the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Impairment for credit risk is determined on the basis of the instrument's lifetime expected credit losses. For products with a remaining maturity of one year or less, there is no difference as in Stage 1. The calculation method is similar to Stage 1, except that the probability of default and loss-on-default rates are estimated over the life of the instrument.

LGD calculation is made using the payment plans of the customers and discounting is made over the profit rates of the customers.

The following criteria are used in the determination of loans as Stage 2,

- Loans with a delay of 30 and over 30 days,
- Restructured Loans,
- Loans followed closely and internally by the Bank,
- Loans resulting in a significant decline in rating as a result of the model are classified as Stage 2.

Stage 3:

Financial assets considered as impaired at the reporting date are classified as stage 3. The probability of default is taken into account as 100% in the calculation of impairment provision and the Parent Participation Bank accounts lifetime expected credit losses.

For the customers whose total risk amount is higher than the threshold value, the provision is calculated based on the collection estimates of the relevant expert team. In this direction, it is calculated by discounted the related cash flows under two scenarios. The first scenario is the continuation of the activities of the company and the second scenario is the discounting of the cash flows to be obtained as a result of the sale of the assets. They are calculated according to Loss Given Default (LGD) for the customers who are below the threshold value. The expected loss rates in the calculation reach 100% according to the result of the model.

Participation Bank considers the following criteria in determining the impairment:

- Delay of over 90 days
- Impairment of credit ratings
- Collateral and / or equity of debtor is inadequate to cover the payment of receivables regarding on its maturity.
- To be convinced that the receivables will be delayed more than 90 days due to macroeconomic, sector specific or customer specific reasons.

Calculation of expected credit losses

The Participation Bank measured expected credit losses with the reasonable, objective and supportable information based on a probability-weighted including estimations about time value of money, past events, current conditions and future economic conditions as of the reporting date, without undue cost or effort. The calculation of expected credit losses consists of three main parameters: Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). The PD and LGD parameters used in calculating the expected credit loss are calculated as point in time PD (PIT), including both current and expected cycle changes. Certain portion of the loans followed by the Remedial Department is evaluated individually according to internal policies for calculation of Expected Credit Loss (ECL). This calculation is made by discounting the expected cash flows of the loans with their current profit share.

In the calculation of the expected loss provision for its loans, the Bank has reflected the possible effects of the earthquake in February to its financial statement by taking into account the reasonable and supportable information it has.

Probability of Default (PD)

The PD represents the likelihood of a default over a specified time period. When calculating the expected credit loss in accordance with TFRS 9, two different PD values are used:

- 12-month Probability of Default (PD): Estimation of the probability of default within 12 months after the reporting date.
- Lifetime Probability of Default (PD): Estimation of probability to occur during the expected life of the borrower

The lifetime PD calculation is based on a series of 12-month instant (PIT) PDs that are derived from TTC PDs and scenario forecasts.

Commercial portfolio customers with ratings produced by internal rating systems are grouped at different risk levels by taking into account rating notes in order to determine the Probability of Default (PD). Internal ratings models used in the commercial portfolio-party customers contains several elements such as behavior of the incorporated registration information in the Participation Bank and Central Bank of the Republic of Turkey (CBRT), financial information, qualitative characteristics and industry. The retail portfolio has been decomposed on the basis of product group and the Probability of Default (PD) calculations for both the commercial and retail portfolio have been realized by taking into consideration the default data in the past, current conditions and prospective macroeconomic expectations.

Consideration of Macroeconomic Factors

Future macroeconomic information is included in the credit risk parameters in the expected credit loss calculation. Specification and estimation of econometric models that reveal the past relationships between credit risk parameters and macroeconomic variables are made in order to produce predictions based on macroeconomic reflections.

Various macroeconomic indicators such as the GDP, inflation, exchange rate, the effect of legal changes, etc. are used in the context of these forecasts. Macroeconomic models have been established by identifying the variables that best explain the PDs of the Participation Bank customers.

While creating macroeconomic expectations, the scenarios used within the scope of Internal Capital Adequacy Assessment Process (ISEDES) are taken into consideration. In this context, three scenarios are used (Bank base scenario, Bank bad scenario, BRSA base scenario) and the scenarios are weighted with the determined probability and the final expectations. The parameters used in the model are shared below.

Macro Economic Parameters
Real GDP Change
Change in Currency Parity
Share of Loans in Assets

Loss Given Default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurring during the life of a financial instrument. The LGD is calculated taking into account expected future cash flows from collateral and other credit enhancements by considering time value of money.

LGD calculation has been performed according to the segments that are consisted of segregated risk parameters by using the past data that reflects best the current conditions. In LGD modelling, all the non-performing loan procedures/cases which are resulted according to the period that loans are granted are taken into consideration. LGD takes into account all cash flows from customers after default. It includes all the relevant costs and collections incurred during the collection cycle including collections provided with collaterals and also includes ‘time value of the money’ that calculated with reducing the cost and additional losses from the current value of the collections.

Exposure at Default (EAD)

The EAD represents an estimate of the exposure to credit risk at the time of a potential default occurring during the life of a financial instrument. It represents the cash flows outstanding at the time of default, considering expected repayments, profit share payments and accruals, discounted at the effective profit share. Future drawdowns on facilities are considered through a credit conversion factor (CCF) that is reflective of historical drawdown and default patterns and the characteristics of the respective portfolios.

Calculating the Expected Loss Period

Lifetime ECL is calculated by taking into account maturity extensions, repayment options and the period during which the Participation Bank will be exposed to credit risk. The time in financial guarantees and other irrevocable commitments represents the credit maturity for which the liabilities of the Participation Bank. Behavioral maturity analysis has been performed on credit cards and overdraft funds collected.

Significant Increase in Credit Risk

The Participation Bank makes qualitative and quantitative assessments regarding assessment of significant increase in credit risk of financial assets to be classified as stage 2 (Significant Increase in Credit Risk).

Within the scope of quantitative assessment, the quantitative reason explaining the significant increase in the credit risk is based on a comparison of the probability of default calculated at the origination of the loan and the probability of default assigned for the same loan as of the reporting date. If there is a significant deterioration in PD, it is considered that there is a significant increase in credit risk and the financial asset is classified as stage 2. In this context, the Participation Bank has calculated thresholds at which point the relative change is a significant deterioration. When determining the significant increase in bank credit risk, The Participation Bank also assessed the absolute change in the PD date on the transaction date and on the reporting date. If the absolute change in the PD ratio is above the threshold values, the related financial asset is classified as stage 2.

The Participation Bank classifies the financial asset as Stage 2 (Significant Increase in Credit Risk) where any of the following conditions are satisfied as a result of a qualitative assessment:

- Loans overdue more than 30 days as of the reporting date
- Loans classified as watchlist
- When there is a change in the payment plan due to restructuring

IX. Explanations on Netting of Financial Instruments

Financial assets and liabilities are offset when the Participation Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously. The sukuk investments issued by the Bank which are repurchased has been offset in financial assets valued at fair value through other comprehensive income and subordinated loan accounts.

X. Explanations on Sales and Repurchase Agreements and Lending of Securities

Securities subject to repurchase agreement are classified as “measured at fair value through profit or loss”, “measured at fair value through other comprehensive income” and “measured at amortized cost” according to the investment purposes of the Bank and measured according to portfolio to which they belong. Funds obtained from the related agreements are accounted under “Borrowings from Money Markets” in liabilities and the difference between the sale and the repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under “Profit Share Expense on Money Market Borrowings” in the income statement.

The bank has securities subject to repurchase agreement amounted TL 7,195,837 (December 31, 2022: TL 16,528,699).

XI. Explanations on Assets Held For Sale and Discontinued Operations and Debts due to These Assets

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing receivables' collections, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

If assets acquired due to receivables of the Participation Bank are under a plan, they are followed in assets held for sale account.

Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell and once classified as held-for-sale, intangible assets and property and equipment are no longer amortised or depreciated.

Assets that meet the criteria for classification as held for sale are measured at the lower of their carrying value and fair value less costs to sell. Depreciation on these assets is ceased and these assets are presented separately in the balance sheet. In order to classify an asset as an asset held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions. In order for the sale to be highly probable, a plan should have been made by the suitable management for the sale of the asset (or the group of assets to be disposed of) and an active program should have been started to determine the buyers and to carry out the plan. Furthermore, the asset (or the group of assets to be disposed of) should be actively marketed at a price consistent with its fair value. In addition, the sale must be expected to be accounted for as a completed sale within one year of the classification date and the actions required to complete the plan must show that it is unlikely that material changes to the plan or the plan will be cancelled. Various events and conditions may extend the period for the completion of the sales process to more than a year. If there is enough evidence that the related delay has occurred beyond the Participation Bank's control and that the Participation Bank's plans for selling the related asset (or the group of assets to be disposed of) is still in progress, the related assets are continued to be classified as assets held for sale.

A discontinued operation is a part of a bank that has been disposed of or classified as held for sale. The results of the discontinued operations are disclosed separately in income statement. The Participation Bank has no discontinued operations during the period.

XII. Explanations and Disclosures on Goodwill and Other Intangible Assets

As of the balance sheet date, The Participation Bank does not have any goodwill in its accompanying unconsolidated financial statements.

Intangible assets purchased before January 1, 2005, are presented with their inflation adjusted historical acquisition cost as of December 31, 2004 and intangible assets purchased in the subsequent periods, are presented with their

acquisition cost less the accumulated amortization, and impairment provisions. Intangible assets are amortized by the straight-line method, considering their useful life. The useful lives taken as basis by the Participation Bank are between 2 and 15 years. The amortization method and period are periodically reviewed at the end of each year. Intangible assets are comprised of computer software.

XIII. Explanations and Disclosures on Tangible Assets

Tangible assets are accounted for at acquisition cost plus any other direct costs incurred to bring the asset for ready to use. Tangible assets are remeasured at their acquisition cost less accumulated depreciation and impairment loss, if any. The Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to ("TAS 16") Standard for Tangible Assets. Appraisement values, determined by an independent expert company, are reflected in the financial statements. Such revaluation increase is realized net TL 957,051 after deferred tax as of balance sheet date (December 31, 2022: TL 958,840). In the presence of an indication of impairment, the recoverable amount of the relevant tangible fixed asset is estimated within the framework of "TAS 36-Impairment of Assets" and if the recoverable amount is below the book value, an impairment provision is reserved. Revaluation impairment provision as of the balance sheet date is TL 457 (December 31, 2022: None).

As of the balance sheet date the depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Gains/losses arising from the disposal of tangible assets or the inactivation of a tangible asset are recognized in the income statement by taking into account the difference between the net book value and the net proceeds. Regular maintenance and repair costs incurred for tangible assets are recorded as expense. There are no restrictions such as pledges, mortgages or any other restriction on tangible assets.

The estimated useful lives of the tangible assets used by the Participation Bank are as follows:

Tangible Assets	Estimated Useful Lives
Safety Boxes	5-50 years
Office equipment	3-10 years
Leasehold Improvements	2-10 years
Other Movables	3-15 years
Furniture and Fixtures	3-10 years
Vehicles	5 years
Real Estates	50 years
Leased Assets	1-10 years

XIV. Explanations and Disclosures on Leasing Transactions

a. Transactions as a lessor;

The Participation Bank acts as a Lessor in leasing transactions. Transactions are accounted in accordance with the relevant accounting standards.

b. Transactions as a tenant;

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under tangible fixed assets account and are depreciated by using the straight line method, and the depreciation rate is determined in line with the estimated economic life.

The Bank makes operating leases for some branch buildings, ATM machine locations and vehicles. With the "TFRS 16 Leases" standard effective from January 1, 2019, the difference between operating leases and financial leasing has disappeared, and tenants started to show lease transactions as an asset (right of use asset) under "Tangible Fixed Assets" item and as a liability under "Liabilities from Lease Transactions" item. The amounts of other lease transactions are below the materiality level, therefore, these transactions are evaluated outside the scope of TFRS 16 and the related lease payments are accounted under "Other Operating Expenses".

The "TFRS 16 Leases" standard was published in the Official Gazette dated April 16, 2018 and numbered 29826, to be applied for the accounting periods starting after December 31, 2018. The Bank started to apply the relevant standard for the first time as of January 1, 2019 and applied using the partial retrospective method on the first transition date, but, its comparative financial statements was not restated.

Bank as a Tenant;

At the inception of the contract, the Bank evaluates whether the contract is a lease or contains a lease. If the contract transfers the right to control the use of the identified asset for a specified period of time, the contract is or includes a lease. In this case, the Bank shows the right-of-use asset under the “Tangible Fixed Assets” item and the lease liability under the “Liabilities from Lease Transactions” item in its financial statements at the actual commencement date of the lease.

The right-of-use asset is initially recognized in the financial statements using the cost method and includes:

- (a) The initial measurement of the lease liability;
- (b) All lease payments made on or before the commencement date, less any lease incentives received;
- (c) All initial direct costs incurred by the group; and
- (d) Estimated costs incurred by the Bank in relation to dismantling and relocating the underlying asset, restoring the site in which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are followed over the amounts remaining after deducting accumulated depreciation and, if any, accumulated value decreases from the cost value in the period following their recognition. In addition, the cost value is adjusted according to the re-measurement of the lease liability.

Right-of-use asset is depreciated in accordance with “TAS 16 Tangible Fixed Assets” standard.

At the commencement date of the lease, the Bank measures the lease liability at the present value of the lease payments not paid at that date. Lease payments are discounted using that rate if the implied interest rate on the lease can be easily determined. Lease payments are discounted using the Bank's alternative borrowing interest rate.

At the commencement date of the lease, the lease payments included in the measurement of the lease liability consist of the following payments for the right to use the underlying asset during the lease term, which were not paid at the commencement date of the lease:

- (a) The amount found by deducting any lease incentive receivables from the fixed payments,
- (b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
- (c) Amounts expected to be paid by the Bank under residual value commitments,
- (d) The strike price of the call option, if the bank is reasonably confident that it will exercise; and
- (e) Penalties for termination of the lease if the lease term indicates that the Bank will exercise an option to terminate the lease.

After initial recognition, The Bank measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on lease liability,
- (b) Reducing the carrying amount to reflect the lease payments made and
- (c) Remeasuring the book value to reflect all reassessments and lease changes, or to reflect fixed lease payments in revised substance.

XV. Explanations on Provisions and Contingent Liabilities

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

If the Participation Bank has a present obligation as a result of past events, it is probable that an outflow of resources containing economic benefits to settle this obligation and the amount of the said obligation can be reliably estimated, the related liability is recognized in the financial statements as a provision. The existence of one or more uncertain events arising from past events that are not fully within the control of the entity, the existence of which can be confirmed by the future occurrence, or arising from past events but (i) There is no possibility of an outflow of resources embodying economic benefits to settle the obligation; or (ii) Existing liabilities that cannot be reflected in the financial statements due to the inability to measure the liability amount reliably enough are considered as “contingent liabilities” and are disclosed in the footnotes unless the possibility of outflow of resources with

economic benefits is remote. Contingent liabilities are evaluated on an ongoing basis to determine whether it is probable that resources embodying economic benefits will exit the business.

As of the balance sheet date, The Participation Bank set TL 181,435 provision for ongoing suits filed against to the Participation Bank for which cash outflow is probable and measurable (December 31, 2022: TL 121,491).

XVI. Explanations on Contingent Assets

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

XVII. Explanations on Obligations Related to Employee Benefits

a) Defined Benefit Plans:

Under the existing Labor Law, the Company is required to pay termination benefits to each employee who earned the right to receive termination indemnities with the end of their employment contract. In addition, under the existing Social Security Law No.506, clause No. 60, amended by the Labor Laws dated March 6, 1981, No. 2422 and August 25, 1999, No. 4447, the Company is also required to pay termination benefits to each employee who has earned the right to retire by receiving termination indemnities.

Employment termination benefit is not a funded liability and there is no requirement to fund it. Employment termination benefit is calculated based on the estimation of the present value of the employee's probable future liability arising from the retirement. TAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the bank's obligation under defined employee plans. TAS 19 ("Employee Benefits") has been revised effective from the annual period beginning after January 1, 2013. In accordance with the revised standard, actuarial gain / loss related to employee benefits shall be recognized in other comprehensive income. The actuarial assumptions used in the calculation of total liabilities are as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of June 30, 2023, the provision has been calculated by estimating the present value of the future probable obligation arising from the retirement of the employees. The average inflation rate is 8.40% and profit share rate is 9.40% at the respective balance sheet date (December 31, 2022: Inflation rate 8.40% and profit share rate 9.43%).

b) Defined contribution plans:

The Participation Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Participation Bank has no further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrue.

c) Short term benefits to employees:

In accordance with TAS 19, the Participation Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

XVIII. Explanations on Taxation

Corporate Tax

As of June 30, 2023, the corporate tax rate has been applied as 25% in the financial statements. As per the Article 26 of the Law No. 7394 on the "Law on Evaluation of Immovable Property Owned by the Treasury and Amendment to the Value Added Tax Law" and as per added first sentence to the temporary Article 13 of the Law No. 5520 on the "Corporate Tax Law" published in the Official Gazette No. 31810 dated April 15, 2022, the corporate tax rate will be applied as 25% for the corporate earnings for the taxation period of 2022. This change will be valid in the taxation of corporate earnings for the periods starting from January 1, 2022, starting with the declarations that must be submitted as of July 1, 2022.

This rate is applied to the tax base to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations, deducting the exceptions (such as the

exception for the profits of the affiliates) and other deductions in the tax laws. No further tax is paid, if the profit is not distributed.

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 Turkish tax legislation, the tax losses can be carried forward to offset against future taxable income for up to five years. However, in case of financial losses, tax losses cannot be carried back to offset profits from previous periods.

50% of earnings generated through the sale of participation shares and real estates held for at least two years, the ratio is 75% for the affiliates, are exempt from the corporate tax with the conditions that such earnings shall be added to the capital in accordance with the Corporate Tax Law or kept in a special fund account for 5 years.

There is no practice about reaching an agreement with laws in Turkey. Corporate taxes are paid until the evening of the last day of the fourth month that is followed from the end of the accounting period. Firms that allowed to analyze taxes, can examine the accounting records and change the amount if there is a wrong transaction.

The current tax effects of transactions accounted for directly in equity are also presented in equity.

As of the end of the 2021 calendar year, 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/A of the Tax Procedure Law (TPL). However, with the regulation made with the Law No. 7352 dated January 20, 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. Accordingly; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, are not subject to inflation adjustment. 2023 accounting period will not be subject to inflation adjustment as of the provisional tax periods. However, TPL financial statements as of December 31, 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met. Profit/loss difference arising from inflation adjustment in TPL financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette numbered 32073 on January 14, 2023, the procedures and principles of the articles allowing the revaluation of real estates and depreciation units have been redrawn. Accordingly, the Bank, has 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. Thus, corporate income tax has been calculated with respect to revaluated real estate and depreciation units.

Deferred Taxes

The Participation Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12") and the related decrees of the BRSA concerning income taxes. While preparing the financial statements as of June 30, 2023, the Bank has used a tax rate of 25% for the temporary differences expected to be realized or closed (December 31, 2022: 25%).

Deferred tax liabilities are recognized for all temporary differences whereas deferred tax assets calculated from deductible temporary differences are only recognized if it's highly probable that these will in the future create taxable profit.

Deferred tax calculation has started to be measured over Stage 1 and Stage 2 expected credit loss provisions for The Participation Bank's share of loans provided from participation accounts and loans provided by equity, according to TFRS 9 from beginning January 1, 2018.

Deferred tax effect in regard to transactions directly accounted for in equity, is also reflected to equity.

Revaluation of real estate and depreciation units are subject to deferred tax within the scope of the provisions of Tax Procedure Law provisional Article 32 and and duplicated Article 298/ç.

XIX. Explanations on Borrowings

The Participation Bank records other borrowings other than derivative financial liabilities at the acquisition cost including the transaction costs at the transaction date as stated in TFRS 9 "Financial Instruments Standard", are also valued over their discounted values using the internal rate of return method. Derivative financial liabilities are held for valued at fair value as explained in footnote IV on accounting policies.

The Participation Bank has indicated the funds in the "Fund Borrowed" that provided from the things that represent the debt that it has issued through the asset leasing company.

XX. Explanations on Share Certificates Issued

There are no share certificates issued by the Participation Bank as of June 30, 2023 (December 31, 2022: None).

XXI. Explanations and Disclosures on Acceptances

The Participation Bank, acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in the off-balance sheet accounts.

XXII. Explanations and Disclosures on Government Incentives

In accordance with the related articles of the "Law Regarding the Supporting of Research and Development Activities" numbered 5746, until balance sheet date, the Participation Bank received government grant from TÜBİTAK amounting to TL 2,834 (December 31, 2022: TL 2,834).

XXIII. Explanations and Disclosures on Reporting According to Segmentation

The Participation Bank operates in individual banking, specific customer current accounts, profit sharing accounts, credit and ATM cards, consumer loans, long term housing and car loans and other individual bank services. The Participation Bank operates in automatic transfer services, internet banking services, current accounts, profit share accounts, cash/non-cash loans, financial leasing, foreign trade transactions, insurance transactions and corporate banking services. There are not any economic, financial and political factors that affect segmenting of activities and investments. Due to fluctuations in economic situation, investments are affected from instability and available resources are evaluated as liquid.

The table of information regarding the segmentation reporting is given below. This information has been prepared with the data obtained from the management reporting system of the Participation Bank.

Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Profit Share Income	135,830	660,593	8,579,176	740,611	10,116,210
Profit Share Expense	1,149,947	366,469	(6,559,099)	(1,624,567)	(6,667,250)
Net Profit Share Income/Expense	1,285,777	1,027,062	2,020,077	(883,956)	3,448,960
Net Fees and Commissions Income	498,452	1,357,003	(85,017)	(197,406)	1,573,032
Dividend Income	-	-	-	-	-
Trading Income/Expense	529,801	999,816	411,731	930,576	2,871,924
Net Operating Income/Expense (*)	2,314,030	3,383,881	2,346,791	(150,786)	7,893,916
Provision for Expected Loss and Other Provision Expenses (**)	(376,700)	(664,127)	-	(1,005,039)	(2,045,866)
Other Operating Income/Expenses (Net)	(1,085,200)	(743,419)	61,532	527,574	(1,239,513)
Profit Before Tax	852,130	1,976,335	2,408,323	(628,251)	4,608,537
Tax Provision	-	-	-	959,382	959,382
Net period profit	852,130	1,976,335	2,408,323	(1,587,633)	3,649,155
Assets of segment	37,699,053	66,463,959	64,316,985	29,796,967	198,276,964
Total Assets	37,699,053	66,463,959	64,316,985	29,796,967	198,276,964
Liabilities of segment	104,890,376	44,538,247	22,455,639	11,218,611	183,102,873
Equity	-	-	15,174,091	-	15,174,091
Total liabilities	104,890,376	44,538,247	37,629,730	11,218,611	198,276,964

(*) Net operating income/expense consists of the sum of net profit share income/expense, net fees and commissions income/expense, dividend income and trading income/expense.

(**) Provision for expected loss and other provision expenses consists of the sum of provision for expected loss and other provision expenses.

Prior Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Profit Share Income	70,942	503,496	5,816,896	370,192	6,761,526
Profit Share Expense	781,862	198,645	(3,130,565)	(692,123)	(2,842,181)
Net Profit Share Income/Expense	852,804	702,141	2,686,331	(321,931)	3,919,345
Net Fees and Commissions Income	141,383	123,102	33,795	(166,251)	132,029
Dividend Income	-	-	-	774	774
Trading Income/Expense	246,526	273,099	175,056	110,228	804,909
Net Operating Income/Expense (*)	1,240,713	1,098,342	2,895,182	(377,180)	4,857,057
Provision for Expected Loss and Other Provision Expenses (**)	(176,706)	(569,357)	-	(939,949)	(1,686,012)
Other Operating Income/Expenses (Net)	(807,777)	(590,801)	(159,590)	885,419	(672,749)
Profit Before Tax	256,230	(61,816)	2,735,592	(431,710)	2,498,296
Tax Provision	-	-	-	663,734	663,734
Net period profit	256,230	(61,816)	2,735,592	(1,095,444)	1,834,562
Assets of segment	23,299,513	52,704,561	57,520,856	19,237,192	152,762,122
Total Assets	23,299,513	52,704,561	57,520,856	19,237,192	152,762,122
Liabilities of segment	89,741,927	26,170,970	18,146,512	7,627,518	141,686,927
Equity	-	-	11,075,195	-	11,075,195
Total liabilities	89,741,927	26,170,970	29,221,707	7,627,518	152,762,122

(*) Net operating income/expense consists of the sum of net profit share income/expense, net fees and commissions income/expense, dividend income and trading income/expense.

(**) Provision for expected loss and other provision expenses consists of the sum of provision for expected loss and other provision expenses.

SECTION FOUR: INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. Explanations and Disclosures Related to the Equity

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of June 30, 2023; the Participation Bank’s total capital has been calculated as TL 22,379,901 (December 31, 2022: TL 16,392,328), capital adequacy ratio is 23.55% (December 31, 2022: 21.09%).

	Current Period (*) 30/06/2023	Prior Period (*) 31/12/2022
COMMON EQUITY TIER I CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2,600,000	2,600,000
Share Premium	-	-
Legal Reserves	6,698,342	3,794,237
Gains recognized in equity as per TAS	2,515,647	2,058,968
Profit	3,649,155	2,904,105
Net Current Period Profit	3,649,155	2,904,105
Prior Period Profit	-	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-	-
Common Equity Tier I Capital Before Deductions	15,463,144	11,357,310
Deductions From Common Equity Tier I Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	288,961	282,023
Improvement costs for operating leasing	21,847	23,803
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage -servicing right (net of related tax liability)	214,654	180,418
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communique Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	92	92
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	-
Portion of the total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	-
Portion of the 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 (-)	-	-
Portion of Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	-
Portion of 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 Ratios 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	525,554	486,336
Total Common Equity Tier I Capital	14,937,590	10,870,974

	Current Period (*) 30/06/2023	Prior Period (*) 31/12/2022
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Tier I Capital and the Related Share Premiums	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA	-	-
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by BRSA (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Additional Core Capital before Deductions	-	-
Deductions from Additional Core Capital		
Direct and Indirect Investments of the Bank on its own Additional Core Capital (-)	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
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 (-)	-	-
Transition from the Core Capital to continue to deduce Components		
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 Ratios 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 Ratios of Banks (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I = Common Equity + Additional Tier I Capital)	14,937,590	10,870,974
TIER II CAPITAL		
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency	6,455,775	4,674,575
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency (For the Purposes of the Provisional Article 4 of the Regulation on Banks Own Funds)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	986,536	846,779
Tier II Capital before Deductions	7,442,311	5,521,354
Deductions from Tier II Capital		
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the 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% of Common Equity of the Bank	-	-
Portion of the total of Net Long Position of the Direct or Indirect Investments in Additional Core 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% of Common Equity of the Bank	-	-
Other items to be Defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	7,442,311	5,521,354
Total Capital (The sum of Tier I Capital and Tier II Capital)	22,379,901	16,392,328
Deductions From Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the 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 Sale but Retained more than five years	-	-
Other items to be Defined by the BRSA (-)	-	-

	Current Period (*) 30/06/2023	Prior Period (*) 31/12/2022
In Transition from the Total Core Capital and Supplementary Capital (the Capital) to Continue to Download the Components	-	-
The sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than %10 of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 Capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
EQUITY	22,379,901	16,392,328
Total Capital	22,379,901	16,392,328
Total risk weighted amounts	95,026,207	77,736,989
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	15.72	13.98
Tier 1 Capital Adequacy Ratio	15.72	13.98
Capital Adequacy Ratio	23.55	21.09
BUFFERS		
Total buffer requirement	2.50	2.50
Capital conservation buffer requirement	2.50	2.50
Bank specific counter-cyclical buffer requirement	-	-
Systematically important buffer requirement (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	11.22	9.48
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of 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	-	-
Portion of the total of 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	-	-
Limits related to provisions considered in Tier II calculation	-	-
Amount arising from deferred tax assets based on temporary differences	1,950,706	376,582
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandandtwentyfive limitation)	1,476,821	1,080,522
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	986,536	846,779
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) The Participation Bank does not have the amounts to be considered at the end of the transition period for the items subject to the transitional provisions within the scope of the Transitional Articles of the "Regulation on the Equity of the Banks".

In accordance with the Regulation on the Measurement and Assessment of Capital Adequacy of Banks (Capital Adequacy Regulation), published in the Official Gazette dated October 23, 2015 and numbered 29511, and specified in the Board Decision of the BRSA dated December 21, 2021, numbered 9996 and dated January 31, 2023, numbered 10496, in the calculation of the amount subject to credit risk, the Central Bank's foreign exchange buying rate of December 30, 2022 is used, until a Board Decision to the contrary is taken. In accordance with the BRSA's decision dated April 16, 2020 and numbered 8999, 0% risk weight has been applied in the calculation of the amount subject to credit risk to the receivables of banks from the Central Government of the Republic of Turkey and issued in foreign currency pursuant to the Standard Approach within the scope of the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks.

As of June 30, 2023, the Participation Bank used these opportunities in its Capital Adequacy calculations.

Information on debt instruments included in the calculation of equity

Issuer	The National Commercial Bank
Instrument code (CUSIP, ISIN, etc.)	-
Governing Law(s) of the Instrument	Regulation on banks's equity dated 05 September 2013
Special Consideration in the Calculation of Equity	
As of January 1, 2015 consideration to be subject to a 10% reduction application status	No
Eligible at Unconsolidated / Consolidated	Unconsolidated / Consolidated
Instrument Type	Contribution is capital subordinated loan
Amount recognized in regulatory capital (as of most recent reporting date)	6,455.78
Par Value of Instrument (Million USD)	250
Accounting Classification	Liabilities/Subordinated Loan
Original date of Issuance	28/12/2020
Perpetual or dated	Dated
Maturity date	10 years
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	After 5 years: Provided that the approval of the BRSA is obtained, the whole or any part of the loan (even if it is partially paid, cannot be less than USD 10 million) can be paid early.
Subsequent call dates	-
Profit Share / Dividends	
Fixed or floating profit share / dividend	Fixed
Profit share rate and any related index	9.00% for the first 5 years, it will be repriced on the first day after the 5th year (pricing: New Valuation Rate (8.60%) plus 5-year USD mid-swap)
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or Non-convertible	
Can be converted into stocks, conversion trigger	-
Can be converted into stocks, fully or partially	-
Can be converted into stocks, conversion rate	-
Can be converted into stocks, mandatory or optional conversion	-
Can be converted into stocks, specify instrument type convertible into	-
Can be converted into stocks, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before securities and additional core capital/after all borrowings
In compliance with article number 7 and 8 of "Own fund regulation"	It has the conditions specified in Article 8.
Details of incompliance with article number 7 and 8 of "Own fund regulation"	Article 8/2(ğ)

The difference between the equity costs on the cap table and the equity costs on the consolidated balance sheet is the Tier Capital which is caused by the amount and general provisions in subordinated loan accounts. In a subordinated loan account, 1.25% of the general provisions that are shown in the costs and expenses account are taken into account as the tier capital. Losses from the protection operations of the cash flow risk set aside, operating lease costs on the tangible assets on the balance sheet, intangible assets and tax liabilities, deferred tax assets/liabilities are taken into consideration in the equity calculation as the values that need to be deducted from the capital.

II. Explanations and Disclosures Related to Currency Risk

Currency risk is included in foreign currency buying/selling portfolio so that how available position affects the general risk profile is calculated. Sensitivity analysis made by RMD results and stress tests are reported to top management.

The Participation Bank centralized currency risk and ensured the managing and bearing of all currency risk by Fund Management. Other profit centers transfer the currency risk on them to Fund Management and the risk is followed in foreign currency buying/selling portfolio.

The Participation Bank efforts not to take short position based on the foreign currency risk. When any currency risk is occurred due to customer transactions, currency risk is eliminated by taking reverse position.

Foreign exchange buying rates of the Participation Bank at the date of the balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	28.1540	25.8231
June 27, 2023	28.1540	25.8231
June 26, 2023	28.1540	25.8231
June 23, 2023	27.4579	25.2505
June 22, 2023	25.9732	23.6239
June 21, 2023	25.7113	23.5493
June 20, 2023	25.7720	23.5770

The Participation Bank's average foreign currency buying rate over a period of thirty days preceding the date of the financial statement is in the table below:

1 USD TL 25.8231

1 EUR TL 28.1540

Information on currency risk of the Participation Bank: Foreign Currencies (Thousand of TL)

	EUR	USD	Other FC (*)	Total
Current Period				
Assets				
Cash and Balances with the Central Bank of Turkey	4,883,471	12,810,084	6,149,905	23,843,460
Banks	1,289,038	3,408,329	1,027,913	5,725,280
Financial Assets at Fair Value through Profit/Loss (3)	-	-	6,566,373	6,566,373
Receivables from The Money Market	-	-	-	-
Financial Assets Valued at Fair Value Through Other Comprehensive Income	6,093,813	10,252,505	-	16,346,318
Loans (1)	16,369,319	10,449,974	-	26,819,293
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Investments Held to Maturity	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	448,429	47,810	9,887	506,126
Total Assets	29,084,070	36,968,702	13,754,078	79,806,850
Liabilities				
Funds Collected from Banks Via Current and Profit Sharing Accounts	14,086	15,384	25,785	55,255
Current and Profit Sharing Accounts	14,937,842	27,400,763	16,851,628	59,190,233
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	2,357,560	10,361,213	-	12,718,773
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	445,471	1,286,395	289,121	2,020,987
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Other Liabilities (2)	454,465	433,598	120,713	1,008,776
Total Liabilities	18,209,424	39,497,353	17,287,247	74,994,024
Net Balance Sheet Position	10,874,646	(2,528,651)	(3,533,169)	4,812,826
Net Off Balance Sheet Position	(10,878,448)	2,615,421	3,542,853	(4,720,174)
Financial Derivative Assets	1,866,150	14,080,183	6,470,903	22,417,236
Financial Derivative Liabilities	12,744,598	11,464,762	2,928,050	27,137,410
Non-Cash Loans (4)	5,861,421	8,127,796	151,418	14,140,635
Prior Period				
Total Assets	27,375,320	27,878,014	14,297,546	69,550,880
Total Liabilities	15,833,207	35,349,085	16,733,896	67,916,188
Net Balance Sheet Position	11,542,113	(7,471,071)	(2,436,350)	1,634,692
Net Off Balance Sheet Position	(11,177,136)	7,496,886	2,437,303	(1,242,947)
Financial Derivative Assets	5,091,476	15,853,593	3,016,115	23,961,184
Financial Derivative Liabilities	16,268,612	8,356,707	578,812	25,204,131
Non-Cash Loans(4)	3,448,983	5,243,104	258,423	8,950,510

(*) Other FC column includes precious metals and currency except USD and EUR.

(1) Includes foreign currency indexed loan amounting to TL 248,547, which is shown in Turkish Lira in the financial statements, and foreign currency indexed financial lease receivables amounting to TL 21,372.

(2) Includes Stage I and II expected loss provisions amounting to TL 1,948, which is shown in Turkish Lira in the table. Does not include accruals of derivative financial liabilities amounted to TL 132,677, accruals of spot currency transactions amounted to TL 3,533 and cumulative other comprehensive income or expense reclassified in profit or loss amounting to TL (359,530) shown under equity.

(3) Accruals of derivative financial assets amounting to TL 75,632 accruals of spot transactions amounting to TL 1,005 are deducted from financial assets at fair value through profit or loss.

(4) No effect on net off balance sheet position.

III. Explanations and Disclosures Related to Position Risk of Equity Securities due from Banking Accounts

None.

IV. Explanations and Disclosures Related to Liquidity Risk and Liquidity Coverage Ratio

Liquidity risk is the possibility of failing of partly or completely to cover the Participation Bank's liquid assets and receivables by its liabilities. Liquidity risk is one of the main risks which is undertaken by Participation Bank to fulfill its primary banking services. To manage the mentioned risk in a conservative manner, indicators related to liquidity risk are determined in structure of Participation Bank's risk appetite. Existing risk appetite structure includes Core Ratio of Funds Raised and Total Liquidity Coverage Ratio. Participation Bank's risk appetite is approved by Board of Directors, monitored by Risk Management Division and reported to senior management. In

case of overdraft of limits, the mentioned matters are reported to Audit Committee. In addition, on monthly basis, measurement and assessment is performed related to target and stimulant indicator which has been determined by Active Passive Management Committee. Target, alert, and trigger levels related to indicators of liquidity are determined and monitored by Active Passive Management Committee, in order to limit liquidity risk.

Participation Bank implements strategies aimed at diversification of fund sources, procuring of fund sources with longer maturities, and conformance on maturity between assets and liability in order to avoid liquidity risk.

All balance sheet items which have an impact on liquidity, are decomposed on maturity basis and their liquidity situation is analyzed. “The Liquidity Coverage Ratio” and “Net Stable Funding Ratio” reports are prepared according to Basel III principles. The liquidity coverage ratio report is presented to BRSA according to the regulations, and Net Stable Funding Ratio report is prepared at present for information purposes.

In the case of liquidity squeeze which is sourced by The Participation Bank or The Market, the actions to be implemented according to the order of priority and the precautions to be taken is formed under the Liquidity Risk Management-Emergency Action Plan in which the roles and responsibilities are established. The liquidity contingency funding plan is a part of Participation Bank’s Liquidity Risk Management Policy which is approved by Board of Directors and in the case of liquidity problem, identifies the precaution and actions to be taken.

Participation Bank apply stress testing for liquidity risk, as well as the other significant risk types. In stress testing related to liquidity risk, power of resistance to determined scenarios is tested with regard to liquidity structure. In other words, the capability of Participation Bank’s completely and in time fulling of its liabilities under stress circumstances is tested.

To measure the capital requirement to cover imposed or possible risk and sustain its activities with adequate capital, Participation Bank’s Risk Management Group prepares ICAAP report at least once a year by analysing Participation Bank’s current and future capital requirements along with strategical goals and macroeconomic variables and the report is transmitted to BRSA.

Under the ICAAP report, Participation Bank’s possible losses and the capital adequacy level which will cover the losses are estimated with the help of stress test and scenario analysis which identify possible changes in market conditions and possible events which may affect The Participation Bank negatively. With the stress test and scenario analysis, The Participation Bank’s liquidity adequacy and planning is evaluated and with these evaluations, the liquidity level of The Participation Bank needs to fulfill its obligations is identified.

Other than scenario analysis and stress tests realized by ICAAP additional stress tests are performed in monthly and quarterly periods. These additional stress tests which evaluate Market and counterparty credit risk and the Participation Bank’s total liquidity risk are performed monthly within the ‘Framework of Internal Systems of Banks and Internal Capital Adequacy Assessment Process’.

Liquidity Coverage Ratio

Current Period		Total Unweighted Value (*)		Total Weighted Value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS					
1	High Quality Liquidity Assets			35,498,920	23,064,926
CASH OUTFLOWS					
2	Retail and Small Business Customers' Deposits	87,154,841	34,838,808	8,486,156	3,608,090
3	Stable Deposits	14,083,042	-	704,152	-
4	Less Stable Deposits	73,071,799	34,838,808	7,782,004	3,608,090
5	Unsecured fundings besides retail and small business customers' deposits	46,633,746	18,663,212	20,272,843	8,275,047
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	39,574,185	15,069,143	16,556,305	6,167,243
8	Other unsecured fundings	7,059,561	3,594,069	3,716,538	2,107,804
9	Secured Fundings			-	-
10	Other Cash Outflows	26,048,438	16,124,740	23,377,874	16,012,626
11	Derivatives cash outflows and collateral outflows	21,623,088	15,954,742	21,623,088	15,954,742
12	Obligation related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	4,425,350	169,998	1,754,786	57,884
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	15,313,603	4,097,331	1,602,499	614,078
16	TOTAL CASH OUTFLOWS			53,739,372	28,509,841
CASH INFLOWS					
17	Secured Lending	-	-	-	-
18	Unsecured Lending	11,582,513	6,488,963	11,582,513	6,488,964
19	Other Cash Inflows	21,990,662	20,514,174	21,990,662	20,514,174
20	TOTAL CASH INFLOWS	33,573,175	27,003,137	33,573,175	27,003,138
				Total Adjusted Value	
21	TOTAL HQLA STOCK			35,498,920	23,064,926
22	TOTAL NET CASH OUTFLOW			20,166,197	7,232,259
23	LIQUIDITY COVERAGE RATIO (%)			176.03	318.92

(*) The average calculation for the last three months of the liquidity coverage ratio is taken by the weekly simple arithmetic average.

Prior Period		Total Unweighted Value (*)		Total Weighted Value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUIDITY ASSETS					
1	High Quality Liquidity Assets			39,457,725	28,720,071
CASH OUTFLOWS					
2	Retail and Small Business Customers' Deposits	81,291,526	48,806,356	8,009,124	5,003,181
3	Stable Deposits	9,132,963	-	456,648	-
4	Less Stable Deposits	72,158,563	48,806,356	7,552,476	5,003,181
5	Unsecured fundings besides retail and small business customers' deposits	38,888,450	20,046,515	17,370,535	8,255,250
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	32,937,378	17,774,466	14,398,799	7,289,968
8	Other unsecured fundings	5,951,072	2,272,049	2,971,736	965,282
9	Secured Fundings			-	-
10	Other Cash Outflows	15,443,684	8,936,799	13,336,051	8,760,565
11	Derivatives cash outflows and collateral outflows	11,972,004	8,675,226	11,972,004	8,675,226
12	Obligation related to structured financial products	-	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	3,471,680	261,573	1,364,047	85,339
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	10,329,088	3,103,521	1,224,945	485,889
16	TOTAL CASH OUTFLOWS			39,940,655	22,504,885
CASH INFLOWS					
17	Secured Lending	-	-	-	-
18	Unsecured Lending	15,072,161	10,754,330	15,072,161	10,754,331
19	Other Cash Inflows	12,518,085	10,882,503	12,518,085	10,882,503
20	TOTAL CASH INFLOWS	27,590,246	21,636,833	27,590,246	21,636,834
				Total Adjusted Value	
21	TOTAL HQLA STOCK			39,457,725	28,720,071
22	TOTAL NET CASH OUTFLOW			12,350,409	5,626,221
23	LIQUIDITY COVERAGE RATIO (%)			319.49	510.47

(*) The average calculation for the last three months of the liquidity coverage ratio is taken by the weekly simple arithmetic average.

The most important factor on liquidity coverage ratio result is, the size of high quality liquid assets which is comprised of cash assets, assets in Central Bank and borrowing instruments (Sukuk) purchased. Total liquidity coverage ratio decreased by 44.9% in the second quarter of 2023 compared to the year-end of 2022. High quality liquid assets decreased by 10% in the second quarter of 2023 compared to the year-end of 2022. Cash outflows, another important factor, consist of other unsecured borrowing instruments and off-balance sheet transactions. In the second quarter of 2023, cash outflows increased by 34.5% compared to the year-end of 2022. As of the second quarter of 2023, the share of deposits in cash outflows is 54% and the share of other unsecured borrowing instruments is 6%. Cash inflows in the second quarter of 2023 increased by 21.7% compared to the year-end of 2022.

Highest, lowest and the average Liquidity Coverage Ratio regarding the 3 months of the second quarter of 2023 is presented below: The legal rate of foreign currency liquidity coverage determined by the BRSA is minimum 80%, and the legal rate of total liquidity coverage is minimum 100%. The Bank has rates above the legal rates for both rates.

Current Period	Highest	Date	Lowest	Date	Average
TL+FC	225.87	05/04/2023	135.77	26/05/2023	176.03
FC	407.58	07/04/2023	216.02	19/04/2023	318.92

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and over	Unallocated (*)	Total
Current Period								
Assets								
Cash and Balances with the Central Bank of Turkey	12,618,434	16,487,873	-	-	-	-	(6,452)	29,099,855
Banks	5,728,744	-	-	-	-	-	(2,493)	5,726,251
Financial Assets at Fair Value through Profit/Loss	-	8,636	34,616	5,190,922	1,337,679	-	-	6,571,853
Receivables from The Money Market	-	-	-	-	-	-	-	-
Financial assets valued at fair value through other comprehensive income	47,871	1,308,834	763,221	19,601,757	11,100,816	784,755	-	33,607,254
Loans (**)	-	12,648,993	20,536,489	50,543,004	21,911,119	2,484,313	(1,701,583)	106,422,335
Financial assets valued at amortised cost (***)	-	189,901	49,008	20,505	1,500,000	7,437,686	(2,617)	9,194,483
Other Assets	1,227,448	309,115	420,786	20,545	-	-	5,677,039	7,654,933
Total Assets	19,622,497	30,953,352	21,804,120	75,376,733	35,849,614	10,706,754	3,963,894	198,276,964
Liabilities								
Funds Collected from Banks via Current and Profit Sharing Accounts	51,432	693,925	31	-	-	-	-	745,388
Current and Profit Sharing Accounts	48,985,259	48,775,362	27,212,748	15,205,233	765,502	-	-	140,944,104
Funds Provided from Other Financial Institutions	-	12,407,694	904,487	8,616,313	8,867	6,455,775	-	28,393,136
Money Market Deposits	-	524,567	-	-	-	-	-	524,567
Marketable Securities Issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	3,251,687	539,203	-	-	-	-	-	3,790,890
Other Liabilities (****)	2,272,428	839,714	1,986,540	500,084	326,986	62,950	17,890,177	23,878,879
Total Liabilities	54,560,806	63,780,465	30,103,806	24,321,630	1,101,355	6,518,725	17,890,177	198,276,964
Liquidity Gap	(34,938,309)	(32,827,113)	(8,299,686)	51,055,103	34,748,259	4,188,029	(13,926,283)	-
Net Off Balance Sheet Position	-	(250,130)	(232,078)	(139,758)	-	-	-	(621,966)
Financial Derivative Assets	-	18,771,731	7,255,202	4,653,610	-	-	-	30,680,543
Financial Derivative Liabilities	-	19,021,861	7,487,280	4,793,368	-	-	-	31,302,509
Non-Cash Loans	5,950,692	2,886,559	3,876,752	9,902,079	3,694,108	1,084,339	-	27,394,529
Prior Period								
Total Assets	14,106,759	27,886,635	15,484,098	46,638,074	36,318,650	9,677,353	2,650,553	152,762,122
Total Liabilities	47,266,367	49,819,536	23,094,197	13,340,653	876,674	4,734,840	13,629,855	152,762,122
Liquidity Gap	(33,159,608)	(21,932,901)	(7,610,099)	33,297,421	35,441,976	4,942,513	(10,979,302)	-
Net Off-Balance sheet Position	-	(14,443)	(97,070)	41,961	-	-	-	(69,552)
Financial Derivative Assets	-	13,765,425	4,898,766	6,856,145	-	-	-	25,520,336
Financial Derivative Liabilities	-	13,779,868	4,995,836	6,814,184	-	-	-	25,589,888
Non-Cash Loans	4,510,594	1,610,905	2,776,784	6,976,060	2,131,721	844,887	-	18,850,951

(*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future such as tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans are included in this column. Includes expected loss provisions in accordance with TFRS 9.

(**) The loans also include, receivables from Lease Transactions amounting to TL 7,197,929, Non-Performing Loans amounting to TL 2,613,466 and Provisions for Expected Losses amounting to TL (4,315,049).

(***) Financial assets valued at amortised cost also include Provisions for Expected Losses amounting to TL (2,617).

(****) Shareholders' equity and provisions is included in "other liabilities" line under "unallocated" column.

V. Explanations and Disclosures on Leverage Ratio

In current period, total risk exposure was significantly increased due to the increase in off -balance sheet items. Although the leverage ratio has decreased compared to the previous period, it maintains its strong course above the legal limit of 3%.

	On-Balance Sheet Items	Current Period (*)	Prior Period (*)
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	183,036,526	151,984,200
2	Assets amounts deducted in determining Basel III Tier 1 capital	(232,797)	(178,614)
3	Total on balance sheet exposures (total of lines 1 and 2)	182,803,729	151,805,586
	Derivative exposures and credit derivatives	-	-
4	Replacement cost associated with derivative financial instruments and credit derivatives	730,971	493,856
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	558,103	487,380
6	The total amount of risk on derivative financial instruments and credit derivatives (total of lines 4 and 5)	1,289,074	981,236
	Investment securities or commodity collateral financing transactions	-	-
7	The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	17,455,307	7,695,097
8	Risk amount of exchange brokerage operations	-	-
9	Total risks related with securities or commodity financing transactions (total of lines 7 and 8)	17,455,307	7,695,097
	Off-Balance Sheet Items	-	-
10	Gross notional amount of off-balance sheet items	35,719,838	26,850,011
11	Adjustments for conversion to credit equivalent amounts	-	-
12	The total risk of off-balance sheet items (total of lines 10 and 11)	35,719,838	26,850,011
	Capital and Total Risk	-	-
13	Tier 1 Capital	14,383,623	10,025,247
14	Total Risk Exposure (total of lines 3, 6, 9 and 12)	237,267,948	187,331,930
	Leverage Ratio	-	-
15	Leverage Ratio	6.07	5.35

(*) 3 months average is taken for the amounts in the table.

VI. Explanations and Disclosures on Hedge Accounting

As of June 30, 2023, the Participation Bank does not have any transactions for hedge accounting (December 31, 2022: None).

VII. Explanations and Disclosures on Risk Management:

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette Nr. 29511 on October 23, 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. The Participation Bank does not have any credit derivatives, the Internal Model Method, CCP (Central Counter Party) and securitization positions as of June 30, 2023 herewith the related tables have not been presented.

Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	77,775,446	63,996,461	6,222,036
2	Standardised approach (SA)	77,775,446	63,996,461	6,222,036
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1,147,450	3,745,879	91,796
5	Standardised approach for counterparty credit risk (SA-CCR)	1,147,450	3,745,879	91,796
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	6,093,150	4,500,375	487,452
17	Standardised approach (SA)	6,093,150	4,500,375	487,452
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	10,010,161	5,494,274	800,813
20	Basic Indicator Approach	10,010,161	5,494,274	800,813
21	Standart Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	95,026,207	77,736,989	7,602,097

Credit Quality of Assets

Current Period		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	2,613,466	108,123,918	(2,339,138)	108,398,246
2	Debt Securities	-	49,322,856	-	49,322,856
3	Off-balance sheet exposures	-	34,921,053	(168,134)	34,752,919
4	Total	2,613,466	192,367,827	(2,507,272)	192,474,021

Prior Period		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	2,490,941	79,524,007	(2,070,437)	79,944,511
2	Debt Securities	-	39,300,380	-	39,300,380
3	Off-balance sheet exposures	-	24,146,467	(107,451)	24,039,016
4	Total	2,490,941	142,970,854	(2,177,888)	143,283,907

Changes in the Stock of Defaulted Receivables and Debt Securities

		Current Period	Prior Period
1	Defaulted loans and debt securities at end of the previous reporting period	2,490,941	2,818,159
2	Loans and debt securities that have defaulted since the last reporting period	496,069	819,726
3	Returned to non-defaulted status	-	-
4	Amounts written off	148,563	447,949
5	Other changes	(224,981)	(698,995)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	2,613,466	2,490,941

Credit Risk Mitigation Techniques – Overview

Current Period	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	81,598,285	26,799,961	13,445,644	72,943	58,102	-
2	Debt securities	49,322,856	-	-	-	-	-
3	Total	130,921,141	26,799,961	13,445,644	72,943	58,102	-
4	Of which defaulted	217,902	56,426	5,832	-	-	-

Prior Period	a	b	c	d	e	f	g
	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	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	65,245,058	14,699,453	4,569,419	87,414	67,701	-
2	Debt securities	39,300,380	-	-	-	-	-
3	Total	104,545,438	14,699,453	4,569,419	87,414	67,701	-
4	Of which defaulted	327,304	93,200	5,209	-	-	-

Standard Approach - Credit Risk Exposure and Credit Risk Mitigation Impacts

Current Period		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Classes	On-Balance Sheet amount	Off-Balance Sheet amount	On-Balance Sheet amount	Off-Balance Sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	59,716,636	-	59,716,636	-	-	0%
2	Exposures to regional governments or local authorities	1,113,873	37,697	1,113,873	18,849	1,125,749	99%
3	Exposures to administrative units and non-commercial enterprises	13,736	18,950	13,735	8,946	12,572	55%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to banks and intermediary institutions	5,224,437	447,508	5,224,437	423,457	1,217,136	22%
7	Exposures to corporates	37,305,046	13,780,280	37,305,046	8,137,906	38,639,028	85%
8	Retail exposures	29,738,728	15,034,788	29,738,729	5,109,489	17,579,864	50%
9	Exposures secured by a residential real estate mortgage	3,177,475	484,625	3,177,475	173,916	1,175,131	35%
10	Exposures secured by commercial real estate mortgage	2,840,199	921,029	2,840,199	564,098	1,702,149	50%
11	Past-due loans	152,182	-	152,182	-	96,692	64%
12	Higher-risk categories by the Agency Board	6,941,872	4,173	6,941,872	4,172	12,935,842	186%
13	Securities collateralized by mortgages	-	-	-	-	-	0%
14	Exposures to banks, intermediary institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Investments as collective investment funds	-	-	-	-	-	0%
16	Other assets	8,465,556	-	8,465,556	-	4,224,347	50%
17	Investments in equities	45,480	-	45,480	-	45,480	100%
18	Total	154,735,220	30,729,050	154,735,220	14,440,832	78,753,989	47%

(*) In accordance with the provisions of the "Regulation on Measurement and Evaluation of Banks' Capital Adequacy", it includes on-balance sheet and off-balance sheet transactions that are subject to the calculation of the amount subject to credit risk.

Prior Period		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk Classes	On-Balance Sheet amount	Off-Balance Sheet amount	On-Balance Sheet amount	Off-Balance Sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	43,546,593	-	43,546,593	-	-	0%
2	Exposures to regional governments or local authorities	1,235,639	37,697	1,235,639	18,849	1,252,651	100%
3	Exposures to administrative units and non-commercial enterprises	1,236,015	18,708	1,236,015	8,823	1,240,011	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to banks and intermediary institutions	6,419,066	235,817	6,419,066	217,373	1,392,309	21%
7	Exposures to corporates	35,051,448	10,894,063	35,051,448	6,221,090	34,550,012	84%
8	Retail exposures	19,646,137	9,341,172	19,646,137	2,731,052	11,523,791	51%
9	Exposures secured by a residential real estate mortgage	2,336,899	379,781	2,336,899	134,627	865,321	35%
10	Exposures secured by commercial real estate mortgage	2,800,065	725,417	2,800,065	433,618	1,616,842	50%
11	Past-due loans	240,896	-	240,896	-	167,397	69%
12	Higher-risk categories by the Agency Board	6,281,653	6,548	6,281,653	6,113	11,545,982	184%
13	Securities collateralized by mortgages	-	-	-	-	-	0%
14	Exposures to banks, intermediary institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Investments as collective investment funds	-	-	-	-	-	0%
16	Other assets	5,900,923	-	5,900,923	-	3,452,079	59%
17	Investments in equities	43,847	-	43,847	-	43,847	100%
18	Total	124,739,181	21,639,203	124,739,181	9,771,544	67,650,239	50%

(*) In accordance with the provisions of the "Regulation on Measurement and Evaluation of Banks' Capital Adequacy", it includes on-balance sheet and off-balance sheet transactions that are subject to the calculation of the amount subject to credit risk.

Standard Approach: Receivables According to Risk Classes and Risk Weights

	Current Period											
	Asset classes/ Risk weight	0%	10%	20%	35%* (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	59,716,636	-	-	-	-	-	-	-	-	-	59,716,636
2	Exposures to regional governments or local authorities	6,973	-	-	-	-	-	1,125,749	-	-	-	1,132,722
3	Exposures to public sector entities	4,282	-	7,284	-	-	-	11,115	-	-	-	22,681
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	5,459,710	-	125,979	-	62,205	-	-	-	5,647,894
7	Exposures to corporates	6,421,358	-	478,208	-	-	-	38,543,386	-	-	-	45,442,952
8	Retail exposures	10,235,843	-	2,342,365	-	-	20,634,476	1,635,534	-	-	-	34,848,218
9	Exposures secured by residential property	-	-	-	3,337,094	14,297	-	-	-	-	-	3,351,391
10	Exposures secured by commercial real estate	-	-	-	-	3,404,297	-	-	-	-	-	3,404,297
11	Past-due loans	5,494	-	10	-	99,976	-	46,702	-	-	-	152,182
12	Higher-risk categories by the Agency Board	4,720	-	73,008	19,183	720	-	2,569	1,806,806	4,997,934	41,104	6,946,044
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	45,480	-	-	-	45,480
17	Other assets	2,644,104	-	1,996,381	-	-	-	3,825,071	-	-	-	8,465,556
18	Total	79,039,410	-	10,356,966	3,356,277	3,645,269	20,634,476	45,297,810	1,806,806	4,997,934	41,104	169,176,052

	Prior Period											
	Asset classes/ Risk weight	0%	10%	20%	35%* (Secured by Real Estate Mortgage)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	43,546,593	-	-	-	-	-	-	-	-	-	43,546,593
2	Exposures to regional governments or local authorities	1,837	-	-	-	-	-	1,252,651	-	-	-	1,254,488
3	Exposures to public sector entities	3,150	-	2,096	-	-	-	1,239,592	-	-	-	1,244,838
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	6,476,521	-	125,826	-	34,092	-	-	-	6,636,439
7	Exposures to corporates	5,221,818	-	1,875,885	-	-	-	34,174,834	-	-	-	41,272,538
8	Retail exposures	5,240,955	-	2,911,175	-	-	13,134,015	1,091,044	-	-	-	22,377,189
9	Exposures secured by residential property	-	-	-	2,469,616	1,910	-	-	-	-	-	2,471,526
10	Exposures secured by commercial real estate	-	-	-	-	3,233,683	-	-	-	-	-	3,233,683
11	Past-due loans	312	-	4,538	-	139,114	-	96,932	-	-	-	240,896
12	Higher-risk categories by the Agency Board	3,590	-	54,136	21,474	1,156	-	12,671	1,786,884	4,401,737	6,118	6,287,766
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	43,847	-	-	-	43,847
17	Other assets	1,847,163	-	752,101	-	-	-	3,301,659	-	-	-	5,900,923
18	Total	55,865,418	-	12,076,452	2,491,090	3,501,689	13,134,015	41,247,321	1,786,884	4,401,737	6,118	134,510,725

Evaluation of Counterparty Credit Risk (CCR) According to Measurement Methods

	Current Period	a	b	c	d	e	f
		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standardised Approach (for derivatives)	536,368	263,866		1,4	1,120,327	335,411
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					14,192,904	643,713
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						979,124

	Prior Period	a	b	c	d	e	f
		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha used to calculate the legal risk amount	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standardised Approach (for derivatives)	237,312	199,553		1,4	611,611	378,267
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					15,263,738	3,275,621
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3,653,889

Capital Requirement for Credit Valuation Adjustment (CVA)

		Current Period		Prior Period	
		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts	Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-	-	-
1	(i) Value at risk component (3*multiplier included)	-	-	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-	-	-
3	Total portfolio value with simplified approach CVA capital adequacy	1,120,327	168,326	611,611	91,991
4	Total amount of CVA capital adequacy	1,120,327	168,326	611,611	91,991

Standard Approach - CCR by Risk Classes and Risk Weights

	Current Period	Risk Weights										Total Credit Risk
		a	b	c	d	e	f	g	h	i	j	
	Risk Classes	0%	10%	20%	35%	50%	75%	100%	150%	Other		
1	Central governments and central banks receivables	9,368,299	-	-	-	-	-	-	-	-	-	9,368,299
2	Local governments and municipalities receivables	5,209	-	-	-	-	-	-	-	-	-	5,209
3	Administrative and non commercial receivables	3,726	-	7,284	-	-	-	-	-	-	-	11,010
4	Multilateral development bank receivables	-	-	-	-	-	-	-	-	-	-	-
5	International organisations receivables	-	-	-	-	-	-	-	-	-	-	-
6	Banks and intermediary institutions receivables	-	-	348,560	-	12,743	-	-	-	-	-	361,303
7	Corporate receivables	253,137	-	107,123	-	-	-	270,130	-	-	-	630,390
8	Retail receivables	2,742,233	-	1,849,255	-	-	246,613	-	-	-	-	4,838,101
9	Mortgage receivables	-	-	-	157	221	-	-	-	-	-	378
10	Non performing receivables	-	-	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	71,353	-	-	-	-	27,188	-	-	98,541
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and intermediary institutions receivables	-	-	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-	-
18	Other assets	-	-	-	-	-	-	-	-	-	-	-
19	Total	12,372,604	-	2,383,575	157	12,964	246,613	270,130	27,188	-	-	15,313,231

	Prior Period	a	b	c	d	e	f	g	h	i	j
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	Other	Total Credit Risk
	Risk Classes										
1	Central governments and central banks receivables	2,813,465	-	-	-	-	-	-	-	-	2,813,465
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	2,676	-	2,096	-	-	-	-	-	-	4,772
4	Multilateral development bank receivables	-	-	-	-	-	-	-	-	-	-
5	International organisations receivables	-	-	-	-	-	-	-	-	-	-
6	Banks and intermediary institutions receivables	-	-	239,375	-	59,511	-	-	-	-	298,886
7	Corporate receivables	2,834,929	-	1,305,114	-	-	-	2,718,537	-	-	6,858,580
8	Retail receivables	3,260,208	-	2,468,524	-	-	116,514	-	-	-	5,845,246
9	Mortgage receivables	-	-	-	255	119	-	-	-	-	374
10	Non performing receivables	-	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	50,768	-	-	-	-	3,258	-	54,026
12	Mortgage backed securities	-	-	-	-	-	-	-	-	-	-
13	Securitisation positions	-	-	-	-	-	-	-	-	-	-
14	Short term credit rated banks and intermediary institutions receivables	-	-	-	-	-	-	-	-	-	-
15	Collective investment undertaking investments	-	-	-	-	-	-	-	-	-	-
16	Equity investments	-	-	-	-	-	-	-	-	-	-
17	Other receivables	-	-	-	-	-	-	-	-	-	-
18	Other assets	-	-	-	-	-	-	-	-	-	-
19	Total	8,911,278	-	4,065,877	255	59,630	116,514	2,718,537	3,258	-	15,875,349

Collaterals Used for KKR

	a	b	c	d	e	f
Current Period	Collaterals for Derivatives				Other Transactions Collaterals	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	2,052	-	-	-	-
Cash-Foreign Currency	-	45,186	-	290,535	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	4,121,393
Government Bond/Bond-Other	-	-	-	-	-	918,305
Public Establishment Bond/Bond	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	47,238	-	290,535	-	5,039,698

	a	b	c	d	e	f
Prior Period	Collaterals for Derivatives				Other Transactions Collaterals	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved	Collaterals Taken	Collaterals Given
Cash-Local Currency	-	-	-	-	-	-
Cash-Foreign Currency	-	-	-	600,084	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	3,851,951
Government Bond/Bond-Other	-	-	-	-	-	6,072,737
Public Establishment Bond/Bond	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	-	-	600,084	-	9,924,688

Market Risk Disclosures - Standard Approach

		RWA	
		Current Period	Prior Period
	Outright products		
1	Interest rate risk (general and specific)	490,288	129,963
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1,659,300	814,250
4	Commodity risk	3,943,563	3,556,162
	Options		
5	Simplified approach	-	-
6	Delta-plus method	938	13
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	6,093,150	4,500,375

SECTION FIVE: EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets of Financial Statements

1. Cash and Central Bank of Turkey:

1.1. Information on Cash and Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash	803,737	1,966,681	639,759	1,049,333
Central Bank of Turkey	4,307,463	18,685,767	2,603,903	17,336,789
Other (*)	146,228	3,196,431	259,642	1,280,175
Total	5,257,428	23,848,879	3,503,304	19,666,297

(*) As of June 30, 2023, precious metal account amounts to TL 621,678 (December 31, 2022: TL 610,135).

1.2. Information on Balances with the Central Bank of Turkey:

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	4,298,037	2,197,895	2,597,476	479,148
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Other (*)	9,426	16,487,872	6,427	16,857,641
Total	4,307,463	18,685,767	2,603,903	17,336,789

(*) Reserve deposits that are kept as blockage in CBTR for foreign currency liabilities. As per the CBRT's Communiqué on Required Reserves numbered 2013/15, for the banks operating in Turkey, the required reserve ratios for Turkish currency and foreign currency liabilities have been differentiated according to the maturity of the liabilities and determined between 0% and 26%. These rates are applied by banks as of the report date.

The commission application, which was calculated at a rate of 5% annually to be collected over the amounts held in foreign currency and differentiated according to conversion rates until the end of the year, was terminated as of 23 December 2022 with the official letter published by the CBRT, dated 24 November 2022 and numbered E-CBRT.72919021-010.07.01-2481. According to the conditions determined by the CBRT based on the Turkish lira deposit/participation fund share as of 23 December 2022, the commission rate that had been applied at the rate of 3% annually to banks that cannot meet the conditions regarding the Turkish lira share has been increased to 8%. Turkish lira share in deposit/participation funds of natural and legal entities;

- 0 percent for banks with 57% or above,
- 3 percent for banks between 50% (included) - 57%,
- 8 percent for banks with less than 50%, calculation of commission is reported.

In addition, with the Communiqué Amending the Communiqué on Required Reserves (No: 2013/15) published in the Official Gazette dated January 15, 2023 and numbered 32074 (No: 2023/4), required reserve ratios for Turkish lira deposit/participation funds with a maturity longer than 3 months are set at 0%.

2. Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	911	27,183	639	31,612
Foreign (*)	64	5,700,586	95	6,524,044
Branches and Head Offices Abroad	-	-	-	-
Total	975	5,727,769	734	6,555,656

(*) As a result of the changes in the Uniform Chart of Accounts implemented by the BRSA as of January 1, 2021, the guarantees given for the derivative transactions of the Bank with foreign banks, which were followed in the other assets account in the bank balance sheet in the previous periods, started to be followed in the banks account. As of June 30, 2023, the relevant amount is TL 290,535 (December 31, 2022: TL 600,084).

3. Information on Financial Assets at Fair Value Through Profit or Loss

As of June 30, 2023; the government debt securities TL 6,566,523 (December 31, 2022: TL 4,520,880) amount is to be accounted as a result of the lease certificates issued by the T.C. Undersecretariat of Treasury February 21, 2024, April 12, 2024, June 14, 2024, July 5, 2024 and October 9, 2024 maturity date.

As of June 30, 2023, other financial assets include TL 1,117 (December 31, 2022: TL 3,789), which is the result of the Participation Bank's accounting for the changes in the fair value of spot transactions during the period between the commercial transaction date and the balance sheet date, TL 465 (December 31, 2022: TL 517) of Albaraka portfolio start-up venture capital investment fund and TL 3,898 of Karz-ı Hasen loans with zero profit share (December 31, 2022: TL 3,395).

As of the balance sheet date, there are TL 6,521,978 financial assets at fair value through profit or loss given as collateral (December 31, 2022: TL 4,490,049).

As of the balance sheet date, there are no financial assets at fair value through profit or loss subject to repurchase agreements or given as collateral (December 31, 2022: None).

4. Information on Financial Assets Valued at Fair Value Through Other Comprehensive Income

	Current Period	Prior Period
Debt Securities	33,888,632	27,961,797
Quoted on a Stock Exchange (*)	33,888,632	27,961,797
Not Quoted	-	-
Share Certificates	47,871	45,014
Quoted on a Stock Exchange	-	-
Not Quoted (**)	47,871	45,014
Impairment Provision (-)	(329,249)	(218,725)
Other	-	-
Total	33,607,254	27,788,086

(*) Includes debt securities quoted on a stock exchange which are not traded at the related period ends.

(**) As of June 30, 2023, not quoted on a stock exchange includes Credit Guarantee Fund amounting to TL 4,897 (December 31, 2022: TL 4,897), Swift amounting to TL 9,786 (December 31, 2022: TL 6,929), İhracatı Geliştirme A.Ş. amounting to TL 30,420 (December 31, 2022: TL 30,420), JCR Eurasia Rating A.Ş. amounting to TL 2,753 (December 31, 2022: TL 2,753) and BIST amounting to TL 15 (December 31, 2022: TL 15).

As of June 30, 2023, the Participation Bank's "financial assets valued at fair value through other comprehensive income" portfolio includes the rent certificate at a total face value of TL 20,313,795 (December 31, 2022: TL 15,907,153), a total carrying value amounting to TL 25,712,480 (December 31, 2022: TL 20,880,991) which is issued by Republic of Turkey Under-Secretariat of Treasury.

4.1 Information on Given Collateral or Blocked Financial Assets Valued at Fair Value Through Other Comprehensive Income

As of the balance sheet date, there are financial assets of TL 10,164,513 (December 31, 2022: TL 1,365,648) given as collateral at fair value through other comprehensive income.

4.2 Information on Subject to Repurchase Agreement Financial Assets at Fair Value through Comprehensive Income

As of the balance sheet date, there is a repurchase agreement financial assets amounting to TL 6,918,387 (December 31, 2022: TL 15,426,640) at fair value through comprehensive income.

5. Information on Derivative Financial Assets:

Derivative Financial Assets at Fair Value through Profit or Loss

Financial Derivative Assets Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	187,731	4,451	122,179	15,885
Swap Transactions	487,083	61,542	-	126,975
Futures Transactions	-	-	-	-
Options	-	9,639	-	50,041
Other	-	-	-	-
Total	674,814	75,632	122,179	192,901

6. Information on Financial Assets Measured at Amortized Cost:

6.1. Information on All Types of Loans and Advances Given to Shareholders and Employees of the Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	222	-	117	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	222	-	117	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	162,140	-	94,381	-
Total	162,362	-	94,498	-

6.2. Information about the First And Second Group Loans and Other Receivables Including Loans That Have Been Restructured or Rescheduled

Current Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not-Subject to restructuring	Restructured Loans and Receivables	
Cash Loans			Loans and Receivables with Revised Contract Terms	Refinance
Loans	93,383,413	3,202,764	-	4,339,812
Export Loans	18,040,727	375,558	-	26,784
Import Loans	2,703,355	62,876	-	-
Business Loans	51,429,452	2,608,123	-	4,298,484
Consumer Loans	16,167,855	80,531	-	9,611
Credit Cards	3,310,169	72,106	-	4,933
Loans Given to Financial Sector	1,731,559	2,319	-	-
Other	296	1,251	-	-
Other Receivables	-	-	-	-
Total	93,383,413	3,202,764	-	4,339,812

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not-Subject to restructuring	Restructured Loans and Receivables	
Cash Loans			Loans and Receivables with Revised Contract Terms	Refinance
Loans	72,087,984	1,416,757	-	4,141,999
Export Loans	13,289,575	64,683	-	21,880
Import Loans	2,486,376	11,398	-	-
Business Loans	41,104,177	1,229,051	-	4,105,235
Consumer Loans	10,793,390	70,678	-	11,326
Credit Cards	2,674,046	34,408	-	3,558
Loans Given to Financial Sector	1,740,194	590	-	-
Other	226	5,949	-	-
Other Receivables	-	-	-	-
Total	72,087,984	1,416,757	-	4,141,999

Expected Credit Loss Stage One and Two

	Current Period		Prior Period	
	Standard Loans and Other Receivables	Loans Under Close Monitoring	Standard Loans and Other Receivables	Loans Under Close Monitoring
12 Month Expected Credit Losses	447,819	-	187,679	-
Significant Increase in Credit Risk	-	1,530,709	-	1,169,284
Total	447,819	1,530,709	187,679	1,169,284

6.3. Information on Consumer Loans, Individual Credit Cards, Personnel Loans and Personnel Credit Cards

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans - TL	1,575,770	14,556,764	16,132,534
Real Estate Loans	24,441	3,470,491	3,494,932
Vehicle Loans	272,776	6,525,940	6,798,716
General Purpose Consumer Loans	1,278,553	4,560,333	5,838,886
Other	-	-	-
Consumer Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	1,900,224	45,671	1,945,895
With Instalment	516,787	45,671	562,458
Without Instalment	1,383,437	-	1,383,437
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans - TL	54,024	71,439	125,463
Real Estate Loans	-	419	419
Vehicle Loans	1,290	15,658	16,948
General Purpose Consumer Loans	52,734	55,362	108,096
Other	-	-	-
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	36,135	542	36,677
With Instalment	12,831	542	13,373
Without Instalment	23,304	-	23,304
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
Total	3,566,153	14,674,416	18,240,569

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans - TL	791,798	10,012,625	10,804,423
Real Estate Loans	31,124	2,220,182	2,251,306
Vehicle Loans	78,128	3,570,771	3,648,899
General Purpose Consumer Loans	682,546	4,221,672	4,904,218
Other	-	-	-
Consumer Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans - FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards - TL	1,385,705	13,400	1,399,105
With Instalment	382,361	13,400	395,761
Without Instalment	1,003,344	-	1,003,344
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	15,492	55,479	70,971
Real Estate Loans	-	12	12
Vehicle Loans	459	6,032	6,491
General Purpose Consumer Loans	15,033	49,435	64,468
Other	-	-	-
Personnel Loans - FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans - FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	23,296	114	23,410
With Instalment	7,882	114	7,996
Without Instalment	15,414	-	15,414
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
Total	2,216,291	10,081,618	12,297,909

6.4. Information on Commercial Loans and Corporate Credit Cards

Current Period	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	62,265	31,511	93,776
Business Loans	-	-	-
Vehicle Loans	-	22,489	22,489
General Purpose Consumer Loans	62,265	9,022	71,287
Other	-	-	-
Commercial Loans with Instalment - FC Indexed	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	1,378,224	26,412	1,404,636
With Instalment	456,374	26,412	482,786
Without Instalment	921,850	-	921,850
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	1,440,489	57,923	1,498,412

Prior Period	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	74	44,360	44,434
Business Loans	-	-	-
Vehicle Loans	72	24,786	24,858
General Purpose Consumer Loans	2	19,574	19,576
Other	-	-	-
Commercial Loans with Instalment - FC Indexed	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Commercial Loans with Instalments - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	1,278,615	10,882	1,289,497
With Instalment	565,242	10,882	576,124
Without Instalment	713,373	-	713,373
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	1,278,689	55,242	1,333,931

6.5. International and Domestic Loans

	Current Period	Prior Period
Domestic Loans	100,493,143	77,302,174
International Loans	432,846	344,566
Total	100,925,989	77,646,740

6.6. Loans Granted to Subsidiaries and Participations

As of the balance sheet date, The Participation Bank does not have any loans to subsidiaries and associates (December 31, 2022: None).

6.7. Information on Finance Lease Receivables

6.7.1. Presentation of Finance Lease Investment According to Their Remaining Maturities

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	3,571,571	2,837,226	901,032	809,775
1-4 Years	5,504,596	4,367,438	1,224,796	1,093,723
More Than 4 Years	12,760	10,124	24,694	22,051
Total	9,088,927	7,214,788	2,150,522	1,925,549

6.7.2. Information on Net Investment in Financial Leasing

	Current Period	Prior Period
Gross Finance Lease Receivables	9,088,927	2,150,522
Income Earned from Other Operations apart from Finance Lease (-)	(1,874,139)	(224,973)
Written off leasing amounts	-	-
Total	7,214,788	1,925,549

6.7.3. General Information on Criteria Used in Determination of Contingent Lease Installments, If Any, Updates About Available Situations and Contract Amounts Related to Renewal or Purchase Options and Constraints due to Leasing Contracts, Any Past Due Situations, Renewal of Contracts, If Renewed Conditions on It, Any Matter Caused to Constraints and Other Important Issues Related to Finance Lease Contracts

Finance lease contracts are realized in consistent with the Legislation of Finance Lease Nr. 6361. There is not any constraint due to finance lease contracts or any renewal that affects financial statements (December 31, 2022: None).

6.8. Other Financial Assets Measured at Amortized Cost

6.8.1. Information on Subject to Repurchase Agreement, Given as Collateral/Blocked:

As of the balance sheet date, other financial assets measured with their amortized cost given as collateral are TL 4,922,338 (December 31, 2022: TL 2,646,073).

As of the balance sheet date, other financial assets measured at amortized cost are TL 277,451, which are subject to repurchase agreements and sales (December 31, 2022: TL 1,102,060).

6.8.2. Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	9,197,100	7,036,428
Quoted on a Stock Exchange	9,197,100	7,036,428
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	9,197,100	7,036,428

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

	Current Period	Prior Period
Opening Balance	7,036,428	918,533
Foreign Exchange Gain/Loss	-	-
Purchases During the Year	1,500,000	5,960,000
Disposals Through Sales and Redemptions	-	(900,000)
Impairment Provision (-)	-	-
Income Accruals and Discounts	660,672	1,057,895
Ending Balance	9,197,100	7,036,428

6.9. Specific Provisions for Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectibility	250,952	156,011
Loans and Receivables with Doubtful Collectibility	283,424	182,578
Uncollectible Loans and Receivables	1,804,762	1,731,848
Total	2,339,138	2,070,437

6.10. Information on Non-Performing Loans (Net)

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

	III. Group Loans and Receivables with Limited Collectibility	IV. Group Loans and Receivables with Doubtful Collectibility	V. Group Uncollectible Loans and Receivables
Current Period:	741	591	388,553
(Gross Amount Before Specific Provisions)	741	591	388,553
Restructured Loans and Receivables	741	591	388,553
Prior Period:	472	979	394,457
(Gross Amount Before Specific Provisions)	472	979	394,457
Restructured Loans and Receivables	472	979	394,457

6.10.2. Information on Total Non-Performing Loans Movements

Current Period	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Prior Period Ending Balance	218,992	233,501	2,038,448
Additions (+)(*)	364,230	2,187	129,652
Transfers from Other Categories of Non- performing Loans (+)	-	270,938	155,415
Transfers to Other Categories of Non-performing Loans (-)	(270,938)	(155,415)	-
Collections (-)	(25,152)	(14,874)	(173,892)
Write-offs (-) (**)	-	-	(148,563)
Corporate and Commercial Loans	-	-	(141,549)
Retail Loans	-	-	(3,233)
Credit Cards	-	-	(1,985)
Other	-	-	(1,796)
Non-performing Rediscounts	64	4,113	(15,240)
Current Period Ending Balance	287,196	340,450	1,985,820
Specific Provisions (-)	(250,952)	(283,424)	(1,804,762)
Net Balance on Balance Sheet	36,244	57,026	181,058

(*) TL 53,544 of the transfer amounts during the period is an increase in exchange rate difference.

(**) The Participation Bank transferred the portion of this amount, which was 100% provisioned, amounting to TL 146,389 to asset management companies and third parties in return for TL 38,950. The effect on NPL ratio is 0.13%.

Prior Period	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectibility	Loans and Receivables with Doubtful Collectibility	Uncollectible Loans and Receivables
Prior Period Ending Balance	147,990	147,627	2,522,542
Additions (+)(*)	557,302	15,759	246,665
Transfers from Other Categories of Non- performing Loans (+)	-	454,399	304,424
Transfers to Other Categories of Non-performing Loans (-)	(454,399)	(304,424)	-
Collections (-)	(31,934)	(83,464)	(545,608)
Write-offs (-) (**)	-	(2,405)	(445,544)
Corporate and Commercial Loans	-	(2,405)	(413,498)
Retail Loans	-	-	(19,451)
Credit Cards	-	-	(2,088)
Other	-	-	(10,507)
Non-performing Rediscounts	33	6,009	(44,031)
Current Period Ending Balance	218,992	233,501	2,038,448
Specific Provisions (-)	(156,011)	(182,578)	(1,731,848)
Net Balance on Balance Sheet	62,981	50,923	306,600

(*) TL 230,209 of the transfer amounts during the period is the increase in exchange rate difference.

(**) The Participation Bank wrote off TL 447,949 of its non-performing loans portfolio from assets. The Participation Bank do not transferred any amount written off to the third parties. The effect on NPL ratio is 0.53%.

6.10.3. Information on Foreign Currency Loans and Other Receivables Included in Loans under Follow-Up Account

Participation Bank has decided to follow its non-performing loans in Turkish lira accounts that was previously followed in foreign currency accounts and transferred related amounts to Turkish lira accounts as of September 24, 2017.

6.10.4. Information on Gross and Net Non-Performing Loans and Receivables as per Customer Categories:

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Current Period (Net)	36,244	57,026	181,058
Loans to Individuals and Corporates (Gross)	286,877	339,061	1,968,993
Specific Provisions (-)	(250,789)	(282,223)	(1,788,708)
Loans to Individuals and Corporates (Net)	36,088	56,838	180,285
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	319	1,389	16,827
Specific Provisions (-)	(163)	(1,201)	(16,054)
Other Loans and Receivables (Net)	156	188	773

	Group III Loans and Receivables with Limited Collectibility	Group IV Loans and Receivables with Doubtful Collectibility	Group V Uncollectible Loans and Receivables
Prior Period (Net)	62,981	50,923	306,600
Loans to Individuals and Corporates (Gross)	218,165	232,613	2,023,705
Specific Provisions (-)	(155,287)	(181,965)	(1,718,326)
Loans to Individuals and Corporates (Net)	62,878	50,648	305,379
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Others Loans and Receivables (Gross)	827	888	14,743
Specific Provisions (-)	(724)	(613)	(13,522)
Others Loans and Receivables (Net)	103	275	1,221

6.10.5 Information on Profit Share Accruals, Rediscounts and Valuation Differences Calculated for Non-Performing Loans and Their Provisions

	III. Grup Loans and Receivables with Limited Collectibility	IV. Grup Loans and Receivables with Doubtful Collectibility	V. Grup Uncollectible Loans and Other Receivables
Current Period(Net)	604	2,100	45,462
Interest accruals and valuation differences	1,330	13,121	570,836
Provision (-)	(726)	(11,021)	(525,374)
Prior Period(Net)	336	1,844	74,068
Interest accruals and valuation differences	1,269	9,011	600,831
Provision (-)	(933)	(7,167)	(526,763)

6.10.6. Explanations on Active Write-Off Policy

Loans and other receivables, which are considered to be impossible to collect, are collected by means of converting the legal proceedings and collaterals into cash or are written off from the asset by fulfilling the requirements of the Tax Procedure Law in line with the decision taken by the Senior Management of the Participation Bank. In the current period, TL 164,337 transferred amount to the asset management companies and third parties (December 31, 2022: None). Loan written off from assets was TL 2,175 without rediscount (December 31, 2022: TL 447,949). A total of TL 253,279 credit was sold to the asset management company in June 2023 for TL 71,400, with TL 252,147 cancelled in the previous years and TL 1,131 expense incurred afterwards.

As of the balance sheet date, the amount on the non-performing loans (NPL) by writing off includes rediscount amounts are TL 10,953 and the NPL ratio was 0.01% (December 31, 2022: TL 519,937, 0.53%).

7. Information on Non-Current Assets Held for Sale

The Participation Bank has assets held for sale amounting to TL 2,165 as of the balance sheet date (December 31, 2022: TL 11,691).

8. Information on Associates (Net)

The details of the Participation Bank's subsidiaries are given below (31 December 2022: None).

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	Katılım Finans Kefalet A.Ş.	İstanbul / Turkey	15.00%	-

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	154,902	152,934	10,155	4,316	-	2,934	-	-

9. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on October 22, 2012, asset lease company was established purposing rent certificate issues with the capital TL 50 as of February 11, 2013. Asset lease company named TF Varlık Kiralama A.Ş. was established with the authorizations of Banking Regulation and Supervision Agency dated December 20, 2012, Capital Markets Board dated February 1, 2013 and Ministry of Customs and Trade dated February 8, 2013. According to a decision of the Parent Participation Bank, second asset lease company was established purposing rent certificate issues with the capital of TL 50 as of July 8, 2014 named TFKB Varlık Kiralama A.Ş.

	Associate	Address (City/ Country)	Bank's Share – If Different, Voting Rights (%)	Bank's Risk Group Share (%)
1	TF Varlık Kiralama A.Ş.	İstanbul / Turkey	100.00	-
2	TFKB Varlık Kiralama A.Ş.	İstanbul / Turkey	100.00	-

The values stated in the table below are taken from the reviewed financial statements of TF Varlık Kiralama A.Ş. and TFKB Varlık Kiralama A.Ş. as of June 30, 2023.

	Total Assets	Shareholders' Equity	Total Fixed Assets	Interest Income	Income on Securities Portfolio	Current Period Profit/Loss	Prior Period Profit/Loss	Company's Fair Value
1	7,732,094	88	-	-	-	2	2	-
2	69,518	99	-	-	-	1	2	-

10. Information on Entities under Common Control

The Participation Bank does not have any entities under common control (December 31, 2022: None).

11. Information on Investment Property

The Participation Bank does not have any investment property (December 31, 2022: None).

12. Explanations Related to the Deferred Tax Asset

As of June 30, 2023, the Participation Bank calculates TL 689,284 (December 31, 2022: TL 730,214) over the amounts that arise between the book value of the assets and liabilities in the balance sheet and the tax base determined in accordance with the tax legislation and to be taken into account in the calculation of financial profit / loss in the following periods. As a result of netting off the deferred tax liability amounting to TL 2,639,990 TL (December 31, 2022: TL 1,106,796), the net deferred tax asset amounting to TL 1,950,706 (December 31, 2022: TL 376,582) was recorded.

13. Information on Other Assets

Other assets do not exceed 10% of total assets as of June 30, 2023 and December 31, 2022.

II. Explanations Related to the Liabilities of Financial Statements

1. Information on Funds Collected

1.1. The 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	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	6,104,274	-	-	-	-	-	-	-	6,104,274
II. Real Persons Profit Sharing Accounts-TL	-	1,707,170	28,628,824	5,302,339	-	10,964,893	786,537	-	47,389,763
III. Other Current Accounts-TL	5,342,202	-	-	-	-	-	-	-	5,342,202
Public Sector	47,843	-	-	-	-	-	-	-	47,843
Commercial Sector	4,725,050	-	-	-	-	-	-	-	4,725,050
Other Institutions	201,621	-	-	-	-	-	-	-	201,621
Commercial and Other Institutions	359,229	-	-	-	-	-	-	-	359,229
Banks and Participation Banks	8,459	-	-	-	-	-	-	-	8,459
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	216	-	-	-	-	-	-	-	216
Participation Banks	8,239	-	-	-	-	-	-	-	8,239
Other	4	-	-	-	-	-	-	-	4
IV. Profit Sharing Accounts-TL	-	4,203,889	16,023,691	897,866	-	2,476,594	5,725	-	23,607,765
Public Sector	-	349,396	200,207	-	-	-	-	-	549,603
Commercial Sector	-	3,794,765	14,627,964	897,344	-	2,475,191	4,089	-	21,799,353
Other Institutions	-	23,966	549,226	522	-	1,403	1,636	-	576,753
Commercial and Other Institutions	-	11	371	-	-	-	-	-	382
Banks and Participation Banks	-	35,751	645,923	-	-	-	-	-	681,674
V. Real Persons Current Accounts-FC	12,433,230	-	-	-	-	-	-	-	12,433,230
VI. Real Persons Profit Sharing Accounts-FC	-	3,871,680	4,995,099	117,017	-	782,918	266,321	-	10,033,035
VII. Other Current Accounts-FC	12,551,491	-	-	-	-	-	-	-	12,551,491
Commercial Residents in Turkey	11,580,252	-	-	-	-	-	-	-	11,580,252
Commercial Residents in Abroad	954,038	-	-	-	-	-	-	-	954,038
Banks and Participation Banks	17,201	-	-	-	-	-	-	-	17,201
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	5	-	-	-	-	-	-	-	5
Foreign Banks	14,602	-	-	-	-	-	-	-	14,602
Participation Banks	2,594	-	-	-	-	-	-	-	2,594
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	3,100,479	4,764,144	31,525	-	47,476	66,941	-	8,010,565
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	2,980,736	4,593,422	31,516	-	31,178	2,366	-	7,639,218
Other Institutions	-	88,875	113,004	9	-	15,991	-	-	217,879
Commercial and Other Institutions	-	30,868	45,436	-	-	307	64,575	-	141,186
Banks and Participation Banks	-	-	12,282	-	-	-	-	-	12,282
IX. Precious Metal Accounts	12,605,494	14,089	2,182,630	1,178,848	-	213,728	22,378	-	16,217,167
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools.-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	49,036,691	12,897,307	56,594,388	7,527,595	-	14,485,609	1,147,902	-	141,689,492

Prior Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and Over	Accumulated Profit Sharing Accounts	Total
I. Real Persons Current Accounts-TL	5,509,230	-	-	-	-	-	-	-	5,509,230
II. Real Persons Profit Sharing Accounts-TL	-	1,860,166	23,355,716	1,354,369	-	2,388,224	254,892	-	29,213,367
III. Other Current Accounts-TL	5,322,354	-	-	-	-	-	-	-	5,322,354
Public Sector	108,110	-	-	-	-	-	-	-	108,110
Commercial Sector	5,104,065	-	-	-	-	-	-	-	5,104,065
Other Institutions	82,820	-	-	-	-	-	-	-	82,820
Commercial and Other Institutions	20,781	-	-	-	-	-	-	-	20,781
Banks and Participation Banks	6,578	-	-	-	-	-	-	-	6,578
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	6,504	-	-	-	-	-	-	-	6,504
Participation Banks	70	-	-	-	-	-	-	-	70
Other	4	-	-	-	-	-	-	-	4
IV. Profit Sharing Accounts-TL	-	1,980,410	7,687,617	1,047,767	-	2,050,922	4,131	-	12,770,847
Public Sector	-	184,322	20,243	-	-	-	-	-	204,565
Commercial Sector	-	1,741,461	7,283,252	1,044,093	-	2,049,775	2,549	-	12,121,130
Other Institutions	-	34,606	383,053	3,674	-	1,147	1,582	-	424,062
Commercial and Other Institutions	-	9	1,039	-	-	-	-	-	1,048
Banks and Participation Banks	-	20,012	30	-	-	-	-	-	20,042
V. Real Persons Current Accounts-FC	10,918,189	-	-	-	-	-	-	-	10,918,189
VI. Real Persons Profit Sharing Accounts-FC	-	3,570,927	6,628,770	67,379	-	842,921	231,849	-	11,341,846
VII. Other Current Accounts-FC	9,016,001	-	-	-	-	-	-	-	9,016,001
Commercial Residents in Turkey	7,874,525	-	-	-	-	-	-	-	7,874,525
Commercial Residents in Abroad	1,135,106	-	-	-	-	-	-	-	1,135,106
Banks and Participation Banks	6,370	-	-	-	-	-	-	-	6,370
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	4	-	-	-	-	-	-	-	4
Foreign Banks	6,360	-	-	-	-	-	-	-	6,360
Participation Banks	6	-	-	-	-	-	-	-	6
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	1,031,072	1,775,845	25,838	-	60,571	49,520	-	2,942,846
Public Sector	-	-	-	-	-	-	-	-	-
Commercial Sector	-	883,944	1,610,304	24,375	-	48,714	2,722	-	2,570,059
Other Institutions	-	68,981	55,343	1,463	-	11,640	-	-	137,427
Commercial and Other Institutions	-	78,147	110,198	-	-	217	46,798	-	235,360
Banks and Participation Banks	-	-	-	-	-	-	-	-	-
IX. Precious Metal Accounts	12,318,276	18,509	1,948,997	1,306,578	-	205,217	15,001	-	15,812,578
X. Profit Sharing Accounts Special Fund Pools-TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
XI. Profit Sharing Accounts Special Fund Pools.-FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents in Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	43,084,050	8,461,084	41,396,945	3,801,931	-	5,547,855	555,393	-	102,847,258

1.2. Information on Current and Participation Accounts of Real Persons and Corporate Entities under the Guarantee of Savings Deposit Insurance Fund and Exceeding the Guarantee Limit

On August 27, 2022, the "Regulation Amending the Regulation on Insurance Deposits and Participation Funds and Premiums to be Collected by the Savings Deposit Insurance Fund" was published by the Savings Deposit Insurance Fund. With the amendment made, the scope of deposit insurance limited to savings deposits and participation funds belonging to real persons in Turkey; expanded to include commercial deposits; those belonging to official institutions, credit institutions and financial institutions are excluded from the insurance coverage. As of September 30, 2022, premiums have also started to be calculated over legal person participation funds.

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
Real Persons Current and Profit Sharing Accounts	31,840,342	22,032,170	58,714,284	49,722,664
TL Accounts	15,928,077	10,662,006	37,563,563	24,059,894
FC Accounts	15,912,265	11,370,164	21,150,721	25,662,770
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

	Under the Guarantee of insurance		Exceeding the Limit of insurance	
	Current Period	Prior Period	Current Period	Prior Period
Corporate Entities Current and Profit Sharing Accounts	3,601,312	2,418,857	32,501,632	24,848,587
TL Accounts	2,473,212	1,801,862	15,462,751	13,207,459
FC Accounts	1,128,100	616,995	17,038,881	11,641,128
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-Shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

1.3. Profit Sharing Accounts of Real Persons and Corporate Entities which are not Under the Guarantee of Deposit Insurance Fund

Real Persons	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts held by Shareholders and Their Relatives	-	-
Profit Sharing Accounts and Other Accounts of the Chairman and Board of Directors, Chief Executive Officer, Senior Executive Officers and Their Relatives	6,214	2,588
Profit Sharing Accounts and Other Accounts Held as Assets Subject to the Crime defined in the Article 282 of the Turkish Criminal Code No. 5237 dated 26/9/2004	-	-
Participation Funds Available in Participation Banks Established Exclusively for Offshore Banking Activities in Türkiye	-	-

Corporate Entities	Current Period	Prior Period
Foreign Branches' Profit Share Funds and Other Accounts	-	-
Participation Fund and Other Accounts held by Main Shareholder with Qualified Shareholders and Corporates Under Their Control	364	6,723
Profit Sharing Accounts of Governmental Institutions, Credit Institutions and Financial Institutions	15,025,344	3,815,669

1.4. Information on the Current and Profit Sharing Accounts of the Real Persons and Corporate Entities at the Turkish Branches of the Participation Bank Headquartered Abroad, Whether the Headquarters under the Coverage by Insurance in the Country Where It Is Located

The center of the Participation Bank is in Turkey and under the guarantee of Saving Deposits Insurance Fund of Turkey.

2. Information on Borrowings

2.1. Information on Banks and Other Financial Institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Funds Borrowed from the Central Bank of Turkey	-	-	-	-
Funds Borrowed from Domestic Banks and Institutions	15,674,363	2,246,642	10,523,466	10,093,596
Funds Borrowed from Foreign Banks, Institutions and Funds	-	4,013,199	-	1,379,621
Total	15,674,363	6,259,841	10,523,466	11,473,217

2.2. Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	15,674,363	6,250,974	10,523,466	11,068,473
Medium and Long-Term	-	8,867	-	404,744
Total	15,674,363	6,259,841	10,523,466	11,473,217

3. Information on Derivative Financial Liabilities

Derivative Financial Liabilities Value at Fair Value through Profit or Loss

	Current Period		Prior Period	
	TL	FC	TL	FC
Derivative Financial Liabilities Held for Trading				
Forward Transaction	1,513,657	4,153	30,025	9,882
Swap Transaction	-	118,885	425	333,318
Future	-	-	-	-
Options	-	9,639	-	50,038
Other	-	-	-	-
Total	1,513,657	132,677	30,450	393,238

4. Information on Finance Lease Payables (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than 1 Year	156,535	919	133,129	788
1-5 Years	325,754	1,232	254,202	-
More than 5 Years	62,950	-	60,265	-
Total	545,239	2,151	447,596	788

The Participation Bank used FTP (Fund Transfer Pricing) rates as an alternative borrowing rate of profit at January 1, 2019. Relevant ratios are revised and revised in 2-week periods after January 1, 2019. The change in Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related. If the change in the lease payments results from variable profit share rates (LIBOR, EURIBOR), the lessee will use a revised discount rate reflecting changes in the profit share rate.

5. Information on Provisions

5.1 Information on Foreign Exchange Losses on the Foreign Currency Indexed Loans and Finance Lease Receivables

There are no foreign exchange differences on foreign currency indexed loans are netted with loans on the asset side as of balance sheet date (December 31, 2022: None).

5.2 Information on Employee Termination Benefits

As of June 30, 2023, the Participation Bank has unused vacation amounting to TL 58,914 (December 31, 2022: TL 34,441), performance premium provision of TL 375,446 (December 31, 2022: TL 342,729) and provision amount for severance indemnities amounting to TL 510,864 (December 31, 2022: TL 484,660).

5.3 Information on Other Provisions

Other Provisions Exceeding 10% of Total Provisions and Name, Amount and Breakdown of Such Provisions

	Current Period	Prior Period
Specific Provision for Cheques	14,593	10,875
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	179,817	105,125
Expected Loss Provisions for stage 1 and stage 2 Non-cash Loans	48,310	16,425
Provision for Lawsuits against Participation Bank	181,435	121,491
Provision for Decrease in Value Spot Transactions	3,533	2,106
Provision for Profits will be Allocated to Participation Accounts (*)	176,360	269,830
Provision for Credit Cards Promotion Commitments	9,185	9,349
Other (**)	1,157,629	1,157,629
Total	1,770,862	1,692,830

(*) The Participation Bank allocates profit balancing reserve for the participation accounts at the end of the period, provided that the balance is finally transferred to the fund pool.

(**) Includes free provision for possible risks amounting to TL 1,155,000 in current period (December 31, 2022: TL 1,155,000).

6. Information on Tax Liability

6.1 Information on Tax Provision

The Participation Bank has corporate tax liability amounting to TL 1,377,682 (December 31, 2022: TL 2,002,770) and The Participation Bank has prepaid tax amounting to TL 116,853 (December 31, 2022: TL 1,123,788) as of balance sheet date. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.

6.2 Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	1,260,829	878,982
Tax on Securities Income	28,065	23,668
Tax on Real Estate Income	2,787	2,444
Banking Insurance Transaction Tax	74,986	65,712
Foreign Exchange Transaction Tax	3,503	9,514
Value Added Tax Payables	18,249	13,543
Other	37,848	30,326
Total	1,426,267	1,024,189

6.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	39,190	14,749
Social Security Premiums-Employer	42,017	15,613
Bank Pension Fund Premiums- Employees	-	-
Bank Pension Fund Premiums- Employer	-	-
Pension Fund Membership Fees and Provisions- Employees	-	-
Pension Fund Membership Fees and Provisions- Employers	-	-
Unemployment Insurance- Employees	2,799	1,054
Unemployment Insurance- Employer	5,599	2,107
Other	6,678	128
Total	96,283	33,651

7. Information on Deferred Tax Liabilities

The Participation Bank does not have net deferred tax liability as of the balance sheet date (December 31, 2022: None).

8. Information on Liabilities Regarding Assets Held for Sale and Discontinued Operations

In the current period, The Participation Bank has no outstanding debts on assets held for sale and discontinued operations (December 31, 2022: None).

9. Information on Sub-Ordinated Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	6,458,932	-	4,678,005
Other Foreign Institutions	-	-	-	-
Total	-	6,458,932	-	4,678,005

The Participation Bank provided sub-ordinated loans amounting to USD 100 million and USD 150 Million, in terms of a 7.23%, 7.78% profit share rates and ten years maturity, on March 31, 2015 and June 30, 2015 respectively. In accordance with article of BRSA dated March 26, 2015 and June 30, 2015, since the date, sub-ordinated loan is recorded into Bank's accounts in cash. The Participation Bank paid the existing loans on December 28, 2020 and provided a sub-ordinated loan amounting to USD 250 million in terms of a 9% profit share rate on June 30, 2030 from the National Commercial Bank.

10. Other Liabilities Exceeding 10% of the Balance Sheet Total and the Breakdown of Such Liabilities Constituting at Least 20% of the Grand Total

Other liabilities do not exceed 10% of total liabilities as of June 30, 2023 and December 31, 2022.

11. Information on Shareholders' Equity

11.1. Presentation of Paid-in Capital

	Current Period	Prior Period
Common Stock	2,600,000	2,600,000
Preferred Stock	-	-

11.2. Paid-in Capital Amount, Explanation as to Whether the Registered Share Capital System is Applicable at Participation Bank if so Amount of Registered Share Capital Ceiling

Registered share capital system is not applied in Participation Bank.

11.2.1. Information on Share Capital Increases and Their Sources; Other Information on Increased Capital Shares in Current Period

There is no increasing in share capital in current period (December 31, 2022: None).

11.2.2. Information on Capital Reserves Transferred to the Capital during the Period

During the current period there are no capital reserves transferred to the capital (December 31, 2022: None).

No balance has been added to capital reserves from revaluation fund in the current period (December 31, 2022: None).

11.2.3. Capital Commitments in the Last Fiscal Year and at the end of the Following Year-End Period, the General Purpose of These Commitments and Projected Resources Required Meeting These Commitments

As of the balance sheet date, the Participation Bank has no capital commitments. (December 31, 2022: None).

11.3. Indicators of the Participation Bank's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Participation Bank's Equity Due to the Uncertainty of These Indicators

There is no uncertainty in the past indicators regarding the revenues, profitability and liquidity of the Participation Bank.

11.4. Information on Privileges Granted to Shares Representing the Capital

The Participation Bank does not have any preferred shares (December 31, 2022: None).

11.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets valued at fair value through profit or loss	938,341	(359,530)	1,305,972	(205,844)
Valuation Differences	938,341	(359,530)	1,305,972	(205,844)
Exchange Rate Differences	-	-	-	-
Total	938,341	(359,530)	1,305,972	(205,844)

11.6. Other Information on Shareholders' Equity

Participation Bank purchased 30,719 shares from its shareholders on October 21, 2020 for TL 92.

In accordance with the decision taken at the Ordinary General Assembly held on May 18, 2023, the Participation Bank transferred TL 110,242 of its 2022 profit of TL 2,904,105 to legal reserves and TL 2,793,296 to extraordinary reserves.

III. Explanations Related to the Off-Balance Sheet Items

1. Information on Off-Balance Sheet Liabilities

1.1. Types and Amounts of Irrevocable Loan Commitments

	Current Period	Prior Period
Forward asset purchase and sale commitments	2,556,369	3,196,886
Share capital commitments to associates and subsidiaries	67,500	-
Loan granting commitments	721,756	76
Commitments for cheque payments	1,580,618	1,024,121
Tax and fund obligations on export commitments	111,446	76,344
Commitments for credit card limits	4,504,448	3,298,057
Commitments for credit cards and banking services related promotion	9,185	9,349
Other irrevocable commitments	531,571	887,569
Total	10,082,893	8,492,402

1.2 Information on the Nature and the Amount of Possible Losses and Commitments Stemmed from Off-Balance Sheet Items

1.2.1. Non-Cash Loans Including Guarantees, Acceptances, Financial Guarantee and Other Letters of Credits

	Current Period	Prior Period
Guarantees	19,928,675	14,245,781
Bank Endorsement and Acceptances	1,306,555	706,511
Letter of Credits	6,159,299	3,898,659
Other guarantees	-	-
Total	27,394,529	18,850,951

1.2.2. Permanent Guarantees, Temporary Guarantees, Suretyships and Similar Transaction

	Current Period	Prior Period
Temporary Guarantee Letters	642,143	751,499
Permanent Guarantee Letters	11,708,004	8,832,179
Advance Guarantee Letters	1,390,849	536,748
Guarantee Letters Given to Duties	831,984	780,064
Guarantee Letters for Cash Loan Coverage	3,981,420	2,161,927
Other Guarantee Letters	1,374,275	1,183,364
Total	19,928,675	14,245,781

1.2.3. Total Non-Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	3,981,420	2,161,927
With maturity of 1 year or less than 1 year	73,671	50,981
With maturity more than 1 year	3,907,749	2,110,946
Other non cash loans	23,413,109	16,689,024
Total	27,394,529	18,850,951

IV. Explanations Related to the Statement of Profit or Loss

1. Profit Share Income

1.1. Information on Profit Share on Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share on Loans (*)	5,414,164	784,340	3,268,251	609,034
Short Term Loans	3,084,069	290,059	1,854,602	146,516
Medium and Long Term Loans	2,291,044	493,230	1,361,743	461,795
Profit Share on Non Performing Loans	39,051	1,051	51,906	723
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	5,414,164	784,340	3,268,251	609,034

(*) Profit Share on Loans includes commission income on cash loans.

1.2. Information on Profit Share on Participation Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	11,780	-	41,799	-
Domestic Banks	11	-	-	-
Foreign Banks	458	45,012	-	2,215
Branches and Head Office Abroad	-	-	-	-
Total	12,249	45,012	41,799	2,215

1.3. Information on Profit Share on Marketable Securities Portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit and Loss	-	65,698	-	45,729
Financial Assets at Fair Value through Other Comprehensive Income	2,019,374	367,529	2,044,889	241,467
Financial Assets Measured at Amortised Cost	928,281	-	386,200	-
Total	2,947,655	433,227	2,431,089	287,196

1.4. Information on Profit Share Income Received from Associates and Subsidiaries

	Current Period	Prior Period
Profit Share Income Received from Associates and Subsidiaries	667,341	173,127

2. Profit Share Expenses

2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	30,824	185,945	22,205	46,348
Central Bank of Turkey	-	-	-	-
Domestic Banks	30,824	39,461	22,205	6,657
Foreign Banks (*)	-	146,484	-	39,691
Branches and Head Office Abroad	-	-	-	-
Other Institutions	708,072	-	262,335	-
Total	738,896	185,945	284,540	46,348

(*) Profit Share on Funds Borrowed includes commission expense on cash loans.

2.2. Information on Profit Share Expense Given to Associates and Subsidiaries

	Current Period	Prior Period
Profit Share Expense Given to Associates and Subsidiaries	708,072	262,335

2.3. Information on Profit Share Expense Given to Associates and Subsidiaries

The Participation Bank does not have any securities issued in the current period (June 30, 2022: None).

3. Information on Trading Income/Losses (Net)

	Current Period	Prior Period
Profit	720,107,068	619,359,594
Trading Account Profit	13,059	12,205
Derivative Financial Instruments	2,743,248	2,783,509
Foreign Exchange Gains	717,350,761	616,563,880
Loss	(717,235,144)	(618,554,685)
Trading Account Losses	(20,561)	(9,325)
Derivative Financial Instruments	(3,265,621)	(2,075,807)
Foreign Exchange Losses	(713,948,962)	(616,469,553)

4. Information on Other Operating Income

	Current Period	Prior Period
Communication Expense Charged to Customers	7,681	4,852
Gain on Sale of Assets	300,800	93,766
Checkbook Expenses	2,001	1,637
Reversals Related to Prior Year's Expenses	1,094,047	537,847
Other	13,293	4,782
Total	1,417,822	642,884

5. Expected Loss Provisions of the Participation Bank:

	Current Period	Prior Period
Expected Credit Loss	1,938,309	1,221,796
12 Month expected credit loss (stage 1)	345,955	93,267
Significant increase in credit risk (stage 2)	799,800	671,156
Non-performing loans (stage 3)	792,554	457,373
Marketable Securities Impairment Losses	17,881	15,775
Financial Assets at Fair Value Through Profit and Losses	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	17,881	15,775
Investment in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	89,676	448,441
Total	2,045,866	1,686,012

(*) Other provision expenses amounting to TL 89,676 consist of profits to be distributed to participation accounts amounting to TL 28,336, litigation expenses amounting to TL 61,322 and other expenses amounting to TL 18 (June 30, 2022: Other provision expenses amounting to TL 448,441 consist of free provision for possible risks amounting to TL 300,000, amounts to be distributed to the participation accounts amounting to TL 86,861, provision for litigation expenses amounting to TL 61,557 and other expenses amounting to TL 23).

6. Information on Other Operating Expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	16,952	39,804
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	457	-
Depreciation Expenses of Tangible Assets	142,120	87,637
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	52,283	37,817
Impairment Provision for Investments Accounted for Under Equity Method	-	-
Impairment Losses on Assets to be Disposed	-	-
Depreciation Expenses of Assets to be Disposed	-	-
Impairment Losses on Assets Held for Sale	-	-
Other Operating Expenses	482,532	213,371
Operating Lease Expenses according to IFRS16	2,649	1,348
Repair and Maintenance Expenses	9,681	6,601
Advertisement Expenses	18,452	27,369
Communication Expenses	33,575	23,000
Electricity and Water Expenses	45,587	31,060
Cleaning Expenses	46,030	20,911
Vehicle Expenses	12,078	10,184
Stationery Expenses	8,212	6,785
Other Expenses	306,268	86,113
Loss on Sales of Assets	22,843	9,023
Other(*)	723,562	397,390
Total	1,440,749	785,042

(*) Other operating expenses include short-term employee benefits provision expenses amounting to TL 399,182, premiums paid to the Savings Deposit Insurance Fund amounting to TL 135,507 and other taxes and fees paid amounting to TL 118,017 (June 30, 2022: Short-term employee benefits provision expenses amounting to TL 202,082, Savings Deposit Insurance Fund amounting to TL 96,168 and other taxes and fees paid amounting to TL 60,175).

7. Information on Provision for Taxes

The Participation Bank tax reconciliation is listed below:

	Current Period	Prior Period
Profit Before Tax	4,608,537	2,498,296
Corporate Tax Ratio	25%	25%
Calculated Tax	1,152,134	624,574
Deductions	(1,120,455)	(735,286)
Other	927,703	774,446
Income Tax Expense	959,382	663,734

8. Explanation on Net Period Profit / Loss

8.1. The Nature and Amount of Certain Income and Expense Items from Ordinary Operations is Disclosed If the Disclosure for Nature, Amount and Repetition Rate of Such Items is Required for the Complete Understanding of the Participation Bank's Performance for the Period

Profit share income from ordinary banking operations is TL 10,116,210 and profit share expenses are TL 6,667,250 (June 30, 2022: profit share income TL 6,761,526 and profit share expenses: TL 2,842,181).

8.2. Effect of Changes in Accounting Estimates on Income Statement for the Current and, If Any, for Subsequent Period

There is no effect of changes in accounting estimates and effect on income statement (June 30, 2022: None).

8.3. Nature and Amount of Changes in Accounting Estimates which Have Material Effects on the Current Period or Expected to Have Material Effects on the Subsequent Periods

There is no change in accounting estimates which have material effects on the current period or expected to have material effects on the subsequent periods (June 30, 2022: None).

9. If the Other Items in the Income Statement Exceed 10% of the Income Statement Total, Accounts Amounting to At Least 20% of These Items are shown below

Other Fees and Commissions Received	Current Period	Prior Period
Commissions of Letters of Credit on Imports	1,426	901
Commission of Collection Note/Check	1,118	828
Commissions on Remittance	14,964	6,686
Insurance Commissions	167,233	60,650
Credit Letter Commissions	372	236
Expert Fees	20,526	5,305
Credit Card Fees and Commissions	100,397	80,447
Commissions on Member Firm -POS	36,598	30,931
Cash Import Commissions	314	287
Other Commissions and Fees	1,491,443	146,776
Total	1,834,391	333,047

Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	44,112	46,634
7/24 Card Domestic ATM Commission Given	5,372	2,866
Credit Card Service and Usage Expense	29,284	18,365
Commissions and Fees Given for Remittance	7,384	4,795
Expertise Fees	23,036	6,053
Other Commissions and Fees	262,043	190,948
Total	371,231	269,661

V. Explanations Related to Statement of Cash Flows

Information on Cash and Cash Equivalents at Beginning and End of Periods

	Current Period	Prior Period
Cash	11,996,755	12,277,948
Cash in TL and Foreign Currency	2,770,418	1,473,395
Central Bank of Turkey	6,505,357	7,749,571
Coins on the Road	2,720,980	3,054,982
Cash Equivalents	5,438,210	7,232,463
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	5,438,210	7,232,463
Total Cash and Cash Equivalents	17,434,965	19,510,411

VI. Explanations on the Risk Group of the Participation Bank

1. Information on the Volume of Transactions Relating to the Participation Bank's Risk group, Incomplete Loan and Funds Collected Transactions and Period's Profit and Loss

1.1. Information on loans and other receivables of the Participation Bank's risk group

Current Period

Bank's Risk Group (*)	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	6,862,081	-	117	-	2,691	13,468
Balance at the end of the period	7,846,902	-	222	-	5,076	14,729
Profit Share and Commission Income	667,341	-	7	-	469	104

(*) The information given in the table includes credits and securities.

Prior Period

Bank's Risk Group (*)	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Cash	Non Cash	Cash	Non Cash	Cash	Non Cash
Loans and Others Receivables						
Balance at the beginning of the period	3,174,557	-	166	-	1,412	15,497
Balance at the end of the period	6,862,081	-	117	-	2,691	13,468
Profit Share and Commission Income (**)	173,127	-	10	-	283	88

(*) The information given in the table includes credits and securities.

(**) Prior period balances represents amount to June 30, 2022.

1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Participation Bank

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and Profit Sharing Accounts						
Balance at the beginning of the period	206	155	7,422	2,163	96,740	57,315
Balance at the end of the period	130	206	724	7,422	147,486	96,740
Profit Share Expenses (*)	3	3	15	13	670	224

(*) Prior period balances represents amount to June 30, 2022.

1.3 Forward Transactions, Option Contracts and Other Similar Contracts Made With the Participation Bank Risk Group

None.

1.4 Funds Borrowed from the Participation Bank's Risk Group

Bank's Risk Group	Associates,Subsidiaries and Jointly Controlled Entities (Business Associates)		Direct and Indirect Shareholders of the Bank		Other items that have been included in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Loans Received						
Balance at the Beginning of the period	7,427,630	4,155,951	4,678,005	3,246,755	-	-
Balance at the End of the period	8,043,990	7,427,630	9,127,208	4,678,005	-	-
Profit Share and Commission Expense (*)	708,072	262,335	379,431	188,697	-	-

(*) Prior period balances represent amount to June 30, 2022.

1.5. Information Regarding Benefits Provided to The Bank's Top Management:

Salaries and benefits paid to the Bank's top management amount to TL 64,984 as of June 30, 2023 (June 30, 2022: TL 23,277).

VII. Explanations Related to Subsequent Events

With the Article 21 of the Law on the Amendment of Additional Motor Vehicle Tax and Amendments to Certain Laws and Decree Law No. 375 for Compensation of Economic Losses Caused by Earthquakes on 6 February 2023, published in the Official Gazette dated July 15, 2023 and numbered 32249, and the amendments made in Article 32 of the Corporate Tax Law No. 5520, which regulates the corporate tax rate, it has been decreed that the general rate applied in corporate tax will be increased from 20% to 25%, and increased from 25% to 30% for banks and financial institutions.

The aforementioned amendment will be applied to the income of the corporations to be obtained in 2023 and the following tax periods, starting from the declarations that must be submitted as of October 1, 2023.

This amendment is considered as a non-adjusting event after the reporting period within the scope of TAS 10 "Events After the Reporting Period". If the company's first six-month interim period tax was calculated over the new rate, it is estimated that the net profit would decrease by TL 20 million, with corporate tax provision expense of approximately TL 276 million and deferred tax provision income of TL 256 million.

SECTION SIX: INDEPENDENT AUDITOR'S REVIEW REPORT

I. Explanations on the Independent Auditor's Review Report

The unconsolidated financial statements and footnotes of the Participation Bank as of June 30, 2023 and for the period ended, have been subject to limited review by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ and the limited review report dated August 8, 2023 is presented before this report.

II. Explanations and Notes Prepared by Independent Auditors

None.

SECTION SEVEN: UNCONSOLIDATED INTERIM ACTIVITY REPORT

I. Unconsolidated Interim Activity Report

Türkiye Finans in Brief

Thanks to its integrated channeling strategy, Türkiye Finans continuously digitalizes its services through a rapid, uninterrupted and high quality customer experience, and offers its customers a wide range of transactions and services with diversity in distribution channels through ongoing technological investments.

Türkiye Finans was established in 2005 with the merger between Anadolu Finans, was the first special finance corporation in Turkey, founded in 1991 with 100% domestic funds, and Family Finans, which operated in the participation banking sector between 1985 and 2001 under the name of the Faisal Finans Kurumu. This union of strengths was established in order to generate more value for Turkey and to bolster the competitive advantages of both entities.

The merger between Anadolu Finans and Family Finans was approved by the Banking Regulation and Supervision Agency (BRSA) on 28 December 2005. The name of the Bank was changed to Türkiye Finans Katılım Bankası A.Ş. on 30 December 2005.

This merger brought new growth momentum into the participation banking sector and Türkiye Finans quickly became one of biggest participation banks in Turkey.

A new era of momentous change and transformation at Türkiye Finans began on 31 March 2008 when the National Commercial Bank (NCB) acquired a 60% stake in the Bank.

With the participation in the NCB, which is one of the largest capitals in the Middle East area, Türkiye Finans assumed a new and reinforced corporate identity, bringing a new breath of fresh air to participation banking, whose target audience had been growing steadily.

With the National Commercial Bank (Saudi Arabia) as its main shareholder, Türkiye Finans is a leading company that has achieved a remarkable transformation, underpinned by its “growth reflex”, deeply-rooted know-how, experience and its vision to carve out a name for itself in the future of our country’s participation banking.

As of April 1, 2021, National Commercial Bank merged with Samba Financial Group and changed its title to The Saudi National Bank (“SNB”).

Türkiye Finans: A face of participation banking looking ahead

Having shaped its objectives and road map for growth in line with the principles of participation banking, Türkiye Finans continues its operations with the aim of ongoing improvement in technological infrastructure, business processes and service approach through a customer-oriented understanding.

Thanks to its integrated channeling strategy, Türkiye Finans continuously digitalizes its services through a rapid, uninterrupted and high quality customer experience, and offers its customers a wide range of transactions and services with diversity in distribution channels through ongoing technological investments.

Taking firm steps towards sustainable growth, Türkiye Finans offers an innovative and high value-added products, services and solutions to a wide range of customers in the commercial and corporate banking and retail banking segments through its strong service platform which was comprised of 3,817 employees, 307 branches and effective alternative distribution channels as of the second quarter of 2023.

Summary Financials

	30/06/2023	31/12/2022
Assets	198,276,964	152,762,122
Financial Assets (Net)	75,755,659	62,349,535
Cash and cash equivalents	34,826,106	29,717,788
Financial assets valued at fair value through profit or loss	6,571,853	4,528,581
Financial assets valued at fair value through other compr. Income	33,607,254	27,788,086
Derivative financial assets	750,446	315,080
Loans (including leasing, gross) ⁽¹⁾	110,737,384	82,014,948
Financial assets valued at amortised cost	9,197,100	7,036,428
Expected Loss Provisions	(4,317,666)	(3,427,400)
Tangible Assets (Net)	3,015,471	2,712,010
Other Assets ⁽²⁾	3,889,016	2,076,601
Liabilities	198,276,964	152,762,122
Funds Collected	141,689,492	102,847,258
- Special Current Accounts	49,036,691	43,084,050
- Participation Accounts ⁽³⁾	92,652,801	59,763,208
Funds Borrowed	21,934,204	21,996,683
Money Market Balances	524,567	3,130,312
Subordinated Loans	6,458,932	4,678,005
Shareholders' Equity	15,174,091	11,075,195
-Paid-in capital	2,600,000	2,600,000
Other Liabilities ⁽⁴⁾	12,495,678	9,034,669
Non-cash Loans	27,394,529	18,850,951
Income / Expense Items	01.01.2023-30.06.2023	01.01.2022-30.06.2022
Profit Share Income	10,116,210	6,761,526
Profit Share Expenses	(6,667,250)	(2,842,181)
Net Profit Share Income	3,448,960	3,919,345
Net Fee and Commission Income	1,573,032	132,029
Other Non-Profit Income	4,289,746	1,448,567
Non-Profit Share Expenses	(4,703,201)	(3,001,645)
Profit Before Tax	4,608,537	2,498,296
Provision for Taxes	(959,382)	(663,734)
Net Profit for the Period	3,649,155	1,834,562
Key Ratios (%)	30/06/2023	31/12/2022
Capital Adequacy Ratio	23.55	21.09
Loans/Total Assets ⁽¹⁾	55.85	53.69
Current Accounts/Funds Collected	34.61	41.89
Other	30/06/2023	31/12/2022
Total Number of Branches	307	308
Total Number of Staff	3,817	3,735

(1) Loans include financial leasing receivables.

(2) Indicates the total of other assets items apart from the items that are mentioned above.

(3) Participation accounts include precious-metal accounts.

(4) Indicates the total of other liabilities items apart from the items that are mentioned above.

Shares belonging to Board of Directors and Executive Vice Presidents in Türkiye Finans

None of the Board of Directors nor the executive vice presidents, do not have any shares in Türkiye Finans.

Articles Of Assotiation Amendment and its Reason

No changes were made in the Articles of Association in the first quarter of 2023.

Capital And Shareholder Structure

Shareholder	Share Amount (TL)	Share Ratio (%)
The Saudi National Bank (SNB)	1,742,676,447	67.03
Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş.	274,838,187	10.57
Others	582,485,366	22.40
Total	2,600,000,000	100.00

The Saudi National Bank is the controlling shareholder which holds the management control of Türkiye Finans through its 67.03% share in the paid-in capital.

Information about shares

The Bank's capital is represented by shares, each of which has a nominal value of TL 1.00 (one Turkish lira). All shares have been issued against cash and all are registered in the shareholder's name. No shareholder nor any group of shareholders enjoys any preferential rights arising from their shareholding interests. None of the Bank's shares are preferred shares.

Voting rights

At meetings of the Bank's general assembly, shareholders may cast one vote for each share which they own or control and which is worth one Turkish lira. Shareholders may exercise their voting rights personally or through a proxy. Voting may be conducted by a show of hands, or by standing up, or by individually saying "aye" or "nay"; however it may also be conducted employing electronic devices, each one of which is individually assigned to each shareholder upon entry into the meeting place on the day the general assembly convenes or also by other means which allow cast votes to be counted. Recourse shall be had to secret ballots upon the demand of one twentieth of the shares represented at a general meeting.

About The Saudi National Bank (SNB)

The Saudi National Bank is the largest financial institution in the Saudi Arabia.

SNB is one of the largest banks in the Arab financial world with a paid-in capital of SAR 44.8 billion (USD 12 billion). As of the end of 2022, its total assets amounted to SAR 9,145 billion (USD 252 billion), while writing a net profit of SAR 19 billion (USD 5 billion) for the same period. Its shareholders' equity increased to SAR 167 billion (USD 44 billion), while generating a Return on Equity of 11.4%.

In 2008, the SNB undertook its first international acquisition and became the controlling partner of Türkiye Finans, one of Turkey's leading participation banks. The SNB holds a 67.03% stake in Türkiye Finans.

Chairman of the Board of Directors' Message

Dear Stakeholders,

Despite the profound impact of global events and the earthquake disaster that affected the country considerably, as Türkiye Finans we go on demonstrating a remarkable performance without compromising the principles of participation banking.

The affirmative outcomes realized by Türkiye Finans during the first half of the year confirmed the accuracy of our growth strategy, rooted in production-oriented principles and the unwavering commitment to a human-centric banking approach.

Throughout the year Türkiye Finans will continue succeeding in expanding its customer base and engendering unique value for all stakeholders and the national economy, with its innovative and high-value-added range of products, services and solutions.

On behalf of myself and the esteemed members of our Board of Directors, I extend heartfelt appreciation to all our stakeholders and shareholders who play an invaluable role in the resounding success of our Bank.

Sincerely,

Wael Abdulaziz A. RAIES

Chairman

CEO's message

Dear Stakeholders,

During the first half of the year, as Türkiye Finans we maintained our sustainable and profitable growth strategy, providing robust financial backing to the country's economy through both the retail and commercial domains. Türkiye Finans has upheld its resilient capital structure this quarter as well, witnessing a **37 percent increase in regulatory capital** compared to the previous year's end. Our regulatory capital has now **reached TRY 22.4 billion**, while maintaining a **capital adequacy ratio of 23.55 percent**.

Within the same period, we have been continuously collaborating with relevant public institutions and non-governmental organizations to support the region affected by the earthquake. Making a substantial contribution to the national economy, Türkiye Finans has provided a total of **TRY 138.1 billion**, comprising **TRY 110.7 billion in cash and TRY 27.4 billion in non-cash funds**. The funds collected have **surged to TRY 141.7 billion**, reflecting a remarkable **38 percent increase** from the previous year's end. In the first half of 2023, Türkiye Finans has channeled its improved funding sources toward expanding its financing volume, specifically SMEs and production, which serve as the lifeblood of the economy.

Throughout the initial half of 2023, Türkiye Finans remained steadfast in supporting production, the economy, and our society through strategies aimed at enhancing financial and digital inclusion. Our Bank diligently continued to implement its business model, placing utmost importance on prioritizing people, leading the sector with pioneering initiatives, and making great strides in delivering an exceptional customer experience.

In line with this approach, Türkiye Finans expanded its customer base by launching campaigns that encouraged customers to engage with our Mobile Branch during the first half, and also achieved another significant industry milestone by digitizing insurance sales, aligning with the ubiquitous banking vision. As an extension of its approach to foster innovative business models and collaborations within the fintech ecosystem, the Bank further expanded its reach by engaging with the insurtech ecosystem in insurance-related activities. Continuously digitizing its services with its integrated channel strategy, Türkiye Finans has developed a fast, streamlined and excellent customer experience without compromising on its focus on supporting production, while maintaining its strong growth in the second quarter of the year.

Türkiye Finans' sustainable, human-oriented and inclusive banking approach once again proved itself in the “Women in Business Research” conducted in 2023 by Inbusiness magazine, a leading prestigious business publication. In the research, in which nearly 300 companies and 700,000 employees participated, with nearly 2 million employee data spanning the last three years being processed, Türkiye Finans was included in the ‘Companies with the Highest Rate of Women on the Board of Directors’ list with 43 percent and the ‘Companies with the Highest Rate of Women in Middle Management’ list with 44 percent, thus securing a position on the '100 Equality Pioneers Where Women Can Advance in Their Careers’ list.

We are also pleased to be awarded by several platforms with respect to our innovative way of making business. While Türkiye Finans has been awarded as “The Most Innovative Participation Bank” with eXtra Limit product by one of the most prestigious finance magazines of the world, our leader of Human Resources has been listed among “The Most Innovative 50 HR Leaders” by Fast Company magazine and the leader of Information Technologies and Operation among “the Most Innovative Technology Leaders” by CIO Awards.

Moving forward, our commitment remains firm in contributing to production and our country's economy by boosting our customer acquisition, with full adherence to our sustainable profitability targets and a sustainable and inclusive banking approach that aligns with macroeconomic conditions. I would like to extend my thanks to the entire Türkiye Finans family and our esteemed stakeholders who have played a significant role in our exceptional performance across all key indicators during the first half of 2023.

Sincerely,

Murat AKŞAM

Member of the Board of Directors & CEO

Macroeconomic Perspective and Developments in Banking Sector

Global Macro View

Although global inflation has eased somewhat from its peak levels in 2022, it still hovers above long-term averages. In the US and the Eurozone, where CPI inflation approached double digits in 2022, these figures fell to 4.0% and 5.5%, respectively, in May. The decline in agricultural commodities reached 22% amid the opening of the Black Sea grain corridor and better-than-expected weather conditions. Thanks to decline in commodity prices, headline inflation remained below core inflation in many regions.

Despite the decline in headline inflation, the resilient course of global core inflation leads global central banks to continue raising interest rates. In conclusion, the central banks of 12 advanced countries held a total of 123 meetings in the last 16 months, and policy rates were increased in 89 of these meetings.

The global growth outlook has remained sluggish, yet demand is still strong in some certain regions. Recent PMI data suggest that the slowdown in the global manufacturing sector gained momentum especially in developed countries. On the other hand, emerging market manufacturing PMIs have remained relatively robust.

Regarding the possible risks in the upcoming period, the most prominent risks seem to be the unsuccessful combat against inflation and the high level of bond yields that put pressure on the US and European banking sector. However, the Fed's latest stress tests demonstrate that large banks are well positioned to weather a severe recession and can continue to lend to households and businesses even during a recession.

Turkish Macro View

Under this global backdrop, the Turkish economy achieved a growth rate of 4.0% in the first quarter of the year and is expected to deliver another strong growth performance driven by robust consumption demand in the second quarter of the year. During this period, the exports growth performance was negative from time to time, while the long holidays due to festivities put pressure on manufacturing activity. Conversely, consumption was fueled by the loose monetary policy and rapid growth in consumer loans in a high inflation environment, as well as the approval of EYT law, minimum wage regulations and the increase in the minimum pension. Accordingly, despite the negative impact of the earthquake, retail sales consumption grew by 28.5% in 1Q23, well above its historical average of 6.2%, while robust consumption demand persisted in the second quarter. According to the latest economic indicators like credit card sales, consumption tax hike and automotive sales, consumption-driven growth continued in April and May. On the investment side, growth stemming from the construction sector is likely to be seen as the reconstruction of the post-earthquake region has started.

The resilient performance of the Turkish lira between October and May, declining commodity prices, and the base effect have contributed to the easing of inflation. As of May, CPI inflation fell below 40%, while the diffusion index indicates that inflationary inertia persists. The high level of core inflation also suggests that inflation will rise again in the near future.

The budget balance will be one of the main topic in Turkey's economic performance in 2023. Following the solid performance in 2022, the approval of the EYT law, welfare adjustments in pension and civil servant salaries, the increase in the minimum pension wage to TL 7,500, and the rise in pre-election expenditures have led to a rapid increase in real-term budget expenditures. While strong consumption has increased VAT and SCT contributions on the revenue side, the faster increase in expenditures is expected to drive the year-end budget deficit to GDP ratio to around 5%. On the other hand, transferring the cost of the Treasury-side TL-returned FX-protected deposit (KKM) accounts to the CBRT will ease the burden of KKM on the budget.

Turkish Banking Sector and Participation Banking

According to the BRSA weekly bulletin data, In the first half of 2023, Sector's deposits were up by 32% to TRY 12.2 trillion, while participation banks' deposits increased by 31% to TRY 1,183 billion. Over the same period, loans increased by 32% to TRY 10.2 trillion for the sector, while it rose by 33% to TRY 788 billion for the participation banks.

Sector's NPL ratio and stage-3 coverage ratio were realized at 1.6% and 86.1%, respectively in 2Q23, whereas Participation Banks' NPL ratio was at 1.2% and stage-3 coverage ratio was at 102.7%.

Sector and Participation Banks non-cash loan volume increased by 36% and 39% respectively in 2Q23.

Review of the First Six-Month of 2023

Review of the first six-month financial result of 2023 in Türkiye Finans

The size of assets of Türkiye Finans has stood at TL 198.3 billion at the end of June 2023. Loans allocated (gross) has amounted to TL 110.7 billion. Collected funds, which have a 71% share in total liabilities, has increased by 38% to TL 141.7 billion compared to 2022 year-end.

Profit share income of Türkiye Finans has reached to TL 10.1 billion at the end of June 2023 and net profit share income has become TL 3.4 billion. The net period profit of our Bank has become TL 3.6 billion at the end of June 2023.

Capital Adequacy Standard Ratio, which was 21.09% at the end of 2022, has become 23.55% as of June 2023.

Türkiye Finans continues to increase its customer access through different channels with its 307 domestic branches, 3,817 employees, internet branch, mobile branch and 520 ATMs as of end of June 2023.

Assessment Regarding Financial Position, Profitability and Solvency

Selected Financial Figures (TL thousand)	31/12/2021	31/12/2022	30/06/2023
Total Loans (*)	61,691,866	82,014,948	110,737,384
Total Assets	115,643,263	152,762,122	198,276,964
Funds Collected	84,477,543	102,847,258	141,689,492
Shareholders' Equity	6,556,794	11,075,195	15,174,091
Capital Adequacy Ratio (%)	17.85	21.09	23.55

(*) Loans amount includes net non-performing funds and financial leasing.

Net Profit (TL thousand)	30/06/2021	30/06/2022	30/06/2023
Net Profit for the Period	237,497	1,834,562	3,649,155

Assets and Profitability

The size of assets of our Bank has stood at TL 198.3 billion as of June 2023. Pre-tax profit of our Bank has reached to TL 4.6 billion and net income has reached to TL 3.6 billion.

Collected Funds and Shareholders' Equity

As of June 2023, collected funds, the most important funding resources of our Bank, increased by 38% compared to end-2022 and reached TL 141.7 billion. The share of the collected funds in the balance sheet is 71% and consists of TL and foreign currency account at ratios of 58% and 42%, respectively. Additionally, shareholders' equities has reached to TL 15.2 billion through keeping retained earnings within the Bank.

The capital adequacy standard ratio, which was 21.09% in 2022 year-end, has become 23.55% as of June 2023.

Material Event Disclosure of Türkiye Finans Katılım Bankası A.Ş. for the First Six-Month Period of 2023

9 February 2023

Financial statements and their footnotes at the end of 2022

Unconsolidated and consolidated balance sheet, income statement, cash flow statement, off-balance sheet statement, changes in equity statement, financial statement disclosures and state of responsibility have been announced to public.

30 March 2023

Annual Report

Our Bank has announced annual report and state of responsibility to public regarding between January 1, 2022 and December 31, 2022.

14 April 2023

32nd Ordinary General Assembly Meeting Agenda

It has been announced to the public that 32nd General Assembly Meeting shall be held on May 18, 2023 at Saray Mah. Sokullu Cad. No:6 Ümraniye/ İstanbul at 10:00 a.m. and General Assembly Meeting Agenda.

3 May 2023

Board of Directors Decision Regarding Dividend Distribution

Our Board of Directors resolved to propose at the 2022 Ordinary General Assembly that the Bank would set aside TRY 110,241,970 as the first legal reserve required by Article 519/1 of Turkish Commercial Code from the current period net profit of TRY 2,904,104,894, which is the amount remaining after the taxes and dues payable in the amount of TRY 1,303,504,617 are deducted from the current period profit of 2022 amounting to TRY 4,207,609,512, set aside TRY 566,434 special reserve fund from the amount remaining after setting aside the first legal reserve to benefit from R&D deduction from corporate tax pursuant to the Law no. 5746 on Supporting Research, Development and Design Activities and set aside as extraordinary reserve TRY 2,793,296,491 which is remaining after setting aside all reserves and funds.

9 May 2023

Financial statements and their footnotes for the first quarter of 2023

Unconsolidated and consolidated balance sheet, income statement, cash flow statement, off-balance sheet statement, changes in equity statement, financial statement disclosures and state of responsibility have been announced to public.

18 May 2023

Result of 32nd Ordinary General Assembly Meeting

Minutes of 32nd Ordinary General Assembly held at May 18, 2023 has been announced to public.

26 May 2023

Registration of 32nd Annual General Assembly Decisions

32nd Annual General Assembly of Türkiye Finans Katılım Bankası A.Ş. which was held at May 18, 2023 has been registered by Istanbul Chamber of Commerce.