

Türkiye Finans Katılım Bankası Anonim Şirketi

**Publicly Announced Consolidated Financial Statements and
Related Disclosures at December 31, 2023 together with
Independent Auditor's Report.**

*(Convenience translation at consolidated 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 Independent Auditor's Report Originally Prepared and Issued in Turkish to English

To the Shareholders of Türkiye Finans Katılım Bankası Anonim Şirketi

A) Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Türkiye Finans Katılım Bankası Anonim Şirketi ("the Bank") which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the *Basis For Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Türkiye Finans Katılım Bankası Anonim Şirketi as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "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 requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As stated in Note II.5.3 of Section Five, the accompanying consolidated financial statements as at 31 December 2023 include a general provision of total of TL 1,155,000 thousands, which was recognised as expense in the current period, 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.

The purpose and scope of the "General Communiqué of Tax Procedure Law No. 555" of Republic of Türkiye Ministry of Treasury and Finance published in the Official Gazette dated 30 December 2023 and numbered 32414 is to determine the principles and procedures regarding to inflation adjustments to be recognised in accordance with Article 298 of Law No. 213 and provisional Article 33 in 2023 and following accounting periods based on the fulfilment of the conditions for adjustments. As at 31 December 2023, the Bank has not recognised deferred tax asset on temporary differences arising from inflation adjustment to financial statements prepared for taxation purposes. Had the Bank recognised deferred tax asset on temporary differences, deferred tax asset, other accumulated comprehensive income that will not reclassified in profit or loss, net profit or loss and deferred tax credit would have been increased by TL 202,087 thousand, TL 134,397 thousand, TL 67,690 thousand and TL 67,690 thousand, respectively in the accompanying consolidated financial statements.

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” (“BRSA Auditing Regulation”) published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) (“POA’s Code of Ethics”) and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA’s Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans measured at amortised cost

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented Note VIII of Section Three to the consolidated financial statements.

Key audit matter	How the matter is addressed in our audit
<p>As at 31 December 2023, loans measured at amortised cost comprise 51% of the Group’s total assets.</p> <p>The Group recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the “Regulation”) published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard (“Standard”).</p> <p>The Group applies the “expected credit loss model” in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Group management annually.</p> <p>The significant assumptions and estimates of the Group’s management are as follows:</p> <ul style="list-style-type: none"> • significant increase in credit risk • incorporating the forward looking • macroeconomic information in calculation of credit risk • design and implementation of expected credit loss model <p>The determination of the impairment of loans measured at amortised cost depends on the credit default status, the model based on the change in the credit risk at the initial recognition date and the classification of the loans measured at amortised cost according to the model.</p>	<p>Our procedures for auditing the impairment of loans measured at amortised cost include below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group’s impairment accounting policy compared with the Regulation and Standard. • We evaluated the Group’s business model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis with the involvement of specialists. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including the macroeconomic variables. • For the expected credit loss calculations for individually assessed loans, we evaluated the accuracy of the loss allowances by including prospective cash flow information, collateral values and macroeconomic expectations.

The Group calculates expected credit losses on both individual and collective basis. Individual provisions consider the estimated future cash flows of the asset and the market value of the collateral provided for credit transactions.

The collective basis expected credit loss calculation is based on processes which are modelled by using current and past data sets and incorporating the future expectations. The completeness and accuracy of data sets in the model are also considered. The forward-looking expectations are reflected by macroeconomic models.

Impairment on loans measured at amortised cost was considered to be a key audit matter, due to its complex structure, the level of judgments of management and significance of the estimates and assumptions as explained above.

- We tested the accuracy and completeness of the data in calculation of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were examined and recalculated.
- We assessed the macroeconomic models that are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.
- We evaluated the qualitative and quantitative criteria, which are used in determining the significant increase in credit risk.
- We evaluated the adequacy of the disclosures in the consolidated financial statements related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with BRSA Auditing Regulation and Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2023 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Alper Güvenç, SMMM
Partner

15 February 2024
İstanbul, Turkey

**THE CONSOLIDATED FINANCIAL REPORT
OF TÜRKİYE FİNANS KATILIM BANKASI AŞ
FOR THE YEAR ENDED DECEMBER 31, 2023**

Address of the Headquarter of the Bank : Saray Mahallesi Sokullu Caddesi
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The Consolidated Financial Report for the year ended December 31, 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 PARENT BANK
CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
EXPLANATIONS ON ACCOUNTING POLICIES IN THE CURRENT PERIOD
INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
EXPLANATORY DISCLOSURES AND FOOTNOTES ON CONSOLIDATED INTERIM FINANCIAL STATEMENTS
OTHER EXPLANATORY AND OTHER FOOTNOTES
INDEPENDENT AUDITORS’ REPORT

The subsidiaries and associates whose financial statements have been consolidated in the consolidated financial report is as follows:

Subsidiaries	Associates
1. TF Varlık Kiralama AŞ	1. Katılım Finans Kefalet AŞ
2. TFKB Varlık Kiralama AŞ	

The Consolidated Financial Statements for the year ended December 31, 2023 and related disclosures and footnotes that were subject to independent report, 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	Mazen Ali E ALDHABI 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
Phone Nr: 0216 676 28 25
Fax Nr: 0216 676 29 17

INDEX

Page No

SECTION ONE

GENERAL INFORMATION

I.	Explanations on the Date of Establishment and the Initial Status of the Parent Participation Bank, and the History Including The Changes in the Former Status	1
II.	Individually, the Managing and Controlling Power and Changes in the Current Period, if any and Explanations on the Controlling Group of the Participation Bank	1
III.	Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, Chief Executive Officer And Assistants, if any, Their Shares and Responsibilities in the Participation Bank	2
IV.	Explanations on the Persons and Institutions that have Qualified Shares of the Parent Participation Bank	2
V.	Summary on the Parent Participation Bank's Functions and Areas of Activity	3
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	4
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	4

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

I.	Balance Sheet (Statement of Financial Position)	5
II.	Off-Balance Sheet Items	7
III.	Income Statement	8
IV.	Statement of Income/Expense Items Accounted Under Shareholders' Equity	9
V.	Statement of Changes in Shareholders' Equity	10
VI.	Statement of Cash Flows	12
VII.	Statement of Profit Distribution Table	13

SECTION THREE

ACCOUNTING POLICIES

I.	Explanations on Presentation Principles	14
II.	Explanation on Usage Strategy of Financial Assets and Foreign Currency Transactions	15
III.	Explanations on Consolidated Subsidiaries	15
IV.	Explanations on Forward and Option Contracts and Derivative Instruments	16
V.	Explanations on Profit Share Income and Expenses	17
VI.	Explanations and Disclosures on Fees and Commission Income and Expenses	17
VII.	Explanations and Disclosures on Financial Assets	17
VIII.	Explanations on Expected Credit Losses	19
IX.	Explanations on Netting of Financial Instruments	22
X.	Explanations on Sales and Repurchase Agreements and Lending of Securities	22
XI.	Explanations on Assets Held for Sale and Discontinued Operations and Debts Due to These Assets	22
XII.	Explanations and Disclosures on Goodwill and Other Intangible Assets	22
XIII.	Explanations and Disclosures on Tangible Assets	22
XIV.	Explanations and Disclosures on Leasing Transactions	23
XV.	Explanations on Provisions and Contingent Liabilities	24
XVI.	Explanations on Contingent Assets	25
XVII.	Explanations on Obligations Related to Employee Benefits	25
XVIII.	Explanations on Taxation	25
XIX.	Explanations on Borrowings	27
XX.	Explanations on Share Certificates	27
XXI.	Explanations and Disclosures on Acceptances	27
XXII.	Explanations and Disclosures on Government Incentives	27
XXIII.	Explanations and Disclosures on Reporting According to Segmentation	27

SECTION FOUR

I.	Explanations and Disclosures Related to the Consolidated Equity	29
II.	Explanations and Disclosures Related to Consolidated Credit Risk	33
III.	Risk involved in Counter-Cyclical Capital Buffer Calculation	42
IV.	Explanations and Disclosures Related to Consolidated Currency Risk	42
V.	Explanations and Disclosures Related to Position Risk of Equity Securities due from Banking Accounts	44
VI.	Explanations and Disclosures Related to Liquidity Risk and Liquidity Coverage Ratio	44
VII.	Explanations and Disclosures on Consolidated Leverage Ratio	49
VIII.	Explanations and Disclosures related to fair values of consolidated financial assets and liabilities	50
IX.	Explanations and Disclosures Related to Transactions Carried out on Behalf of Customers, Items Held in Trust	51
X.	Explanations and Disclosures on Consolidated Hedge Accounting	51
XI.	Explanations and Disclosures on Consolidated Risk Management	51

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I.	Explanations Related to the Assets of Consolidated Financial Statements	77
II.	Explanations Related to the Liabilities of Consolidated Financial Statements	95
III.	Explanations Related to the Consolidated Off-Balance Sheet Items	101
IV.	Explanations Related to Statement of Profit or Loss	103
V.	Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement	108
VI.	Explanations Related to Consolidated Statement of Cash Flows	109
VII.	Explanations on the Risk Group of the Parent Participation Bank	110
VIII.	Explanations on the Participation Bank's Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies	111
IX.	Explanations Related to Subsequent Events	111

SECTION SIX

OTHER EXPLANATIONS

I.	Other Explanations Related to Participation Bank's Operations	111
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SECTION SEVEN

INDEPENDENT AUDITOR'S AUDIT REPORT

I.	Explanations on the Independent Auditor's Audit Report	111
II.	Explanations and Notes Prepared By Independent Auditors	111

SECTION ONE: GENERAL INFORMATION

I. Explanations On The Date Of Establishment And The Initial Status Of The Parent 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 Parent Participation Bank is now operating in accordance with Banking Act Nr. 5411.

The Parent 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 Parent Participation Bank to be Türkiye Finans Katılım Bankası AŞ ("the Parent 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 Parent 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 December 31, 2023; the Participation Bank operates through 305 (December 31, 2022: 308) branches with 3,824 (December 31, 2022: 3,735) employees.

II. Explanations Regarding the Parent 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 Parent Participation Bank

The shareholder structure of the Parent 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 TL 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 December 31, 2023, the Parent Participation Bank's paid-in-capital consists of 2,600,000,000 shares of full TL 1 nominal each.

The Parent 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 Parent 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. Alhasser	Master	Member of the Board	-
	Mazen Ali E Aldhabi	University	Member of the Board and the Audit Committee	-
	Meriç Uluşahin	University	Member of the Board and the Audit Committee	-
	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	-
	Meriç Uluşahin	University	Member of the Board and the Audit Committee	-
	Mazen Ali E Aldhabi	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	Master	Human Resources	-
	Yiğit Satılmaz	University	Treasury	-
	Murat Altun	University	Commercial Banking	-
	Ogün Ataoğlu	University	Credit Quality and Collections	-
	Melis Tosun Arslan	Master	Digital Banking	-

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.

As of September 21, 2023, the Bank established the Digital Banking Business Group as a new business line. Melis Tosun Arslan was appointed as General Manager Assistant of Digital Banking.

Ms. Sara Abdullatif A NUGALI has resigned from the Bank's Board of Directors Membership and her subordinate position, the Audit Committee Membership, as of October 1, 2023. As of October 25, 2023, it was decided to appoint Mr. Mazen Ali E ALDHABI to the Board of Directors membership, Audit Committee membership, and Credit Committee substitute membership, which became vacant due to the resignation of Ms. Sara Abdullatif A NUGALI.

IV. Explanations on the Persons and Institutions That Have Qualified Shares of the Parent 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 Parent Participation Bank's Functions and Areas of Activity

The Parent Participation Bank operates in accordance with the principles of profit share-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 Parent Participation Bank has three ways of collecting funds; current accounts, profit sharing accounts and profit sharing accounts of wakala. The Parent 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 Parent 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 Parent 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 profit share-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 Yatırım Menkul Değerler AŞ 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, Parent 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 Parent 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.

TF Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ which are wholly owned by the Parent Participation Bank have been established to generate (leasing/rental) income by leasing assets back to the originating company which were taken over from the originating company; by issuing leasing certificate related to aforementioned leasing (rental) income and then transferring the related assets back to the originating company.

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 AŞ, 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
CONSOLIDATED FINANCIAL STATEMENTS

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)

ASSETS	Footnotes (5-1)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD Audited (31/12/2023)			PRIOR PERIOD Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (Net)		22,664,149	62,170,704	84,834,853	12,538,166	42,949,288	55,487,454
1.1 Cash and cash equivalents		17,667,303	34,818,670	52,485,973	3,503,413	26,214,375	29,717,788
1.1.1 Cash and balances with central bank	(1)	17,670,473	31,405,520	49,075,993	3,503,304	19,666,297	23,169,601
1.1.2 Banks	(2)	463	3,421,709	3,422,172	734	6,555,656	6,556,390
1.1.3 Money market placements		-	-	-	-	-	-
1.1.4 Expected Loss Provisions (-)		(3,633)	(8,559)	(12,192)	(625)	(7,578)	(8,203)
1.2 Financial assets valued at fair value through profit or loss	(3)	13,270	8,383,435	8,396,705	3,912	4,524,669	4,528,581
1.2.1 Government debt securities		-	8,367,455	8,367,455	-	4,520,880	4,520,880
1.2.2 Equity securities		-	-	-	-	-	-
1.2.3 Other financial assets		13,270	15,980	29,250	3,912	3,789	7,701
1.3 Financial assets valued at fair value through other comprehensive income	(4)	4,677,549	18,953,608	23,631,157	8,908,662	12,017,343	20,926,005
1.3.1 Government debt securities		4,639,464	18,942,286	23,581,750	8,870,577	12,010,414	20,880,991
1.3.2 Equity securities		38,085	11,322	49,407	38,085	6,929	45,014
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5)	306,027	14,991	321,018	122,179	192,901	315,080
1.4.1 Derivative financial assets valued at fair value through profit and loss		306,027	14,991	321,018	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)	108,200,668	28,932,258	137,132,926	59,921,784	25,702,192	85,623,976
2.1 Loans		84,492,335	28,327,207	112,819,542	54,605,513	25,483,886	80,089,399
2.2 Lease receivables		7,803,926	1,743,625	9,547,551	956,806	968,743	1,925,549
2.3 Other financial assets valued at amortised cost		18,024,103	-	18,024,103	7,036,428	-	7,036,428
2.3.1 Government debt securities		18,024,103	-	18,024,103	7,036,428	-	7,036,428
2.3.2 Other financial assets		-	-	-	-	-	-
2.4 Expected Loss Provisions (-)		(2,119,696)	(1,138,574)	(3,258,270)	(2,676,963)	(750,437)	(3,427,400)
III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(7)	1,521	-	1,521	11,691	-	11,691
3.1 Assets held for sale		1,521	-	1,521	11,691	-	11,691
3.2 Assets of discontinued operations		-	-	-	-	-	-
IV. SUBSIDIARY INVESTMENTS		23,082	-	23,082	-	-	-
4.1 Investments in associates (net)	(8)	23,082	-	23,082	-	-	-
4.1.1 Valued under equity method		23,082	-	23,082	-	-	-
4.1.2 Unconsolidated associates		-	-	-	-	-	-
4.2 Investments in subsidiaries (net)	(9)	-	-	-	-	-	-
4.2.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Jointly controlled entities (joint ventures) (net)	(10)	-	-	-	-	-	-
4.3.1 Valued under equity method		-	-	-	-	-	-
4.3.2 Unconsolidated associates		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	(11)	6,089,826	-	6,089,826	2,727,889	-	2,727,889
VI. INTANGIBLE ASSETS (Net)	(12)	403,625	-	403,625	206,612	-	206,612
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		403,625	-	403,625	206,612	-	206,612
VII. INVESTMENT PROPERTY (Net)	(13)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSET	(14)	1,743,986	-	1,743,986	365,866	-	365,866
X. OTHER ASSETS	(15)	1,186,721	781,201	1,967,922	1,267,421	214,273	1,481,694
TOTAL ASSETS		140,313,578	91,884,163	232,197,741	77,039,429	68,865,753	145,905,182

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

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (Statement of Financial Position)

LIABILITIES	Footnotes (5-II)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD Audited (31/12/2023)			PRIOR PERIOD Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	99,130,904	77,817,163	176,948,067	52,815,592	50,031,460	102,847,052
II. FUNDS BORROWED	(2)	7,730,559	9,090,751	16,821,310	3,095,836	11,473,217	14,569,053
III. MONEY MARKET BALANCES	(3)	5,447	-	5,447	3,130,312	-	3,130,312
IV. MARKETABLE SECURITIES ISSUED (Net)	(4)	105,125	-	105,125	567,460	-	567,460
V. FINANCIAL LIABILITIES VALUED AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(5)	182,135	288,681	470,816	30,450	393,238	423,688
6.1 Derivative financial liabilities valued at fair value through profit and loss		182,135	288,681	470,816	30,450	393,238	423,688
6.2 Derivative financial liabilities valued at fair value through other comprehensive income		-	-	-	-	-	-
VII. LEASE LIABILITIES	(6)	591,066	1,921	592,987	447,596	788	448,384
VIII. PROVISIONS	(7)	2,572,322	307,370	2,879,692	2,312,109	242,551	2,554,660
8.1 Restructuring provisions		-	-	-	-	-	-
8.2 Reserve for employee benefits		1,108,961	-	1,108,961	861,830	-	861,830
8.3 Insurance technical reserves (Net)		-	-	-	-	-	-
8.4 Other provisions		1,463,361	307,370	1,770,731	1,450,279	242,551	1,692,830
IX. CURRENT TAX LIABILITY	(8)	616,698	-	616,698	1,057,850	-	1,057,850
X. DEFERRED TAX LIABILITY	(9)	-	-	-	-	-	-
XI. LIABILITIES FOR ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
11.1 Assets held for sale		-	-	-	-	-	-
11.2 Assets of discontinued operations		-	-	-	-	-	-
XII. SUBORDINATED DEBTS	(11)	-	7,364,950	7,364,950	-	4,678,005	4,678,005
12.1 Loans		-	7,364,950	7,364,950	-	4,678,005	4,678,005
12.2 Other borrowing instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(12)	4,063,049	2,542,835	6,605,884	3,052,707	1,497,477	4,550,184
XIV. SHAREHOLDERS' EQUITY	(13)	19,702,891	83,874	19,786,765	11,284,378	(205,844)	11,078,534
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		4,375,937	-	4,375,937	784,136	-	784,136
14.4 Other accumulated comprehensive income that will be reclassified in profit or loss		263,747	83,874	347,621	1,282,356	(205,844)	1,076,512
14.5 Profit reserves		6,601,905	-	6,601,905	3,697,793	-	3,697,793
14.5.1 Legal reserves		379,710	-	379,710	269,468	-	269,468
14.5.2 Statutory reserves		-	-	-	-	-	-
14.5.3 Extraordinary reserves		6,218,418	-	6,218,418	3,425,115	-	3,425,115
14.5.4 Other profit reserves		3,777	-	3,777	3,210	-	3,210
14.6 Profit or loss		5,861,394	-	5,861,394	2,920,185	-	2,920,185
14.6.1 Prior years' profit/loss		16,073	-	16,073	1,493	-	1,493
14.6.2 Current period net profit/loss		5,845,321	-	5,845,321	2,918,692	-	2,918,692
14.7 Non-controlling Interest (-)		-	-	-	-	-	-
TOTAL LIABILITIES		134,700,196	97,497,545	232,197,741	77,794,290	68,110,892	145,905,182

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

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ITEMS	Footnotes (5-III)	THOUSAND TURKISH LIRA			THOUSAND TURKISH LIRA		
		CURRENT PERIOD			PRIOR PERIOD		
		Audited (31/12/2023)			Audited (31/12/2022)		
		TL	FC	Total	TL	FC	Total
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		52,644,549	70,010,834	122,655,383	20,337,750	58,115,827	78,453,577
I. GUARANTEES AND SURETIES	(1)	18,297,356	15,589,232	33,886,588	9,900,441	8,950,510	18,850,951
1.1. Letters of guarantee		17,070,261	8,552,068	25,622,329	9,375,332	4,870,449	14,245,781
1.1.1. Guarantees subject to State Tender Law		324,215	-	324,215	329,264	-	329,264
1.1.2. Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3. Other letters of guarantee		16,746,046	8,552,068	25,298,114	9,046,068	4,870,449	13,916,517
1.2. Bank acceptances		1,227,095	336,073	1,563,168	525,109	181,402	706,511
1.2.1. Import letter of acceptance		392,577	336,073	728,650	260,747	181,402	442,149
1.2.2. Other bank acceptances		834,518	-	834,518	264,362	-	264,362
1.3. Letters of credit		-	6,701,091	6,701,091	-	3,898,659	3,898,659
1.3.1. Documentary letters of credit		-	6,701,091	6,701,091	-	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),(3)	12,417,228	6,586,053	19,003,281	6,086,459	2,405,943	8,492,402
2.1. Irrevocable commitments		12,417,228	6,586,053	19,003,281	6,086,459	2,405,943	8,492,402
2.1.1. Forward asset purchase and sale commitments		177,310	6,366,569	6,543,879	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		998,674	219,484	1,218,158	76	-	76
2.1.4. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.5. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.6. Commitments for cheque payments		1,581,485	-	1,581,485	1,024,121	-	1,024,121
2.1.7. Tax and fund obligations on export commitments		174,712	-	174,712	76,344	-	76,344
2.1.8. Commitments for credit card limits		8,764,527	-	8,764,527	3,298,057	-	3,298,057
2.1.9. Commitments for credit cards and banking services promotions		8,817	-	8,817	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		644,203	-	644,203	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	(2)	21,929,965	47,835,549	69,765,514	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		21,929,965	47,835,549	69,765,514	4,350,850	46,759,374	51,110,224
3.2.1. Forward foreign currency buy/sell transactions		21,890,457	41,026,431	62,916,888	4,350,850	44,482,108	48,832,958
3.2.1.1. Forward foreign currency transactions-buy		8,266,183	22,135,195	30,401,378	3,158,438	20,122,825	23,281,263
3.2.1.2. Forward foreign currency transactions-sell		13,624,274	18,891,236	32,515,510	1,192,412	24,359,283	25,551,695
3.2.2. Other forward buy/sell transactions		39,508	6,809,118	6,848,626	-	2,277,266	2,277,266
3.3. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		1,262,760,078	407,525,310	1,670,285,388	772,820,143	252,796,994	1,025,617,137
IV. ITEMS HELD IN CUSTODY		25,091,053	42,384,982	67,476,035	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		11,007,937	930,112	11,938,049	7,351,961	586,814	7,938,775
4.4. Commercial notes received for collection		2,226,810	672,157	2,898,967	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	17,989,491	17,991,260	1,769	11,231,390	11,233,159
4.8. Custodians		11,854,537	22,793,222	34,647,759	4,872,751	7,047,224	11,919,975
V. PLEDGED ITEMS		1,237,669,025	364,681,524	1,602,350,549	759,224,280	233,207,876	992,432,156
5.1. Securities		2,115	-	2,115	2,115	-	2,115
5.2. Guarantee notes		458,157,048	76,837,534	534,994,582	292,173,419	48,476,419	340,649,838
5.3. Commodities		41,781,119	17,171,877	58,952,996	20,703,284	10,911,333	31,614,617
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		112,967,737	8,282,688	121,250,425	66,370,446	5,224,017	71,594,463
5.6. Other pledged items		624,527,329	262,389,425	886,916,754	379,738,943	168,596,107	548,335,050
5.7. Pledged items-depository		233,677	-	233,677	236,073	-	236,073
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	458,804	458,804	-	329,780	329,780
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		1,315,404,627	477,536,144	1,792,940,771	793,157,893	310,912,821	1,104,070,714

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

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSE ITEMS	Footnotes (5-IV)	THOUSAND TURKISH LIRA	THOUSAND TURKISH LIRA
		Audited	Audited
		CURRENT PERIOD	PRIOR PERIOD
		1 January - 31 December 2023	1 January - 31 December 2022
I. PROFIT SHARE INCOME	(1)	25,095,475	14,486,966
1.1 Profit share on loans		15,783,620	9,417,102
1.2 Profit share on reserve deposits		47,680	41,799
1.3 Profit share on banks		71,750	27,132
1.4 Profit share on money market placements		1,728	-
1.5 Profit share on marketable securities portfolio		7,394,997	4,761,115
1.5.1 Financial assets at fair value through profit and loss		150,861	94,515
1.5.2 Financial assets valued at fair value through other comprehensive income		4,151,641	3,556,805
1.5.3 Financial assets valued at amortised cost		3,092,495	1,109,795
1.6 Finance lease income		1,654,037	154,188
1.7 Other profit share income		141,663	85,630
II. PROFIT SHARE EXPENSE	(2)	17,551,554	7,129,010
2.1 Expense on profit sharing accounts		14,898,638	5,308,973
2.2 Profit share expense on funds borrowed		499,891	146,555
2.3 Profit share expense on money market borrowings		1,227,702	901,819
2.4 Expense on securities issued		56,241	278,208
2.5 Finance lease expense		129,903	81,990
2.6 Other profit share expense		739,179	411,465
III. NET PROFIT SHARE INCOME (I - II)		7,543,921	7,357,956
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		2,641,625	448,067
4.1 Fees and commissions received		3,534,791	994,340
4.1.1 Non-Cash loans		239,958	154,191
4.1.2 Other	(9)	3,294,833	840,149
4.2 Fees and commissions paid		893,166	546,273
4.2.1 Non-Cash loans		-	-
4.2.2 Other	(9)	893,166	546,273
V. DIVIDEND INCOME		746	799
VI. TRADING INCOME/EXPENSES (Net)	(3)	3,642,953	1,698,865
6.1 Trading account income/expenses		9,287	(5,686)
6.2 Income/expenses from derivative financial instruments		(309,986)	1,251,575
6.3 Foreign exchange gains/losses		3,943,652	452,976
VII. OTHER OPERATING INCOME	(4)	1,743,518	1,233,681
VIII. TOTAL OPERATING INCOME / EXPENSE (III+IV+V+VI+VII+VIII)		15,572,763	10,739,368
IX. PROVISION FOR EXPECTED LOSS (-)	(5)	(2,010,143)	(2,071,738)
X. OTHER PROVISION EXPENSES (-)	(5)	(69,955)	(1,464,670)
XI. STAFF EXPENSES (-)		(2,939,668)	(1,373,073)
XII. OTHER OPERATING EXPENSES (-)	(6)	(2,907,283)	(1,602,143)
XIII. NET OPERATING INCOME/EXPENSE (IX-X-XI)		7,645,714	4,227,744
XIV. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XV. PROFIT/LOSS FROM ASSOCIATES ACCOUNTED FOR USING THE EQUITY METHOD		582	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS ON CONTINUING OPERATIONS BEFORE TAX (XII+...+XV)		7,646,296	4,227,744
XVIII. TAX PROVISION FOR CONTINUING OPERATIONS (±)	(7)	1,800,975	1,309,052
18.1 Current tax charge		2,179,866	2,002,772
18.2 Deferred tax charge (+)		127,723	33,322
18.3 Deferred tax credit (-)		506,614	727,042
XIX. NET PERIOD PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)		5,845,321	2,918,692
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)	5,845,321	2,918,692
25.1 Group's Profit / Loss		5,845,321	2,918,692
25.2 Non-controlling Interest (-)		-	-
Earnings / (Loss) per share		2.248	1.123

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

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OR PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	THOUSAND TURKISH LIRA	THOUSAND TURKISH LIRA
	CURRENT PERIOD Audited (01/01/2023 - 31/12/2023)	PRIOR PERIOD Audited (01/01/2022 - 31/12/2022)
I. CURRENT PERIOD INCOME/LOSS	5,845,321	2,918,692
II. OTHER COMPREHENSIVE INCOME	2,862,910	1,592,730
2.1 Other Comprehensive Income That Will Not Be Reclassified To Profit or Loss	3,591,801	553,960
2.1.1 Gains (Losses) on Revaluation of Property and Equipment	2,763,690	993,256
2.1.2 Gains (Losses) on Revaluation of Intangible Assets	-	-
2.1.3 Gains (Losses) on Remeasurements of Defined Benefit Plans	39,269	(320,749)
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	788,842	(118,547)
2.2 Other Comprehensive Income That Will Be Reclassified To Profit or Loss	(728,891)	1,038,770
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	(939,278)	1,387,198
2.2.3 Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4 Income (Loss) Related with Hedges of Net Investment Foreign	-	-
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	210,387	(348,428)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	8,708,231	4,511,422

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

TÜRKİYE FİNANS KATILIM BANKASI A.Ş CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes (5-V)					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																	
Audited																	
(01.01-31.12.2023)																	
I. BALANCES AT BEGINNING 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	(1),(2)	-	-	-	-	3,545,511	46,290	-	-	(728,891)	-	-	-	5,845,321	8,708,231	-	8,708,231
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		-	-	-	-	-	-	-	-	-	-	2,904,112	(2,904,112)	-	-	-	-
11.1 Dividends	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves	(4)	-	-	-	-	-	-	-	-	-	-	2,904,112	(2,904,112)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (III+IV+.....+X+XI)		2,600,000	-	-	(92)	4,611,670	(235,733)	-	-	347,621	-	6,601,905	16,073	5,845,321	19,786,765	-	19,786,765

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 assets 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 consolidated financial statements.

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

THOUSAND TURKISH LIRA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Footnotes (5-V)					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
PRIOR PERIOD																	
Audited																	
(01.01-31.12.2022)																	
I. BALANCES AT BEGINNING OF THE PERIOD		2,600,000	-	-	2,987	274,401	(44,225)	-	-	34,663	-	2,776,690	922,547	-	6,567,063	-	6,567,063
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	-	-	2,987	274,401	(44,225)	-	-	34,663	-	2,776,690	922,547	-	6,567,063	-	6,567,063
IV. TOTAL COMPREHENSIVE INCOME	(1),(2)	-	-	-	-	791,758	(237,798)	-	-	1,038,770	-	-	-	2,918,692	4,511,422	-	4,511,422
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		-	-	-	(3,079)	-	-	-	-	3,079	-	49	-	49	-	49	
XI. PROFIT DISTRIBUTION		-	-	-	-	-	-	-	-	-	-	921,054	(921,054)	-	-	-	-
11.1 Dividends	(3)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to reserves	(4)	-	-	-	-	-	-	-	-	-	-	921,054	(921,054)	-	-	-	-
11.3 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of the period (III+IV+.....+X+XI)		2,600,000	-	-	(92)	1,066,159	(282,023)	-	-	1,076,512	-	3,697,793	1,493	2,918,692	11,078,534	-	11,078,534

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 assets 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 consolidated financial statements.

TÜRKİYE FİNANS KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS		THOUSAND TURKISH LIRA		THOUSAND TURKISH LIRA
		Footnotes (5-VI)	CURRENT PERIOD Audited (01/01/2023 - 31/12/2023)	PRIOR PERIOD Audited (01/01/2022 - 31/12/2022)
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating profit before changes in operating assets and liabilities		3,114,305	2,068,774
1.1.1	Profit share income received		21,722,746	9,939,212
1.1.2	Profit share expense paid		(15,001,689)	(6,250,700)
1.1.3	Dividend received		746	799
1.1.4	Fees and commissions received		3,534,791	994,340
1.1.5	Other income		440,113	211,923
1.1.6	Collections from previously written off loans and other receivables		595,652	677,929
1.1.7	Cash payments to personnel and service suppliers		(4,016,111)	(1,915,284)
1.1.8	Taxes paid		(2,283,840)	(1,500,759)
1.1.9	Other	(1)	(1,878,103)	(88,686)
1.2	Changes in Operating Assets and Liabilities		17,551,135	(824,325)
1.2.1	Net(Increase) Decrease in financial assets at fair value through profit or loss		(9,273)	637,841
1.2.2	Net(Increase) Decrease in due from banks and other financial institutions		983,706	4,351,180
1.2.3	Net(Increase) Decrease in loans		(27,616,835)	(12,520,750)
1.2.4	Net(Increase) Decrease in other assets		302,829	64,330
1.2.5	Net Increase(Decrease) in bank deposits		420,510	14,671
1.2.6	Net Increase(Decrease) in other deposits		45,720,987	802,872
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		831,800	8,092,465
1.2.9	Net Increase(Decrease) in due payables		-	-
1.2.10	Net Increase(Decrease) in other liabilities	(1)	(3,082,589)	(2,266,934)
I.	Net cash provided from banking operations		20,665,440	1,244,449
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net cash provided from investing activities		(7,725,337)	(4,879,144)
2.1	Cash paid for purchase of entities under common control, associates and subsidiaries	(2)	(22,500)	-
2.2	Cash obtained from sale of entities under common control, associates and subsidiaries	(3)	-	-
2.3	Purchases of tangible assets		(974,827)	(485,463)
2.4	Sales of tangible assets		18,860	2,555
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(500,000)	(3,770,565)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		2,253,130	4,434,329
2.7	Cash paid for the purchase of financial assets at Amortised Cost		(8,500,000)	(5,960,000)
2.8	Cash obtained from sale of financial assets at amortised cost		-	900,000
2.9	Other	(1)	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net cash provided from financing activities		(648,009)	(589,788)
3.1	Cash obtained from funds borrowed and securities issued		9,200,000	16,455,000
3.2	Cash used for repayment of funds borrowed and securities issued		(9,597,460)	(16,867,378)
3.3	Equity instruments issued		-	-
3.4	Dividends paid		-	-
3.5	Payments for leases		(250,549)	(177,459)
3.6	Others		-	49
IV.	Effect of change in foreign exchange rate on cash and cash equivalents	(1)	2,779,658	2,602,773
V.	Net increase/(decrease) in cash and cash equivalents		15,071,752	(1,621,710)
VI.	Cash and cash equivalents at beginning of period	(4)	11,658,130	13,279,840
VII.	Cash and cash equivalents at end of period	(4)	26,729,882	11,658,130

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

TÜRKİYE FİNANS KATILIM BANKASI AŞ PROFIT DISTRIBUTION TABLE	THOUSAND TURKISH LIRA	THOUSAND TURKISH LIRA
	CURRENT PERIOD Audited (31/12/2023)	PRIOR PERIOD Audited (31/12/2022)
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	7,646,296	4,227,744
1.2 TAXES AND DUES PAYABLE (-)	(1,800,975)	(1,309,052)
1.2.1 Corporate Tax (Income Tax)	(2,179,866)	(2,002,772)
1.2.2 Income Tax Withholding	-	-
1.2.3 Other Taxes and Dues Payable (**)	378,891	693,720
A. NET PROFIT FOR THE PERIOD (1.1-1.2)	5,845,321	2,918,692
1.3 PRIOR YEAR'S LOSSES (-)	-	-
1.4 LEGAL RESERVES (-)	-	(111,249)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A)-(1.3+1.4+1.5)]	-	2,807,443
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the profit and loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the profit /loss Sharing Certificates	-	-
1.10 STATUTORY RESERVES (-)	-	-
1.11 EXTRAORDINARY RESERVES	-	2,806,877
1.12 OTHER RESERVES	-	-
1.13 SPECIAL FUNDS	-	566
II. DISTRIBUTION FROM RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To Owners of Ordinary Shares	-	-
2.2.2 To Owners of Preferred Stocks	-	-
2.2.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.2.4 To Profit Sharing Bonds	-	-
2.2.5 To Owners of the profit /loss Sharing Certificates	-	-
2.3 SHARE TO PERSONNEL (-)	-	-
2.4 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE		
3.1 TO OWNERS OF STOCKS	2.25	1.12
3.2 TO OWNERS OF STOCKS (%)	225	112
3.3 TO OWNERS OF PREFERRED STOCKS	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF STOCKS	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) Authorized unit is general assembly on current period profit distribution. Ordinary General assembly of the Participation Bank is not held as of the date of report.

(**) Other tax and duties include deferred tax Gains / (Losses) amounts.

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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 consolidated 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 Parent 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 consolidated financial statements in accordance with TFRS requires the use of certain critical accounting estimates by the Parent 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.

In the Announcement on the Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit dated 23.11.2023 published by the Public Oversight, Accounting and Auditing Standards Authority, institutions or organizations authorized to regulate and supervise in their fields were authorized to set different transition dates for the application of inflation accounting. On December 12, 2023, the Banking Regulation and Supervision Agency decided that the financial statements of banks and financial leasing, factoring, financing, savings finance and asset management companies as of December 31, 2023 will not be subject to the inflation adjustment required under TAS 29. Therefore, the financial statements as at December 31, 2023 have not been restated 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 is 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 Parent 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 Parent 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 Parent 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 December 31, 2023 USD and EURO rates that converted TL on foreign currency transactions and reflected on financials are TL 29.4382 and TL 32.5739, 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 Parent Participation Bank avoids taking positions that expose high level of currency risk.

III. Explanations on Investments in Associates and Subsidiaries

Türkiye Finans Katılım Bankası AŞ. and its subsidiaries TF Varlık Kiralama AŞ. and TFKB Varlık Kiralama AŞ are consolidated by full consolidation method in the accompanying consolidated financial statements. The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqué Related to Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette numbered 26340 dated November 8, 2006. The Parent Participation Bank and the consolidated subsidiary are referred to as together "the Group".

Basis of consolidation of the subsidiary:

A subsidiary is an entity that is controlled directly or indirectly by the Parent Participation Bank.

Subsidiaries are consolidated using the full consolidation method. Financial statements of related subsidiaries are consolidated from the date when the control is transferred to the Parent Participation Bank.

Control is defined as the power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Parent Participation Bank's returns.

In full consolidation method, 100% of the assets, liabilities, income and expenses and off-balance sheet items of subsidiary are combined with the Parent Participation Bank's assets, liabilities and income, expense and off-balance sheet items. The carrying amount of the Group's investment in subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated. All significant transactions and balances between the Parent Participation Bank and its consolidated subsidiary are eliminated reciprocally.

When there are differences between the accounting policies of the subsidiary with the Parent Participation Bank, the financial statements are adjusted in accordance with the principle of materiality.

TF Varlık Kiralama AŞ, which was established on February 11, 2013, has been fully consolidated in the consolidated financial statements of the Parent Participation Bank from June 30, 2013. TFKB Varlık Kiralama AŞ, which was established on July 8, 2014, has been fully consolidated in the consolidated financial statements of the Parent Participation Bank from December 31, 2014.

An associate is a domestic or foreign entity which the Parent Participation Bank participates in its capital and over which it has a significant influence but no control. Significant influence is the power to participate in the financial and operating policy of the investee. If the Parent Bank holds qualified shares in the associate, it is presumed that the Parent Participation Bank has significant influence unless otherwise demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Bank from having significant influence. Qualified share is the share that directly or indirectly constitutes ten or more than ten percent of an entity's capital or voting rights and irrespective of this requirement, possession of privileged shares giving right to appoint members of board of directors. Equity accounting method is an evaluation method of associates by which the Parent Bank's share in the associates' equity is compared with the book value of the associate accounted in the Parent Bank's balance sheet. The difference is recognized in profit or loss in the consolidated income statement.

Katılım Finans Kefalet AŞ, a subsidiary of the Parent Participation Bank, is accounted by using the equity method in the consolidated financial statements as defined in the "Communiqué on the Preparation of Consolidated Financial Statements of Banks".

IV. Explanations on Forward and Option Contracts and Derivative Instruments

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

Derivative transactions 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 allows the application of hedge accounting in accordance with TAS 39 as a policy choice. Accordingly, the Group will continue to apply hedge accounting in accordance with TAS 39 in this context.

The Parent 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 be 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 presented in 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.

Parent 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 Parent 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 Parent Participation Bank measures financial assets or financial liabilities at fair value plus or minus, in the case of a financial assets 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.

The Parent 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 a business model in which financial assets are held both to collect contractual cash flows and to sell financial assets. Financial assets held under this business model are measured at fair value through other comprehensive income if the contractual terms of the financial asset pass the cash flow test, which requires payments of principal and dividends on the principal amount outstanding at specified 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 Parent 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.

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.

The Bank has consumer price indexed government debt securities ("Sukuk") in its securities portfolio, reclassified as financial assets measured at fair value through other comprehensive income. Sukuk's are valued and accounted based on the effective profit share rate method which is calculated according to the real coupon rate and the reference inflation index on the issue date. As it is mentioned in the Undersecretariat of Treasury's Sukuks Investor Guide of CPI, the reference index used during the calculation of the actual coupon payment amount of these securities constitutes based on the previous two months CPI's.

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 Parent 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. There is no difference for products with a remaining one year or less as in Stage 1. The calculation method is similar to Stage 1, but Probability of Default (PD) and Loss Given Default (LGD) rates estimated throughout the life of the instrument. Loss Given Default is calculated monthly and a single LGD is determined for each year by taking averages. Loss Given Default (LGD) rates are determined as the number of months remaining for the loans with the remaining maturities less than 1 year and the amount of LGD is determined by taking averages of them.

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.

Parent 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 Parent 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 statements 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 Parent 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, unemployment rate, inflation, exchange rate, bond profit return rates and the effect of legal changes are used in the context of these forecasts. Macroeconomic models have been established by identifying the variables that best explain the PDs of the Parent 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.

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

Real GDP Change (Year-on-Year)

	(TFKB Base)	(BRSA Base)	(TFKB Negative)
Years	Scenario 1	Scenario 2	Scenario 3
2023	5.00%	4.20%	1.00%
2024	5.50%	5.00%	2.50%

Loss Given Default (LGD)

The LGD represents an estimate of the loss at the time of a potential default occurred 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 Parent 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 Parent Participation Bank. Behavioral maturity analysis has been performed on credit cards and overdraft funds collected.

Significant Increase in Credit Risk

The Parent 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 Parent 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 Parent 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 Parent 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 instruments are offset when the Parent 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 Parent Participation 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 Parent Participation 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 5,523,423 (December 31, 2022: TL 14,521,336).

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 Parent Participation Bank are under a plan, they are followed in assets held for sale account.

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. 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 Parent Participation Bank's control and that the Parent 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 Parent Participation Bank does not have any goodwill in its accompanying consolidated 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. Useful lives are considered as between 2 and 15 years by the Participation Bank. 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 Parent Participation Bank adopted a revaluation method in 2006 for its real estates in tangible assets due to (“TAS 16”) Standard for Tangible Assets. Fair values, determined by an independent expert company, are reflected in the financial statements. Such revaluation increase is realized net TL 2,998,958 after deferred tax as of balance sheet date (December 31, 2022: TL 1,066,159). 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).

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 Group 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 Parent Bank carries out financial leasing transactions as the "Lessor". Transactions are accounted for in accordance with the relevant accounting standards.

b. Transactions as a tenant

Assets acquired through financial leasing are capitalized over the lower of their fair values or discounted values of lease payments, while the total rental amount is recorded as a liability in liabilities, the interest amounts included are accounted for as deferred interest. The assets subject to lease are followed under the tangible fixed assets account and depreciated according to the straight-line depreciation method, and the depreciation rate is determined in line with the estimated economic life.

The Group 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 leases 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. Since the amounts of other lease transactions are below the materiality level, these transactions are evaluated outside the scope of TFRS 16 and the related lease payments are accounted for 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 Group started to apply the relevant standard for the first time as of January 1, 2019, and it was applied using the partial retrospective method on the first transition date and its comparative financial statements were not restated.

Group - as a tenant:

At the inception of the contract, the Group evaluates whether the contract is 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 Group presents 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 Group 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 Group'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 based on an index or rate, initially measured using an index or rate at the commencement date of the lease;
- (c) Amounts expected to be paid by the Bank under residual value commitments,
- (d) The strike price of the call option, if the Group is reasonably confident that it will exercise; and
- (e) Penalties for termination of the lease if the lease term indicates that the Group will exercise an option to terminate the lease.

After the actual commencement date of the lease, the Group measures the lease liability as follows:

- (a) Increase the carrying amount to reflect the interest on the lease liability;
- (b) Reduce its carrying amount to reflect lease payments made; and
- (c) Remeasure 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”).

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the periodicity principle. A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes. Contingent liabilities are assessed continually to determine whether or not there is probable outflow of that economic benefits from the entity.

The Group set TL 147,382 provision for ongoing suits filed against to the Group 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 Group'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.

Accordingly, actuarial assumptions were used in the calculation of the total liability as these actuarial assumptions apply to each individual company's defined benefit plan and legal framework in which those companies operate. 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 December 31, 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 22.58% and profit share rate is 25.60% at the respective balance sheet date (December 31, 2022: Inflation rate 8.40% and profit share rate 9.43%).

b) Defined Contribution Plans:

The Group pays defined contribution plans to publicly administered Social Security Funds for its employees. The Group 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 Parent 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 December 31, 2023, the corporate tax rate has been applied as 30% in the financial statements. As per the Law No. 7394 published in the Official Gazette No. 31810 dated April 15, 2022, the corporate tax rate was determined as 25% for the Banks, and this rate has come into force to start from the declarations that must be submitted as of July 1, 2022 and to be applied to corporate earnings for accounting periods starting from January 1, 2022. As per the Law No. 7456 published in the Official Gazette No. 32249 dated July 15, 2023, the corporate tax rate for banks was determined as 30%. This rate has come into force to be applied to corporate earnings for accounting periods starting from January 1, 2023, starting from declarations that must be submitted as of October 1, 2023.

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 February 3, 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 December 22, 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. However, with Law No. 7456 published on July 15, 2023, this exception has been abolished for real estates to be acquired after the publication date of the decision. If real estate acquired before this date is sold after the effective date of the decision, 25% of the real estate sales gain will be exempt from corporate tax.

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. However, the tax authorities may examine the accounting records within five years and the amount of tax payable may change if incorrect transactions are detected.

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.

As per the "General Communiqué on Tax Procedure Law No. 555" published in the Official Gazette dated December 30, 2023 and numbered 32415 and the repeated article 298 of the Tax Procedure Law No. 213, the financial statements of companies operating in Turkey are subject to inflation adjustment for the 2023 accounting period. These inflation adjusted financial statements will constitute the basis of the opening balance sheet in the tax returns to be prepared as of January 1, 2024. For the year 2023, inflation effects will not be taken into account in the calculation of tax for the period.

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 December 31, 2023, the Bank has used a tax rate of 30% 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 is highly probable that these will create taxable profit in the future.

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

The Parent 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

There are no share certificates issued by The Parent Participation as of December 31, 2023 (December 31, 2022: None).

XXI. Explanations and Disclosures on Acceptances

The Parent 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 Group 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 Group 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 Group 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 Treasury is responsible for managing and executing the Bank's short, medium and long term pricing strategies and maturity mismatches, spot and forward TL and foreign currency trading, lease certificate and other domestic and foreign securities trading and derivatives marketing. The Bank also carries out activities to provide medium and long-term funding, diversify funding sources and build an international investor base in this area.

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 Parent Participation Bank.

Current Period	Retail Banking	Corporate Banking	Treasury	Unallocated	Total
Profit Share Income	323,054	1,455,472	22,894,485	422,464	25,095,475
Profit Share Expense	2,603,625	906,920	(18,030,392)	(3,031,707)	(17,551,554)
Net Profit Share Income/Expense	2,926,679	2,362,392	4,864,093	(2,609,243)	7,543,921
Net Fees and Commissions Income	1,216,838	1,762,761	103,949	(441,923)	2,641,625
Dividend Income	-	-	-	746	746
Trading Income/Expense	799,933	1,451,889	782,536	608,595	3,642,953
Net Operating Income/Expense (*)	4,943,450	5,577,042	5,750,578	(2,441,825)	13,829,245
Provision for Expected Loss and Other Provision Expenses (**)	(420,196)	(589,706)	-	(1,070,196)	(2,080,098)
Other Operating Income/Expenses (Net)	(2,625,513)	(1,996,667)	21,354	497,975	(4,102,851)
Profit Before Tax	1,897,741	2,990,669	5,771,932	(3,014,046)	7,646,296
Tax Provision	-	-	-	1,800,975	1,800,975
Net Period Profit	1,897,741	2,990,669	5,771,932	(4,815,021)	5,845,321
Assets of Segment	48,007,809	67,374,543	80,201,952	36,613,437	232,197,741
Total Assets	48,007,809	67,374,543	80,201,952	36,613,437	232,197,741
Liabilities of Segment	119,347,834	66,345,991	23,895,144	2,822,007	212,410,976
Equity	-	-	19,786,765	-	19,786,765
Total Liabilities and Equity	119,347,834	66,345,991	43,681,909	2,822,007	232,197,741

(*) 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	126,460	1,191,070	12,560,196	609,240	14,486,966
Profit Share Expense	1,773,730	523,135	(7,855,697)	(1,570,178)	(7,129,010)
Net Profit Share Income/Expense	1,900,190	1,714,205	4,704,499	(960,938)	7,357,956
Net Fees and Commissions Income	384,692	301,591	53,413	(291,629)	448,067
Dividend Income	-	-	-	799	799
Trading Income/Expense	469,182	443,474	303,581	482,628	1,698,865
Net Operating Income/Expense (*)	2,754,064	2,459,270	5,061,493	(769,140)	9,505,687
Provision for Expected Loss and Other Provision Expenses (**)	(422,333)	(955,336)	-	(2,158,739)	(3,536,408)
Other Operating Income/Expenses (Net)	(1,929,225)	(1,151,500)	(361,290)	1,700,480	(1,741,535)
Profit Before Tax	402,506	352,434	4,700,203	(1,227,399)	4,227,744
Tax Provision	-	-	-	1,309,052	1,309,052
Net Period Profit	402,506	352,434	4,700,203	(2,536,451)	2,918,692
Assets of Segment	23,299,513	52,704,561	57,520,856	12,380,252	145,905,182
Total Assets	23,299,513	52,704,561	57,520,856	12,380,252	145,905,182
Liabilities of Segment	89,741,927	26,170,970	18,146,512	767,239	134,826,648
Equity	-	-	11,075,195	3,339	11,078,534
Total Liabilities and Equity	89,741,927	26,170,970	29,221,707	770,578	145,905,182

(*) 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

I. Explanations and Disclosures Related to the Consolidated 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 December 31, 2023, the Parent Participation Bank’s total capital has been calculated as TL 27,803,960 (December 31, 2022: TL 16,309,955), capital adequacy ratio is 27.81% (December 31, 2022: 23.01%).

	Current Period (*) 31/12/2023	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	6,601,905	3,697,793
Gains recognized in equity as per TAS	4,959,291	2,142,671
Profit	5,861,394	2,920,185
Net Current Period Profit	5,845,321	2,918,692
Prior Period Profit	16,073	1,493
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period’s Profit	-	-
Minority Shares	-	-
Common Equity Tier I Capital Before Deductions	20,022,590	11,360,649
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 (-)	235,733	282,023
Improvement costs for operating leasing (-)	40,620	23,803
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage -servicing right (net of related tax liability)	359,992	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	-	-
Communicate 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 owns 10% or more 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	636,437	486,336
Total Common Equity Tier I Capital	19,386,153	10,874,313

	Current Period (*) 31/12/2023	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)	-	-
Shares of third parties in additional capital	-	-
Shares of third parties in additional capital (as part of Provisional Article 3)	-	-
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)	19,386,153	10,874,313
TIER II CAPITAL		
Eligible Capital Instruments and Relevant Share Issue Premiums that are Approved by the Agency	7,359,550	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)	-	-
Shares of third parties in additional capital	-	-
Shares of third parties in additional capital (as part of Provisional Article 3)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	1,058,257	761,067
Tier II Capital before Deductions	8,417,807	5,435,642
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	8,417,807	5,435,642
Total Capital (The sum of Tier I Capital and Tier II Capital)	27,803,960	16,309,955
Deductions from Total Capital	-	-
Deductions from Capital Loans granted contrary to the 50th and 51st 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 (*) 31/12/2023	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	27,803,960	16,309,955
Total Capital	27,803,960	16,309,955
Total risk weighted amounts	99,967,285	70,879,689
Capital Adequacy Ratios	-	-
Core Capital Adequacy Ratio	19.39	15.34
Tier 1 Capital Adequacy Ratio	19.39	15.34
Capital Adequacy Ratio	27.81	23.01
BUFFERS	-	-
Total buffer requirement	2.50	2.50
a) Capital conservation buffer requirement	2.50	2.50
b) Bank specific counter-cyclical buffer requirement	-	-
c) 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	14.89	10.84
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	1,743,986	365,866
Limits related to provisions considered in Tier II calculation	-	-
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	1,371,275	1,080,522
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	1,058,257	761,067
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	-	-

(*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of the Participation Banks" and taken into consideration at the end of transition process.

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 December 31, 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' equity dated September 5, 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	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	7,359.55
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	
If convertible, conversion trigger	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, 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 incompliances with article number 7 and 8 of "Own fund regulation"	Article: 8/2(ğ)

The main difference between the amount of "Equity" given in the equity statement and the amount of "Equity" in the consolidated balance sheet arises from the amount in subordinated loan accounts and general provisions, which are considered as Contribution Capital. Up to 1.25% of the amount subject to credit risk of the amount in the Subordinated Loan account and the general provisions reflected in the expense accounts are taken into account as Contribution Capital in the calculation of the "Equity" amount. Losses from cash flow hedging transactions are excluded, operating lease development costs, intangible assets and their related deferred tax liabilities, Net deferred tax asset/tax liability and some other accounts determined by the Board, "Equity", which are recorded in the Tangible Fixed Assets item in the balance sheet, are taken into account in the calculation as Values to be Deducted from the Capital.

II. Explanations and Disclosures Related to Consolidated Credit Risk

Credit risk is the risk of a counter party with whom the Participation Bank has a commercial relation. This risk represents the losses of the Participation Bank when its counter party can not conform to a signed contract by disregarding the related obligations partially or totally in specified periods.

Credit worthiness of loan customers are monitored and reviewed by the Loan Allocation Department of the Participation Bank semiannually or annually in accordance with the Communiqué on “Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions”. The account statements are obtained based on the prevailing regulations. Loan limits are determined by the Board of Directors, the Loan Committee of the Participation Bank and the Loan Administration. The Participation Bank obtains guarantees for its loans and other receivables. Guarantees received comprised of real and legal person sureties with a high credibility, bonds issued with guarantees of Treasury, Privatization Administration and Housing Development Administration of Turkey, securities issued with the guarantees of central governments and central banks of OECD countries, European Central Bank and securities issued with this Bank’s guarantee, gold and other precious metals, investment equity shares listed on the stock exchange, asset based securities, private sector bonds, letters of guarantee and other guarantees by the Banks, guarantees of banks operating in OECD countries, the guarantees of central governments and central banks of OECD countries, transfer or pledge of claims arise from public institutions, customer check, vehicle pledges, export documents, pledge of assets, hypothecs such as ship, aircraft and real estate and cash blockages.

When exposed to significant credit risk; it is not considered as the ways to reduce the overall risk by the term transactions, forwards, options, similar qualified agreements, using the rights, fulfillment of action or ending a short time through the sale. Indemnified non-cash loans are subject to the same risk weight with the unpaid cash loans although their maturity was due.

The risk of the Participation Bank from its top 100 and top 200 cash loan customers share in total cash loans ratios are 25.42% and 33.03% (December 31, 2022: 27.84% and 35.01%).

The risk of the Participation Bank from its top 100 and top 200 non-cash loan customers share in total non-cash loan ratios are 35.19% and 48.07% (December 31, 2022: 37.86% and 50.52%).

The cash receivables of the Participation Bank from its top 100 and top 200 loan customers shares in total balance sheet assets are 12.77% and 16.59% (December 31, 2022: 14.49% ve 18.23%).

The non-cash receivables of the Participation Bank from its top 100 and top 200 loan customers shares in total non-cash loan ratios are 0.67% and 0.91% (December 31, 2022: 0.65% and 0.86%).

Stage I and Stage II expected loss provision for the credit risk undertaken by the Participation Bank is TL 1,877,019 (December 31, 2022: TL 1,356,963).

Risk Classifications	Current Period Risk Amount (*)	Average Risk Amount
Conditional and unconditional receivables from central governments or Central Banks	84,268,796	65,547,264
Conditional and unconditional receivables from regional or local governments	783,035	1,127,625
Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	925,036	445,476
Conditional and unconditional receivables from multilateral development banks	-	-
Conditional and unconditional receivables from international organizations	-	-
Conditional and unconditional receivables from banks and brokerage houses	3,518,732	6,143,240
Conditional and unconditional receivables from corporates	39,684,408	37,276,313
Conditional and unconditional receivables from retail portfolios	33,479,514	32,616,422
Conditional and unconditional receivables secured by mortgages	8,035,395	7,163,856
Past due receivables	192,093	192,738
Receivables defined under high risk category by BRSA	14,518,622	9,167,515
Securities collateralized by mortgages	-	-
Securitization positions	-	-
Short-term receivables from banks, brokerage houses and corporate	-	-
Investments similar to collective investment funds	-	-
Other receivables	11,389,513	8,723,152

(*) Includes total risk amounts before the effect of credit risk mitigation but after credit conversions.

Profile of significant risks in significant regions

	Risk Classifications (*)											Total
	Conditional and unconditional receivables from central governments or Central Banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporates	Conditional and unconditional receivables from retail portfolios	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined under high risk category by BRSA	Stock Investments	Other receivables	
Current Period												
1 Domestic	84,268,796	783,035	925,036	1,048,951	39,526,879	33,388,953	8,015,235	162,090	14,517,310	46,184	11,343,329	194,025,798
2 European Union Countries	-	-	-	368,682	4	17,876	1,815	-	51	-	-	388,428
3 OECD Countries (**)	-	-	-	1,319,604	-	2,245	2,965	-	-	-	-	1,324,814
4 Off- Shore Regions	-	-	-	27,365	26,299	4,053	6,739	-	-	-	-	64,456
5 USA, Canada	-	-	-	607,344	-	1,657	333	-	-	-	-	609,334
6 Other Countries	-	-	-	146,786	131,226	64,730	8,308	30,003	1,261	-	-	382,314
7 Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
8 Undistributed Assets / Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
9 Total	84,268,796	783,035	925,036	3,518,732	39,684,408	33,479,514	8,035,395	192,093	14,518,622	46,184	11,343,329	196,795,144
Prior Period												
1 Domestic	43,546,593	1,254,488	1,244,848	1,484,481	34,185,225	22,293,215	5,689,493	210,743	6,227,964	43,847	5,906,064	122,086,958
2 European Union Countries	-	-	-	510,987	4	17,595	1,391	138	43	-	-	530,158
3 OECD Countries (**)	-	-	-	3,072,155	-	3,680	3,745	-	-	-	-	3,079,580
4 Off- Shore Regions	-	-	-	21,505	37,868	2,392	1,956	7	-	-	-	63,728
5 USA, Canada	-	-	-	1,419,728	-	1,240	14	6	-	-	-	1,420,988
6 Other Countries	-	-	-	127,583	192,843	53,575	8,610	30,002	59,759	-	-	472,372
7 Investment and associates, subsidiaries and joint ventures	-	-	-	-	-	-	-	-	-	-	-	-
8 Undistributed Assets / Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
9 Total	43,546,593	1,254,488	1,244,848	6,636,439	34,415,940	22,371,697	5,705,209	240,896	6,287,766	43,847	5,906,064	127,653,784

(*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.” Before the Credit Risk Mitigation, the risk amounts are given after the credit conversion ratio.

(**) EU countries, OECD countries other than USA and Canada

Risk Profile according to sectors and counterparties

	Current Period Sectors/Counterparties	Risk Classifications (*)										TL	FC	Total	
		1	2	3	4	5	6	7	8	9	10				11
1	Agricultural	-	-	-	-	339,818	167,439	20,110	147	3,224	-	-	478,629	52,109	530,738
1.1	Farming and raising livestock	-	-	-	-	339,818	167,439	20,110	147	3,224	-	-	478,629	52,109	530,738
1.2	Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3	Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Manufacturing	-	-	599	-	20,061,151	8,035,625	1,682,743	38,600	2,394,999	-	6,262	20,679,126	11,540,853	32,219,979
2.1	Mining	-	-	17	-	146,011	140,633	8,801	793	24,128	-	-	289,203	31,180	320,383
2.2	Production	-	-	67	-	16,808,395	7,599,662	1,646,969	10,708	2,338,191	-	6,262	19,732,225	8,678,029	28,410,254
2.3	Electricity, Gas, Water	-	-	515	-	3,106,745	295,330	26,973	27,099	32,680	-	-	657,698	2,831,644	3,489,342
3	Construction	-	-	-	-	3,619,717	2,170,084	602,521	7,785	193,561	-	-	5,928,428	665,240	6,593,668
4	Services	84,268,796	783,035	922,122	3,518,732	14,951,345	11,626,270	1,897,170	95,513	4,875,607	43,431	11,129,437	87,515,849	46,595,609	134,111,458
4.1	Wholesale and Retail Trade	-	-	920,052	-	8,686,259	9,318,556	1,301,119	22,819	3,170,584	-	-	20,889,133	2,530,256	23,419,389
4.2	Hotel,Food,Beverage Services	-	-	15	-	748,022	164,460	265,218	22,885	61,415	-	-	579,661	682,354	1,262,015
4.3	Transportation and Telecommunication	-	-	416	-	2,131,000	686,518	84,406	18,386	95,306	-	-	1,239,960	1,776,072	3,016,032
4.4	Financial Institutions	84,268,796	-	-	3,518,732	1,338,173	113,599	34,467	-	1,261	43,431	8,626,364	59,639,031	38,305,792	97,944,823
4.5	Real Estate and Lending Services	-	783,035	8	-	1,779,362	1,050,980	188,452	31,218	1,507,189	-	2,503,073	4,553,199	3,290,118	7,843,317
4.6	Self employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7	Education Service	-	-	1,539	-	76,999	109,969	8,611	11	-	-	-	193,546	3,583	197,129
4.8	Health and social Services	-	-	92	-	191,530	182,188	14,897	194	39,852	-	-	421,319	7,434	428,753
5	Other	-	-	2,315	-	712,377	11,480,096	3,832,851	50,048	7,051,231	2,753	207,630	20,217,614	3,121,687	23,339,301
6	Total	84,268,796	783,035	925,036	3,518,732	39,684,408	33,479,514	8,035,395	192,093	14,518,622	46,184	11,343,329	134,819,646	61,975,498	196,795,144

- 1-Conditional and unconditional receivables from central governments and Central Banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4-Conditional and unconditional receivables from banks and brokerage houses
5-Conditional and unconditional receivables from corporates
6-Conditional and unconditional receivables from retail portfolios
7-Conditional and unconditional receivables secured by mortgages
8-Past due receivables
9-Receivables defined under high risk category by BRSA
10- Stock Investments
11-Other receivables

(*) Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks." Before the Credit Risk Mitigation, the risk amounts are given after the credit conversion ratio.

	Prior Period Sectors/Counterparties	Risk Classifications (*)										TL	FC	Total	
		1	2	3	4	5	6	7	8	9	10				11
1	Agricultural	-	-	-	-	254,562	71,436	45,896	1,299	25,462	-	-	365,248	33,406	398,654
1.1	Farming and raising livestock	-	-	-	-	254,562	71,436	45,896	1,299	25,462	-	-	365,248	33,406	398,654
1.2	Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.3	Fishing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Manufacturing	-	-	29,008	-	15,387,210	4,226,090	1,587,376	53,223	1,801,294	-	2,789	12,017,206	11,069,784	23,086,990
2.1	Mining	-	-	225	-	126,651	70,991	9,202	3,749	1,713	-	-	187,860	24,671	212,531
2.2	Production	-	-	60	-	12,427,131	4,001,886	1,537,287	49,312	1,746,970	-	2,789	11,220,220	8,545,215	19,765,435
2.3	Electricity, Gas, Water	-	-	28,723	-	2,833,428	153,213	40,887	162	52,611	-	-	609,126	2,499,898	3,109,024
3	Construction	-	-	-	-	2,525,324	980,210	595,147	23,684	91,111	-	-	3,290,613	924,863	4,215,476
4	Services	43,546,593	1,254,488	1,212,952	6,636,439	13,519,701	6,688,522	1,764,216	133,362	2,566,142	41,094	5,745,923	48,274,012	34,835,419	83,109,431
4.1	Wholesale and Retail Trade	-	-	1,208,248	-	5,669,299	5,566,289	1,247,728	45,756	1,996,861	-	-	12,753,802	2,980,379	15,734,181
4.2	Hotel,Food,Beverage Services	-	-	16	-	590,135	67,718	170,676	26,057	22,966	-	-	310,302	567,266	877,568
4.3	Transportation and Telecommunication	-	-	-	-	1,583,639	372,988	69,322	16,238	63,464	-	-	568,694	1,536,957	2,105,651
4.4	Financial Institutions	43,546,593	-	371	6,636,439	4,384,622	59,933	20,832	2,015	5,719	41,094	5,022,596	31,702,434	28,017,780	59,720,214
4.5	Real Estate and Lending Services	-	1,254,488	873	-	1,169,454	523,063	230,485	36,140	474,527	-	723,327	2,696,075	1,716,281	4,412,356
4.6	Self employment Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7	Education Service	-	-	1,100	-	47,287	20,627	6,297	6,827	1,865	-	-	72,665	11,338	84,003
4.8	Health and social Services	-	-	2,344	-	75,265	77,904	18,876	329	740	-	-	170,040	5,418	175,458
5	Other	-	-	2,888	-	2,729,143	10,405,439	1,712,575	29,328	1,803,757	2,753	157,352	9,879,646	6,963,588	16,843,234
6	Total	43,546,593	1,254,488	1,244,848	6,636,439	34,415,940	22,371,697	5,705,209	240,896	6,287,766	43,847	5,906,064	73,826,724	53,827,060	127,653,784

- 1-Conditional and unconditional receivables from central governments and Central Banks
2-Conditional and unconditional receivables from regional or local governments
3-Conditional and unconditional receivables from administrative bodies and non-commercial enterprises
4-Conditional and unconditional receivables from banks and brokerage houses
5-Conditional and unconditional receivables from corporates
6-Conditional and unconditional receivables from retail portfolios
7-Conditional and unconditional receivables secured by mortgages
8-Past due receivables
9-Receiveables defined under high risk category by BRSA
10- Stock Investments
11-Other receivables

(*) Stands for the risk categories listed in “Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks.” Before the Credit Risk Mitigation, the risk amounts are given after the credit conversion ratio.

Analysis of maturity-bearing exposures according to remaining maturities

	Current Period	Time to Maturity					
		Risk Categories(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1	Conditional and unconditional receivables from central governments or Central Banks		27,485,936	5,671,092	2,909,302	4,119,298	28,240,534
2	Conditional and unconditional receivables from regional or local governments		1,308	4,039	6,538	558,423	212,707
3	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings		280,480	628,764	-	2,500	12,485
4	Conditional and unconditional receivables from banks and brokerage houses		2,901,862	118,116	46,458	14,024	17
5	Conditional and unconditional receivables from corporates		3,853,803	6,942,122	7,749,580	9,702,464	11,420,721
6	Conditional and unconditional receivables from retail portfolios		8,781,629	3,850,836	5,009,733	7,918,004	7,882,091
7	Conditional and unconditional receivables secured by mortgages		339,145	461,952	458,811	856,475	5,916,365
8	Past due receivables		192,092	-	-	-	-
9	Receivables defined under high risk category by BRSA		2,220,194	2,732,554	1,744,372	2,850,401	4,971,101
10	Stock Investments		46,184	-	-	-	-
11	Other receivables		-	-	-	-	(5,754)
	Total		46,102,633	20,409,475	17,924,794	26,021,589	58,650,267

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

	Prior Period	Time to Maturity					
		Risk Categories(*)	1 month	1-3 months	3-6 months	6-12 months	Over 1 year
1	Conditional and unconditional receivables from central governments or Central Banks		12,356,841	-	252,525	5,190,651	22,800,482
2	Conditional and unconditional receivables from regional or local governments		147	7,144	15,672	34,669	1,196,837
3	Conditional and unconditional receivables from administrative bodies and non-commercial undertakings		5,689	1,136,137	93,797	132	8,050
4	Conditional and unconditional receivables from banks and brokerage houses		6,393,954	24,447	45,663	24,976	17
5	Conditional and unconditional receivables from corporates		9,227,139	1,553,598	6,458,581	4,999,197	12,161,739
6	Conditional and unconditional receivables from retail portfolios		8,170,256	2,486,406	4,323,397	2,523,581	4,859,978
7	Conditional and unconditional receivables secured by mortgages		266,831	407,958	864,361	630,979	3,533,735
8	Past due receivables		240,896	-	-	-	-
9	Receivables defined under high risk category by BRSA		572,005	758,492	1,883,011	950,055	2,124,202
10	Stock Investments		43,847	-	-	-	-
11	Other receivables		-	-	-	-	1,053
	Total		37,277,605	6,374,182	13,937,007	14,354,240	46,686,093

(*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

Risk amounts according to risk weights

Current Period													
	Risk Weights	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Other	Deducted from Equity
1	Amount Before Credit Risk Mitigation	86,311,443	-	5,929,110	-	-	222,817	38,328,438	51,484,714	7,058,270	7,386,806	73,546	1,945,710
2	Amount After Credit Risk Mitigation	105,986,153	-	9,945,876	-	4,812,622	3,457,749	18,548,665	39,536,446	7,047,281	7,386,806	73,546	-

Prior Period													
	Risk Weights	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Other	Deducted from Equity
1	Amount Before Credit Risk Mitigation	45,393,756	-	7,228,622	-	-	255,924	24,683,413	43,804,304	1,879,911	4,401,737	6,118	654,411
2	Amount After Credit Risk Mitigation	55,865,418	-	12,076,452	-	2,491,090	3,501,689	13,134,015	34,390,382	1,786,884	4,401,737	6,118	-

Various Information by Major Sectors or Other Sides:

	Current Period	Loans		Provisions
		Impaired (TFRS 9)		Expected Loss
	Important Sectors/Counterparties	Significant increase in credit risk (Stage 2)	Non-performing (Stage 3)	Provisions (TFRS9)
1	Agricultural	4,432	3,044	2,943
1.1	Farming and Raising Livestock	4,432	3,044	2,943
1.2	Forestry	-	-	-
1.3	Fishing	-	-	-
2	Manufacturing	3,542,851	495,356	1,145,138
2.1	Mining	4,386	16,738	15,869
2.2	Production	2,308,990	264,828	662,249
2.3	Electricity, Gas, Water	1,229,475	213,790	467,020
3	Construction	1,101,316	208,224	419,538
4	Services	2,319,424	694,104	1,014,834
4.1	Wholesale and Retail Trade	983,426	382,399	417,347
4.2	Hotel, Food, Beverage Services	991,401	149,338	444,102
4.3	Transportation and Telecommunication	72,482	54,538	37,254
4.4	Financial Institutions	21,934	8,783	8,905
4.5	Real Estate and Lending Services	243,546	81,582	88,515
4.6	Self Employment Service	-	-	-
4.7	Education Service	390	13,564	13,555
4.8	Health and Social Services	6,245	3,900	5,156
5	Other	198,239	316,849	255,429
6	Total	7,166,262	1,717,577	2,837,882

	Prior Period	Loans		Provisions
		Impaired (TFRS 9)		Expected Loss
	Important Sectors/Counterparties	Significant increase in credit risk (Stage 2)	Non-performing (Stage 3)	Provisions (TFRS9)
1	Agricultural	6,873	11,051	9,735
1.1	Farming and Raising Livestock	6,873	11,051	9,735
1.2	Forestry	-	-	-
1.3	Fishing	-	-	-
2	Manufacturing	2,673,000	697,527	1,092,437
2.1	Mining	11,006	52,602	49,146
2.2	Production	1,593,128	573,656	664,863
2.3	Electricity, Gas, Water	1,068,866	71,269	378,428
3	Construction	1,127,301	594,696	826,989
4	Services	1,602,822	1,032,983	1,188,720
4.1	Wholesale and Retail Trade	454,696	591,037	585,435
4.2	Hotel, Food, Beverage Services	926,797	171,126	390,250
4.3	Transportation and Telecommunication	56,232	114,156	98,114
4.4	Financial Institutions	9,139	14,726	12,825
4.5	Real Estate and Lending Services	143,922	101,814	71,158
4.6	Self Employment Service	-	-	-
4.7	Education Service	1,448	35,509	26,661
4.8	Health and Social Services	10,588	4,615	4,277
5	Other	148,760	154,684	121,840
6	Total	5,558,756	2,490,941	3,239,721

Information related to impairment and loan loss provisions

	Current Period	Opening Balance	Provisions provided during the period	Provision Reversals (*)	Other Adjustments	Closing Balance
1	Stage 3	2,070,437	846,448	(1,535,634)	-	1,381,251
2	Stage 1-2	1,356,963	913,308	(393,252)	-	1,877,019

(*) TL 1,103,726 of TL 1,535,634 reversal of provision is due to write-offs.

	Prior Period	Opening Balance	Provisions provided during the period	Provision Reversals (*)	Other Adjustments	Closing Balance
1	Stage 3	2,086,163	741,254	(756,980)	-	2,070,437
2	Stage 1-2	745,619	1,092,682	(481,338)	-	1,356,963

(*) TL 519,937 of TL 756,980 reversal of provision is due to write-offs.

The credit quality of financial assets as of December 31, 2023 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Receivables from banks	43,267,482	-	43,267,482
Financial assets at fair value through profit and loss	8,717,723	-	8,717,723
Financial assets at fair value through other comprehensive income	23,581,750	-	23,581,750
Loans (*)	122,367,093	1,717,577	124,084,670
Corporate loans	45,103,198	914,806	46,018,004
Loans to SMEs	50,566,237	506,380	51,072,617
Consumer loans	26,697,658	296,391	26,994,049
Other	-	-	-
Total	197,934,048	1,717,577	199,651,625

(*) Loans include financial leasing receivables.

The credit quality of financial assets as of December 31, 2022 is as follows:

	Neither overdue nor impaired	Overdue and impaired	Total
Receivables from banks	26,497,082	-	26,497,082
Financial assets at fair value through profit and loss	4,843,661	-	4,843,661
Financial assets at fair value through other comprehensive income	20,880,991	-	20,880,991
Loans (*)	82,014,948	2,490,941	84,505,889
Corporate loans	37,885,215	1,264,395	39,149,610
Loans to SMEs	31,831,824	1,092,237	32,924,061
Consumer loans	12,297,909	134,309	12,432,218
Other	-	-	-
Total	134,236,682	2,490,941	136,727,623

(*) Loans include financial leasing receivables.

The Movement of The Expected Loss Provisions for Loans is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period 31.12.2022	187,679	1,169,284	2,070,437	3,427,400
Transfer to Stage 1	16,828	(16,828)	-	-
Transfer to Stage 2	(2,838)	2,838	-	-
Transfer to Stage 3	(652)	(119,697)	120,349	-
Additions During the Period	353,961	679,695	726,099	1,759,755
Disposal	(134,590)	(258,661)	(431,908)	(825,159)
Debt Sale	-	-	(167,438)	(167,438)
Write-offs	-	-	(936,288)	(936,288)
Balances at End of Period 31.12.2023	420,388	1,456,631	1,381,251	3,258,270

Explanations regarding risk categories

The ratings of the Islamic International Rating Agency (IIRA) are taken into consideration for the risk classes of receivables from countries or central banks, while the credit ratings published by the Organization for Economic Cooperation and Development (OECD) are used within the scope of country risk classification for those that do not have a rating from this organization. In case credit rating grades of institutions like Standard & Poor's (S&P), Moody's and Fitch Ratings are available, grades are in use together. Corporate receivables from counterparties are settled abroad with other risk classes, corporate receivables from residents and receivables from banks are accepted as 'gradeless'. Credit quality grades corresponding to score of Fitch Ratings, Moody's and Standard & Poor's, IIRA are shown below.

Ratings to be matched	Credit Quality Degrees	Fitch	Moody's	S&P	IIRA
Ratings of long-term credits	1	AAA and AA-	Aaa and Aa3	AAA and AA-	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-	BB+ and BB-
	5	B+ and B-	B1 and B3	B+ and B-	B+ and B-
	6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below
Ratings of short-term credits	1	F1+ and F1	P-1	A-1+ and A-1	A-1+ and A-1
	2	F2	P-2	A-2	A-2
	3	F3	P-3	A-3	A-3
	4	F3 below	NP	A-3 below	A-3 below
	5	—	—	—	—
	6	—	—	—	—
Long-term securitization position ratings	1	AAA and AA-	Aaa and Aa3	AAA and AA-	AAA and AA-
	2	A+ and A-	A1 and A3	A+ and A-	A+ and A-
	3	BBB+ and BBB-	Baa1 and Baa3	BBB+ and BBB-	BBB+ and BBB-
	4	BB+ and BB-	Ba1 and Ba3	BB+ and BB-	BB+ and BB-
	5	B+ and below	B1 and below	B+ and below	B+ and below
Short-term securitization position ratings	1	F1+ and F1	P-1	A-1+ and A-1	A-1+ and A-1
	2	F2	P-2	A-2	A-2
	3	F3	P-3	A-3	A-3
	Others	F3 below	NP	A-3 below	A-3 below
Matchings regarding collective investment institutes	1	AAA and AA-	Aaa and Aa3	FCQR: AAAf and AA-f; PSFR: AAAm and AA-m	-
	2	A+ and A-	A1 and A3	FCQR: A+f and A-f; PSFR: A+m and A-m	-
	3	BBB+ and BBB-	Baa1 and Baa3	FCQR: BBB+f and BBB-f; PSFR: BBB+m and BBB-m	-
	4	BB+ and BB-	Ba1 and Ba3	FCQR: BB+f and BB-f; PSFR: BB+m and BB-m	-
	5	B+ and B-	B1 and B3	FCQR: B+f and B-f; PSFR: B+m and B-m	-
	6	CCC+ and below	Caa1 and below	FCQR: CCC+f and below; PSFR: CCC+m and below	-

FCQR: Fund Credit Quality Ratings
PSFR: Principal Stability Fund Ratings

III. Risk involved in counter-cyclical capital buffer calculation

Current Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	98,829,759	-	98,829,759
Albania	130,291	-	130,291
Saudi Arabia	27,777	-	27,777
Marshall Islands	8,137	-	8,137
Azerbaijan	8,023	-	8,023
Other	25,158	-	25,158
Total	99,029,145	-	99,029,145

Prior Period			
Country of ultimate risk	Private sector credit exposures in banking book	Risk Weighted Equivalent trading book	Total
Turkey	71,629,853	-	71,629,853
Albania	112,210	-	112,210
Saudi Arabia	28,935	-	28,935
Malta	25,673	-	25,673
Marshall Islands	16,087	-	16,087
Iraq	15,053	-	15,053
Other	34,332	-	34,332
Total	71,862,143	-	71,862,143

IV. Explanations and Disclosures Related to Consolidated 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 Group 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 Group 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 Parent Participation Bank at the date of the consolidated balance sheet and for the previous five working days are in the following table:

	EUR	USD
Buying Rate at Balance Sheet Date	32.5739	29.4382
December 29, 2023	32.5739	29.4382
December 28, 2023	32.6937	29.3973
December 27, 2023	32.4186	29.3374
December 26, 2023	32.2421	29.2647
December 25, 2023	32.1766	29.2108
December 22, 2023	32.0726	29.1344

The Parent 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 29.4382
1 EUR TL 32.5739

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

	EUR	USD	Other FC (*)	Total
Current Period				
Assets				
Cash and Balances with the Central Bank of Turkey	9,899,724	14,457,220	7,041,152	31,398,096
Banks	647,896	976,571	1,796,107	3,420,574
Financial Assets Valued at Fair Value Through Profit or Loss (4)	-	-	8,367,455	8,367,455
Receivables from The Money Market	-	-	-	-
Financial Assets Valued at Fair Value Through Other Comprehensive Income	7,051,605	11,902,003	-	18,953,608
Loans (1)	17,161,244	11,976,599	-	29,137,843
Investment in Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Financial Assets Valued at Amortised Cost	-	-	-	-
Derivative Financial Assets Held for Risk Management	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (2)	687,657	85,425	6,735	779,817
Total Assets	35,448,126	39,397,818	17,211,449	92,057,393
Liabilities				
Funds Collected from Banks Via Current and Profit Sharing Accounts	13,394	11,507	655	25,556
Current and Profit Sharing Accounts	21,259,192	37,793,234	18,739,181	77,791,607
Money Market Deposits	-	-	-	-
Funds Provided from Other Financial Institutions	3,914,477	12,541,224	-	16,455,701
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	577,971	1,192,286	318,435	2,088,692
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Other Liabilities (3)	361,851	370,588	24,594	757,033
Total Liabilities	26,126,885	51,908,839	19,082,865	97,118,589
Net Balance Sheet Position	9,321,241	(12,511,021)	(1,871,416)	(5,061,196)
Net Off Balance Sheet Position	(9,410,451)	12,704,450	2,162,692	5,456,691
Financial Derivative Assets	2,340,274	21,995,849	5,493,281	29,829,404
Financial Derivative Liabilities	11,750,725	9,291,399	3,330,589	24,372,713
Non-Cash Loans (5)	6,335,960	9,217,047	36,225	15,589,232
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 (5)	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 193,844, which is presented in Turkish Lira in the financial statements, and foreign currency indexed financial lease receivables amounting to TL 11,741.

(2) Does not include prepaid expenses amounting to TL 1,384 which are presented in foreign currency in the financial statements.

(3) Includes Stage I and II expected loss provisions amounting to TL 1,702, which is presented in Turkish Lira in the table. Does not include accruals of derivative financial liabilities amounted to TL 288,681, accruals of spot currency transactions amounted to TL 8,103 and cumulative other comprehensive income or expense reclassified in profit or loss amounting to TL 83,874 shown under equity.

(4) Accruals of derivative financial assets amounting to TL 14,991 accruals of spot transactions amounting to TL 15,980 are deducted from financial assets at fair value through profit or loss.

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

Foreign currency sensitivity

The Bank is mainly exposed to USD and EUR currency risks.

The following table details the Parent Participation Bank's sensitivity to a 10% change in the TL against USD, EUR, and other foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. A positive number indicates an increase in profit or loss and other equity in the case of TL strengthens 10% against USD, EUR, and other foreign currencies. This analysis has been prepared with the assumption that all other variables remain constant.

	Change in exchange rate (*)	Effect on Profit/Loss		Effect on Equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	19,343	2,582	11,334	23,481
EURO	10%	(8,921)	36,498	(8,877)	36,525
Other FC	10%	29,128	95	29,128	95

(*) Includes the profit/ (loss) effect in the case of a change for 10% in currency rates.

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

None.

VI. 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 Benchmark Deposits Rate 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 applies 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			55,816,719	31,599,859
CASH OUTFLOWS					
2	Retail and Small Business Customers' Deposits	105,335,865	43,987,922	10,421,316	4,563,025
3	Stable Deposits	13,358,240	-	667,912	-
4	Less Stable Deposits	91,977,625	43,987,922	9,753,404	4,563,025
5	Unsecured fundings besides retail and small business customers' deposits	73,587,242	33,291,871	31,629,883	14,235,739
6	Operational Deposits	-	-	-	-
7	Non-Operational Deposits	62,494,021	28,908,156	25,593,007	11,759,052
8	Other unsecured fundings	11,093,221	4,383,715	6,036,876	2,476,687
9	Secured Fundings			-	-
10	Other Cash Outflows	38,052,801	17,774,652	25,632,480	16,729,234
11	Derivatives cash outflows and collateral outflows	22,394,306	16,684,373	22,394,306	16,684,373
12	Obligation related to structured financial products	7,526,212	955,020	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	8,132,283	135,259	3,238,174	44,861
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	20,851,388	5,882,398	2,140,542	842,619
16	TOTAL CASH OUTFLOWS			69,824,221	36,370,617
CASH INFLOWS					
17	Secured Lending	-	-	-	-
18	Unsecured Lending	12,785,206	5,674,306	12,785,206	5,674,306
19	Other Cash Inflows	22,497,583	20,634,702	22,497,583	20,634,702
20	TOTAL CASH INFLOWS	35,282,789	26,309,008	35,282,789	26,309,008
				Total Adjusted Value	
21	TOTAL HQLA STOCK			55,816,719	31,599,859
22	TOTAL NET CASH OUTFLOW			34,541,432	10,528,200
23	LIQUIDITY COVERAGE RATIO (%)			161.59	300.14

(*) Simple arithmetic average calculated for the last three months of values calculated by taking the simple arithmetic average was used for calculating the average in last days of the related last three months.

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		80,405,425	48,451,497
3	Stable Deposits	9,132,963	-	456,648
4	Less Stable Deposits	71,272,462	48,451,497	7,552,475
5	Unsecured fundings besides retail and small business customers' deposits		39,774,378	20,401,374
6	Operational Deposits	-	-	-
7	Non-Operational Deposits	32,937,205	17,774,466	14,398,627
8	Other unsecured fundings	6,837,173	2,626,908	2,971,736
9	Secured Fundings		-	-
10	Other Cash Outflows		17,529,339	10,358,044
11	Derivatives cash outflows and collateral outflows	11,972,004	8,675,226	11,972,004
12	Obligation related to structured financial products	2,085,655	1,421,245	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	3,471,680	261,573	1,364,047
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
16	TOTAL CASH OUTFLOWS		39,940,483	22,504,885
CASH INFLOWS				
17	Secured Lending		-	-
18	Unsecured Lending		15,271,462	10,754,331
19	Other Cash Inflows		12,119,139	10,882,503
20	TOTAL CASH INFLOWS		27,390,601	21,636,834
			Total Adjusted Value	
21	TOTAL HQLA STOCK		39,457,725	28,720,071
22	TOTAL NET CASH OUTFLOW		12,549,882	5,626,221
23	LIQUIDITY COVERAGE RATIO (%)		314.41	510.47

(*) It is the average of the consolidated liquidity coverage ratio calculated by taking the monthly simple arithmetic average for the last three months.

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 48.6% to in the fourth quarter of 2023 compared to the year-end of 2022 to 161.6. High quality liquid assets increased by 41% in the fourth 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. As of the fourth quarter of 2023, the share of deposits in cash outflows is 60% and the share of other unsecured borrowing instruments is 8%. Cash inflows in the fourth quarter of 2023 increased by 28.8% compared to the year-end of 2022 and cash outflows increased by 74.8% compared to the year-end of 2022.

Consolidated Liquidity Coverage Ratio regarding 3 months of the fourth 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	188.93	02/10/2023	145.58	12/11/2023	161.59
FC	383.76	05/12/2023	242.79	12/10/2023	300.14

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	26,161,408	22,914,585	-	-	-	-	(11,056)	49,064,937
Banks and Other Financial Institutions	3,422,172	-	-	-	-	-	(1,136)	3,421,036
Financial Assets Valued at Fair Value Through Profit or Loss	-	33,318	5,525,494	2,837,893	-	-	-	8,396,705
Receivables from The Money Market	-	-	-	-	-	-	-	-
Financial Assets Valued at Fair Value Through Other Comprehensive Income	49,407	-	4,153,967	10,438,371	8,322,073	667,339	-	23,631,157
Loans (**)	-	15,277,564	22,631,255	55,690,112	23,458,199	3,592,386	(1,535,823)	119,113,693
Financial Assets Valued at Amortised Cost (***)	-	192,120	513,270	61,480	8,500,000	8,757,233	(4,870)	18,019,233
Other Assets	1,519,353	161,865	104,837	54,316	-	-	8,710,609	10,550,980
Total Assets	31,152,340	38,579,452	32,928,823	69,082,172	40,280,272	13,016,958	7,157,724	232,197,741
Liabilities								
Funds Collected from Banks via Current and Profit Sharing Accounts	23,830	452,144	35	-	-	-	-	476,009
Current and Profit Sharing Accounts	56,779,717	70,300,603	23,877,917	23,945,984	1,567,837	-	-	176,472,058
Funds Provided from Other Financial Institutions	-	12,354,169	475,680	2,813,904	1,182,957	7,359,550	-	24,186,260
Money Market Deposits	-	5,447	-	-	-	-	-	5,447
Marketable Securities Issued	-	(557,762)	610,369	52,518	-	-	-	105,125
Miscellaneous Payables	3,651,539	579,854	-	-	-	-	-	4,231,393
Other Liabilities (****)	2,374,491	714,462	386,267	167,369	357,468	54,935	22,666,457	26,721,449
Total Liabilities	62,829,577	83,848,917	25,350,268	26,979,775	3,108,262	7,414,485	22,666,457	232,197,741
Liquidity Gap	(31,677,237)	(45,269,465)	7,578,555	42,102,397	37,172,010	5,602,473	(15,508,733)	-
Net Off Balance Sheet Position	-	(166,721)	(339,625)	459,946	-	-	-	(46,400)
Financial Derivative Assets	-	17,333,589	11,523,647	6,002,321	-	-	-	34,859,557
Financial Derivative Liabilities	-	17,500,310	11,863,272	5,542,375	-	-	-	34,905,957
Non-Cash Loans	7,859,449	2,997,907	5,762,247	12,296,466	4,173,754	796,765	-	33,886,588
Prior Period								
Total Assets	14,106,837	26,541,470	15,225,470	41,379,786	36,318,650	9,677,353	2,655,616	145,905,182
Total Liabilities	47,266,247	48,474,359	22,835,224	8,084,644	876,674	4,734,840	13,633,194	145,905,182
Liquidity Gap	(33,159,410)	(21,932,889)	(7,609,754)	33,295,142	35,441,976	4,942,513	(10,977,578)	-
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, excluding non-performing receivables, amounting to TL 9,529,725, Non-Performing Loans, including Lease Transactions Non-Performing Loans, amounting to TL 1,717,577 and Provisions for Expected Losses amounting to TL (3,258,270).

(***) Financial assets valued at amortised cost also include Provisions for Expected Losses amounting to TL (4,870).

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

Analysis of financial liabilities based on the remaining contractual maturities:

The table below has been prepared without discounting the liabilities of the Participation Bank and based on the earliest dates on which the Bank is required to make payments. Profit share expenses payable on these liabilities are included in the table below. Correction column is the difference between the balance sheet values of the related items and their undiscounted values. The carrying values of the related liabilities in the balance sheet do not include these amounts.

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Corrections	Carrying Value
Funds Collected from Banks via Current and Profit Sharing Accounts	23,830	452,144	35	-	-	-	476,009	-	476,009
Other Current and Profit Sharing Accounts	56,779,717	70,300,603	23,877,917	23,945,984	1,567,837	-	176,472,058	-	176,472,058
Funds Provided from Other Financial Institutions	-	12,375,339	520,997	3,699,213	3,477,207	8,964,709	29,037,465	(4,851,205)	24,186,260
Money Market Deposits	-	5,453	-	-	-	-	5,453	(6)	5,447
Securities Issued	-	22,796	63,896	1,634,535	-	-	1,721,227	(1,616,102)	105,125
Miscellaneous Payables	3,651,539	579,854	-	-	-	-	4,231,393	-	4,231,393
Other Liabilities	-	-	-	-	-	-	-	-	-
Total	60,455,086	83,736,189	24,462,845	29,279,732	5,045,044	8,964,709	211,943,605	(6,467,313)	205,476,292

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total	Corrections	Carrying Value
Funds Collected from Banks via Current and Profit Sharing Accounts	22,592	20,012	30	-	-	-	42,634	-	42,634
Other Current and Profit Sharing Accounts	43,061,252	32,195,320	21,171,608	6,158,510	217,728	-	102,804,418	-	102,804,418
Funds Provided from Other Financial Institutions	-	12,028,403	456,298	2,161,386	1,871,157	6,102,839	22,620,083	(3,373,025)	19,247,058
Money Market Deposits	-	3,134,111	-	-	-	-	3,134,111	(3,799)	3,130,312
Securities Issued	-	351,274	137,013	993,902	-	-	1,482,189	(914,729)	567,460
Miscellaneous Payables	2,118,781	367,781	-	-	-	-	2,486,562	-	2,486,562
Other Liabilities	-	-	-	-	-	-	-	-	-
Total	45,202,625	48,096,901	21,764,949	9,313,798	2,088,885	6,102,839	132,569,997	(4,291,553)	128,278,444

Maturity analysis of conditioned liabilities and commitments is as follows:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	7,859,450	2,997,906	5,762,247	12,296,466	4,173,754	796,765	33,886,588
Irrevocable commitments	10,422,329	8,126,261	7,269	29,501	417,614	307	19,003,281
Forward asset purchase and sale commitments	-	6,543,879	-	-	-	-	6,543,879
Share capital commitments to associates and subsidiaries	67,500	-	-	-	-	-	67,500
Loan granting commitments	-	1,218,158	-	-	-	-	1,218,158
Commitments for cheque payments	1,581,485	-	-	-	-	-	1,581,485
Tax and fund obligations on export commitments	-	136,412	7,269	29,501	1,223	307	174,712
Commitments for credit card limits	8,764,527	-	-	-	-	-	8,764,527
Commitments for credit cards and banking services promotions	8,817	-	-	-	-	-	8,817
Other irrevocable commitments	-	227,812	-	-	416,391	-	644,203
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-
Forward foreign currency buy/sell transactions	-	34,833,896	23,386,923	11,544,695	-	-	69,765,514
Forward foreign currency transactions-buy	-	14,852,902	9,546,154	6,002,322	-	-	30,401,378
Forward foreign currency transactions-sell	-	15,136,120	11,841,056	5,538,334	-	-	32,515,510
Other forward buy/sell transactions	-	4,844,874	1,999,713	4,039	-	-	6,848,626
Total	18,281,779	45,958,063	29,156,439	23,870,662	4,591,368	797,072	122,655,383

Prior Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Total
Guarantees and Sureties	4,510,594	1,610,905	2,776,784	6,976,060	2,131,721	844,887	18,850,951
Irrevocable commitments	4,331,527	3,909,207	1,745	16,501	233,115	307	8,492,402
Forward asset purchase and sale commitments	-	3,196,886	-	-	-	-	3,196,886
Share capital commitments to associates and subsidiaries	-	-	-	-	-	-	-
Loan granting commitments	-	76	-	-	-	-	76
Commitments for cheque payments	1,024,121	-	-	-	-	-	1,024,121
Tax and fund obligations on export commitments	-	15,676	1,745	16,501	42,115	307	76,344
Commitments for credit card limits	3,298,057	-	-	-	-	-	3,298,057
Commitments for credit cards and banking services promotions	9,349	-	-	-	-	-	9,349
Other irrevocable commitments	-	696,569	-	-	191,000	-	887,569
Revocable commitments	-	-	-	-	-	-	-
Revocable loan granting commitments	-	-	-	-	-	-	-
Derivative financial instruments held for risk management	-	-	-	-	-	-	-
Fair value hedges	-	-	-	-	-	-	-
Cash flow hedges	-	-	-	-	-	-	-
Forward foreign currency buy/sell transactions	-	27,545,277	9,894,611	13,670,336	-	-	51,110,224
Forward foreign currency transactions-buy	-	11,526,344	4,898,767	6,856,152	-	-	23,281,263
Forward foreign currency transactions-sell	-	13,741,667	4,995,844	6,814,184	-	-	25,551,695
Other forward buy/sell transactions	-	2,277,266	-	-	-	-	2,277,266
Total	8,842,121	33,065,389	12,673,140	20,662,897	2,364,836	845,194	78,453,577

VII. Explanations and Disclosures On Consolidated 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%.

There is no difference between the consolidated financial statements of the Bank held by the consolidated financial statements in accordance with TAS regulated under the Communiqué on the Regulation of the Bank's Consolidated Financial Statements.

	On-Balance Sheet Items	Current Period (*)	Prior Period (*)
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	224,006,559	147,608,945
2	Assets amounts deducted in determining Basel III Tier 1 capital	(318,606)	(178,614)
3	Total on balance sheet exposures (total of lines 1 and 2)	223,687,953	147,430,331
	Derivative exposures and credit derivatives	-	-
4	Replacement cost associated with derivative financial instruments and credit derivatives	718,202	493,856
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	731,489	487,380
6	The total amount of risk on derivative financial instruments and credit derivatives (total of lines 4 and 5)	1,449,691	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)	21,486,162	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)	21,486,162	7,695,097
	Off-Balance Sheet Items	-	-
10	Gross notional amount of off-balance sheet items	53,903,054	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)	53,903,054	26,850,011
	Capital and Total Risk	-	-
13	Tier 1 Capital	17,817,104	10,031,909
14	Total Risk Exposure (total of lines 3, 6, 9 and 12)	300,526,860	182,956,675
	Leverage Ratio	-	-
15	Leverage Ratio	5.92	5.48

(*) The arithmetic average of the last 3 months in the related periods.

VIII. Explanations and Disclosures related to fair values of consolidated financial assets and liabilities

The table below shows financial assets and liabilities which is presented at carrying value at consolidated financial statements of The Parent Participation Bank at their fair value.

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	191,171,784	116,286,426	181,121,224	118,943,420
Cash and Balances with the Central Bank of Turkey (*)	49,075,993	23,169,601	49,075,993	23,169,601
Equity Securities	-	-	-	-
Banks (**)	3,422,172	6,556,390	3,422,172	6,556,390
Loans (***)	120,649,516	79,524,007	111,279,428	78,953,076
Financial Assets Valued at Amortised Cost (****)	18,024,103	7,036,428	17,343,631	10,264,353
Financial Liabilities	205,476,292	128,278,444	205,575,337	128,267,683
Funds Collected from Banks via Current and Profit Sharing Accounts (***)	475,355	32,990	475,355	32,990
Current and Profit Sharing Accounts (***)	176,472,712	102,814,062	176,472,712	102,814,062
Funds Provided from Other Financial Institutions (****)	24,186,260	19,247,058	24,297,197	19,310,005
Marketable Securities Issued	105,125	567,460	93,233	493,752
Miscellaneous Payables	4,231,393	2,486,562	4,231,393	2,486,562
Money Market Deposits	5,447	3,130,312	5,447	3,130,312

(*) The carrying value and fair value are the same due to demand and short-term.

(**) Current profit sharing rates as of the balance sheet date are used in order to calculate the fair value of loans. Loans also include finance lease receivables. Fair values of the loans are determined as Level 2.

(***) Since the funds collected from banks and the funds obtained from current and participation accounts are revalued with the year-end unit value, their book values are equal to their fair value.

(****) For the fair value calculation of the funds obtained from other financial institutions, the current rates for loans as of the balance sheet date are used.

(*****) Financial assets valued at amortized cost have been determined as Level 1 for their fair value for disclosure purposes.

The table below analyses financial instruments carried at fair value, by valuation method.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets Valued at Fair Value Through Other Comprehensive Income	-	23,581,750	49,407	23,631,157
Financial Assets Valued at Fair Value Through Profit or Loss	-	8,396,705	-	8,396,705
Derivative Financial Assets Held for Trading	-	321,018	-	321,018
Derivative Financial Assets Held for Risk Management	-	-	-	-
Total Financial Assets at Fair Value	-	32,299,473	49,407	32,348,880
Derivative Financial Liabilities Held for Trading	-	479,600	-	479,600
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Total Financial Liabilities at Fair Value	-	479,600	-	479,600

(*) Includes spot transaction valuations amounting to TL 8,784 which are classified in other provisions on balance sheet.

Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets Valued at Fair Value Through Other Comprehensive Income	-	20,880,991	45,014	20,926,005
Financial Assets Valued at Fair Value Through Profit or Loss	-	4,528,581	-	4,528,581
Derivative Financial Assets Held for Trading	-	315,080	-	315,080
Derivative Financial Assets Held for Risk Management	-	-	-	-
Total Financial Assets at Fair Value	-	25,724,652	45,014	25,769,666
Derivative Financial Liabilities Held for Trading	-	425,794	-	425,794
Derivative Financial Liabilities Held for Risk Management	-	-	-	-
Total Financial Liabilities at Fair Value	-	425,794	-	425,794

(*) Includes spot transaction valuations amounting to TL 2,106 which are classified in other provisions on balance sheet.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Observable market prices such as the marketable security prices which are announced by CBRT and the prices obtained from foreign capital markets are used for fair value determination of financial assets and liabilities measured at fair value except derivative assets and derivative liabilities held for trading.

The movement of financial assets in Level 3 is presented below:

Level 3 Movement	Current Period	Prior Period
Balances at Beginning of Period	45,014	12,768
Purchases	-	30,420
Disposals Through Sale/Redemptions	-	-
Valuation Effect	4,393	1,826
Transfers	-	-
Balances at End of Period	49,407	45,014

IX. Explanations and Disclosures related to transactions carried out on behalf of customers, items held in trust

The Group does not provide buying, selling and custody services and management and financial advisory services in the name of the third parties. The Group is not involved in trust activities.

X. Explanations and Disclosures on Consolidated Hedge Accounting

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

XI. Explanations and Disclosures on Consolidated 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 Parent Participation Bank does not have any credit derivatives, the Internal Model Method, CCP (Central Counter Party) and securitization positions as of December 31, 2023 herewith the related tables have not been presented.

1. Information on the Consolidated Risk Management Approach and Risk-Weighted Amounts

1.1. Risk Management Approach of the Participation Bank

A prospective capital planning approach is adopted for the Participation Bank to carry out its operations if certain losses are incurred sourcing from unexpected events or deteriorations in markets. The best international implementations are benefited for the determination, measurement, analysis and control of risks. The process regarding identification of risks and determination of appropriate measurement method has a dynamic structure in which the risk management is improved through inspiring from advanced international implementations and analysis used by the Bank are updated in line with its business evolution.

The Participation Bank establishes a risk appetite structure that is in line with the budget and is of critical importance for the Bank's management in order to achieve the determined budget targets and thus to perform the Bank's activities at the best level. The risk appetite structure has been integrated into the Bank's management and budget processes.

A risk appetite structure which is consistent with activities, risk profile, ICAAP results, strategic plan and capital planning. Macroeconomic conditions and expectations, industrial developments and expectations, political and economic developments based on the country and the region, strategies and objectives of rivals, position of the bank in the sector, expectations of legal authority and customers and shareholders, risk capacity of the Bank, resources of the Bank, activities, growth strategies and ICAAP results of the Bank are taken into consideration in order to determine risk appetite of the Bank. All departments of the Bank are obliged to provide all information and documents requested during the determination process of risk appetite. Risk appetite includes risk capacity based on risk types, risk limits and early warning levels. Risk appetite, approved by the Board of Directors, is taken into account during operational planning and budget studies.

Senior management of the Bank takes measures in required fields through comparing risk appetite and ICAAP results. Risk appetite is updated at least annually, when required, depending upon changes in activities and risk profile of the Bank.

Compliance with risk matrix criteria determined in risk appetite is taken into account through making necessary changes in principles and procedures regarding establishment of asset-liability structure as well as risk appetite. Related business family is informed regarding the overflows occurring in risk appetite limits and required actions are taken under the supervision of business families in question. The determined action plans are also submitted to the Audit Committee and the Board of Directors. Senior management of the Bank aims supporting of application of risk appetite throughout the Bank and compliance with risk appetite through sufficient authorization and sources.

Departments, which are in scope of internal systems, are established subject to Board of Directors. Responsibility of internal systems belongs to Audit Committee, which do not have any executive duties in the Bank. Audit Committee is established by Board of Directors in order to assist Board of Directors in its fulfillment of auditing and supervision activities through carrying out its activities in the framework of Banking Legislation in accordance with Banking Law. Audit Committee monitors efficiency and adequacy of risk management system and controls risk reviews, risk reports and documents submitted to the Committee. The Committee oversees the coordination of the relations between the Board of Internal Auditors, Internal Control and Regulatory Compliance Department, Risk Management Department and MASAK (Financial Crimes Investigation Board) Compliance Department. It ensures the flow of information to the Board of Directors on these matters and prepares the policies, procedures and principles to be established and submits them to the approval of the Board of Directors.

Internal Control and Regulatory Compliance Department reporting directly to the Board of Directors operates under four different functions, two directorates and two separate services.

Internal Control Department cooperates with executives in order to establish an effective internal control system. Internal control systems aim hedging of bank's assets, carrying out activities in accordance with Law, related legislation, internal policies and rules of bank and customs of banking in an effective and efficient manner, reliability and integrity of accounting and reporting system and timely availability of information.

The Participation Banking Compliance Department carries out the activities of establishing and effectively implementing the corporate structure regarding participation banking principles and standards, manages the preparation and signing of meeting minutes within the scope of the Advisory Committee secretariat activities, ensures the coordination between the Participation Banks Association of Turkey (PBAT) and the Bank, answers questions coming from inside and outside the Bank regarding existing and new products or applications, provides Participation Banking trainings to the personnel within the framework of the trainings planned by the Bank, transfers the decisions of the Central Advisory Board and the Bank Advisory Committee operating under the TKBB to the relevant documents by examining the internal legislation and documents within the scope of compliance activities with interest-free banking principles and standards and provides feedback to document owners on the establishing of control points, informs the Board of Directors, relevant units and personnel about the principles and standards of Participation Banking, the decisions of the Advisory Committee and their possible effects, and ensures that the necessary work is carried out in the Bank.

The Ethics and Legislation Services operate with the aim of making the maximum contribution to ensuring that the Bank's activities are continuously carried out and managed in accordance with the relevant legislation, regulations and ethical principles in terms of structure and operation.

Internal audit system, established within the body of Bank, aims to provide assurance to senior management on execution of operations of the Bank in accordance with Law and related other legislation and internal strategy, policy, principles and objectives of the Bank and effectiveness and adequacy of internal control and risk management systems.

All activities of the Bank, domestic and foreign branches, head office units and subsidiaries are inspected and audited on a periodic and risk-based basis in order to achieve the expected objective of the internal audit system. The aim is to eliminate the deficiencies, errors and misconduct detected, to prevent the recurrence of these situations, to provide opinions and suggestions for the effective and efficient use of the Bank's resources, and to ensure the accuracy and reliability of the information and reporting communicated to the Agency and senior management.

MASAK Compliance Department reports to the Audit Committee. The Directorate consists of the Suspicious Transaction Monitoring Service, Sanctions Monitoring Service and Customer Diagnostic Applications and Business Development Service.

MASAK Compliance Department, with its affiliated services, basically carries out the activities of fulfilling all the functions of the Compliance Program within the framework of the legislation on the prevention of laundering proceeds of crime and financing of terrorism, and ensuring the fulfillment of obligations within the scope of determining the working conditions with sanctioned countries within the framework of policies and practices regarding sanctions decisions issued by national and international organizations, regional powers and countries.

The main activities of the MASAK Compliance Department are as follows;

- Execution of the Bank's Compliance Program, ensuring the establishment of corporate policies and procedures within the scope of MASAK legislation,
- Within the scope of monitoring and control activities, conducting the necessary investigations / examinations and making decisions on suspicious transactions generated by the monitoring program or transmitted from the relevant units and branches of the Bank,
- Conducting detailed examinations for laundering proceeds of crime or financing of terrorism, collecting information/documents and taking necessary actions, if any, against accounts and following up on notifications,
- FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standards) reporting,
- Determining customer acceptance practices in line with the know-your-customer principle (KYC) and the working conditions of real and legal customers who cannot be accepted as customers in our Bank,
- Establishing customer, country, product & service risk management and reviewing periodic controls,
- Carrying out the necessary training activities on the prevention of laundering proceeds of crime and financing of terrorism,
- Monitoring international sanctions, determining the working conditions of countries subject to sanctions, screening against national / international sanctions lists and intra-bank lists in SWIFT transactions and customer acceptance transactions
- Reviewing existing correspondent bank and RMA relationships and conducting periodic meetings with correspondents

Risk management system ensures determination of internal capital requirement consistent with risk profiles and identification, measurement, reporting, controlling of exposed risks through policies, implementation procedures and limits determined towards monitoring, controlling and determination of internal capital requirement compatible with risk profiles of the Bank.

Risk Management Center Department carries out activities such as identification, measurement, monitoring, controlling and reporting of risks subject to Audit Committee. Risk Management Center Department consists of Risk Policies and Reporting Directorate, Risk Analysis Directorate, and Model Validation and Monitoring Directorate.

In order to fully implement and maintain an effective, independent and strong risk management system within the Bank within the corporate risk culture, it is aimed to

- Establishment and active supervision of the risk management process and related activities by the Board of Directors,
- Establishing an integrated risk management system where all risks of the Bank, including information system risks, are handled as a whole,
- Establishment and development of policies and procedures within the scope of establishing adequate policies, implementation procedures and limits to manage the different dimensions of risks arising from operations,
- Establishing a risk appetite structure in line with the Bank's activities, risk profile, ICAAP results, strategic plan and capital planning, determining and monitoring risk appetite limits,
- Ensuring adequate and consistent risk measurement, analysis and monitoring activities by employing the necessary number and appropriate personnel in the Risk Management Department,
- Availability of access to reliable technology and management information system,
- Accuracy and integrity of data,
- Use of risk models that have been validated through testing,

The Bank is required to consider all risks related to its positions, legal requirements, credit portfolio and operations in an integrated manner as a result of confronting with different risks since it has an increasing bigger and more complex structure and increasing sensitivity of investors, rating agencies, regulators and capital markets with respect to management of risks. Measurement of credit risk, market risk, operational risk and all other significant risks is subject to different measurement techniques and taken into account in an integrated manner through an integrated risk management approach. The Bank approaches all its risk as a whole and determines capital requirements caused by those risks.

Risk policies and related implementation procedures are prepared under the guidance of the Audit Committee, approved by the Board of Directors and put into practice. The Risk Management Department ensures that these are kept up to date and revised as needed. Risk policies and related implementation procedures, which contain written standards applied by the Senior Management, are announced to all personnel of the Bank by the Risk Management Department. The Risk Management Department communicates its opinions and suggestions to other business lines from a risk perspective when necessary.

If there exists and overflow on the limits applied in scope of risk appetite, related departments are notified about related overflows and actions regarding overflows are taken.

Internal Capital Adequacy Assessment Process (ICAAP) report is annually prepared in scope of Communiqué on Internal Systems of Banks and Internal Capital Adequacy Assessment Process by Risk Management Center Department. In scope of ICAAP, it is aimed to demonstrate nature, size, risk profile, complexity level of activities of the Bank and identification, design, analysis and implementation studies of reviews made in compliance with strategic plans of the Bank and outputs obtained as a result of aforementioned studies and evaluations regarding prospective strategies and planning of the Bank and inclusion of ICAAP in the capital management of the Bank.

Studies made and results obtained in scope of ICAAP in line with policies, procedures, processes of the Bank are as follows:

With respect to intra-bank operations:

- Process regarding the determination of Bank's risk appetite is established.
- "ICAAP Management Process", including design, analysis, approval, review, application and compliance-monitoring phases related to ICAAP, is established and roles and responsibilities regarding the process in question are determined.
- Controlling activities are determined for effective operation of ICAAP.
- Approaches adopted related to risk evaluation, liquidity and capital planning processes and interaction among those processes are determined.

With respect to content;

- All significant risks that the Bank is currently exposed to and may be exposed to in the future in line with the strategic plan have been identified and risk measurement and management methodologies have been determined.
- The current situation and the financial structure and indicators, activity profile and capital structure targeted within the scope of corporate risk appetite and strategic plan have been evaluated.
- Capital and liquidity adequacy calculations required to cover the risks that the Bank is or may be exposed to, which are included in the scope of Pillar I and Pillar II risks, were performed.
- Capital and liquidity plans prepared by taking into account the results of the current situation, strategic plan and scenario analyzes and management actions related to these plans are included.
- Action plans for liquidity management, liquidity planning and liquidity crisis are specified.

Scenario analysis and stress tests are applied for risks not covered by standard methods. Stress tests, which are performed, are prepared covering reverse stress tests including "going concern" and "gone concern" valuation identifications.

Roles and responsibilities related to activity and planning directly linked to capital management such as ICAAP management, determination of risk appetite, strategic plan, establishment of budget and activity plan, asset-liability management, scenario analysis and stress tests, capital and liquidity management are determined since the purpose of ICAAP is the application of management including results obtained through processes, authorizations and responsibilities generated in scope of ICAAP throughout all the departments, committees and processes of the Bank. In addition, all departments are expected to adopt revisions regarding processes, roles and responsibilities, generated in scope of ICAAP, at medium term.

In addition to the reports made in accordance with the Basel principles, reports are prepared for submission to the Board of Directors, the Audit Committee, the Credit Committee, the Credit Appropriation Committee, the Asset-Liability Committee, the Operational Risk Committee and the Fraud Risk Committee.

Internal System functions presents their reports to Audit Committee at least quarterly. Audit Committee submits its opinions on results of executed activities, measures which should be taken at the Bank, implementations which should be performed and other issues which are considered as significant for the maintenance of Bank's activities to Board of Directors. Significant issues, which are determined through reviewing of findings and assurance of internal audit units of the Bank in scope of meetings, are submitted to Board of Directors. In this framework, issues brought by independent audit firm and BRSA are evaluated by the Committee and submitted to Board of Directors.

Credit Committee and Credit Risk Committee reports include the results of the Bank's risk appetite, loan performance evaluations such as follow-up, delinquency, restructuring, portfolio growth and sector comparisons. The Assets and Liabilities Committee (ALCO) reports the liquidity early warning indicators limit compliance status and liquidity buffer calculation results determined within the scope of liquidity risk in order to contribute to the assessment of the liquidity position of the Bank. Agenda items containing significant operational risks are reported to the Operational Risk Committee and information is provided on the status of action plans created to prevent such operational risks.

A stress testing program has been established at the Bank to measure and manage the significant risks and vulnerabilities that may arise from adverse developments specific to the Bank or that may arise in the economic and financial environment under stress. The program includes sensitivity analyses, scenario analyses and reverse stress tests applied in a manner commensurate with the structure, volume and complexity of the Bank's business and operations. The program includes the objectives of stress tests, scenarios, assumptions, methodologies, reporting, review of processes and management actions based on stress test results, designed to be compatible with the Bank's activities and the risks arising from these activities.

Stress tests at the Bank are conducted mainly by applying shocks to the risks taken into account in the calculation of capital and liquidity adequacy ratios, structural block II risks and subcomponents of regulatory capital. In addition to these methods, risks are divided into main groups and subjected to sensitivity analysis and reverse stress tests, while the changes that may occur in shareholders' equity in the event of possible scenarios are also calculated.

In the process of creating scenarios that will form the basis of the stress test conducted within the scope of ICAAP, it is aimed to determine macroeconomic and market stress scenarios that take into account all risk factors that the Bank is and/or may be exposed to. Scenarios are determined to cover a period of at least three years. The economic assumptions used in the three-year strategic plan studies are taken as reference in the base case scenario. One or more macroeconomic scenarios with various levels of forward-looking stress are created to cover a period of at least three years. The scenarios also include stress factors that may significantly affect the Bank.

Stress scenarios primarily include expectations and stress estimates for macroeconomic indicators such as gross domestic product, unemployment rate, consumer price inflation rate, level of interest/profit rates, current account deficit, exchange rate level. In determining the stress levels for scenario parameters, in addition to historical data on these parameters, assessments such as future expectations surveys, market research reports and expert opinions are also taken into account.

Statistical methods based on historical data and expert opinions are utilized in stress test applications. Analyses conducted within the scope of the stress test program are utilized during the review of the risk appetite.

The Board of Directors is responsible for ensuring that the stress testing program is fully established, effectively executed, its results are evaluated and appropriate management actions are taken based on the results. Roles and responsibilities related to stress testing are set out in the Bank's internal procedures.

The committees established within the Bank perform the following activities in order to effectively manage the business risks arising from lower than expected income or higher costs due to adaptation problems in the Bank's cost structure, product positioning, pricing or activities due to unexpected changes in the economy and general business conditions related to legal regulations, technological developments, customer behavior and competitive environment.

Credit Risk Committee: The main purpose of the Credit Risk Committee is to monitor the credit portfolio, credit risk bearing activities and related processes end-to-end. In addition, at the discretion of the Committee, it evaluates the decision making/recommendation and follow-up of remedial and risk mitigating actions within its authority.

Operational Risk Committee: This committee was established to ensure that the findings and problems at a significant/high risk level raised by Senior Management, Internal Systems Units, other Units, External Audit and Regulatory Audit Authorities, and the issues that may pose operational risk for the Bank are effectively evaluated, discussed, and linked to an action plan and solution schedule.

Fraud Risk Committee: It operates to ensure the effective implementation of policies, measures and procedures related to the fraud control strategy, to evaluate significant fraud incidents, to evaluate periodic reports on fraud incidents and the incidents and risks that are known within the scope of fraud investigations, to evaluate the adequacy of resources allocated to fraud management, to develop controls for fraud risk mitigation, to monitor action plans and project progress.

Asset / Liability Management Committee: This committee is responsible for the management of the Bank's assets and liabilities, evaluating dividend risk, liquidity risk and market risks, taking into account the Bank's strategies and competitive conditions, taking decisions to be executed by the relevant units for the management of the Bank's balance sheet and monitoring the practices.

Senior Management Committee: The primary purpose of the Senior Management Committee is to provide a forum for Senior Management to monitor the Bank's financial performance, ensure effective collaboration, oversee the customer experience, monitor the execution of the Bank's strategic priorities and resolve issues raised by other Head Office Committees.

Information Security Committee: This committee was established to direct the Information Security activities related to all processes of the Bank.

Occupational Health and Safety Committee: This committee was established to ensure that the obligations and responsibilities specified in the Occupational Health and Safety Law and the regulations issued under this law are fulfilled.

Interest-Free Banking Advisory Committee: It is a committee established to make decisions/opinions and provide guidance on the products/services developed by the Bank, banking transactions and processes carried out in line with the principles of interest-free banking.

Information Sharing Committee: The Committee is established to coordinate the sharing of customer confidential and Bank confidential information by taking into account the principle of proportionality, to evaluate the appropriateness of incoming sharing requests and to record these evaluations.

IS Strategy Committee: This committee is formed on behalf of the Board of Directors to oversee the appropriate use of IS investments in line with the IS strategy plan and the compatibility of the Bank's business objectives and IS objectives.

The Bank has also established a Procurement Committee to manage procurement activities, a BS Steering Committee and a BS Continuity Committee to implement information systems strategies and ensure business continuity.

In addition, business risks that the Bank may face are proactively managed through monthly Risk reports.

1.2. Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	83,546,971	57,139,520	6,683,758
2	Standardised approach (SA)	83,546,971	57,139,520	6,683,758
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	1,113,580	3,745,879	89,086
5	Standardised approach for counterparty credit risk (SA-CCR)	1,113,580	3,745,879	89,086
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	5,296,263	4,500,375	423,701
17	Standardised approach (SA)	5,296,263	4,500,375	423,701
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	10,010,471	5,493,915	800,838
20	Basic Indicator Approach	10,010,471	5,493,915	800,838
21	Standard 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)	99,967,285	70,879,689	7,997,383

2. Linkages between Financial Statements and Risk Amounts

Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

Current Period	Carrying Values in Financial Statements Prepared as per TAS	Carrying Values of Items in accordance with TAS				Not Subject to Capital Requirements or Subject to Deduction from Capital
		Subject to Credit Risk Framework	Subject to Counterparty Credit Risk Framework	Subject to The Securitisation Framework	Subject to Market Risk Framework (*)	
Assets	-	-	-	-	-	-
Cash and balances at Central Bank	49,075,993	49,075,993	-	-	31,405,520	-
Banks	3,409,980	3,397,788	-	-	3,421,709	12,192
Receivables from Money Markets	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	8,396,705	8,396,705	8,396,705	-	8,383,435	-
Financial Assets at Fair Value through Other Comprehensive Income	23,631,157	23,631,157	12,256,709	-	18,953,608	-
Financial Assets measured at Amortized Cost	18,024,103	18,024,103	-	-	-	-
Derivative Financial Assets	321,018	-	321,018	-	14,991	-
Loans	109,561,272	107,684,253	-	-	28,532,793	1,877,019
Leasing Receivables	9,547,551	9,547,551	-	-	1,743,625	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (Net)	1,521	1,521	-	-	-	-
Investments in Associates (Net)	23,082	23,082	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-	-
Investments in Joint Ventures (Net)	-	-	-	-	-	-
Tangible Fixed Asset (Net)	6,089,826	6,033,327	-	-	-	56,499
Intangible Asset (Net)	403,625	403,625	-	-	-	-
Investment Properties (Net)	-	-	-	-	-	-
Tax Assets	1,743,986	1,743,986	-	-	-	-
Other Assets	1,967,922	1,967,922	-	-	781,201	-
Total Assets	232,197,741	229,931,013	20,974,432	-	93,236,882	1,945,710
Liabilities	-	-	-	-	-	-
Funds Collected	176,948,067	-	-	-	77,817,163	-
Funds Borrowed	16,821,310	-	7,338,202	-	9,090,751	-
Debt to Money Markets	5,447	-	5,447	-	-	-
Debt Securities in Issue	105,125	-	-	-	-	-
Financial Liabilities at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	470,816	-	-	-	288,681	-
Liabilities from Leases	592,987	-	-	-	1,921	-
Provisions	2,879,692	175,215	-	-	307,370	-
Tax Liability	616,698	616,698	-	-	-	-
Non-Current Assets Held for Sale and Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt	7,364,950	-	-	-	7,364,950	-
Other Liabilities	6,605,884	-	-	-	2,542,835	-
Equity	19,786,765	-	-	-	-	-
Total Liabilities	232,197,741	791,913	7,343,649	-	97,413,671	-

Prior Period	Carrying Values in Financial Statements Prepared as per TAS	Carrying Values of Items in accordance with TAS				Not Subject to Capital Requirements or Subject to Deduction from Capital
		Subject to Credit Risk Framework	Subject to Counterparty Credit Risk Framework	Subject to The Securitisation Framework	Subject to Market Risk Framework (*)	
Assets	-	-	-	-	-	-
Cash and balances at Central Bank	23,169,601	23,169,601	-	-	21,855,104	-
Banks	6,548,187	6,539,984	-	-	6,999,629	8,203
Receivables from Money Markets	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	4,528,581	4,528,581	4,528,581	-	3,720,843	-
Financial Assets at Fair Value through Other Comprehensive Income	20,926,005	20,926,005	10,735,157	-	10,080,921	-
Financial Assets measured at Amortized Cost	7,036,428	7,036,428	-	-	-	-
Derivative Financial Assets	315,080	-	315,080	-	205,795	-
Loans	76,661,999	76,055,473	-	-	26,240,345	606,526
Leasing Receivables	1,925,549	1,925,549	-	-	782,039	-
Factoring Receivables	-	-	-	-	-	-
Assets Held for Sale and Discontinued Operations (Net)	11,691	11,691	-	-	-	-
Investments in Associates (Net)	-	-	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-	-
Investments in Joint Ventures (Net)	-	-	-	-	-	-
Tangible Fixed Asset (Net)	2,727,889	2,688,207	-	-	-	39,682
Intangible Asset (Net)	206,612	206,612	-	-	-	-
Investment Properties (Net)	-	-	-	-	-	-
Tax Assets	365,866	365,866	-	-	-	-
Other Assets	1,481,694	1,481,694	-	-	160,348	-
Total Assets	145,905,182	144,935,691	15,578,818	-	70,045,024	654,411
Liabilities	-	-	-	-	-	-
Funds Collected	102,847,052	-	-	-	63,220,847	-
Funds Borrowed	14,569,053	-	11,323,049	-	3,024,772	-
Debt to Money Markets	3,130,312	-	3,130,312	-	-	-
Debt Securities in Issue	567,460	-	-	-	-	-
Financial Liabilities at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	423,688	-	-	-	110,475	-
Liabilities from Leases	448,384	-	-	-	1,057	-
Provisions	2,554,660	215,851	-	-	66,460	-
Tax Liability	1,057,850	1,057,850	-	-	-	-
Non-Current Assets Held for Sale and Discontinued Operations (Net)	-	-	-	-	-	-
Subordinated Debt	4,678,005	-	-	-	3,246,755	-
Other Liabilities	4,550,184	-	-	-	1,229,900	-
Equity	11,078,534	-	-	-	-	-
Total Liabilities	145,905,182	1,273,701	14,453,361	-	70,900,266	-

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

Current Period		a	b	c	d	e
		Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework (*)
1	Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	344,142,327	229,931,013	-	20,974,432	93,236,882
2	Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(90,861,935)	(791,913)	-	7,343,649	(97,413,671)
3	Total Net Amount Under Regulatory Scope of Consolidation	253,280,392	229,139,100	-	28,318,081	(4,176,789)
4	Off-balance Sheet Amounts	113,852,241	20,933,846	-	1,019,770	91,898,625
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	(82,425,573)	-	-	-	(82,425,573)
9	Differences due to execution of the Bank	(61,240,838)	(53,277,802)	-	(7,963,036)	-
10	Risk Amounts	223,466,222	196,795,144	-	21,374,815	5,296,263

(*) Calculated based on the financial instruments in trading accounts and the gross position amounts included in the currency risk calculation, in accordance with the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks".

		a	b	c	d	e
	Prior Period	Total	Subject to Credit Risk framework	Subject to the securitisation framework	Subject to counterparty credit risk framework	Subject to market risk framework (*)
1	Asset carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	230,407,026	144,935,691	-	15,578,818	69,892,517
2	Liabilities carrying value amount under regulatory consolidation in accordance with TAS (as table B1)	(55,137,076)	(1,273,701)	-	14,453,361	(68,316,736)
3	Total Net Amount Under Regulatory Scope of Consolidation	175,269,950	143,661,990	-	30,032,179	1,575,781
4	Off-balance Sheet Amounts	75,212,564	11,159,461	-	795,483	63,257,620
5	Differences in valuations	-	-	-	-	-
6	Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences due to prudential filters	(60,333,026)	-	-	-	(60,333,026)
9	Differences due to execution of the Bank	(42,119,979)	(27,167,666)	-	(14,952,313)	-
10	Risk Amounts	148,029,509	127,653,785	-	15,875,349	4,500,375

(*) Calculated based on the financial instruments in trading accounts and the gross position amounts included in the currency risk calculation, in accordance with the "Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks".

2.3. Disclosures Regarding Differences between Amounts valued in accordance with TAS and risk exposures

There exist differences sourcing from issues mentioned in implementation of communique on measurement and evaluation of Bank's capital adequacy related to BRSA (e.g. not calculating credit risk for risks subject to discount from equity, considering alpha rate for participation accounts at risk amount etc.).

3. Explanations and Disclosures regarding Consolidated Credit Risk

3.1. Information on Consolidated Credit Risk

3.1.1. General Qualitative Information regarding Credit Risk

The management environment required for the Bank's credit risk is ensured by establishing credit risk strategies and policies, determining the acceptable risk level and risk limits, avoiding risk concentration, establishing credit risk assessment processes in new product and service offerings, regulating delegation of authority, ensuring accountability of those concerned and determining the qualifications to be sought in the personnel to be assigned to credit transactions.

Credit policies are determined in written, approved by the Board of Directors and updated, if deemed necessary, within the framework of the Bank's financial situation, market conditions and trends and the level of shareholders' equity.

The principles to be applied in the evaluation, allocation, management and monitoring of loans are determined through credit policies, and in line with the policies, it is aimed to meet the needs of customers with a prudent, constructive and competitive approach. Controlled growth of the loan portfolio is one of the main objectives, and the policies set certain standards and determine the risks taken during the credit relationship with customers. Credit policies set out the main evaluation criteria and risk parameters to be taken into consideration when renewing existing loans or granting new loans in line with the established standards.

In credit management, credit proposals are evaluated by taking into account the financial strength and morale of the borrower and are finally approved accordingly. In addition to financial data, the borrower's estimated cash flows, debt service level (the ratio of repayment capacity to principal and profit share repayments) and the expected return-risk relationship are also included in the review to assess whether the borrowers have the capacity to repay their loans. Even in cases where it is difficult to obtain comprehensive financial data, the credit assessment is carried out in the light of available data to obtain detailed information about the purpose of credit utilization.

Credit risk is measured through Customer Pre-Selection Criteria and Risk Rating Systems in the Corporate, Commercial, SME, Entrepreneur and Retail Segments. Customer pre-selection criteria are determined by taking into account the Bank's risk appetite and best practices as well as other performance variables in the sector and are applied during the loan approval process. In determining the criteria, analyses of the Bank's customers in the loan portfolio that are problematic or likely to become problematic are used.

Risk Rating Systems measure the probability of default and failure of the borrower to fulfill its obligations to the Bank and the existing portfolio data of the relevant segment is modeled by statistical methods, taking into account expert opinions. The assumptions and limitations of the model used, the basic assumptions used to measure risks, the adequacy and appropriateness of data sources and application procedures are evaluated in coordination with business units. Risk Rating Systems is a risk indicator that summarizes the borrower's position based on all relevant information, including the borrower's cash flow, profitability and debt levels,

as well as the sector in which the borrower operates, the record of its activities, management skills, internal and external behavior. Risk Rating Systems undergo an annual validation process unless otherwise requested. Based on the validation results, the model may continue to be used in its current form, updates may be made to the existing model or a new model may be created. These Risk Rating Systems are kept up-to-date to reflect changing market conditions. The Risk Rating and Probability of Default (PD) values indicate the probability of a customer defaulting within a 1-year period and are used to assess the creditworthiness of the customer.

Cut-Off limits for customers are determined using Risk Rating Systems and the relevant limits are included in the Bank's internal regulatory documents.

Sector limits for the maximum level of risk that the Bank can accept to take in any sector are allocated and updated every year subject to the approval of the Credit Committee. Concentration in the sectors is monitored by means of limits determined as a percentage in terms of the concentration of sector limits in the Bank's portfolio, and the sum of cash and non-cash loan balances of individual borrowers, regardless of customer class and/or sector color, cannot exceed the sector limit of the sector in which the borrowers operate or the sector that constitutes the weight of their activities.

The maximum amount of risk that the Bank may accept to take in a particular country is determined by country limits. This limit covers all kinds of credit, market, counterparty and settlement risks undertaken by the Bank within a country. The principles regarding country risk and limits are set out in the Commercial Credits Policy of the relevant bank.

For loans in the retail segment, credit decisions are made using decision trees developed on a product basis. These decision trees are models produced using statistical methods and data mining/modeling tools based on customer data of the Bank's portfolio. Model development activities are carried out in coordination with the relevant business units. At the time of application, customers' risk levels are measured through scorecards and a risk score and CTR value are generated. The generated score and other risk parameters of the customer are taken into account together and the applications go through the decision tree process and credit decisions are made systematically without manual intervention. Scorecard models undergo an annual validation process unless otherwise requested. In this process, the predictive power of the model is evaluated by comparing the actual performance with the predicted performance over customer data that has passed through the application scoring model in the past and has a certain period of performance. If deemed necessary as a result of validation, updates can be made to the model or a new model can be created. The technical infrastructure used within the scope of the risk measurement process is established in a flexible manner that can adapt to possible developments and changes and will not hinder the measurement process.

In order to manage credit risk effectively and proactively in the Bank, credit risk limits are determined by the Board of Directors within the Bank's risk appetite structure, taking into account the Bank's liquidity, targeted return level and general expectations regarding price changes in risk factors.

The Credit Risk Committee carries out end-to-end monitoring of the loan portfolio, credit risk-bearing activities and related processes, and the said Committee makes evaluations on the decision/recommendation and follow-up of remedial and risk mitigating actions within its discretion and authority. In addition, the Credit Committee, which meets at the level of the Board of Directors, periodically and as needed, evaluates the risk appetite reports (in terms of relevant aspects of credit risk and concentration risk) and internal performance indicator levels, credit, collections and provisions policies, regulations, processes and the course of credit activities in the Bank, which may be reviewed and recommended by the Credit Risk Committee, and makes decisions on these issues if necessary.

Apart from the reporting made in accordance with Basel principles, the Risk Management Department regularly shares the results of the analysis and evaluation carried out within the scope of credit risk management with the Bank's senior management. In addition, the results of the analysis and evaluation of the credit portfolio are presented to the Audit Committee, Credit Committee and Credit Risk Committee. Risk appetite monitoring results and action plans for excesses are shared.

Within the scope of credit risk, the Board of Internal Auditors and the Internal Control and Compliance Department conduct audits/controls to determine whether the transactions regarding the loans are carried out in accordance with the laws and regulations of the Bank. Branch audits/controls are carried out within the framework of the risk-based annual audit/control program.

3.1.2. Credit Quality of Assets

Current Period		Gross carrying values of (according to TAS)		Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	1,717,577	120,649,516	(1,381,251)	120,985,842
2	Debt Securities	-	49,973,308	-	49,973,308
3	Off-balance sheet exposures	-	46,345,990	(175,215)	46,170,775
4	Total	1,717,577	216,968,814	(1,556,466)	217,129,925

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	-	32,438,299	-	32,438,299
3	Off-balance sheet exposures	-	24,146,467	(108,455)	24,038,012
4	Total	2,490,941	136,108,773	(2,178,892)	136,420,822

3.1.3. Changes in stock of defaulted loans and debt securities

	Current Period	Prior Period	
1	Defaulted loans and debt securities at end of the previous reporting period	2,490,941	2,818,159
2	Loans and debt securities that have defaulted since the last reporting period	783,388	819,726
3	Returned to non-defaulted status	-	-
4	Amounts written off	997,611	447,949
5	Other changes	(559,141)	(698,995)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)	1,717,577	2,490,941

3.1.4. Additional disclosure related to the credit quality of assets

a-) In accordance with the provisions of the “Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be set aside for them” published by the BRSA, loans and receivables whose

- The creditworthiness of the borrower is deteriorated or
- The net realizable value of the collateral or the debtor's equity is insufficient to meet the payment of the debt at maturity, the possibility of collection in full without recourse to collateral is limited and it is likely to cause a loss if the observed problems are not corrected; or
- The collection of principal or profit share or both is more than ninety days overdue from the due or payable date, or
- The collection of the principal or profit share or both considered by the Bank to be delayed for more than ninety days from the due date or the date on which it is due for reasons such as difficulties in working capital financing or in creating additional liquidity due to adverse developments in macroeconomic conditions or in the sectors in which the borrower operates or independently of these, or
- Restructured and classified as performing and whose principal and/or profit share payments are more than thirty days overdue within the one-year monitoring period or subject to one more restructuring within this monitoring period,

are characterized as “non-performing receivables” and are classified into non-performing loan accounts and provisions are set aside for these loans based on loss given default rates (LGD). In the Bank, there is no difference between the definitions of “past-due” and “specific provisioning”.

b-) Overdue receivables overdue more than 90 days are subject to specific provisioning.

c-) In accordance with the provisions of the “Regulation on Procedures and Principles Regarding the Classification of Loans and the Provisions to be set aside for them” published by the BRSA,

- Provisions are recognized in accordance with TFRS 9.

Lifetime expected credit loss allowances for default of the borrower are considered as specific provisions.

d-) In the Bank, in accordance with the provisions of the "Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be set aside for them",

Restructuring, which can be applied to performing and non-performing receivables, refers to privileges granted to the borrower due to the financial difficulties that the borrower has encountered or is likely to encounter in its repayments, which would not be granted to a borrower that would not suffer repayment difficulties.

The privileges granted to the borrower, in favor of the borrower who cannot or will not be able to meet its obligations due to financial difficulties, shall be:

- Changing the terms of the loan agreement or
- Partial or full refinancing of the loan.

Detailed explanations and tables about the credit quality of assets are given in Section Four "II. Explanations and Notes Related to Credit Risk".

Breakdown of receivables by geographical area, sector and outstanding maturity

Current Period	Non-performing Loans	Specific Provisions	Write-Offs
Domestic	1,659,462	1,353,223	930,571
European Union (EU) Countries	530	446	66,961
OECD Countries	5	5	-
Off-Shore Banking Regions	-	-	-
USA, Canada	-	-	-
Other Countries	57,580	27,577	79
Total	1,717,577	1,381,251	997,611

Prior Period	Non-performing Loans	Specific Provisions	Write-Offs
Domestic	2,369,909	1,979,601	447,939
European Union (EU) Countries	63,490	63,308	-
OECD Countries	5	5	10
Off-Shore Banking Regions	-	-	-
USA, Canada	10	5	-
Other Countries	57,527	27,518	-
Total	2,490,941	2,070,437	447,949

Current Period	Non-performing Loans	Specific Provisions	Write-Offs
Agricultural	3,044	2,898	4,393
Farming and raising livestock	3,044	2,898	4,393
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	495,356	427,597	324,106
Mining	16,738	15,789	32,579
Production	264,828	225,168	217,972
Electricity, Gas, Water	213,790	186,640	73,555
Construction	208,224	178,357	478,394
Services	694,104	529,102	171,493
Wholesale and Retail Trade	382,399	312,991	106,558
Hotel,Food,Beverage Services	149,338	104,333	13,411
Transportation and Telecommunication	54,538	36,127	40,232
Financial Institutions	8,783	8,783	245
Real Estate and Lending Services	81,582	49,728	8,648
Self employment Service	-	-	-
Education Service	13,564	13,553	1,945
Health and social Services	3,900	3,587	454
Other	316,849	243,297	19,225
Total	1,717,577	1,381,251	997,611

Prior Period	Non-performing Loans	Specific Provisions	Write-Offs
Agricultural	11,051	9,317	3,402
Farming and raising livestock	11,051	9,317	3,402
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	697,527	597,699	77,805
Mining	52,602	48,756	39,656
Production	573,656	477,924	38,149
Electricity, Gas, Water	71,269	71,019	-
Construction	594,696	551,548	76,067
Services	1,032,983	799,745	269,634
Wholesale and Retail Trade	591,037	484,400	127,235
Hotel,Food,Beverage Services	171,126	113,313	2,366
Transportation and Telecommunication	114,156	97,477	78,629
Financial Institutions	14,726	12,711	-
Real Estate and Lending Services	101,814	61,071	59,509
Self employment Service	-	-	-
Education Service	35,509	26,656	1,823
Health and social Services	4,615	4,117	72
Other	154,684	112,128	21,041
Total	2,490,941	2,070,437	447,949

Aging analysis for overdue receivables

Current Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over	Total
Corporate Loans	81,483	252,909	597,959	181,075	287,574	1,401,000
Retail Loans	45,534	111,208	100,919	2,388	1,651	261,700
Credit Cards	15,696	14,608	14,860	184	110	45,458
Others	1,248	1,995	4,144	273	1,759	9,419
Total	143,961	380,720	717,882	183,920	291,094	1,717,577

Prior Period	Up to 3 Months	3-12 Months	1-3 Years	3-5 Years	5 Years and Over	Total
Corporate Loans	177,741	234,849	558,199	1,180,520	185,070	2,336,379
Retail Loans	23,180	61,860	25,042	5,438	3,936	119,456
Credit Cards	3,605	9,103	6,046	4,398	171	23,323
Others	753	2,255	2,112	2,138	4,525	11,783
Total	205,279	308,067	591,399	1,192,494	193,702	2,490,941

3.2. Credit Risk Mitigation

3.2.1. Qualitative information on Credit Risk Mitigation Techniques

The Bank applies credit risk mitigation techniques by taking into account the types of collateral accepted under the "Regulation on Measurement and Assessment of Capital Adequacy of Banks". In this context, the calculation is made by matching the collaterals that meet the necessary conditions with the relevant risks and multiplying the risks by the relevant weights. In accordance with Article 38 of the Communiqué on Credit Risk Mitigation Techniques, credit risk mitigation is performed according to the simple financial collateral method. Within the scope of this method, there is no on-balance sheet and off-balance sheet netting in credit risk mitigation techniques.

It is essential that the loans extended by the Bank are repaid with the income generated from the main activities of the customer. On the other hand, in order to protect itself, the Bank has the right to request various collaterals for the loans allocated, although their degrees vary. The risk mitigation function of the collaterals is measured by their legal enforceability in case of default, their time of redemption and their ability to protect their value.

Repayment of credit extensions by the Bank with revenue obtained from the main activities of the client constitutes a basis. On the other hand, the Bank has the right to demand various collaterals having different levels in order to provide a hedging for itself regarding provided credits. Risk mitigation function of collaterals are measured with their legal applicability in case of default and liquidation periods.

Main collaterals and supporting collaterals are the elements that constitute the guarantee of our loans extended to our customers. Main collaterals are tangible collaterals which can easily be liquidated. These collaterals can be divided into two as liquid (can be easily liquidated) and other (can be liquidated in a longer time) collaterals. Collaterals, which are not in supportive nature, are intangible collaterals. It is more difficult to liquidate such collaterals compared to main collaterals.

Principles and application criteria related to guarantees are included in the policy, guide and process documents. The guarantees that can be taken by the Bank are explained in the policy and guidance documents with all their features. In order for a new type of collateral to be accepted by the Bank, a report containing the definition, nature, valuation of the relevant collateral, as well as the collateral and resolution procedures is prepared by the relevant unit and this report is submitted for the approval of the Credit Risk Committee. As a result of the approval of this Committee, the relevant collateral may be accepted by the Bank. Following the Committee's approval, the first Credit Committee and the Board of Directors are informed about the new collateral type, and the relevant policy is updated and submitted to the Board of Directors for approval upon the recommendation of the Credit Committee.

The ratio of the loan amount to the value of the collateral (Loan-to-Value-Ratio) in the loans to be extended in return for collaterals and foreign currency current/participation account pledges, the value of which can change continuously due to their nature (Gold, Shares in accordance with Participation Banking Principles and Standards, Lease Certificate, Bank Guarantee, etc.) are determined according to the volatility of the relevant asset price or value and these rates are included in the relevant Bank's policy. In the determination of the loan collateral ratio, the losses that may occur due to the conversion of the collateral into money and the risks related to the asset taken as collateral are also taken into account. Bank information systems work to monitor credit conditions and to improve the collateral received from customers in a way that ensures compliance with the terms of use.

All collaterals received by the Bank for both individual and commercial credits are monitored and reported. The report includes type of collaterals, segment-based breakdowns of collaterals, cash and non-cash total risk, total collateral amount and collateral ratio. Collateral risk development by segment is examined and the total collateral and collateral ratio is determined in this scope. Secured and unsecured risk ratios are calculated based on segment. The outcome of the report is submitted to senior management.

3.2.2. Credit risk mitigation techniques overview

Current Period		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	87,120,717	33,865,125	16,389,586	54,357	43,953	-	-
2	Debt securities	49,973,308	-	-	-	-	-	-
3	Total	137,094,025	33,865,125	16,389,586	54,357	43,953	-	-
4	Of which defaulted	265,556	70,770	5,744	-	-	-	-

Prior Period		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	32,438,299	-	-	-	-	-	-
3	Total	97,683,357	14,699,453	4,569,419	87,414	67,701	-	-
4	Of which defaulted	327,304	93,200	5,209	-	-	-	-

3.3 Credit Risk when Standard Approach is used

3.3.1. Disclosures regarding Rating Grades used while calculating Credit Risk with Standard approach

The Participation Bank uses the ratings of Standard & Poor's (S&P), Moody's, Fitch Ratings and The Islamic International Rating Agency (IIRA).

For the risk classes of receivables from countries or central banks, the ratings of the IIRA rating agency are taken into account, while for those that do not have a rating from this agency, the credit ratings published by the Organization for Economic Cooperation and Development (OECD) are used within the scope of country risk classification. For the risk classes of receivables from foreign banks and intermediary institutions, the ratings of Standard & Poor's (S&P), Moody's and Fitch Ratings international credit rating agencies are used together, if available.

The Participation Bank uses the institution matching table. CRAs not included in the institution matching table are not used.

The matching of the ratings given by the Fitch Ratings International Rating Agency with the risk weights according to the credit quality level and risk classes is shown in the table below:

Credit Quality Level	Long term credit rating	Risk Classes			
		Exposures to Central Governments or Central Banks	Exposures to Banks and Brokerage Houses		Exposures to Corporates
			Exposures with Original Maturities Less Than 3 Months	Exposures with Original Maturities More Than 3 Months	
1	AAA and AA-	0%	20%	20%	20%
2	A+ and A-	20%	20%	50%	50%
3	BBB+ and BBB-	50%	20%	50%	100%
4	BB+ and BB-	100%	50%	100%	100%
5	B+ and B-	100%	50%	100%	150%
6	CCC+ and below	150%	150%	150%	150%

3.3.2. Standardised Approach – Credit risk exposure and credit risk mitigation (CRM) effects

Current Period		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset Classes		On-balance sheet amount (*)		On-balance sheet amount		RWA	
1	Exposures to central governments or central banks	84,268,796	-	84,268,796	-	-	0%
2	Exposures to regional governments or local authorities	763,987	38,097	763,987	19,049	780,570	100%
3	Exposures to public sector entities	909,817	31,552	909,817	15,226	923,282	100%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organisations	-	-	-	-	-	0%
6	Exposures to institutions	3,274,014	269,160	3,274,014	244,718	783,361	22%
7	Exposures to corporates	29,123,131	17,676,571	29,123,131	10,556,518	29,967,074	76%
8	Retail exposures	27,558,986	20,586,363	27,558,986	5,925,281	15,682,505	47%
9	Exposures secured by residential property	4,615,484	708,694	4,615,484	237,000	1,705,645	35%
10	Exposures secured by commercial real estate	2,615,794	985,655	2,615,794	567,116	1,591,455	50%
11	Past-due loans	192,093	-	192,093	-	120,075	63%
12	Higher-risk categories by the Agency Board	14,517,361	1,261	14,517,361	1,261	25,716,322	177%
13	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	11,343,329	-	11,343,329	-	7,246,204	64%
17	Investments in equities	46,184	-	46,184	-	46,184	100%
18	Total	179,228,976	40,297,353	179,228,976	17,566,168	84,562,676	43%

Prior Period		a	b	c	d	e	f
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset Classes		On-balance sheet amount (*)		On-balance sheet amount		RWA	
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 public sector entities	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 institutions	6,419,066	235,817	6,419,066	217,373	1,392,309	21%
7	Exposures to corporates	28,189,367	10,894,063	28,189,367	6,221,090	27,687,931	80%
8	Retail exposures	19,646,137	9,341,172	19,646,137	2,731,052	11,523,791	51%
9	Exposures secured by residential property	2,336,899	379,781	2,336,899	134,627	865,321	35%
10	Exposures secured by commercial real estate	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	Exposures in the form of covered bonds	-	-	-	-	-	0%
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
16	Other assets	5,906,064	-	5,906,064	-	3,457,220	59%
17	Investments in equities	43,847	-	43,847	-	43,847	100%
18	Total	117,882,241	21,639,203	117,882,241	9,771,544	60,793,299	48%

3.3.3. Standardised Approach – Exposures by asset 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	84,268,796	-	-	-	-	-	-	-	-	-	84,268,796
2 Exposures to regional governments or local authorities	2,466	-	-	-	-	-	780,570	-	-	-	783,036
3 Exposures to public sector entities	1,367	-	493	-	-	-	923,183	-	-	-	925,043
4 Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5 Exposures to international organisations	-	-	-	-	-	-	-	-	-	-	-
6 Exposures to institutions	-	-	3,361,012	-	93,122	-	64,598	-	-	-	3,518,732
7 Exposures to corporates	9,086,468	-	782,633	-	-	-	29,810,548	-	-	-	39,679,649
8 Retail exposures	10,577,908	-	3,233,359	-	-	18,548,665	1,124,335	-	-	-	33,484,267
9 Exposures secured by residential property	-	-	-	4,803,982	48,502	-	-	-	-	-	4,852,484
10 Exposures secured by commercial real estate	-	-	-	-	3,182,910	-	-	-	-	-	3,182,910
11 Past-due loans	5,476	-	8	-	133,072	-	53,537	-	-	-	192,093
12 Higher-risk categories by the Agency Board	1,025	-	273	8,640	143	-	908	7,047,281	7,386,806	73,546	14,518,622
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	-	-	-	-	-	-	46,184	-	-	-	46,184
17 Other assets	2,042,647	-	2,568,098	-	-	-	6,732,584	-	-	-	11,343,329
18 Total	105,986,153	-	9,945,876	4,812,622	3,457,749	18,548,665	39,536,446	7,047,281	7,386,806	73,546	196,795,144

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	-	-	-	27,312,753	-	-	-	34,410,457
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	-	-	-	3,306,800	-	-	-	5,906,064
18 Total	55,865,418	-	12,076,452	2,491,090	3,501,689	13,134,015	34,390,381	1,786,884	4,401,737	6,118	127,653,785

4. Explanations and Disclosures on Counterparty Credit Risk (CCR)

4.1. Information on Counterparty Credit Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policies are at least annually updated while policy, process and procedures are updated at required frequency considering legal or intra-bank changes.

Risk weighted amount calculations are made in accordance with “Communique on Measurement and Evaluation of Bank’s Capital Adequacy” in scope of Counterparty Credit Risk. Counterparty credit risk arising from trading accounts is calculated using the simplified approach. Nostro, foreign trade transactions, exchange, substitution exchange cost, usuary, precious metal nostro limits are determined for transactions made with domestic and foreign institutions.

Over-the-counter derivative financial instruments and credit derivatives included in the trading accounts, securities or commodities based on securities or commodities that are included in the trading portfolio, and sales with the promise of repurchase and purchase contracts with the promise of resale, contracts, loaned securities transactions and clearing for long-term transactions, counterparty credit risk capital requirement calculation is performed.

Counterparty credit risk capital liability is calculated for forward foreign currency purchase / sale transactions, foreign currency-based options, swap money purchase / sale transactions, profit share swap transactions, purchase-sale contracts and secured borrowing transactions. For these transactions, risk amounts, and related risk-weighted amounts are calculated in accordance with the procedures and principles set out in the “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”.

Transactions are monitored whether they are made in line with limits by the limit owner or not. If there is overflow in aforementioned limits, related departments are informed and actions taken by departments are monitored.

In counterparty credit risk management, risk mitigation methods such as offset and collateralization. Controls of collaterals are performed on a daily basis. If there is a transactions with missing collateral branches are automatically informed via e-mail and it is requested to complete missing collateral.

Counterparty credit stress tests include risk sourcing due to expected loss effect caused by deteriorations occurring in creditability and concentration risk related to a single counterparty or group of counterparty. Stress tests, which shall be applied for counterparty credit risk, are performed based on scenarios included in related intra-bank procedures.

4.2. Analysis of counterparty credit risk exposure by approach

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)	212,417	302,869		1,4	721,401	252,127
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)					20,653,414	763,958
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 derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						1,016,085

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 derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						3,653,888

4.3. Credit valuation adjustment (CVA) capital charge

	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	721,401	97,495	611,611	91,991
4 Total amount of CVA capital adequacy	721,401	97,495	611,611	91,991

4.4. Standardised approach of CCR exposures by regulatory portfolio and risk weights

Current 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	14,645,064	-	-	-	-	-	-	-	-	14,645,064
2	Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-	-
3	Administrative and non commercial receivables	901	-	493	-	-	-	-	-	-	1,394
4	Multilateral development bank receivables	-	-	-	-	-	-	-	-	-	-
5	International organisations receivables	-	-	-	-	-	-	-	-	-	-
6	Banks and intermediary institutions receivables	-	-	215,420	-	39,036	-	-	-	-	254,456
7	Corporate receivables	248,888	-	490,375	-	-	-	136,546	-	-	875,809
8	Retail receivables	2,579,417	-	2,809,195	-	-	209,017	-	-	-	5,597,629
9	Mortgage receivables	-	-	-	463	-	-	-	-	-	463
10	Non performing receivables	-	-	-	-	-	-	-	-	-	-
11	High risk defined receivables	-	-	-	-	-	-	-	-	-	-
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	17,474,270	-	3,515,483	463	39,036	209,017	136,546	-	-	21,374,815

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

4.5. Collateral for CCR exposure

Current Period	a	b	c	d	e	f
	Collaterals for Derivatives				Other Transactions Collaterals	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Reserved	Not Reserved	Reserved	Not Reserved			
Cash-Local Currency	-	2,052	-	-	-	-
Cash-Foreign Currency	-	45,186	-	290,535	-	-
Government Bond/Bond-Local Currency	-	-	-	-	-	5,517,952
Government Bond/Bond-Other	-	-	-	-	-	611,780
Public Establishment Bond/Bond	-	-	-	-	-	-
Corporate Bond/Bond	-	-	-	-	-	-
Share Certificate	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	47,238	-	290,535	-	6,129,732

Prior Period	a	b	c	d	e	f
	Collaterals for Derivatives				Other Transactions Collaterals	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
Reserved	Not Reserved	Reserved	Not Reserved			
Cash-Local Currency	-	12,019	-	-	-	-
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	-	12,019	-	600,084	-	9,924,688

5. Explanations and Disclosures on Consolidated market risk

5.1. Explanations on Market Risk

Internal legislations consisting of policy, process and procedures in which counterparty credit risks exposed by the Bank are defined and measurement, monitoring and control processes are detailed exists within the body of the Bank. Policy, process and procedures are at least annually updated or are updated at required frequency considering legal or intrabank changes.

Studies related to market risk are performed by Risk Reporting Directorate subject to Risk Policies and Reporting Directorate under Risk Center Directorate. Related studies include legal market risk calculations, follow-up of compliance to limits determined by the Bank and stress test calculations. There exists close collaboration with Asset Liability Management Directorate in scope of market risk management. Opinions and recommendations are received from aforementioned directorate on establishing and updating of intra-bank policy, procedure and process documents which may be considered in scope of market risk. In addition, if there exists non-compliance to limits monitored in scope of market risk, information is obtained from related departments regarding reasons for overflows and actions which are/shall be taken.

Principal amount subject to market risk is calculated through using standard method in scope of "Communique on Measurement and Evaluation of Bank's Capital Adequacy" at Bank. Interest (dividend) rate risk, calculated in accordance with standard method, is reached through multiplying total capital liabilities required for exchange rate risk (including gold), commodity risk, exchange risk and share risk.

The Bank portfolio used for capital adequacy calculations within the scope of Market Risk monitoring procedures consists of the following positions:

- Spot long/short,
- Forward long/short,
- Unaccrued income long/short,
- Option Delta-equivalent long/short,
- Non-cash loans long/short,
- Gold/Commodity long/short

Measurement, monitoring and control of risks subject to market risk are performed through using “Treasury Transaction Limits” determined by Board of Directors of the Bank in addition to legal arrangements. Treasury Transaction limits are as follows:

- Foreign Exchange Position Limit for Strategic Purpose
- Foreign Exchange Open Trading Limit
- Foreign Exchange Stop-Loss Trading Limit
- Security Trading Limit
- Security Trading Stop-Loss Limit
- Sukuk Limit issued by Under secretariat of Treasury Asset Management Incorporated Company
- Private Sector Sukuk Limit

In addition, within the scope of market risk, the weekly simple arithmetic average of the absolute values of the foreign currency net general position/equity standard ratio calculated on business days is the ratio specified in the “Regulation on Calculation and Application of the Foreign Currency Net General Position/Equity Standard Ratio by Banks on a Consolidated and Unconsolidated Basis” is managed in an inordinate manner.

The Bank's market risk level can be quantified on a daily basis through the Market Risk application and the changes in market risk factors (profit share rate, exchange rates, commodity price, etc.) are monitored. The ratio of the value at risk to the present value of the relevant position is monitored daily through the Market Risk application.

The limit types defined for treasury transactions with domestic or foreign financial institutions as; nostro, trade finance, settlement, presettlement, murabaha, precious metals nostro, compliance with these limits can be monitored in the Bank's management system. Risk mitigation methods such as netting and collateralization are also used for counterparty credit risk management of financial institutions.

The profit share rate risk arising from banking accounts is managed in such a way not to exceed the ratio stated in the “Regulation on the Measurement and Evaluation of the Interest Rate Risk Arising from Banking Accounts via the Standard Shock Method” issued by the BRSA.

In addition, stress tests are carried out in order to measure the effects of changes in market risk factors on the financial structure or cash flow of the Bank as of minimum monthly periods or when necessary, and to determine the liquidity level required for the future periods due to these effects. The results of the stress tests carried out for expected situation, negative situation and extreme negative situation scenarios are measured and the measurement results are reported to the Bank's Asset and Liability Committee to be used in the management of the Bank's liquidity level. The Bank's currency risk is hedged by the Treasury Group's foreign exchange transactions with customers or interbank spot transactions.

In market risk stress tests, interest rate, exchange rate and commodity risk components of the market are considered separately and the results are consolidated. The methods to be followed for these components in stress tests are specified in internal documents.

5.2. Market Risk Explanations-Standardised approach

		RWA	
		Current Period	Prior Period
Outright products			
1	Interest rate risk (general and specific)	320,888	129,963
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1,598,625	814,250
4	Commodity risk	3,376,750	3,556,162
Options			
5	Simplified approach	-	-
6	Delta-plus method	688	13
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	5,296,263	4,500,375

6. Explanations and Disclosures on Operational Risk

6.1. Explanations on Operational Risk

The Bank has internal legislation consisting of policies, processes and procedures, in which the operational risks exposed are defined and the measurement, monitoring and control processes are detailed. Policies are updated at least once a year regarding legal or in-house changes, and documents related to processes, procedures and other practices prepared in accordance with the policies are updated for one year or in shorter terms if needed.

“Basic Indicator Approach” is used for the operational risk calculation of the Participation Bank. Principal amount subject to operational risk is calculated according to 4th Section, 1st part of “Communique on Measurement and Evaluation of Bank’s Capital Adequacy”, published at Official Gazette dated October 23, 2015 and numbered 29511, titled “Calculation of Principal Amounts subject to Operational Risk”. “Measurement tools, reporting systems, reporting thresholds and early warning indicators are determined for operational risk management, and Bank-level recommendations are provided on risk reduction, transfer strategies and opportunities.”

The operational risks of the bank and the losses (including risk concentrations) resulting from these risks are recorded in the loss database in accordance with the criteria laid down in the Basel standards and the best practices and analyzes are conducted using such data to ensure risk reduction.

Operational risks and related losses are reported to the Operational Risk Committee, the Audit Committee and the Board of Directors. At the Operational Risk Committee, the Bank’s operational risks at significant levels are monitored closely and the relevant directors are provided with the necessary actions to reduce operational risks.

Through the Fraud Risk Committee, it is ensured that fraud risk concentrations are monitored by performing analyzes on fraud events and risks, coordination/consultancy is provided for taking actions to reduce the Fraud risks that the bank is exposed to, and fraud trends at the bank level are reviewed and evaluated.

In addition to recording operational loss data, risk is minimized by using management tools such as risk limit, control practices, approval and confirmation mechanism, preventive and remedial actions, business continuity plans and transfer of risk out of the bank, key risk indicators and audit findings.

Key risk indicators are parameters that effectively measure the risks involved in an activity in bank and enable the potential adverse consequences of the risk to be recognized in advance. The purpose of the key risk indicators is to provide leading warning signals about possible events that may lead to a loss. Monitoring key risk indicators; provides an effective operational risk understanding and helps to establish the balance between the effects of risks and the measures taken to reduce risks.

The risks related to the information security, information systems and business continuity of the bank are evaluated within the scope of integrated risk management within the framework of operational risk management and the Operational Risk Committee and the actions to be taken are monitored.

Risk assessments are made before the purchasing process regarding the support services purchased by the bank, the assessments are submitted to the board of directors and the Audit Committee in a report and the adequacy of the services provided by the support service organizations is monitored and reported to the Senior Management.

The Support Service Risk Management Program, which includes the details and rules of the annual support service evaluation, and which regulates the principles regarding the governance of the support services planned or received in accordance with the Bank's "Regulation on the Procurement of Support Services by Banks", is presented to the Audit Committee and the Board of Directors.

In addition, the Periodic Risk Assessment Report, which includes the periodic review and risk assessment results of the support service companies, is submitted to the Audit Committee and the Board of Directors.

6.2. Operational Risk: Basic Indicator Model

Current Year	2 PY	1 PY	CY	Total/Positive GI year number	Ratio (%)	Total
Gross income	3,087,240	3,384,686	9,544,827	5,338,918	15	800,838
Amount subject to Operational Risk (Amount*12,5)						10,010,471

Prior Year	2 PY	1 PY	CY	Total/Positive GI year number	Ratio (%)	Total
Gross income	2,318,338	3,087,240	3,384,686	2,930,088	15	439,513
Amount subject to Operational Risk (Amount*12,5)						5,493,915

7. Disclosures on Profit Share Ratio in Banking Accounts

Core deposit calculation based on TL, USD and EUR currencies is made for current accounts on a monthly basis. Calculation is made through using Monte-Carlo Simulation and based on daily current deposit changes. The lowest value of current deposit on 99% trust level for the following month using historical daily change date during simulation phase. Core deposit rates are calculated through dividing calculated amount to deposit amount realized at the end of the month and aforementioned rates are used in the calculation of interest rate risk sourcing from banking accounts.

Current Period		Applied Shock (+/- x basis points)*	Gains /Losses	Gains/Share holders' Equity - Losses/Share holders' Equity
	Currency			
1	TRY	500	(1,413,080)	-5.07%
2	TRY	(400)	1,323,960	4.75%
3	EURO	200	220,843	0.79%
4	EURO	(200)	(231,050)	-0.83%
5	USD	200	1,080,590	3.88%
6	USD	(200)	(1,247,505)	-4.48%
-	Total (for negative shocks)	-	(154,595)	-0.55%
-	Total (for positive shocks)	-	(111,647)	-0.40%

Prior Period				
	Currency	Applied Shock (+/- x basis points)*	Gains /Losses	Gains / Shareholders' Equity - Losses/ Shareholders' Equity
1	TRY	500	(586,641)	-3.58%
2	TRY	(400)	561,820	3.43%
3	EURO	200	716,092	4.37%
4	EURO	(200)	(840,083)	-5.12%
5	USD	200	(64,808)	-0.40%
6	USD	(200)	71,295	0.43%
-	Total (for negative shocks)	-	(206,968)	-1.26%
-	Total (for positive shocks)	-	64,643	0.39%

SECTION FIVE: EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations Related to the Assets of Consolidated 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	752,236	1,790,106	639,759	1,049,333
Central Bank of Turkey	16,668,036	25,534,838	2,603,903	17,336,789
Other (*)	250,201	4,080,576	259,642	1,280,175
Total	17,670,473	31,405,520	3,503,304	19,666,297

(*) As of December 31, 2023, precious metal account amounts to TL 327,360 (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	14,294,957	2,620,252	2,597,476	479,148
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Other (*)	2,373,079	22,914,586	6,427	16,857,641
Total	16,668,036	25,534,838	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 34%. These rates are applied by banks as of the report date.

With the Communiqué on Amendments to the Communiqué on Required Reserves (Number: 2013/15) published in the Official Gazette dated 15.01.2023 and numbered 32074 (Number: 2023/4), required reserve ratios for Turkish lira deposits/participation funds with a maturity longer than 3 months are determined as 0%.

According to the Communiqué on Reserve Requirements published in the Official Gazette dated November 02, 2023 and numbered,

A communiqué regarding the amendment of the Communiqué on Required Reserves was published in the Official Gazette dated November 2, 2023 and numbered 32357. Accordingly, rates changed for accounts with exchange rate/price protection support for which different reserve requirement ratios are applied according to maturity. The new rates are as below:

- 30% for accounts provided with exchange rate/price protection support by the Central Bank with a maturity of up to 6 months (including 6 months)
- 10% for accounts provided with exchange rate/price protection support by the Central Bank with a maturity of up to 1 year and a maturity of more than 1 year

With the official letter shared by the CBRT dated September 18, 2023 and numbered E-CBRT.72919021-010.07.01-1956, the annual 8% commission application, which was differentiated according to the annual TL share to be collected on the amounts held in foreign currency, was terminated as of the calculation date of September 29, 2023.

As of the calculation date of September 29, 2023, the transition from accounts provided by the Central Bank with exchange rate protection support to Turkish lira accounts and the renewal of these accounts have been differentiated in line with the targets and an annual commission of 8% introduced.

In addition, with the official letter dated December 27, 2023 and numbered E-TCMB.72919021-010.07.01-2779 shared by the CBRT, the monthly increase target for the Turkish lira share of real and legal persons according to their Turkish lira share levels changed.

The current implementation of the commission is as follows:

- Implementation of an 8% commission, to be differentiated according to the conditions, for the renewal and conversion to Turkish lira of accounts that are provided with exchange rate/price protection support (conversion accounts) within the scope of the Communiqués published by the Central Bank (Applied by differentiating according to the Commission Based Renewal and TL Conversion Rate for conversion accounts of real and legal persons maturing in the relevant calculation period)
- There is a 3% percent commission implementation to be differentiated according to the Turkish lira share. (It is applied by differentiating according to the Commission Based Renewal and TL Transition Rate for the conversion accounts of real and legal persons maturing in the relevant calculation period)

2. Information on Banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic	389	119,981	639	31,612
Foreign (*)	74	3,301,728	95	6,524,044
Branches and Head Offices Abroad	-	-	-	-
Total	463	3,421,709	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 December 31, 2023, the relevant amount is TL 168,774 (December 31, 2022: TL 600,084).

Foreign Banks	Unrestricted Balances		Restricted Balances	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	488,392	520,480	-	-
USA and Canada	956,520	212,243	-	-
OECD Countries (*)	1,575,659	3,980,485	168,775	600,084
Off-Shore Banking Regions	18,507	1,121,874	-	-
Other	93,949	88,973	-	-
Total	3,133,027	5,924,055	168,775	600,084

(*) OECD countries other than the EU countries, USA and Canada

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

As of December 31, 2023, the government debt securities TL 8,367,455 (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 December 31, 2023, other financial assets includes TL 15,980 (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 1,170 of Albaraka portfolio start-up venture capital investment fund (December 31, 2022: TL 517) and TL 12,100 of Karz-ı Hasen loans with zero profit share (December 31, 2022: TL 3,395).

As of the balance sheet date, there are TL 8,309,903 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	23,774,101	21,099,716
Quoted on a Stock Exchange (*)	23,774,101	21,099,716
Not Quoted	-	-
Share Certificates	49,407	45,014
Quoted on a Stock Exchange	-	-
Not Quoted (**)	49,407	45,014
Impairment Provision (-)	(192,351)	(218,725)
Other	-	-
Total	23,631,157	20,926,005

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

(**) As of December 31, 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 11,322 (December 31, 2022: TL 6,929), İhracatı Geliştirme AŞ 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 December 31, 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 20,938,290 (December 31, 2022: TL 15,907,153), a total carrying value amounting to TL 23,581,750 (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 11,328,540 (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 5,523,423 (December 31, 2022: TL 13,419,276) 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	72,889	4,194	122,179	15,885
Swap Transactions	233,138	3,193	-	126,975
Futures Transactions	-	-	-	-
Options	-	7,604	-	50,041
Other	-	-	-	-
Total	306,027	14,991	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 Parent Participation Bank

	Current Period		Prior Period	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted to Shareholders	86	-	117	-
Corporate Shareholders	-	-	-	-
Real Person Shareholders	86	-	117	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	184,371	-	94,381	-
Total	184,457	-	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	
			Loans and Receivables with Revised Contract Terms	Refinance
Cash Loans				
Loans	103,953,529	3,005,304	-	4,160,958
Export Loans	16,383,129	4,798	-	29,813
Import Loans	2,927,802	50,913	-	-
Business Loans	55,270,511	2,684,166	-	4,115,326
Consumer Loans	23,662,691	111,711	-	6,820
Credit Cards	4,187,396	112,797	-	8,999
Loans Given to Financial Sector	1,509,197	1,030	-	-
Other	12,803	39,889	-	-
Other Receivables	-	-	-	-
Total	103,953,529	3,005,304	-	4,160,958

Prior Period	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring		
		Loans and Receivables Not-Subject to restructuring	Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Cash Loans				
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 (*)	420,388	-	187,679	-
Significant Increase in Credit Risk	-	1,456,631	-	1,169,284
Total	420,388	1,456,631	187,679	1,169,284

(*) The expected loss provision for Other Financial Assets Measured at Amortized Cost is TL 4,870 (December 31, 2022: TL 1,996).

6.3. Maturity Analysis of Cash Loans

Current Period	Standard Loans and Other Receivables	Loans and Receivables Under Close Monitoring	
		Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	59,565,173	1,489,954	289,616
Medium and Long-Term Loans and Other Receivables	44,388,356	1,515,350	3,871,342
Total	103,953,529	3,005,304	4,160,958

Prior Period	Standard Loans and Other Receivables	Loans and Receivables Under Close Monitoring	
		Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	39,373,800	296,302	359,008
Medium and Long-Term Loans and Other Receivables	32,714,184	1,120,455	3,782,991
Total	72,087,984	1,416,757	4,141,999

6.4. Collaterals Received for Loans and Other Receivables under Close Monitoring

	Current Period	Prior Period
Cash	903,640	145,937
Mortgages	2,564,589	2,420,777
Pledged Assets	1,173,999	787,331
Cheques and Notes	647,578	794,773
Collaterals	126	11,346
Unsecured Loans	2,189,054	1,649,327
Total	7,478,986	5,809,491

6.5 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	2,837,582	20,802,717	23,640,299
Real Estate Loans	10,689	6,800,417	6,811,106
Vehicle Loans	666,222	9,063,052	9,729,274
General Purpose Consumer Loans	2,160,671	4,939,248	7,099,919
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	2,822,860	50,128	2,872,988
With Instalment	628,621	50,128	678,749
Without Instalment	2,194,239	-	2,194,239
Individual Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Personnel Loans -TL	72,700	68,223	140,923
Real Estate Loans	-	2,206	2,206
Vehicle Loans	1,427	14,459	15,886
General Purpose Consumer Loans	71,273	51,558	122,831
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	42,907	541	43,448
With Instalment	12,023	541	12,564
Without Instalment	30,884	-	30,884
Personnel Credit Cards - FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (real persons)	-	-	-
Overdraft Accounts - FC (real persons)	-	-	-
Total	5,776,049	20,921,609	26,697,658

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

6.6. Information on Commercial Loans and Corporate Credit Cards

Current Period	Short Term	Medium and Long Term	Total
Commercial Loans with Instalment-TL	67,041	16,899	83,940
Business Loans	-	-	-
Vehicle Loans	184	16,695	16,879
General Purpose Consumer Loans	66,857	204	67,061
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	1,367,356	25,400	1,392,756
With Instalment	241,480	25,400	266,880
Without Instalment	1,125,876	-	1,125,876
Corporate Credit Cards-FC	-	-	-
With Instalment	-	-	-
Without Instalment	-	-	-
Overdraft Accounts - TL (corporate)	-	-	-
Overdraft Accounts - FC (corporate)	-	-	-
Total	1,434,397	42,299	1,476,696

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

6.7. Loans According to Types of Borrowers

	Current Period	Prior Period
Public	1,814,288	1,428,996
Private	109,305,503	76,217,744
Total	111,119,791	77,646,740

6.8. International and Domestic Loans

Loans excluding NPL is stated below:

	Current Period	Prior Period
Domestic Loans	110,731,054	77,302,174
International Loans	388,737	344,566
Total	111,119,791	77,646,740

6.9. Loans Granted to Subsidiaries and Participations

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

6.10. Information on Finance Lease Receivables

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	6,043,079	4,624,929	901,032	809,775
1-4 Years	6,420,618	4,909,412	1,224,796	1,093,723
More Than 4 Years	17,277	13,210	24,694	22,051
Total	12,480,974	9,547,551	2,150,522	1,925,549

6.10.2. Information on Net Investment in Financial Leasing

	Current Period	Prior Period
Gross Finance Lease Receivables	12,480,974	2,150,522
Income Earned from Other Operations apart from Finance Lease (-)	(2,933,423)	(224,973)
Written off leasing amounts	-	-
Total	9,547,551	1,925,549

6.10.3. 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 no any constraint due to finance lease contracts or any renewal that affects financial statements (December 31, 2022: None).

6.11. Other Financial Assets Measured at Amortized Cost

6.11.1. 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 10,721,533 (December 31, 2022: TL 2,646,073).

As of the balance sheet date, there are no other financial assets measured at amortized cost, which are subject to repurchase agreements and sales (December 31, 2022: TL 1,102,060).

6.11.2. Information on Other Financial Assets Measured at Amortized Cost

	Current Period	Prior Period
Debt Securities	18,024,103	7,036,428
Quoted on a Stock Exchange	18,024,103	7,036,428
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	18,024,103	7,036,428

6.11.3 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	8,500,000	5,960,000
Disposals Through Sales and Redemptions	-	(900,000)
Impairment Provision (-)	-	-
Income Accruals and Rediscunts (*)	2,487,675	1,057,895
Ending Balance	18,024,103	7,036,428

6.12. Specific Provisions for Loans

	Current Period	Prior Period
Loans and Receivables with Limited Collectability	83,093	156,011
Loans and Receivables with Doubtful Collectability	260,323	182,578
Uncollectible Loans and Receivables	1,037,835	1,731,848
Total	1,381,251	2,070,437

6.13. Information on Non-Performing Loans (Net)

6.13.1. 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 Collectability	IV. Group Loans and Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Receivables
Current Period:	671	1,068	8,541
(Gross Amount Before Specific Provisions)	671	1,068	8,541
Restructured Loans and Receivables	671	1,068	8,541
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 Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Prior Period Ending Balance	218,992	233,501	2,038,448
Additions (+)(*)	576,600	5,413	201,375
Transfers from Other Categories of Non- performing Loans (+)	-	596,460	478,482
Transfers to Other Categories of Non-performing Loans (-)	(596,460)	(478,482)	-
Collections (-)	(58,463)	(29,188)	(391,146)
Write-offs (-) (**)	(1,275)	(66)	(996,270)
Corporate and Commercial Loans	-	-	(431,916)
Retail Loans	(713)	(58)	(6,275)
Credit Cards	(348)	(8)	(9,766)
Other	(214)	-	(548,313)
Non-performing Rediscounts	213	(1,255)	(79,302)
Current Period Ending Balance	139,607	326,383	1,251,587
Specific Provisions (-)	(83,093)	(260,323)	(1,037,835)
Net Balance on Balance Sheet	56,514	66,060	213,752

(*) TL 115,382 of the transfer amounts during the period is an increase in exchange rate difference.

(**) The Participation Bank has written off TL 849,152 of its non-performing loans, excluding rediscount, for which it had provided 100% provision, from its assets. Its effect on NPL ratio is 0.68%. At the same time, Participation Bank transferred TL 148,459 of its non-performing loans portfolio in the current period to asset management companies and third parties in return for TL 43,242. The effect of transfer on the NPL ratio is 0.12%. The total effect of these two separate transactions on the NPL ratio is 0.80%.

Prior Period	Group III	Group IV	Group V
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	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. As of the balance sheet date, the Participation Bank has not assigned the amount written off from its assets to third parties. The effect on NPL ratio is 0.53%.

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

	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period:			
Period Ending Balance	-	-	19,153
Specific Provisions (-)	-	-	(19,153)
Net Balance on Balance Sheet	-	-	-
Prior Period:			
Prior Period Ending Balance	-	-	-
Specific Provisions (-)	-	-	-
Net Balance on Balance Sheet	-	-	-

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

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	Group V Uncollectible Loans and Receivables
Current Period (Net)	56,514	66,060	213,752
Loans to Individuals and Corporates (Gross)	139,103	324,705	1,239,271
Specific Provisions (-)	(82,781)	(259,053)	(1,025,945)
Loans to Individuals and Corporates (Net)	56,322	65,652	213,326
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	504	1,678	12,316
Specific Provisions (-)	(312)	(1,270)	(11,890)
Other Loans and Receivables (Net)	192	408	426

	Group III Loans and Receivables with Limited Collectability	Group IV Loans and Receivables with Doubtful Collectability	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)	-	-	-
Other Loans and Receivables (Gross)	827	888	14,743
Specific Provisions (-)	(724)	(613)	(13,522)
Other Loans and Receivables (Net)	103	275	1,221

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

	III. Group Loans and Receivables with Limited Collectability	IV. Group Loans and Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
Current Period(Net)	778	2,468	9,806
Interest accruals and valuation differences	1,481	7,756	157,108
Provision (-)	(703)	(5,288)	(147,302)
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)

6.13.6. Collaterals Received for Non-performing Loans

	Current Period	Prior Period
Cash	46,916	67,548
Mortgages	397,388	478,912
Pledged Assets	233,210	75,820
Cheques and Notes	480,892	1,001,781
Other	8,701	6,721
Unsecured Loans	550,470	860,159
Total	1,717,577	2,490,941

6.13.7. 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 148,459 transferred amount to the asset management companies and third parties excluding rediscount (December 31, 2022: None). Loan written off from assets was TL 849,152 without rediscount (December 31, 2022: TL 447,949). The risk amount that was canceled in previous years but transferred to asset management companies and third parties in the current period is TL 259,817 and the sales income is TL 73,810.

As of the fourth quarter of 2023, the amount of non-performing loans (NPL) written off by cancellation and transfer is TL 1,103,726, including the rediscount, and its effect on the NPL ratio is 0.80% (December 31, 2022: TL 519,937, 0.53%).

6.13.8. Non-Performing Loans and Main Guidelines of Liquidation Process for Loans and Receivables

Related loans are classified as non-performing loans as per “Determining the Nature of Loan and Other Receivable Provisions Allocated by Banks and Procedures and Principles of Allocating Provisions” which was published in the Official Gazette No:26333 on November 1, 2006.

6.14. Other Explanation and Disclosures

Aging analysis of past due but not impaired loans per classes of financial statements is stated as below:

Current Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	13,568	36,413	4,698	54,679
Loans to SMEs	83,001	7,825	1,914	92,740
Consumer loans	7,455	21,155	15,844	44,454
Total	104,024	65,393	22,456	191,873

(*) The overdue amounts of the loans are included, but the undue amounts of the loans are excluded.

Prior Period (*)	0- 30 Day	31- 60 Day	61- 90 Day	Total
Loans and Receivables				
Corporate loans	747	240	145	1,132
Loans to SMEs	102,792	3,651	3,773	110,216
Consumer loans	4,949	9,034	5,717	19,700
Total	108,488	12,925	9,635	131,048

(*) The overdue amounts of the loans are included, but the undue amounts of the loans are excluded.

7. Information on Non-Current Assets Held for Sale

The Participation Bank has assets held for sale amounting to TL 1,521 as of the balance sheet date (December 31, 2022: TL 11,691).

8. Information on Associates (Net)

The details of the Parent 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	169,706	154,090	13,572	34,448	2,385	3,878	-	-

Movement of consolidated associates

	Current Period	Prior Period
Balances at Beginning of Period	-	-
Movements During the Period	23,082	-
Acquisitions	22,500	-
Bonus Shares Received	-	-
Dividends from Current Year Profit	582	-
Sales	-	-
Revaluation Increase	-	-
Impairment Provisions	-	-
Balances at End of Period	23,082	-
Capital Commitments	67,500	-
Share Percentage at the End of Period (%)	15	-

Sector information and carrying amounts of consolidated associates

	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Companies	23,082	-

9. Information on Subsidiaries (Net)

According to a decision of the Parent Participation Bank's Board of Directors on October 22, 2012, asset rental company was established purposing rent certificate issues with the capital TL 50 as of February 11, 2013. Asset rental company named TF Varlık Kiralama AŞ 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 rental company was established purposing rent certificate issues with the capital of TL 50 as of July 8, 2014 named TFKB Varlık Kiralama AŞ.

	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 audited financial statements of TF Varlık Kiralama AŞ and TFKB Varlık Kiralama AŞ as of December 31, 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	7,916,131	92	-	-	-	6	5	-
2	128	98	-	-	-	(2)	2	-

Sector information and carrying amounts of consolidated subsidiaries

	Cari Dönem	Önceki Dönem
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Financing Companies	-	-
Other Financial Companies	100	100

10. Information on Entities under Common Control

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

11. Information on Tangible Assets

Current Period	Real Estates	Leased Tangible Assets	Other Tangible Assets	Total
Cost				
Cost at the beginning of Current Period	1,990,568	608,197	865,630	3,464,395
Current Term Transactions	2,830,161	173,831	542,427	3,546,419
Additions	66,501	379,082	599,905	1,045,488
Disposals	-	(205,251)	(57,478)	(262,729)
Transferred	-	-	-	-
Reversal of Impairment Losses	(457)	-	-	(457)
Appreciation	2,764,117	-	-	2,764,117
Cost at the End of Current Period	4,820,729	782,028	1,408,057	7,010,814
Accumulated Depreciation				
Accumulated Depreciation at the beginning of Current Period	(57,277)	(209,864)	(469,365)	(736,506)
Reversal of Accumulated Depreciation	-	-	-	-
Current Term Transactions	(26,443)	(41,516)	(116,523)	(184,482)
Depreciation Expense	(26,443)	(139,791)	(155,137)	(321,371)
Appreciation	-	-	-	-
Transferred	-	-	-	-
Disposals	-	98,275	38,614	136,889
Accumulated Depreciation at the End of Current Period	(83,720)	(251,380)	(585,888)	(920,988)
Net Book Value at the End of Prior Period	1,933,291	398,333	396,265	2,727,889
Net Book Value at the End of Current Period	4,737,009	530,648	822,169	6,089,826

Prior Period	Real Estates	Leased Tangible Assets	Other Tangible Assets	Total
Cost				
Cost at the beginning of Current Period	942,249	492,160	560,225	1,994,634
Current Term Transactions	1,048,319	116,037	305,405	1,469,761
Additions	54,675	266,742	316,923	638,340
Disposals	-	(150,705)	(11,518)	(162,223)
Transferred	-	-	-	-
Reversal of Impairment Losses	388	-	-	388
Appreciation	993,256	-	-	993,256
Cost at the End of Current Period	1,990,568	608,197	865,630	3,464,395
Accumulated Depreciation				
Accumulated Depreciation at the beginning of Current Period	(45,078)	(157,319)	(396,141)	(598,538)
Reversal of Accumulated Depreciation	-	-	-	-
Current Term Transactions	(12,199)	(52,545)	(73,224)	(137,968)
Depreciation Expense	(12,199)	(101,218)	(82,795)	(196,212)
Appreciation	-	-	-	-
Transferred	-	-	-	-
Disposals	-	48,673	9,571	58,244
Accumulated Depreciation at the End of Current Period	(57,277)	(209,864)	(469,365)	(736,506)
Net Book Value at the End of Prior Period	897,171	334,841	164,084	1,396,096
Net Book Value at the End of Current Period	1,933,291	398,333	396,265	2,727,889

The real estates recorded by the Participation Bank at their fair values under tangible fixed assets are classified in Level 3.

The Bank has adopted the revaluation method in the valuation of real estate properties in accordance with the Standard on Property, Plant and Equipment ("TAS 16"). If the real estate properties were measured by using the cost model, the carrying amounts would be as follows:

	Current Period	Prior Period
Cost	860,130	793,201
Accumulated Depreciation	(72,944)	(51,516)
End of Period Net Book Value	787,186	741,685

12. Information on Intangible Assets

12.1. Useful Life or Depreciation Rates Used

It is explained in the footnote numbered XIII in the Section 3.

12.2. Depreciation Methods Used for Intangible Assets

Intangible assets are depreciated by straight-line depreciation method.

12.3. Movement Table Between the Beginning and End of the Period

	Current Period	Prior Period
	Intangible Assets	Intangible Assets
Cost		
Cost at the beginning of Current Period	643,895	530,746
Current Term Transactions	308,421	113,149
Additions	308,421	113,865
Disposals (-)	-	(716)
Transferred	-	-
Impairment Losses	-	-
Cost at the End of Current Period	952,316	643,895
Accumulated Depreciation		
Accumulated Depreciation at the beginning of Current Period	(437,283)	(358,299)
Current Term Transactions	(111,408)	(78,984)
Amortisation Expense (-)	(111,412)	(79,092)
- Value Increase	-	-
Transferred	-	-
Disposals	4	108
Accumulated Depreciation at the End of Current Period	(548,691)	(437,283)
Net Book Value at the End of Prior Period	206,612	172,447
Net Book Value at the End of Current Period	403,625	206,612

13. Information on Investment Property

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

14. Explanations Related to the Deferred Tax Asset

As of December 31, 2023, the Participation Bank calculates TL 1,464,952 (December 31, 2022: TL 735,384) 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 3,208,938 (December 31, 2022: TL 1,101,250), the net deferred tax asset amounting to TL 1,743,986 (December 31, 2022: TL 365,866) was recorded.

	Current Period	
	Deferred Tax Assessment	Deferred Tax Asset /(Liability)
Employment Termination Benefits	510,948	153,285
Provisions	2,043,286	612,986
Short Term Employee Benefits	49,965	14,989
Provisions for Credit Cart Promotion	8,316	2,495
Provision for Lawsuits	147,382	44,215
Fair Value Difference on Financial Investments	(7,196)	(2,159)
Rediscount Difference	86,085	25,825
Fair Value Difference on Derivative Transactions	149,798	44,939
Fixed Asset Depreciation Difference	(363,805)	(109,141)
Revaluation Increase on Tangible Assets	(3,531,422)	(1,056,602)
Commission Rediscounts	597,700	179,310
Hedging Funds	457	137
Revaluation Profit/Loss on Precious Metals	811,316	243,395
Other (Net)	5,301,043	1,590,312
Deferred Tax Asset (Net)		1,743,986

	Prior Period	
	Deferred Tax Assessment	Deferred Tax Asset /(Liability)
Employment Termination Benefits	484,660	121,165
Provisions	1,205,286	301,321
Short Term Employee Benefits	34,441	8,610
Provisions for Credit Cart Promotion	9,349	2,337
Provision for Lawsuits	121,491	30,373
Fair Value Difference on Financial Investments	(1,682)	(421)
Rediscount Difference	17,460	4,365
Fair Value Difference on Derivative Transactions	108,608	27,152
Fixed Asset Depreciation Difference	(283,720)	(70,930)
Revaluation Increase on Tangible Assets	(908,495)	(225,712)
Commission Rediscounts	255,393	63,848
Hedging Funds	-	-
Revaluation Profit/Loss on Precious Metals	284,099	71,025
Other (Net)	130,926	32,733
Deferred Tax Asset (Net)		365,866

Movement of current and prior period of deferred tax assets is stated as below:

	Current Period	Prior Period
As of January 1	365,866	139,121
Current Period Gain/Loss	378,891	693,720
Deferred Tax Asset Accounted Under Equity	999,229	(466,975)
Deferred Tax Asset	1,743,986	365,866

15. Information on Other Assets

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

II. Explanations Related to the Liabilities of Consolidated 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	5,460,717	-	-	-	-	-	-	-	5,460,717
II. Real Persons Profit Sharing Accounts-TL	-	1,319,419	28,086,798	3,955,087	-	19,372,474	1,889,972	-	54,623,750
III. Other Current Accounts-TL	8,483,844	-	-	-	-	-	-	-	8,483,844
Public Sector	300,530	-	-	-	-	-	-	-	300,530
Commercial Sector	7,676,745	-	-	-	-	-	-	-	7,676,745
Other Institutions	138,326	-	-	-	-	-	-	-	138,326
Commercial and Other Institutions	359,047	-	-	-	-	-	-	-	359,047
Banks and Participation Banks	9,196	-	-	-	-	-	-	-	9,196
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	8,886	-	-	-	-	-	-	-	8,886
Participation Banks	310	-	-	-	-	-	-	-	310
Other	-	-	-	-	-	-	-	-	-
IV. Profit Sharing Accounts-TL	-	8,445,549	13,493,948	4,399,070	-	4,218,582	5,444	-	30,562,593
Public Sector	-	114,694	45,961	-	-	-	-	-	160,655
Commercial Sector	-	8,274,323	11,045,038	4,317,943	-	4,216,924	5,349	-	27,859,577
Other Institutions	-	44,231	1,973,611	81,127	-	1,658	95	-	2,100,722
Commercial and Other Institutions	-	3	379	-	-	-	-	-	382
Banks and Participation Banks	-	12,298	428,959	-	-	-	-	-	441,257
V. Real Persons Current Accounts-FC	16,215,802	-	-	-	-	-	-	-	16,215,802
VI. Real Persons Profit Sharing Accounts-FC	-	2,840,565	8,186,026	91,051	-	773,730	261,765	-	12,153,137
VII. Other Current Accounts-FC	12,771,401	-	-	-	-	-	-	-	12,771,401
Commercial Residents in Turkey	11,845,441	-	-	-	-	-	-	-	11,845,441
Commercial Residents in Abroad	911,980	-	-	-	-	-	-	-	911,980
Banks and Participation Banks	13,980	-	-	-	-	-	-	-	13,980
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	6	-	-	-	-	-	-	-	6
Foreign Banks	13,925	-	-	-	-	-	-	-	13,925
Participation Banks	49	-	-	-	-	-	-	-	49
Other	-	-	-	-	-	-	-	-	-
VIII. Profit Sharing Accounts Other-FC	-	6,608,789	11,877,303	75,229	-	84,151	79,784	-	18,725,256
Public Sector	-	1,062	-	-	-	-	-	-	1,062
Commercial Sector	-	6,479,921	11,587,507	75,188	-	65,517	6,139	-	18,214,272
Other Institutions	-	100,547	131,226	41	-	18,278	-	-	250,092
Commercial and Other Institutions	-	27,259	147,648	-	-	356	73,645	-	248,908
Banks and Participation Banks	-	-	10,922	-	-	-	-	-	10,922
IX. Precious Metal Accounts	13,871,783	19,165	2,495,609	1,292,951	-	264,475	7,584	-	17,951,567
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)	56,803,547	19,233,487	64,139,684	9,813,388	-	24,713,412	2,244,549	-	176,948,067

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	5,322,148	-	-	-	-	-	-	-	5,322,148
Public Sector	108,110	-	-	-	-	-	-	-	108,110
Commercial Sector	5,103,859	-	-	-	-	-	-	-	5,103,859
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)	43,083,844	8,461,084	41,396,945	3,801,931	-	5,547,855	555,393	-	102,847,052

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	30,927,094	22,032,170	73,684,862	49,722,664
TL Accounts	14,615,215	10,662,006	45,468,345	24,059,894
FC Accounts	16,311,879	11,370,164	28,216,517	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	3,681,616	2,418,857	48,833,330	24,848,381
TL Accounts	2,591,951	1,801,862	23,696,971	13,207,253
FC Accounts	1,089,665	616,995	25,136,359	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	6,447	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	9,267	6,723
Profit Sharing Accounts of Governmental Institutions, Credit Institutions and Financial Institutions	19,805,451	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 Parent 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	7,730,559	4,827,771	3,095,836	10,093,596
Funds Borrowed from Foreign Banks, Institutions and Funds	-	4,262,980	-	1,379,621
Total	7,730,559	9,090,751	3,095,836	11,473,217

2.2. Maturity Analysis of Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	7,730,559	7,907,794	3,095,836	11,068,473
Medium and Long-Term	-	1,182,957	-	404,744
Total	7,730,559	9,090,751	3,095,836	11,473,217

3. Information on Money Market Balances

	Current Period		Prior Period	
	TL	FC	TL	FC
Repurchase Agreements	5,447	-	3,130,312	-
Total	5,447	-	3,130,312	-

4. Information on Issued Securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Lease Certificates	105,125	-	567,460	-
Total	105,125	-	567,460	-

The Group has issued TL 9,200,000 in securities and paid TL 8,650,000 in the current period due to amortization.

5. Information on Derivative Financial Liabilities

Derivative Financial Liabilities at Fair Value Through Profit or Loss

Derivative Financial Liabilities Held for Trading	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transaction	176,930	4,560	30,025	9,882
Swap Transaction	5,205	276,517	425	333,318
Future	-	-	-	-
Options	-	7,604	-	50,038
Other	-	-	-	-
Total	182,135	288,681	30,450	393,238

6. Information on Finance Lease Payables (Net)

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than 1 Year	179,922	662	133,129	788
1-5 Years	356,209	1,259	254,202	-
More than 5 Years	54,935	-	60,265	-
Total	591,066	1,921	447,596	788

The Parent 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 Parent Participation Bank payments uses an unmodified discount rate unless the variable profit share rate is related.

7. Information on Provisions

7.1. 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).

7.2. Information on Employee Termination Benefits

As of December 31, 2023, the Participation Bank has unused vacation amounting to TL 49,965 (December 31, 2022: TL 34,441), performance premium provision of TL 548,048 (December 31, 2022: TL 342,729) and provision amount for severance indemnities amounting to TL 510,948 (December 31, 2022: TL 484,660).

The table of Employee Termination Benefits

	Current Period	Prior Period
Opening Balance	484,661	140,152
Current Service Costs	71,475	15,801
Profit Share Cost	44,251	25,387
Actuarial Loss (*)	(39,269)	320,749
Recognised Gain/Loss	93	5,631
Benefits Paid	(50,263)	(23,060)
Total Employment Termination Benefit Liability	510,948	484,660

(*) Actuarial losses of employee termination benefits amount to TL 336,762 (December 31, 2022: TL 376,030) are accounted under other capital reserves net amount to TL 101,029 (December 31, 2022: TL 94,007) which is net off deferred tax amount to TL 235,733 (December 31, 2022: TL 282,023).

7.3. 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	13,644	10,875
Specific Provision for Non Cash Loans not Indemnified or not Converted into Cash	185,300	105,125
Expected Loss Provisions for stage 1 and stage 2 Non-cash Loans	60,339	16,425
Provision for Lawsuits against Participation Bank	147,382	121,491
Provision for Decrease in Value Spot Transactions	8,784	2,106
Provision for Profits will be Allocated to Partipation Accounts (*)	189,336	269,830
Provision for Credit Cards Promotion Commitments	8,316	9,349
Other (**)	1,157,630	1,157,629
Total	1,770,731	1,692,830

(*) The Parent 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).

8. Information on Tax Liability

8.1. Information on Tax Provision

The Participation Bank has corporate tax liability amounting to TL 2,179,866 (December 31, 2022: TL 2,002,772) and The Participation Bank has prepaid tax amounting to TL 1,973,177 (December 31, 2022: TL 1,123,790) as of balance sheet date. The remaining corporate tax liability after the deduction of the prepaid tax amount is reflected to financial statements.

8.2. Information on Taxes Payable

	Current Period	Prior Period
Corporate Tax Payables	206,689	878,982
Tax on Securities Income	87,954	23,668
Tax on Real Estate Income	3,934	2,444
Banking Insurance Transaction Tax	166,189	65,712
Foreign Exchange Transaction Tax	4,524	9,514
Value Added Tax Payables	22,528	13,552
Other	56,647	30,327
Total	548,465	1,024,199

8.3. Information on Premiums

	Current Period	Prior Period
Social Security Premiums-Employees	27,500	14,749
Social Security Premiums-Employer	29,216	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	1,964	1,054
Unemployment Insurance- Employer	3,929	2,107
Other	5,624	128
Total	68,233	33,651

9. Information on Deferred Tax Liabilities

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

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

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

11. Information on Sub-Ordinated Loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic Institutions	-	-	-	-
Foreign Banks	-	7,364,950	-	4,678,005
Other Foreign Institutions	-	-	-	-
Total	-	7,364,950	-	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, subordinated 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 Saudi National Bank.

12. 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 December 31, 2023 and December 31, 2022.

13. Information on Shareholders' Equity

13.1. Presentation of Paid-in Capital

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

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

Registered share capital system is not applied in Group.

13.2.1. 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).

13.2.2. 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).

13.2.3. 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 Group has no capital commitments (December 31, 2022: None).

13.3. Indicators of the Parent Participation Bank's Income, Profitability and Liquidity for the Previous Periods and Possible Effects of These Future Assumptions on the Parent 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 Parent Participation Bank.

13.4. Information on Privileges Granted to Shares Representing the Capital

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

13.5. Information on Securities Value Increase Fund

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets valued at fair value through	263,747	83,874	1,282,356	(205,844)
Valuation Differences	263,747	83,874	1,282,356	(205,844)
Exchange Rate Differences	-	-	-	-
Total	263,747	83,874	1,282,356	(205,844)

13.6. 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 to legal reserves and TL 2,793,296 to extraordinary reserves of its 2022 profit amounting to TL 2,904,105.

III. Explanations Related to the Consolidated 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	6,543,879	3,196,886
Share capital commitments to associates and subsidiaries	67,500	-
Loan granting commitments	1,218,158	76
Commitments for cheque payments	1,581,485	1,024,121
Tax and fund obligations on export commitments	174,712	76,344
Commitments for credit card limits	8,764,527	3,298,057
Commitments for credit cards and banking services related promotion	8,817	9,349
Other irrevocable commitments	644,203	887,569
Total	19,003,281	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	25,622,329	14,245,781
Bank Endorsement and Acceptances	1,563,168	706,511
Letter of Credits	6,701,091	3,898,659
Other guarantees	-	-
Total	33,886,588	18,850,951

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

	Current Period	Prior Period
Temporary Guarantee Letters	847,615	751,499
Permanent Guarantee Letters	15,258,630	8,832,179
Advance Guarantee Letters	1,786,557	536,748
Guarantee Letters Given to Duties	819,657	780,064
Guarantee Letters for Cash Loan Coverage	5,524,556	2,161,927
Other Guarantee Letters	1,385,314	1,183,364
Total	25,622,329	14,245,781

1.2.3. Total Non-Cash Loans

	Current Period	Prior Period
Non-cash loans given against achieving cash loans	5,524,556	2,161,927
With maturity of 1 year or less than 1 year	69,922	50,981
With maturity more than 1 year	5,454,634	2,110,946
Other non cash loans	28,362,032	16,689,024
Total	33,886,588	18,850,951

1.2.4. Information on Sectoral Risk Concentration of Non-Cash Loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	147,038	0.80	123,176	0.79	40,200	0.41	6,219	0.07
Farming and raising livestock	147,038	0.80	123,176	0.79	40,200	0.41	6,219	0.07
Forestry	-	0.00	-	0.00	-	0.00	-	0.00
Fishing	-	0.00	-	0.00	-	0.00	-	0.00
Manufacturing	6,555,324	35.83	8,462,026	54.28	2,466,695	24.91	5,567,287	62.20
Mining	67,056	0.37	9,286	0.06	69,618	0.70	19,900	0.22
Production	6,318,048	34.53	7,174,662	46.02	2,294,020	23.17	4,499,882	50.28
Electricity, Gas, Water	170,220	0.93	1,278,078	8.20	103,057	1.04	1,047,505	11.70
Construction	4,032,240	22.04	1,224,144	7.85	2,611,531	26.38	895,068	10.00
Services	7,377,092	40.33	5,677,650	36.42	4,620,471	46.66	2,427,350	27.13
Wholesale and Retail Trade	5,481,147	29.96	3,549,346	22.77	3,284,398	33.17	1,621,284	18.11
Hotel,Food,Beverage Services	135,827	0.74	48,846	0.31	76,500	0.77	21,429	0.24
Transportation and Telecommunication	429,163	2.35	798,532	5.12	258,959	2.62	109,923	1.23
Financial Institutions	298,194	1.63	324,367	2.08	272,620	2.75	297,605	3.33
Real Estate and Lending Services	906,929	4.96	932,188	5.98	673,772	6.81	350,937	3.92
Self employment Service	-	0.00	-	0.00	-	0.00	-	0.00
Education Service	36,015	0.20	7,997	0.05	20,093	0.20	13,925	0.16
Health and social Services	89,817	0.49	16,374	0.11	34,129	0.34	12,247	0.14
Other	185,662	1.00	102,236	0.66	161,544	1.64	54,586	0.60
Total	18,297,356	100.00	15,589,232	100.00	9,900,441	100.00	8,950,510	100.00

1.2.5. Information on Ist and IInd Group Non-Cash Loans

	I st Group		II nd Group	
	TL	FC	TL	FC
Non-Cash Loans	17,863,913	15,132,404	433,443	456,828
Letters of Guarantee	16,636,818	8,100,590	433,443	451,478
Endorsement and Acceptances	1,227,095	336,073	-	-
Letters of Credit	-	6,695,741	-	5,350
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Commitments	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

2. Explanations Related to the Derivative Financial Instruments

	Current Period	Prior Period
Type of Trading Transactions		
Foreign Currency Related Derivative Transactions (I) :	62,916,888	48,832,958
Forward Transactions	17,890,078	10,669,653
Swap Transactions	41,968,255	22,313,310
Futures Transactions	-	-
Option Transactions	3,058,555	15,849,995
Other Trading Derivative Transactions (II)	6,848,626	2,277,266
A. Total Trading Derivative Transactons (I+II)	69,765,514	51,110,224

3. Explanations Related to the Contingent Liabilities and Assets

Participation Bank has no contingent liabilities assets (December 31, 2022: None).

4. Services Rendered on Behalf of Third Parties

Participation Bank does not serve on behalf and account of others (December 31, 2022: None).

IV. Explanations Related to 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 (*)	13,969,866	1,813,754	8,069,575	1,347,527
Short Term Loans	8,058,311	760,263	4,714,875	380,829
Medium and Long Term Loans	5,825,791	1,052,230	3,262,436	964,781
Profit Share on Non Performing Loans	85,764	1,261	92,264	1,917
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	13,969,866	1,813,754	8,069,575	1,347,527

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

1.2. Information on Profit Share on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	47,680	-	41,799	-
Domestic Banks	57	-	114	-
Foreign Banks	458	71,235	-	27,018
Branches and Head Office Abroad	-	-	-	-
Total	48,195	71,235	41,913	27,018

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	-	150,861	-	94,515
Financial Assets at Fair Value through Other Comprehensive Income	3,312,499	839,142	3,032,049	524,756
Financial Assets Measured at Amortised Cost	3,092,495	-	1,109,795	-
Total	6,404,994	990,003	4,141,844	619,271

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

In the current period, the Parent Participation Bank has no profit share of associates and subsidiaries (December 31, 2022: None).

2. Profit Share Expenses

2.1. Information on Profit Share on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	115,085	384,806	46,306	100,249
Central Bank of Turkey	-	-	-	-
Domestic Banks	115,085	104,400	46,306	27,399
Foreign Banks (*)	-	280,406	-	72,850
Branches and Head Office Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	115,085	384,806	46,306	100,249

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

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

In the current period, the Group does not have any profit share expenses related to its subsidiaries and affiliates (December 31, 2022: None).

2.3. Information on Profit Share Expense Given to Issued Securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit Share Expense Given to Issued Securities	56,241	-	278,208	-
Total	56,241	-	278,208	-

2.4. Distribution of Profit Share Expense on Funds Collected Based on Maturity of Funds Collected

Account Name	Profit Sharing Accounts					Accumulated Profit Sharing Account	Total
	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira							
Funds Collected from Banks via Current and Profit Sharing Accounts	9,293	113,589	-	-	-	-	122,882
Real Person's Non Commercial Profit Sharing Accounts	247,153	5,302,295	582,140	1,340,077	5,408	-	7,477,073
Public Sector Profit Sharing Accounts	36,784	36,255	-	-	-	-	73,039
Commercial Sector Profit Sharing Accounts	1,176,595	4,514,417	360,526	392,079	645	-	6,444,262
Other Institutions Profit Sharing Accounts	25,807	374,772	5,439	251	160	-	406,429
Total	1,495,632	10,341,328	948,105	1,732,407	6,213	-	14,523,685
Foreign Currency							
Banks	32	203	-	-	-	-	235
Real Person's Non Commercial Profit Sharing Accounts	12,320	33,373	414	6,210	1,596	-	53,913
Public Sector Profit Sharing Accounts	2	1	-	-	-	-	3
Commercial Sector Profit Sharing Accounts	103,878	203,032	941	1,234	28	-	309,113
Other Institutions Profit Sharing Accounts	2,307	6,280	3	109	759	-	9,458
Precious Metal Accounts	4	1,017	867	271	72	-	2,231
Total	118,543	243,906	2,225	7,824	2,455	-	374,953
Grand Total	1,614,175	10,585,234	950,330	1,740,231	8,668	-	14,898,638

3. Information on Dividend Income

The Parent Participation Bank has TL 746 dividend income (December 31, 2022: TL 799).

4. Information on Trading Income/Losses (Net)

	Current Period	Prior Period
Income	1,410,512,149	847,648,507
Trading Account Income	32,715	19,538
Derivative Financial Instruments	4,195,266	4,408,135
Foreign Exchange Gains	1,406,284,168	843,220,834
Loss	(1,406,869,196)	(845,949,642)
Trading Account Losses	(23,428)	(25,224)
Derivative Financial Instruments	(4,505,252)	(3,156,560)
Foreign Exchange Losses	(1,402,340,516)	(842,767,858)

5. Information on Other Operating Income

	Current Period	Prior Period
Communication Expense Charged to Customers	21,165	9,848
Gain on Sale of Assets	374,224	185,566
Checkbook Expenses	4,848	3,917
Reversals Related to Prior Year's Expenses	1,303,405	1,021,370
Other	39,876	12,980
Total	1,743,518	1,233,681

6. Expected Loss Provisions of the Group

	Current Period	Prior Period
Expected Credit Loss	2,010,143	2,071,738
12 Month expected credit loss (stage 1)	333,435	106,169
Significant increase in credit risk (stage 2)	778,655	914,892
Non-performing loans (stage 3)	898,053	1,050,677
Marketable Securities Impairment Losses	15,575	14,745
Financial Assets at Fair Value Through Profit and Losses	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	15,575	14,745
Securities Value Decrease	-	-
Investment in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	54,380	1,449,925
Total	2,080,098	3,536,408

(*) Other provision expenses amounting to TL 54,380 consist of profits to be distributed to participation accounts amounting to TL 26,024, litigation expenses amounting to TL 28,168 and other expenses amounting to TL 188 (December 31, 2022: Other provision expenses amounting to TL 1,449,925 consist of free provision for possible risks amounting to TL 1,155,000, amounts to be distributed to the participation accounts amounting to TL 228,969, provision for litigation expenses amounting to TL 65,931 and other expenses amounting to TL 25).

7. Information on Other Operating Expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	65,557	23,759
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	457	-
Depreciation Expenses of Tangible Assets	321,371	196,212
Impairment Losses on Intangible Assets	-	-
Amortization Expenses of Goodwill	-	-
Depreciation Expenses of Intangible Assets	111,412	79,092
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	1,076,446	542,211
Operating Lease Expenses according to TFRS 16	8,318	4,642
Repair and Maintenance Expenses	33,095	20,944
Advertisement Expenses	48,637	43,678
Communication Expenses	94,548	59,559
Electricity and Water Expenses	86,759	74,487
Cleaning Expenses	107,953	51,954
Vehicle Expenses	36,700	27,487
Stationary Expenses	21,880	20,342
Other Expenses	638,556	239,118
Loss on Sales of Assets	33,039	18,310
Other (*)	1,299,001	742,559
Total	2,907,283	1,602,143

(*) Other operating expenses include short-term employee benefits provision expenses amounting to TL 567,617, premiums paid to the Savings Deposit Insurance Fund amounting to TL 263,344 and other taxes and fees paid amounting to TL 310,981 (December 31, 2022: Other operating expenses include short-term employee benefits provision expenses amounting to TL 356,004, premiums paid to the Savings Deposit Insurance Fund amounting to TL 185,786 and other taxes and fees paid amounting to TL 118,502).

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

In accordance with the decision of the KGK dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or our independent audit firm is given in the table below. The said fees also include the audit fees of the Bank's subsidiaries.

	Current Period	Prior Period
Independent audit fee for the reporting period	4,500	2,477
Fees for tax consulting services	-	-
The cost of other assurance services	315	195
Total	4,815	2,672

8. Information on profit / loss before tax from continuing operations and discontinued operations:

The profit before tax of the Group is TL 7,646,296 (December 31, 2022: TL 4,227,744). The profit before tax consists of TL 7,543,921 net profit share income (December 31, 2022: TL 7,357,956) and consists of TL 2,641,625 net fees and commission income (December 31, 2022: TL 448,067). Total operating expenses amounted to TL 5,846,951 (December 31, 2022: TL 2,975,216).

9. Information on Provision for Taxes

The Parent Participation Bank tax reconciliation is listed below:

	Current Period	Prior Period
Profit Before Tax	7,646,296	4,227,744
Corporate Tax Ratio	30%	25%
Tax amount before discounts and additions	2,293,889	1,056,936
Discount	(1,110,856)	(1,188,742)
Additions	617,942	1,440,858
Calculated Tax	1,800,975	1,309,052

10. Explanations Related to the Net Profit/Loss Including Profit/Loss From Discontinued Operations

Net period profit is TL 5,845,321 (December 31, 2022: TL 2,918,692).

11. Explanation on Net Period Profit / Loss

11.1. 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 25,095,475, profit share expenses are TL 17,551,554 (December 31, 2022: profit share income TL 14,486,966, profit share expenses TL 7,129,010).

11.2. 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 (December 31, 2022: None).

11.3. 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 changes in accounting estimates which have material effects on the current period or expected to have material effects on the subsequent periods (December 31, 2022: None).

12. 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	3,936	1,733
Commission of Collection Note/Check	2,443	1,671
Commissions on Remittance	33,616	15,412
Insurance Commissions	440,749	167,650
Credit Letter Commissions	728	709
Expert Fees	52,228	11,642
Credit Card Fees and Commissions	446,466	186,556
Commissions on Member Firm -POS	132,009	70,417
Cash Import Commissions	893	697
Other Commissions and Fees	2,181,765	383,662
Total	3,294,833	840,149

Other Fees and Commissions Given	Current Period	Prior Period
POS Transaction Commission Expense	162,770	96,336
7/24 Card Domestic ATM Commission Given	14,509	6,754
Credit Card Service and Usage Expense	84,858	45,803
Commissions and Fees Given for Remittance	20,203	13,197
Expertise Fees	57,093	14,928
Other Commissions and Fees	553,733	369,255
Total	893,166	546,273

V. Explanations and Disclosures Related to the Statements of Shareholders' Equity Movement

1. Information on Any Increases Arising from Application of Accounting for Financial Instruments in the Current Period

1.1. Increase after Recavulation of Financial Assets at Fair Value through Other Comprehensive Income

In the current period, there is no increase occurred after the revaluation of financial assets at fair value through other comprehensive income (December 31, 2022: TL 1,038,770).

1.2. Increases Due to Cash Flow Hedges

As of December 31, 2023, there is no increase in cash flow hedging items (December 31, 2022: None).

1.3. Increases Due to the Revaluation of Tangible Fixed Assets

There is TL 3,545,511 increase after the revaluation of tangible fixed assets with their fair values in the current period (December 31, 2022: TL 791,758).

2. Information on Any Decreases Arising from Application of Accounting for Financial Instruments in the Current Period

2.1. Decreases from Valuation of Financial assets valued at fair value through other comprehensive income

In the current period, the decrease in fair value differences after revaluation of financial assets at fair value through other comprehensive income is TL 728,891 (December 31, 2022: None).

2.2. Decreases Due to Cash Flow Hedges

There is no decrease in cash flow hedge items in the current period. (December 31, 2022: None).

3. Information on Dividend

3.1. Dividends Declared Subsequent to the Balance Sheet Date, but Before the Announcement of the Financial Statements

None.

3.2. Dividends per Share Proposed Subsequent to the Balance Sheet Date

None.

4. Amounts Transferred to Legal Reserves Account

During the current period, TL 110,242 was transferred to the reserves and TL 2,793,863 to the extraordinary reserves (December 31, 2022: TL 42,045 to the extraordinary reserves, TL 879,003 to the extraordinary reserves).

5. Information on the Issuance of Shares

5.1. For All Capital Share Classes of the Participation Bank; Rights, Priorities and Restrictions on this Item, including Restrictions on Distribution of Dividends and Repayment of Capital

For all capital share classes of the Participation Bank; there is no restriction on dividend distribution and capital repayment (December 31, 2022: None).

5.2. Explanations on Other Capital Increase Items in the Statement of Changes in Equity

There are no other capital increase items.

VI. Explanations Related to Consolidated Statement of Cash Flows

1. Disclosures for “other” items and “effect of change in foreign currency rates cash and cash equivalents” in statement of cash flows

The “other” item amounting to a decrease of TL 1,878,103 under operating profit before changes in operating assets and liabilities composes of fees and commissions paid, other operating expenses excluding employee costs and depreciation expense, provision expense (December 31, 2022: TL 88,686 decrease).

The “net increase in other liabilities” amounting to TL 3,082,589 decrease under the changes in operating assets and liabilities is resulted from the changes in the miscellaneous payables and other external funding payables (December 31, 2022: TL 2,266,934 decrease).

As of December 31, 2023, the effect of change in the exchange rate on cash and cash equivalents calculated a gain of TL 2,779,658 (December 31, 2022: TL 2,602,773 gain).

2. Cash outflows from Acquisition of Associates, Subsidiaries and Joint-ventures

Cash outflow arising from the acquisition of associates, subsidiaries and other investments during the period is TL 22,500 (December 31, 2022: None).

3. Cash Inflows from Acquisition of Associates, Subsidiaries and Joint-ventures

There are no associates, subsidiaries and other investments acquired during the period (December 31, 2022: None).

4.1. Information on Cash and Cash Equivalents at Beginning of Periods

	December 31, 2022	December 31, 2021
Cash	5,701,824	6,407,086
Cash in TL and Foreign Currency	1,689,092	905,022
Central Bank of Turkey	3,083,050	2,144,313
Coins on the Road	929,682	3,357,751
Cash Equivalents	5,956,306	6,872,754
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	5,956,306	6,872,754
Total Cash and Cash Equivalents	11,658,130	13,279,840

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

	Current Period	Prior Period
Cash	23,476,484	5,701,824
Cash in TL and Foreign Currency	2,542,342	1,689,092
Central Bank of Turkey	16,930,726	3,083,050
Coins on the Road	4,003,416	929,682
Cash Equivalents	3,253,398	5,956,306
Receivables from Interbank Money Markets	-	-
Banks and Other Financial Institutions	3,253,398	5,956,306
Total Cash and Cash Equivalents	26,729,882	11,658,130

5. Cash and Cash Equivalent Assets Held by the Participation Bank or the Participation Bank, But Not in the Free Use of the Participation Bank due to Legal Restrictions or Other Reasons and Related Explanations

The placements at Central Bank of Turkey include blocked accounts with a total principal balance of TL 25,272,148 (December 31, 2022: TL 16,857,642) which is kept as reserve deposits for foreign currency liabilities. The non-free principal amount of TL 168,774 (December 31, 2022: TL 600,084) in the foreign banks account is the guarantee amount given by the Participation Bank for derivative transactions.

VII. Explanations on the Risk Group of the Parent Participation Bank

1. Information on the Volume of Transactions Relating to the Parent 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 Parent 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 Other Receivables						
Balance at the beginning of the period	-	-	117	-	2,691	13,468
Balance at the end of the period	-	-	86	-	4,631	10,110
Profit Share and Commission Income	-	-	577	-	811	195

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 Other Receivables						
Balance at the beginning of the period	-	-	166	-	1,412	15,497
Balance at the end of the period	-	-	117	-	2,691	13,468
Profit Share and Commission Income	-	-	18	-	643	175

1.2 Information on Current and Profit Sharing Accounts Related to Risk Group of the Parent 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	-	-	7,422	2,163	96,740	57,315
Balance at the end of the period	-	-	9,499	7,422	9,632	96,740
Profit Share Expenses	-	-	21	30	1,715	1,007

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

None.

1.4. Funds Borrowed from the Parent 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	-	-	4,678,005	3,246,755	-	-
Balance at the End of the period	-	-	9,261,688	4,678,005	-	-
Profit Share and Commission Expense	-	-	795,828	403,929	-	-

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 104,274 as of December 31, 2023 (December 31, 2022: TL 41,745).

VIII. Explanations on the Parent Participation Bank’s Domestic Branches, Branches Abroad and Off-shore Branches or Associates and Agencies

1. Explanations on the Parent Participation Bank’s Domestic Branches, Agencies anBranches Abroad and Off-shore

	Number of Branches	Number of Employees (*)			
Domestic Branches	305	2,018			
			Country		
Foreign Representative Offices			1-		
			2-		
				Total Assets	Legal Capital
Foreign Branches	-	-	1-	-	-
			2-		
Off-Shore Banking Branches			1-		
			2-		

(*) Number of Employees represents the number of personnel in branches. As of December 31, 2023, 1,806 employees work at the Head Office.

2. Explanations on Branch and Agency Openings or Closings of the Parent Participation Bank

In 2023, the Parent Participation Bank closed 3 domestic branches.

IX. Explanations Related to Subsequent Events

The Participation Bank reversed the free provision for possible risks amounting to TL 1.155.000 in January 2024 and recognized it as income.

With the BRSA Board decision dated January 11, 2024 and numbered 10825 the transition date for banks, financial leasing, factoring, financing, savings finance and asset management companies to "TAS 29 Financial Reporting in Hyperinflationary Economies" is set as January 1, 2025.

SECTION SIX: INDEPENDENT AUDITOR’S REVIEW REPORT

I. Other Explanations Related to Parent Participation Bank’s Operations

Information of the Parent Participation Bank related to rating given by international rating agencies:

FITCH RATINGS

Long Term FC	B- (Outlook: Negative)
Short Term FC	B
Long Term TRY	B (Outlook: Negative)
Short Term TRY	B
Financial Capacity Rating	b- (Outlook: Negative)
Main Shareholder Support Note	b-
Long Term National Rating	AA(tur)
Long Term National Rating Outlook	Stable

On September 22, 2023, international credit rating agency, Fitch Ratings, affirmed the long-term foreign and local currency credit ratings of Türkiye Finans Katılım Bankası AŞ as “B-” and “B”, respectively, while revised their outlook from “Negative” to “Stable”, following revising Turkey’s long-term rating Outlook from “Negative” to “Stable” on September 8, 2023. Financial capacity rating of the Bank was affirmed as “b-”.

SECTION SEVEN: INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Review Report

The consolidated financial statements and footnotes of the Participation Bank as of December 31, 2023 and for the period ended, have been subject to audit by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ and the audited report dated February 15, 2024 is presented before this report.

II. Explanations and Notes Prepared by Independent Auditors

None.