

KUVEYT TRK KATILIM BANKASI A.Ş.

Consolidated Financial Statements and Notes for The Period Ended 30 September 2023 with Independent Auditor's Review Report

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

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

INDEPENDENT AUDITORS' REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Kuveyt Türk Katılım Bankası A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Kuveyt Türk Katılım Bankası A.Ş. (the "Bank") and its subsidiaries (collectively referred as the "Group") at September 30, 2023 and the related 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 and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the nine-month-period then ended. The Group Management is responsible for the preparation of these consolidated of interim financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of the Group at September 30, 2023, and the results of its operations and its consolidated cash flows for the nine-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on Other Regulatory Requirements Arising From Legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in section VIII, are not consistent, in all material respects, with the reviewed consolidated financial statements and disclosures.

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

Emre Çelik, SMMM
Partner

13 November 2023
İstanbul, Turkey

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**THE CONSOLIDATED FINANCIAL REPORT OF KUVEYT TÜRK KATILIM BANKASI A.Ş.
FOR THE NINE-MONTH PERIOD THEN ENDED 30 SEPTEMBER 2023**

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

- General Information About the Parent Bank
- Consolidated Financial Statements of The Group
- Explanations on Accounting Policies Applied in The Period
- Information on Financial Structure of the Group Which Is Under Consolidation
- Disclosures and Explanations on Consolidated Financial Statements
- Other Explanations
- Independent Auditors' Limited Review Report
- Consolidated Interim Activity Report

The subsidiaries, associates and jointly controlled partners which are consolidated within the framework of this financial report are as follows:

	Subsidiaries	Associates	Jointly Controlled Partners	Mutual Funds
1.	KT Sukuk Varlık Kiralama A.Ş.		Katılım Emeklilik ve Hayat A.Ş.	KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon
2.	KT Kira Sertifikaları Varlık Kiralama A.Ş.			KT Portföy Birinci Katılım Serbest (TL) Fon
3.	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.			KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon
4.	KT Bank AG.			KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu
5.	KT Portföy Yönetimi A.Ş.			KT Portföy Lonca Girişim Sermayesi Yatırım Fonu
6.	Neova Katılım Sigorta A.Ş.			KT Portföy Neova Katılım Serbest Özel (TL) Fon
7.				KT Portföy Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu
8.				KT Portföy NKS Katılım Serbest (TL) Özel Fon

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

Hamad Abdulmohsen AL-MARZOUQ

Chairman of the Board of Directors

Shadi Ahmed Yacoub ZAHARAN

Chairman of the Audit
Committee

Nadir ALPASLAN

Member of the Audit Committee

Mohamed Hedi MEJAI

Member of the Audit
Committee

Ufuk UYAN

General Manager

Ahmet KARACA

Chief Financial Officer

Mehmed Tahir KAPLAN

Budget and Reporting Group
Manager

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

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KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

SECTION ONE
GENERAL INFORMATION

1. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status

Kuveyt Türk Katılım Bankası A.Ş. ("The Parent Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Parent Bank has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Parent Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment. The Parent Bank and its consolidated financial subsidiaries are named together as "Group".

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

As of 30 September 2023, 62.24% of the Parent Bank's shares are owned by Kuwait Finance House located in Kuwait, 18.72% by T.C. Vakıflar Genel Müdürlüğü, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

3. Explanations regarding the chairman and the members of board of directors, audit committee members, general manager and assistant general managers and their shares in the Parent Bank

Name	Title	Date of Assignment	Date of Audit Committee Assignments	Audit Committee End Date	Educational Degree	Ownership Percentage
Hamad A H D MARZOUQ	Head of the BOD	25/06/2014			Master	-
Shadi Ahmed YACOB ZAHARAN	Member of BOD and chairman of the Audit Committee	25/09/2020	04/11/2020		Master	-
Nadir ALPASLAN	Vice President of BOD and member of Audit Committee	15/04/2011	24/12/2019		Bachelor	-
Salah A E ALMUDHAF	Member of BOD	07/10/2019			Bachelor	-
Ahmad S A A ALKHARJI	Member of BOD	26/03/2014	24/09/2014	09/09/2020	Master	-
Mohamed Hedi MEJAI	Member of BOD and Audit Committee	25/03/2021	04/05/2021		Master	-
Gehad Mohamed ELBENDARY ANANY	Member of BOD	25/09/2020	09/09/2020	04/11/2020	Bachelor	-
Sinan AKSU	Member of BOD	08/05/2023			Bachelor	-
Ufuk UYAN	Member of BOD and General Manager	10/05/1999			Master	0.057%
Ahmet KARACA	Assistant General Manager, Financial Control.	12/07/2006			Master	0.001%
Ahmet Süleyman KARAKAYA	Assistant General Manager, Corporate and Commercial Banking	14/01/2003			Bachelor	-
Bilal SAYIN	Assistant General Manager, Lending	20/08/2003			Bachelor	0.004%
İrfan YILMAZ	Assistant General Manager, Banking Services	27/10/2005			Bachelor	0.020%
Dr. Ruşen Ahmet ALBAYRAK	Assistant General Manager, Treasury and International Banking.	05/05/2005			Doctorate	0.008%
Nurettin KOLAÇ	Assistant General Manager, Legal and Risk Follow Up	20/04/2010			Bachelor	0.001%
Aslan DEMİR	Assistant General Manager, Strategy	08/10/2012			Bachelor	0.006%
Mehmet ORAL	Assistant General Manager, Retail Banking	01/10/2012			Bachelor	0.005%
Abdurrahman DELİPOYRAZ	Assistant General Manager, SME Banking	09/01/2015			Bachelor	0.005%
Hüseyin Cevdet YILMAZ	Head of the Risk, Control and Compliance Group	16/12/2003			Bachelor	0.001%

Chairman and members of the Board of Directors, members of auditing committee, general manager and assistant general managers own 0.11% of the Parent Bank's share capital (31 December 2022 – 0.11%).

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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

4. Information on qualified shareholders

Name / Commercial Name	Share amount (Nominal)	Shareholding percentage	Paid shares (Nominal)	Unpaid shares
Kuwait Finance House	2,863,098	62.24%	2,863,098	-
T.C. Vakıflar Genel Müdürlüğü	861,086	18.72%	861,086	-
Total	3,724,184	80.96%	3,724,184	-

As of 30 September 2023, the shareholding structure of Kuwait Finance House, the main shareholder of the Bank, is as follows:

Name / Commercial Name	Share Amount
Kuwait Investment Authority	16.80%
The Public Institution for Social Security & Group	9.19%
The Public Authority for Minors Affairs	7.32%
Kuwait Awqaf Public Foundation	5.09%
Public Shares	61.60%
Total	100.00%

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

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

As of 30 September 2023, the Group is operating through 448 domestic branches (31 December 2022 – 449) with 6,822 employees (31 December 2022 – 6,536). Summary of some of the Parent Bank's operations described in the Articles of Association are as follows:

- To collect funds through "Current Accounts" and "Profit/Loss Sharing Accounts" and special fund pools in line with the regulations,
- To allocate funds to the economy and provide all kinds of cash, non-cash loans within the principles of non-interest banking,
- To offer financial and operational leasing,
- To handle all kinds of deposits and payments, including travellers' checks, credit cards and other payment instruments, provide member business services (POS), consulting, advisory, and safe deposit box services,
- To purchase financial instruments on money and capital markets in cash or instalments, sell and mediate the sale and trade on the stock exchange in accordance with legislation and principles of non-interest banking,
- To purchase, acquire and construct any kind of real estate and if necessary, lease or transfer ownership to other persons,
- To act as a representative, deputy or agent for corporations and enterprises (including insurance companies),
- To provide socially purposed assistance within the scope of the legislation within the principles of the The Parent Bank for the order and benefit of the society.

The Parent Bank's activities are not limited to the list above. If another transaction is decided to be beneficial to the Parent Bank, the transaction must be recommended by the Board of Directors, approved by the General Assembly, and authorized by relevant legal authorities after whom it also needs to be approved by the Ministry of Trade since it constitutes an amendment of the Article of Association. Decisions that have been approved through all these channels will be included to the Article of Association. Disclosures on the differences between the Communiqué on the Preparation of Consolidated Financial Statements of Banks and the consolidation transactions made in accordance with the Turkish Accounting Standards and the entities subject to full or proportionate consolidation, deducted from equity or not included in these three methods: According to the Communiqué on the Preparation of the Consolidated Financial Statements of Banks, only While financial partnerships are included in the scope of consolidation, all financial and non-financial partnerships should be included in the scope of consolidation in accordance with Turkish Accounting Standards and Turkish Financial Reporting Standards.

6. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between Parent Bank and its subsidiaries: None.

SECTION TWO

THE CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet- Assets (Statement of Financial Position)
- II. Consolidated Statement of Off-Balance Sheet Items
- III. Consolidated Statement of Profit or Loss (Income Statement)
- IV. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- V. Consolidated Statement of Changes in Shareholders' Equity
- VI. Consolidated Statement of Cash Flows

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

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

			Reviewed Current Period 30.09.2023			Audited Prior Period 31.12.2022		
			TL	FC	Total	TL	FC	Total
	ASSETS	Notes						
I.	FINANCIAL ASSETS (Net)		88,061,986	164,663,753	252,725,739	52,904,271	124,937,833	177,842,104
1.1.	Cash and Cash Equivalents		34,297,613	116,314,941	150,612,554	12,311,387	88,654,456	100,965,843
1.1.1.	Cash and Balances with Central Bank	(5.1.1.)	24,308,086	101,889,327	126,197,413	8,544,877	70,920,388	79,465,265
1.1.2.	Banks	(5.1.3.)	9,660,711	14,426,898	24,087,609	3,766,630	17,735,475	21,502,105
1.1.3.	Money Markets Placements		329,173	-	329,173	-	-	-
1.1.4.	Expected Credit Loss (-)		357	1,284	1,641	120	1,407	1,527
1.2.	Financial Assets at Fair Value Through Profit or Loss		7,707,668	22,633,501	30,341,169	4,151,113	14,461,079	18,612,192
1.2.1.	Government Debt Securities		664,469	20,213,180	20,877,649	449,467	12,760,756	13,210,223
1.2.2.	Equity Instruments		1,824,809	-	1,824,809	518,748	-	518,748
1.2.3.	Other Financial Assets		5,218,390	2,420,321	7,638,711	3,182,898	1,700,323	4,883,221
1.3.	Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.4.)	45,150,162	25,410,050	70,560,212	35,980,517	21,604,612	57,585,129
1.3.1.	Government Debt Securities		45,058,751	24,862,999	69,921,750	35,912,851	18,716,677	54,629,528
1.3.2.	Equity Instruments		91,411	198,787	290,198	57,689	123,209	180,898
1.3.3.	Other Financial Assets		-	348,264	348,264	9,977	2,764,726	2,774,703
1.4.	Derivative Financial Assets		906,543	305,261	1,211,804	461,254	217,686	678,940
1.4.1.	Derivative Financial Assets at Fair Value Through Profit or Loss	(5.1.2.)	906,543	305,261	1,211,804	461,254	217,686	678,940
1.4.2.	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	(5.1.11.)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED WITH AMORTISED COSTS (Net)		200,329,971	138,208,046	338,538,017	120,741,260	96,449,926	217,191,186
2.1.	Loans	(5.1.5.)	169,688,366	109,011,661	278,700,027	111,911,757	75,593,160	187,504,917
2.2.	Leasing Receivables	(5.1.10.)	15,832,607	17,812,235	33,644,842	7,312,649	13,550,753	20,863,402
2.3.	Financial Assets Measured at Amortized Cost	(5.1.6.)	25,273,156	18,615,895	43,889,051	9,104,466	13,573,735	22,678,201
2.3.1.	Government Debt Securities		25,176,884	18,035,278	43,212,162	9,104,466	13,174,566	22,279,032
2.3.2.	Other Financial Assets		96,272	580,617	676,889	-	399,169	399,169
2.4.	Expected Credit Loss (-)		10,464,158	7,231,745	17,695,903	7,587,612	6,267,722	13,855,334
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS(Net)	(5.1.16.)	352,274	-	352,274	117,719	-	117,719
3.1.	Held for Sale		352,274	-	352,274	117,719	-	117,719
3.2.	Related to Discontinued Operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		393,759	-	393,759	167,017	-	167,017
4.1.	Investments in Associates (Net)	(5.1.7.)	-	-	-	-	-	-
4.1.1.	Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2.	Unconsolidated Associates		-	-	-	-	-	-
4.2.	Investment in Subsidiaries (Net)	(5.1.8.)	123,680	-	123,680	23,680	-	23,680
4.2.1.	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2.	Unconsolidated Non-Financial Subsidiaries		123,680	-	123,680	23,680	-	23,680
4.3.	Investment in Joint Ventures (Net)	(5.1.9.)	270,079	-	270,079	143,337	-	143,337
4.3.1.	Joint Ventures Valued Based on Equity Method		270,079	-	270,079	143,337	-	143,337
4.3.2.	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	(5.1.12.)	2,309,895	75,154	2,385,049	1,582,752	68,702	1,651,454
VI.	INTANGIBLE ASSETS (Net)	(5.1.13.)	826,633	152,015	978,648	412,878	122,522	535,400
6.1.	Goodwill		-	-	-	-	-	-
6.2.	Other		826,633	152,015	978,648	412,878	122,522	535,400
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14.)	41,605	-	41,605	165,730	-	165,730
VIII.	CURRENT TAX ASSETS		-	-	-	-	-	-
IX.	DEFERRED TAX ASSETS	(5.1.15.)	3,734,887	173,799	3,908,686	1,119,845	138,267	1,258,112
X.	OTHER ASSETS	(5.1.17.)	21,468,504	471,976	21,940,480	3,839,392	1,212,397	5,051,789
	TOTAL ASSETS		317,519,514	303,744,743	621,264,257	181,050,864	222,929,647	403,980,511

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2023

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

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

			Reviewed			Audited		
			Current Period			Prior Period		
			30.09.2023			31.12.2022		
	LIABILITIES	Notes	TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(5.2.1.)	218,839,162	225,505,755	444,344,917	146,090,564	166,169,239	312,259,803
II.	FUNDS BORROWED	(5.2.3.)	223,324	66,808,901	67,032,225	611,751	27,222,891	27,834,642
III.	MONEY MARKETS		750,038	-	750,038	274,871	-	274,871
IV.	SECURITIES ISSUED (Net)	(5.2.4.)	2,292,093	-	2,292,093	2,294,758	-	2,294,758
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES		147,421	326,820	474,241	16,143	167,924	184,067
6.1.	Derivative Financial Liabilities at Fair Value Through Profit or Loss	(5.2.2.)	147,421	326,820	474,241	16,143	167,924	184,067
6.2.	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	(5.2.7.)	-	-	-	-	-	-
VII.	LEASE PAYABLES	(5.2.6.)	773,662	58,006	831,668	519,844	55,518	575,362
VIII.	PROVISIONS	(5.2.8.)	13,078,767	2,690,449	15,769,216	8,499,539	1,634,020	10,133,559
8.1.	Restructuring Provision		-	-	-	-	-	-
8.2.	Reserves for Employee Benefits		1,482,125	197,495	1,679,620	1,531,521	110,773	1,642,294
8.3.	Insurance for Technical Provision (Net)		9,943,538	9,087	9,952,625	5,386,707	-	5,386,707
8.4.	Other Provisions		1,653,104	2,483,867	4,136,971	1,581,311	1,523,247	3,104,558
IX.	CURRENT TAX LIABILITIES	(5.2.9.)	3,332,722	-	3,332,722	2,053,914	-	2,053,914
X.	DEFERRED TAX LIABILITIES	(5.2.9.)	-	-	-	-	-	-
XI.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(5.2.10.)	-	-	-	-	-	-
11.1.	Held for Sale		-	-	-	-	-	-
11.2.	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(5.2.11.)	-	16,704,088	16,704,088	-	11,424,892	11,424,892
12.1.	Loans		-	-	-	-	-	-
12.2.	Other Debt Instruments		-	16,704,088	16,704,088	-	11,424,892	11,424,892
XIII.	OTHER LIABILITIES	(5.2.5.)	22,801,430	3,342,056	26,143,486	4,312,078	1,862,230	6,174,308
XIV.	SHAREHOLDERS' EQUITY	(5.2.12.)	43,663,435	(73,872)	43,589,563	30,898,558	(128,223)	30,770,335
14.1.	Paid-in Capital		4,595,131	-	4,595,131	4,595,131	-	4,595,131
14.2.	Capital Reserves		26,399	-	26,399	26,399	-	26,399
14.2.1.	Share Premiums		24,525	-	24,525	24,525	-	24,525
14.2.2.	Share Cancellation Profits		1,874	-	1,874	1,874	-	1,874
14.2.3.	Other Capital Reserves		-	-	-	-	-	-
14.3.	Other Accumulated Comprehensive Income or Loss That Will Not Be Reclassified Through Profit or Loss		(274,779)	-	(274,779)	(294,407)	-	(294,407)
14.4.	Other Accumulated Comprehensive Income or Loss That Will Be Reclassified Through Profit or Loss		579,329	(67,951)	511,378	5,090,654	(65,971)	5,024,683
14.5.	Profit Reserves		18,322,753	-	18,322,753	5,674,664	-	5,674,664
14.5.1.	Legal Reserves		1,396,225	-	1,396,225	552,652	-	552,652
14.5.2.	Statutory Reserves		-	-	-	-	-	-
14.5.3.	Extraordinary Reserves		16,674,091	-	16,674,091	4,872,338	-	4,872,338
14.5.4.	Other Profit Reserves		252,437	-	252,437	249,674	-	249,674
14.6.	Profit or Loss		20,336,540	(5,921)	20,330,619	15,738,204	(62,252)	15,675,952
14.6.1.	Retained Earnings		1,755,920	(62,252)	1,693,668	859,978	(102,799)	757,179
14.6.2.	Current Period's Net Profit / Loss		18,580,620	56,331	18,636,951	14,878,226	40,547	14,918,773
14.7.	Minority Shares	(5.2.13.)	78,062	-	78,062	67,913	-	67,913
	TOTAL LIABILITIES		305,902,054	315,362,203	621,264,257	195,572,020	208,408,491	403,980,511

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OFF-BALANCE SHEET ITEMS AS OF 30 SEPTEMBER 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

2. STATEMENT OF OFF-BALANCE SHEET ITEMS

			Reviewed Current Period 30.09.2023			Audited Prior Period 31.12.2022		
		Notes	TL	FC	Total	TL	FC	Total
A.	COMMITMENTS AND CONTINGENCIES (I+II+III)		141,605,475	132,681,979	274,287,454	105,628,768	92,896,410	198,525,178
I.	GUARANTEES AND WARRANTIES	(5.3.1.)	31,506,340	20,313,906	51,820,246	18,278,371	12,539,159	30,817,530
1.1.	Letters of Guarantee		28,772,790	11,007,345	39,780,135	16,918,372	6,230,770	23,149,142
1.1.1.	Guarantees Subject to State Tender Law		711,056	22,680	733,736	524,697	19,615	544,312
1.1.2.	Guarantees Given for Foreign Trade Operations		1,465,389	77,242	1,542,631	842,590	48,079	890,669
1.1.3.	Other Letters of Guarantee		26,596,345	10,907,423	37,503,768	15,551,085	6,163,076	21,714,161
1.2.	Bank Loans		39,467	212,603	252,070	19,680	116,401	136,081
1.2.1.	Import Letter of Acceptances		39,467	212,603	252,070	19,680	116,401	136,081
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		636	8,774,158	8,774,794	1,538	5,970,275	5,971,813
1.3.1.	Documentary Letters of Credit		-	1,851,333	1,851,333	902	2,300,601	2,301,503
1.3.2.	Other Letters of Credit		636	6,922,825	6,923,461	636	3,669,674	3,670,310
1.4.	Guaranteed Refinancing		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Other Guarantees		2,693,447	319,800	3,013,247	1,338,781	221,713	1,560,494
1.7.	Other Warrantees		-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1.)	89,439,881	8,983,124	98,423,005	73,375,034	5,635,953	79,010,987
2.1.	Irrevocable Commitments		34,346,873	8,983,124	43,329,997	18,469,526	5,635,953	24,105,479
2.1.1.	Forward Asset Purchase and Sales Commitments		1,444,167	8,878,917	10,323,084	814,447	5,576,192	6,390,639
2.1.2.	Share Capital Commitment to Associates and Subsidiaries		67,500	-	67,500	-	-	-
2.1.3.	Loan Granting Commitments		3,256,874	-	3,256,874	2,156,966	-	2,156,966
2.1.4.	Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5.	Commitments For Reserve Deposits Requirements		-	-	-	-	-	-
2.1.6.	Payment Commitments for Checks		3,860,449	-	3,860,449	2,368,988	-	2,368,988
2.1.7.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8.	Commitments For Credit Card Expenditure Limits		25,532,523	104,207	25,636,730	12,943,765	59,761	13,003,526
2.1.9.	Commitments For Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10.	Receivables From Short Sale Commitments		-	-	-	-	-	-
2.1.11.	Payables For Short Sale Commitments		-	-	-	-	-	-
2.1.12.	Other Irrevocable Commitments		185,360	-	185,360	185,360	-	185,360
2.2.	Revocable Commitments		55,093,008	-	55,093,008	54,905,508	-	54,905,508
2.2.1.	Revocable Loan Granting Commitments		55,093,008	-	55,093,008	54,905,508	-	54,905,508
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2.)	20,659,254	103,384,949	124,044,203	13,975,363	74,721,298	88,696,661
3.1	Derivative Financial Instruments Held for Risk Management		-	-	-	-	-	-
3.1.1	Fair Value Hedges		-	-	-	-	-	-
3.1.2	Cash Flow Hedges		-	-	-	-	-	-
3.1.3	Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2	Held For Trading Transactions		20,659,254	103,384,949	124,044,203	13,975,363	74,721,298	88,696,661
3.2.1	Forward Foreign Currency Buy/Sell Transactions		2,552,491	7,398,771	9,951,262	2,445,222	4,124,168	6,569,390
3.2.1.1	Forward Foreign Currency Buy Transactions		2,552,491	2,522,637	5,075,128	2,429,047	979,581	3,408,628
3.2.1.2	Forward Foreign Currency Sell Transactions		-	4,876,134	4,876,134	16,175	3,144,587	3,160,762
3.2.2	Other Forward Buy/Sell Transactions		18,106,763	95,986,178	114,092,941	11,530,141	70,597,130	82,127,271
3.3	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES SECURITIES (IV+V+VI)		2,020,623,915	2,263,606,116	4,284,230,031	1,312,038,282	1,068,954,968	2,380,993,250
IV.	ITEMS HELD IN CUSTODY		68,660,613	1,636,216,951	1,704,877,564	39,623,059	627,887,032	667,510,091
4.1.	Customers' Securities Held		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		17,879,842	1,587,995,947	1,605,875,789	6,857,433	591,531,785	598,389,218
4.3.	Checks Received for Collection		45,952,959	1,173,455	47,126,414	29,772,990	1,200,703	30,973,693
4.4.	Commercial Notes Received for Collection		4,827,812	1,628,940	6,456,752	2,992,636	942,241	3,934,877
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	45,418,609	45,418,609	-	34,212,303	34,212,303
V.	PLEDGED ITEMS		1,951,526,281	627,029,069	2,578,555,350	1,272,403,584	440,847,619	1,713,251,203
5.1.	Marketable Securities		3,181,618	219,091	3,400,709	3,206,824	149,703	3,356,527
5.2.	Guarantee Notes		100,977	11,057,636	11,158,613	100,977	7,556,173	7,657,150
5.3.	Commodity		56,884,275	3,049,659	59,933,934	41,494,368	2,365,162	43,859,530
5.4.	Warranty		-	-	-	-	-	-
5.5.	Properties		446,182,506	12,935,356	459,117,862	304,239,836	8,876,771	313,116,607
5.6.	Other Pledged Items		1,445,176,905	599,767,327	2,044,944,232	923,361,579	421,899,810	1,345,261,389
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		437,021	360,096	797,117	11,639	220,317	231,956
	TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		2,162,229,390	2,396,288,095	4,558,517,485	1,417,667,050	1,161,851,378	2,579,518,428

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 30 SEPTEMBER 2023
(Amounts expressed in thousands of Turkish Lira (TL) unless otherwise stated.)

3. STATEMENT OF PROFIT OR LOSS (INCOME STATEMENT)

			Reviewed Current Period 01.01.2023- 30.09.2023	Reviewed Current Period 01.07.2023- 30.09.2023	Reviewed Prior Period 01.01.2022- 30.09.2022	Reviewed Prior Period 01.07.2022- 30.09.2022
	INCOME AND EXPENSE ITEMS	Notes				
I.	PROFIT SHARE INCOME	(5.4.1.)	43,986,254	17,985,895	25,230,798	10,325,889
1.1.	Profit Share on Loans		24,127,104	9,020,290	13,763,013	5,838,493
1.2.	Profit Share on Reserve Deposits		-	-	96,729	-
1.3.	Profit Share on Banks		2,330,297	1,039,135	535,720	244,721
1.4.	Profit Share on Money Market Placements		-	-	-	-
1.5.	Profit Share on Marketable Securities Portfolio		14,552,171	6,672,977	9,682,618	3,756,140
1.5.1.	Fair Value Through Profit or Loss		1,090,254	672,828	390,020	135,470
1.5.2.	Fair Value Through Other Comprehensive Income		10,454,275	4,569,622	7,903,638	2,974,970
1.5.3.	Measured at Amortized Cost		3,007,642	1,430,527	1,388,960	645,700
1.6.	Finance Lease Income		2,902,057	1,219,057	1,101,807	466,496
1.7.	Other Profit Share Income		74,625	34,436	50,911	20,039
II.	PROFIT SHARE EXPENSE		16,895,885	7,641,969	8,077,427	3,510,429
2.1.	Expense on Profit Sharing Accounts	(5.4.4.)	14,267,550	6,517,912	6,805,297	3,076,123
2.2.	Profit Share Expense on Funds Borrowed	(5.4.2.)	2,131,426	964,460	763,854	291,429
2.3.	Profit Share Expense on Money Market Borrowings		156,942	39,567	82,522	11,215
2.4.	Expense on Securities Issued	(5.4.2.)	216,303	67,438	352,447	103,825
2.5.	Profit Share Expense on Lease		123,664	52,592	73,307	27,837
2.6.	Other Profit Share Expense		-	-	-	-
III.	NET PROFIT SHARE INCOME (I - II)		27,090,369	10,343,926	17,153,371	6,815,460
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		1,759,271	1,018,101	819,197	378,782
4.1.	Fees and Commissions Received		4,593,369	2,168,609	1,902,023	768,549
4.1.1.	Non-Cash Loans		281,801	107,511	153,645	61,741
4.1.2.	Other	(5.4.13.)	4,311,568	2,061,098	1,748,378	706,808
4.2.	Fees and Commissions Paid		2,834,098	1,150,508	1,082,826	389,767
4.2.1.	Non-Cash Loans		1,858	516	680	308
4.2.2.	Other	(5.4.13.)	2,832,240	1,149,992	1,082,146	389,459
V.	DIVIDEND INCOME	(5.4.3.)	4,256	1,585	2,830	2,031
VI.	NET TRADING INCOME / LOSS	(5.4.5.)	9,802,418	1,977,874	4,370,284	1,736,836
6.1.	Capital Market Transaction Gains/Losses		602,371	173,069	183,388	88,682
6.2.	Gains/Losses from Derivative Financial Instruments		8,378,811	4,210,719	4,354,418	3,844,303
6.3.	Foreign Exchange Gains/Losses		821,236	(2,405,914)	(167,522)	(2,196,149)
VII.	OTHER OPERATING INCOME	(5.4.6.)	5,966,607	2,072,575	3,211,029	1,291,756
VIII.	GROSS OPERATING INCOME/LOSS (III+IV+V+VI+VII+VIII)		44,622,921	15,414,061	25,556,711	10,224,865
IX.	EXPECTED LOSS PROVISIONS (-)	(5.4.7.)	5,604,392	(546,995)	5,382,535	2,160,954
X.	OTHER PROVISIONS (-)	(5.4.7.)	490,932	192,552	554,441	221,736
XI.	PERSONNEL EXPENSES (-)		4,605,589	1,682,167	2,815,740	1,369,020
XII.	OTHER OPERATING EXPENSES (-)	(5.4.8.)	9,762,297	4,144,824	4,330,255	1,797,047
XIII.	NET OPERATING INCOME/(LOSS) (IX-X-XI)		24,159,711	9,941,513	12,473,740	4,676,108
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		126,742	48,002	44,520	15,450
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XII+...+XV)	(5.4.9.)	24,286,453	9,989,515	12,518,260	4,691,558
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	(5.4.10)	(5,639,638)	(2,730,869)	(2,714,918)	(1,148,702)
18.1.	Current Tax Provision		6,097,723	3,074,582	2,985,933	948,251
18.2.	Deferred Tax Expense Effect (+)		1,071,757	537,126	1,350,864	78,248
18.3.	Deferred Tax Income Effect (-)		1,529,842	880,839	1,621,879	(122,203)
XIX.	CURRENT PERIOD PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVI)	(5.4.11.)	18,646,815	7,258,646	9,803,342	3,542,856
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1.	Income on Non-Current Assets Held for Sale		-	-	-	-
20.2.	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-
20.3.	Income on Other Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1.	Expenses from Non-Current Assets Held for Sale		-	-	-	-
21.2.	Expenses from Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Vent.)		-	-	-	-
21.3.	Expenses From Other Discontinued Operations		-	-	-	-
XXII.	PROFIT / (LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1.	Current Tax Provision		-	-	-	-
23.2.	Deferred Tax Expense Effect (+)		-	-	-	-
23.3.	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-	-	-
XXV.	NET PROFIT/LOSS (XVII+XXII)	(5.4.12.)	18,646,815	7,258,646	9,803,342	3,542,856
25.1.	Group's Income/Loss		18,636,951	7,255,416	9,798,488	3,540,437
25.2.	Minority Interest Income/Loss (-)		9,864	3,230	4,854	2,419
	Earnings Per Share Income/Loss (Full TL)		4.0537	-	8.5337	-

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
AS OF 30 SEPTEMBER 2023

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

4. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Reviewed Current Period 01.01.2023-30.09.2023	Reviewed Prior Period 01.01.2022-30.09.2022
I.	CURRENT PROFIT/LOSS	18,646,815	9,803,342
II.	OTHER COMPREHENSIVE INCOME	(4,493,677)	5,115,246
2.1	Other Comprehensive Income Not Reclassified Through Profit or Loss	19,628	3,257
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Taxes Related to Other Comprehensive Income Items Not Reclassified Through Profit or Loss	19,628	3,257
2.2	Other Comprehensive Income Reclassified Through Profit or Loss	(4,513,305)	5,111,989
2.2.1	Foreign Currency Translation Difference	1,450,010	346,725
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	(6,606,445)	6,691,715
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	(1,465,210)	(338,892)
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Taxes Related Other Comprehensive Income Items Reclassified Through Profit or Loss	2,108,340	(1,587,559)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	14,153,138	14,918,588

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 SEPTEMBER 2023

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

5. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Notes	Paid-in Capital	Share Premiums	Share cancellation profits	Other Capital Reserves	Accumulated Other Income or Loss That Will Not Be Reclassified to Profit or Loss			Accumulated Other Income or Loss That Will Be Reclassified to Profit or Loss								
							1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Net Profit/Loss for the Period	Total Shareholders' Equity Less Minority Shares	Minority Shares	Total Shareholders' Equity
	Prior Period (01/01/2022 – 30/09/2022)																	
I.	Prior Period Ending Balance		4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		4,595,131	24,525	1,874	-	-	(52,112)	-	1,123,690	(25,553)	(892,657)	3,411,612	(89,180)	3,355,492	11,452,822	36,019	11,488,841
IV.	Total Comprehensive Income (Loss)		-	-	-	-	-	3,257	-	346,725	5,019,434	(254,170)	-	-	9,798,488	14,913,734	4,854	14,918,588
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	30,071	(2,042)	-	28,029	68	28,097
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	2,226,150	879,342	(3,355,492)	(250,000)	-	(250,000)
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(250,000)	-	(250,000)	-	(250,000)
11.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	2,226,150	(2,226,150)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	3,355,492	(3,355,492)	-	-	-
	Balances at end of the period (III+IV+.....+X+XI)	(5.2.12)	4,595,131	24,525	1,874	-	-	(48,855)	-	1,470,415	4,993,881	(1,146,827)	5,667,833	788,120	9,798,488	26,144,585	40,941	26,185,526
	Current Period (01/01/2023 – 30/09/2023)																	
I.	Prior Period Ending Balance		4,595,131	24,525	1,874	-	-	(294,407)	-	1,643,243	4,683,273	(1,301,833)	5,674,664	757,179	14,918,773	30,702,422	67,913	30,770,335
II.	Corrections and Accounting Policy Changes Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)		4,595,131	24,525	1,874	-	-	(294,407)	-	1,643,243	4,683,273	(1,301,833)	5,674,664	757,179	14,918,773	30,702,422	67,913	30,770,335
IV.	Total Comprehensive Income (Loss)		-	-	-	-	-	19,628	-	1,450,010	(4,941,393)	(1,021,922)	-	-	18,636,951	14,143,274	9,864	14,153,138
V.	Capital Increase by Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid in Capital Inflation Adjustment Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Share		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase / Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	56,818	8,987	-	65,805	285	66,090
XI.	Profit Distribution		-	-	-	-	-	-	-	-	-	-	12,591,271	927,502	(14,918,773)	(1,400,000)	-	(1,400,000)
11.1	Dividends Paid		-	-	-	-	-	-	-	-	-	-	-	(1,400,000)	-	(1,400,000)	-	(1,400,000)
11.2	Transfers to Legal Reserves		-	-	-	-	-	-	-	-	-	-	12,591,271	(12,591,271)	-	-	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	14,918,773	(14,918,773)	-	-	-
	Balances at end of the period (III+IV+.....+X+XI)	(5.2.12)	4,595,131	24,525	1,874	-	-	(274,779)	-	3,093,253	(258,120)	(2,323,755)	18,322,753	1,693,668	18,636,951	43,511,501	78,062	43,589,563

1. Accumulated Revaluation Increase / Decrease of Fixed Assets

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

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

4. Foreign Currency Translation Differences

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

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

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 30 SEPTEMBER 2023

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

6. STATEMENT OF CASH FLOWS

		Notes	Reviewed Current Period	Reviewed Prior Period
			01.01.2023- 30.09.2023	01.01.2022- 30.09.2022
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Assets and Liabilities from Banking Operations		16,617,882	3,469,170
1.1.1	Profit Share Income Received		35,686,636	12,146,121
1.1.2	Profit Share Expense Paid		(13,468,963)	(6,709,994)
1.1.3	Dividends Received		4,256	2,830
1.1.4	Fees and Commissions Received		4,593,369	2,117,967
1.1.5	Other Income		3,449,154	3,605,856
1.1.6	Collections from Previously Written Off Loans		896,262	1,420,400
1.1.7	Payments to Personnel and Service Suppliers		(4,568,263)	(2,110,059)
1.1.8	Taxes Paid		(3,640,633)	(2,357,254)
1.1.9	Others		(6,333,936)	(4,646,697)
1.2	Changes in Assets and Liabilities from Banking Operations		21,339,526	12,008,841
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss		(8,594,204)	(3,988,181)
1.2.2	Net (Increase) Decrease in Due from Banks and Other Financial Institutions		(16,461,786)	(11,637,383)
1.2.3	Net (Increase) Decrease in Loans		(85,672,731)	(51,514,008)
1.2.4	Net (Increase) Decrease in Other Assets		2,594,341	5,130,978
1.2.5	Net Increase (Decrease) in Bank Deposits		1,052,568	689,489
1.2.6	Net Increase (Decrease) in Other Deposits		95,461,694	66,791,044
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss		-	(20,226)
1.2.8	Net Increase (Decrease) in Funds Borrowed		26,774,950	1,312,182
1.2.9	Net Increase (Decrease) in Due Payables		-	-
1.2.10	Net Increase (Decrease) in Other Liabilities		6,184,694	5,244,946
I.	Net Cash Provided From / (Used in) Banking Operations		37,957,408	15,478,011
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from / (Used in) Investing Activities		(27,990,059)	(14,122,014)
2.1	Cash Paid for Purchase Jointly Controlled Operations, Associates and Subsidiaries		(122,500)	(30,420)
2.2	Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3	Fixed Assets Purchases		(1,197,142)	(490,435)
2.4	Fixed Assets Sales		313,710	548,174
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(11,526,818)	(10,922,826)
2.6	Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		510,525	3,962,163
2.7	Cash Paid for Purchase of Investment Securities		(16,063,394)	(13,396,788)
2.8	Cash Obtained from Sale of Investment Securities		758,605	6,341,276
2.9	Other		(663,045)	(133,158)
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from / (Used in) Financing Activities		(1,697,526)	(1,635,383)
3.1	Cash Obtained from Funds Borrowed and Securities Issued		3,290,000	9,317,500
3.2	Cash Used for Repayments of Funds Borrowed and Securities Issued		(3,482,094)	(10,639,591)
3.3	Equity Instruments Issued		-	-
3.4	Dividends Paid		(1,400,000)	(250,000)
3.5	Payments for Finance Leases		(105,432)	(63,292)
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		23,466,116	12,777,535
V.	Net Increase (Decrease) in Cash and Cash Equivalents		31,735,939	12,498,149
VI.	Cash and Cash Equivalents at the Beginning of the Period		51,426,421	39,743,404
VII.	Cash and Cash Equivalents at the End of the Period		83,162,360	52,241,553

The accompanying notes are an integral part of these financial statements

KUVEYT TÜRK KATILIM BANKASI ANONİM ŞİRKETİ
NOTES AND DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

1. Explanations on basis of presentation

1.1. The preparation of the consolidated 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 Parent Bank prepares its financial statements in accordance with the “Regulation on The Procedures and Principles for Accounting Practices and Retention of Documents by Banks” published in the Official Gazette dated 1 November 2006 with numbered 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Agency (“BRSA”) as well as the circulars and pronouncements published by the BRSA. For matters not regulated by the aforementioned legislations, the Bank prepares its financial statements in accordance with the BRSA Accounting and Financial Reporting Legislation, which comprises the terms of the Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority.

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

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

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

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

1.3. Changes in accounting estimates, errors and classifications

If changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There were no significant changes in the accounting estimates of the Group in the current year. Comparative information is rearranged when deemed necessary in order to comply with the presentation of the current period financial statements. The Group has made a reorganization in the cash flow statement of the previous period in order to ensure compliance with the presentation of the financial statements for the current period.

1.4. Preparation of the financial statements as regards to the current purchasing power of money

Until 31 December 2004, the consolidated financial statements of the Group were subject to inflation adjustments in accordance with Turkish Accounting Standard No: 29 “Financial Reporting in Hyperinflationary Economies” (“TAS 29”). As per the BRSA decision numbered 1623 and dated 21 April 2005 and the BRSA circular dated 28 April 2005 it was stated that the indicators for the application of inflation accounting were no longer applicable. Consequently, as of 1 January 2005, the inflation accounting has not been applied.

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1.5. TFRS 3 explanations on business combinations standard

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Business combinations are accounted in accordance with TFRS 3 "Business Combinations" except for the assets (or disposal groups) that are classified as held for sale in accordance with TFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that Standard.

The interests of non-controlling shareholders in the acquire is initially measured at the non-controlling's proportion of the fair value of the assets, liabilities and contingent liabilities recognized.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

- Explanations regarding the accounting policy applied for the acquisition of Neova Katılım Sigorta A.Ş.

Following the necessary legal permissions on May 5, 2020, the Parent Bank finalized the purchase of Neova Katılım Sigorta A.Ş. by completing the share transfer process. The Parent Bank purchased 78,864,212 shares by paying TL 745,860 and increased the partnership share in Neova Katılım Sigorta A.Ş. from 7% to 100% by owning all the shares.

This acquisition has been evaluated as a merger of entities under common control and has been accounted for using the aggregation method (Pooling of interest). According to this method, the assets and liabilities of Neova Katılım Sigorta A.Ş. are included in the financial statements over the book values determined in accordance with TFRS at the merger date, and no goodwill has arisen in the financial statements as a result of the merger.

1.6. Disclosures regarding TFRS 9 financial instruments

TFRS 9 "Financial Instruments", which is effective as of 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017. As of 1 January 2018, the application of TFRS 9 replaced "TAS 39: Financial Instruments: Recognition and Measurement." standard.

TFRS 9 also includes new principles for general hedge accounting which aims to harmonize hedge accounting with risk management applications. In the admission of the accounting policies, TFRS 9 presents the option of postponing the adoption of TFRS 9 hedge accounting and continuing to apply the hedge accounting provisions of TAS 39.

All recognized financial assets that are within the scope of TFRS 9 are required to be initially measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and profit share on the principal amount outstanding, are generally measured at Fair Value Through Other Comprehensive Income ("FVTOCI"). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment in other comprehensive income, with only dividend income generally recognized in profit or loss.

Dividends obtained from such investments are accounted in the financial statements as profit or loss unless they are evidently a part of the recoverable cost of investment.

As a result of the combination of contractual cash flow characteristics and business models, the differences in the classification of financial assets are reflected in the financial statements compared to the current classification in TAS 39.

During the first recognition of a financial asset into the financial statements, business model determined by the Parent Bank management and the nature of contractual cash flows of the financial asset are taken into consideration.

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Classification and measurement of financial instruments

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent “solely payments of principal and profit share” (SPPI).

Upon initial recognition each financial asset shall be classified as either fair value through profit or loss (“FVTPL”) amortized cost or fair value through other comprehensive income (“FVTOCI”). As for the classification and measurement of financial liabilities, the application of the existing terms of TAS 39 remain largely unchanged under TFRS 9.

Explanations on expected credit loss

As of 1 January 2018, the Parent Bank will recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. The expected credit loss estimates are required to be unbiased, probability-weighted and should include supportable information about past events, current conditions, and forecasts of future economic conditions.

Modelling studies were carried out on the principal components of the Expected Loan Loss calculation and the default probability (PD) models were developed on various loan portfolios. Credit portfolios are determined according to customer segments that form the basis of banking activities. The cyclical default probabilities generated by these models developed for use in the Internal Rating Based Approach (IDD) are translated into the Instantaneous Default Probabilities and these instantaneous default probabilities are used when calculating the Expected Loan Loss on TFRS 9 Calculation on Default (LGD) calculation reflects the legal deduction rates and the Bank's past collection performance on unsecured loans. Default Amount (EAD) corresponds to the balance used in cash at the reporting date for cash loans, non-cash loans and balance after application of the loan to commitment risks.

Macroeconomic scenarios affect PD values. The expected credit loss amount is calculated by weighting 3 different scenarios as Base, Good and Bad scenarios. The probability of default of the debtors and the loss rates in default vary with each scenario.

As of September 30, 2023, the Group has been exposed to recession, geopolitical risks, inflation, unemployment, exchange rate risk, etc. with the effect of current internal and external conditions. In order to reflect the macroeconomic outlook and the upward risks that factors may pose on the bank's loan portfolio, it has revised its macroeconomic expectations and its calculations made considering the change in PD along with the update in the EDF model have been reflected in the financial statements. By its nature, the model effects are reflected in the financial statements with a delay due to the occurrence of the events and their effects at different times. For this reason, the Group is establishing additional provisions for the Wholesale and Retail Trade, Build, Construction, Contracting and Tourism sectors, whose PD is more sensitive to the current macroeconomic and geopolitical conjuncture among the sectors that are declining. The Parent Bank maintains this approach as of September 30, 2023. When deemed necessary, the future will review these assumptions according to the course of economic and geopolitical risks.

The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecast of future economic conditions.

The Group applies a ‘three-stage’ impairment model depending on the gradual increase in credit risk observed since initial recognition

Stage 1: Includes financial assets not having significant increase in their credit risk from initial recognition till the following reporting date or financial assets having low credit risk at the reporting date. It is recognized 12-month expected credit losses for such financial assets.

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Stage 2: Includes financial assets having significant increase in their credit risk subsequent to the initial recognition, but not having objective evidence about impairment. It is recognized lifetime expected credit losses for such financial assets.

In this context, the basic considerations that are considered in determining the significant increase in the credit risk of a financial asset and its transfer to Phase 2 are, but are not limited to, the following.

- Delayed by more than 30 days as of the reporting date
- Restructuring
- Close Monitoring
- Evaluation of distortion in Rating Note

The definition of the deterioration in the rating is the comparison of the credit rating at the opening date and the rating date at the reporting date by using the Parent Bank's internal rating-based credit rating models. If the rating calculated for the loan at the reporting date exceeds the specified threshold values, the rating is deemed as deterioration.

Stage 3: Includes financial assets having objective evidence about impairment at the reporting date. It is recognized lifetime expected credit losses for such financial assets.

The Parent Bank periodically evaluates the provisions of loans and other receivables in accordance with TFRS 9 retrospectively based on their results and, if deemed necessary, revises the basketing rules and the parameters used in the calculation of the related provision balances.

1.7 Revenue from TFRS 15 disclosures regarding the standard of revenue from customer contracts

TFRS 15 Revenue from Customer Contracts provides a single, comprehensive model and guidance on the recognition of revenue and is recorded in accordance with income with TFRS 15 Revenue from Customer Contracts.

1.8 Explanations on TFRS 16 leases standard

The leasing transactions are presented by the leases as assets (right-of-use assets) and liabilities from leasing transactions. TFRS 16 Standard eliminates the dual accounting model of leasing transactions on balance sheet and operational leasing transactions as direct expense except balance sheet.

Within the scope of TFRS 16, the Group reflects the existence of a lease obligation and a right of use to the financial statements at the date of initial application. The Group measures the leasing liability on the present value of the remaining lease payments, discounted at their present value using the alternative borrowing cost ratio at the date of initial application of the Parent Bank. In addition, the Parent Bank measures the existence of the right to use of such right at an amount equal to the lease obligation, which is reflected in the statement of financial position immediately after the first application date, adjusted for the amount of all prepaid or accrued lease payments.

As of September 30, 2023, the right-of-use assets classified tangible assets gross amounting to TL 1,186,551 in the balance sheet of The Group and lease liabilities classified in the item of liabilities from lease transactions amounting to gross TL 1,570,343. In the nine-month period that ended as of the same date, financial expenses amounting to TL 96,825 and depreciation expenses amounting to TL 197,908 were incurred.

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

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

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

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments into Turkish Lira are included in the income statement. There are no foreign currency differences capitalized by the Group.

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3. Investments in associates and subsidiaries

Consolidated and Financial Statements " Turkey Accounting Standard for Consolidated Financial Statements" (TFRS 10) has been prepared in accordance with the provisions.

The Parent Bank and Neova Katılım Sigorta A.Ş accounted for the mutual funds that KT Portföy Yönetimi A.Ş., a subsidiary of the Parent Bank, is "the fund founder and that the Group controls according to the methods, procedures and principles stated in ("TFRS 10") "Turkish Financial Reporting Standard for Consolidated Financial Statements" are accounted as per full consolidation method.

Titles, locations of the headquarters, main operations and Group's shares relating the consolidated entities are as follows:

Title	Address (City/Country)	Main Operation	30.09.2023	31.12.2022	Consolidation method
KT Bank AG	Frankfurt/Germany	Banking	100.00%	100.00%	Full consolidation
Neova Katılım Sigorta A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	Financial Institutions	100.00%	100.00%	Full consolidation
Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	Financial Institutions	75.17%	77.85%	Full consolidation
Katılım Emeklilik ve Hayat A.Ş.	Istanbul/Turkey	Financial Institutions	50.00%	50.00%	Accounted with equity pick-up
KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Birinci Katılım Serbest (TL) Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Neova Katılım Serbest Özel (TL) Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation
KT Portföy NKS Katılım Serbest (TL) Özel Fon	Istanbul/Turkey	Investment Fund	100.00%	100.00%	Full consolidation

Parent Bank and the subsidiaries, the financial tables of which are consolidated along with the Parent Bank, are collectively referred as "the Group."

Consolidation basis of subsidiaries

Subsidiaries are entities whose capital and management are directly or indirectly controlled by the Parent Bank. Subsidiaries are consolidated by the full consolidation method, within the framework of significance on the basis of operational outcomes, assets sizes and equity sizes. The financial statements of the relevant subsidiaries are included in the consolidated financial statements as of the date that control is transferred to Parent Bank.

Control denotes any of the following circumstances: the Parent Bank directly or indirectly through subsidiaries has over 50% of the voting rights or, dominance over the voting rights as described afore does not exist but the Parent Bank owns the preferred shares, or; the Parent Bank has voting rights appropriating more than 50% percent of all voting rights due to the agreements signed with other shareholders, or; the Parent Bank has the authority to manage the operational and financial policies of the entity due to certain arrangements or agreements, or; the Parent Bank has the power to influence the majority of the votes within the Board of Directors or any other executive organ vested with similar rights, or; the Parent Bank by any means has the power to appoint or dismiss the majority of the Board of Directors.

In accordance with the full consolidation, all of the assets, liabilities, income, expense and off-balance sheet liabilities of the subsidiaries are consolidated with the assets, liabilities, income, expense and off-balance sheet liabilities of the Parent Bank. The carrying value of the Group's investment in each subsidiary is offset with the cost value of the subsidiary's capital owned by the Group. Balances regarding the transactions between the subsidiaries in the scope of the consolidation and the unrealized gains/losses are reciprocally offset. Minority shares within the net income of the consolidated subsidiaries are determined provided that the net income of the Group shall be calculated, and these minority shares are presented as a separate item in the income statement. Minority shares are presented under the equity in the consolidated balance sheet.

In the case where the accounting policies implemented by the subsidiary are different than the Parent Bank, the accounting policies are reconciled.

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

The Group engages in foreign currency futures transactions in order to reduce foreign currency position risk and manage foreign currency liquidity. The Group's derivatives are classified as "Hedging Purposes" and "Financial Asset with Fair Value (GUD) Reflected in Profit/Loss". Accordingly, although some derivative transactions provide effective protection against risks for the Group economically, those that cannot be defined accountably for hedging purposes are recognized as "Financial Assets Reflected in Fair Value (GUD) Profit/Loss" and tracked in the "Derivative Financial Assets/Liabilities" account on the balance sheet with their fair value.

Obligations and receivables arising from derivative transactions are recorded in the accounts based on the contract amounts. The fair value of currency futures and swaps is calculated using the discounted cash flow model. Differences in the fair value of derivative transactions for trading purposes are recognized in the "Trading Income/Loss" item in the income statement.

Embedded derivatives are separated from the host contract if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss. Embedded derivatives are accounted as derivative instruments in-line with TFRS 9. If the embedded derivatives are closely related with the host contract, embedded derivatives are accounted for in-line with the relevant standard applicable for the host contract.

As of September 30, 2023, the Group's has no cash flow hedging transaction.

Benchmark Rate Reform - Stage 2, which introduces amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from January 2021, was published in December 2020 and early application of the changes is permitted. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The changes came into effect from 1 January 2021. Loans given from items indexed to benchmark interest rates in the Parent Bank's financial statements and securities assets; Securities issued, derivative transactions and loans obtained through repo constitute liabilities. These changes do not have a significant impact on the Parent Bank's financial position or performance. As of 30 September 2023, the Group has no hedging transactions based on the benchmark interest rate.

5. Explanations on profit share income and expense

Profit share income is recognized in the income statement on an accrual basis by using the method of internal rate of return and is accounted under profit share income account in the financial statements. While applying the internal rate of return method, the Group amortizes the fees included in the account of the effective profit rate over the expected life of the financial instrument. If the financial asset is impaired and classified as a non-performing loan, profit accruals and rediscount calculations for these customers within the scope of TFRS 9 Financial Instruments Standard.

The Group calculates expense accrual in accordance with the unit value calculation method on profit/loss sharing accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

6. Explanations on fees and commission income and expenses

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

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

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

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7. Explanations on financial assets

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

The Group recognizes a financial asset in the financial statements only when it becomes a party to the contractual terms of a financial instrument. During the initial recognition of a financial asset, the business model determined by Group management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Group management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to gains, losses or profit shares that were previously recorded in the financial statements.

7.1 Financial assets at fair value through profit or loss

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

7.2 Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition costs that reflect the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with effective profit share method regarding the financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses,” which is 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, or the impairment of the asset. “Unrealized gains and losses” are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, are carried at fair value, in the case that the securities have a quoted market price in an active market and/or the fair values of the securities can be reliably measured. In contrary case, the securities are carried at cost, less provision for impairment.

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

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7.3 Financial assets measured at amortized cost

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

Financial Assets Measured at Amortized Cost; are financial assets, other than loans and receivables, which are held for the purpose of custody until maturity, with conditions necessary for such assets to be held until contractual maturity met, including funding ability; and which have fixed or determinable payments and fixed maturities. Financial assets measured at amortized cost are initially recognized at cost and 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.

7.4 Derivative financial assets

The major derivative instruments utilized by the Group's are foreign currency swaps, cross currency swaps and currency forwards.

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

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

7.5 Loans

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

8. Explanations on offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when the Parent Bank's has a legally enforceable right to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

9. Explanations on sale and repurchase agreements and lending of securities

Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement, a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they need funding or in attempt to evaluate the excess liquidity. In this context, OMT were carried out with the CBRT for the first time on 14 June 2013, by subjecting the Treasury Lease Certificates, which were include in assets, to the repurchase transactions. From this date, the Bank performs sale transactions of treasury lease certificates that are recognized in the assets of the balance sheet in return for conditional repurchasing by tendering to purchase auctions held by CBRT with various maturities; and thusly raises funds.

As of 30 September 2023, the Group has repurchased agreement amounting to TL 750,038 (31 December 2022- TL 274,871).

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10. Explanations on assets held for sale and discontinued operations and related liabilities

As mandated by the Banking Act 5411 Article 57 “banks cannot participate in commercial real-estate and commodity trade with the exception of real-estate and commodity based agreements within the scope of Capital Markets Act No. 2499, and precious metal trade as seen appropriate by the board, and cannot participate in partnerships with firms whose main business activity is commercial real-estate, with the exception of real-estate investment partnerships and companies that finance mortgaged residential estates. The rules and procedures regarding the sales of real-estate and commodities that were acquired due to receivables and debtors’ obligations to the bank are determined by the board.”

Assets that meet the criteria for classification as assets held for sale are measured at the lower of the carrying amount of assets and fair value less any costs to be incurred for disposal. Assets held for sale are not amortized and presented in the financial statements separately. In order to classify an asset as held for sale, the sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan by the management regarding the sale of the asset (or the disposal group) together with an active program for the determination of buyers as well as for the completion of the plan. Also, the asset (or the disposal group) should be actively in the market at a price consistent with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan. Various events and conditions may extend the completion period of the disposal over one year. If such delay arises from any events and conditions beyond the control of the entity and there is sufficient evidence that the entity has an ongoing disposal plan for these assets, such assets (or disposal group) can remain to be classified as assets (or disposal group) held for sale. Extension of the period necessary to complete the sale, does not avoid the classification of the related asset (or disposal group) to be classified as asset held for sale.

A discontinued operation is a part of the Group’s that either has been disposed of or is classified as held for sale. Discontinued operations are presented separately in the income statement. The Group’s has no discontinued operations.

11. Explanations on goodwill and other intangible assets

Intangible assets are stated at cost adjusted for inflation until 31 December 2004, less provision for impairment, if any, and accumulated amortization and amortized with straight-line method.

The other intangible assets of the Group comprise mainly computer software. The useful lives of such assets acquired prior to 2004 have been determined as 5 years and for the year 2004 and forthcoming years, as 3 years. The amortization period of the licenses is determined on the basis of the duration of the license agreements.

There is no goodwill related to associates and subsidiaries.

12. Explanations on tangible assets

Fixed assets are stated at cost adjusted for inflation until 31 December 2004, less accumulated depreciation and provision for impairment, if any.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets. The annual rates used for amortization are as follows:

Property	2%
Movables, leased assets	6.67% - 20%

Depreciation is calculated on a pro-rata basis for the assets that have been placed in use for less than one year as of the balance sheet date. Leasehold improvements are depreciated over the term of the lease agreements by straight-line method.

If the recoverable amount (the higher of value in use and fair value) of a tangible asset is less than it is carrying value, impairment loss is provided and the carrying value is written down to its recoverable amount.

Gains or losses resulting from disposals of the fixed assets are recorded in the income statement as the difference between the net proceeds and net book value of the asset.

Expenses for repair costs are capitalized if the expenditure increases economic life of the asset; other repair costs are expensed as incurred.

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The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalized on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product, or to decrease the costs.

Property held for long-term rental yields and/or capital appreciation is classified as investment property. Investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the properties.

13. Explanations on leasing transactions

For contracts concluded prior to 1 January 2019, the Group assesses whether the contract has a lease qualification or include a lease transaction.

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

The Group has started implementing the TFRS 16 - Leases standard from 1 January 2019, the first date of the TFRS 16 standard. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments are discounted by using the Group's alternative borrowing profit rate.

The right of the use asset

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

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

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

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

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

The Group applies the depreciation liabilities in TAS 16 Tangible Fixed Assets while depreciating the right of use asset.

The Group determines whether the right of use has been impaired and recognizes any identified impairment losses in accordance with TAS 36 – Impairment of Assets.

Lease Obligation

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

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

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

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14. Explanations related to insurance technical provisions

TFRS 4 specifies that all contracts issued by insurance companies must be classified as insurance contracts or investment contracts. Contracts that carry a significant insurance risk are classified as insurance contracts. Insurance risk is defined as the risks that the party holding the insurance contract (insured) transfers to the insured party, other than the financial risk. Contracts that do not carry a significant insurance risk are classified as investment contracts. Investment contracts are accounted for within the framework of TAS 39 “Financial Instruments: Recognition and Measurement”.

In the consolidated financial statements, insurance technical provisions consist of the provision for unearned premiums and the provision for outstanding compensation.

The provision for unearned premiums consists of the portion of accrued premiums for insurance contracts in force that are grossly deducted for the next accounting period or accounting periods on a daily basis, without any commission or other discount.

The provision for outstanding compensation is reserved for compensation amounts that have been accrued and determined on an account but have not actually been paid in previous accounting periods or current accounting periods, or, if this amount has not been calculated, for compensation amounts that have been realized but not reported with their estimated costs.

The actuarial chain ladder method is used to estimate the amount of reserves that should be allocated in the current period according to the damage data that have been realized in the past. The amount of compensation found as a result of the method is added to the amount of compensation for outstanding compensation or subtracted from the amount of compensation for outstanding compensation.

Reinsurance companies allocate provisions according to their participation shares based on the actual compensation amounts reported, accrued and determined by the companies.

The insurance company affiliated to the Group pays premiums and risks in order to reduce its losses arising from the projected risks it is transferred as part of its operations. Insurance premiums transferred to reinsurers related to contracts that transfer significant insurance risks are expensed by spreading over the duration of the relevant policies in parallel with the accrual of insurance premium income arising from possible risks secured.

Variable costs directly related to insurance and reinsurance contracts, such as brokerage, commission, consortium expenses and other acquisition costs, are amortized in parallel with the recognition of premium earnings during the contract period.

15. Explanations related to insurance technical income and expenses

Premium income in insurance companies after deducting the shares transferred to reinsurers from the policy income issued consists of.

Expenses are recorded as the damages are realized, and at the end of the period, the reported and not yet paid damages and the provision for pending damages are allocated for the realized but not reported damages. The reinsurer's shares of outstanding and paid damages are clarified within these provisions.

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16. Explanations on provisions and contingent liabilities

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

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

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

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

17. Explanations on liabilities relating to employee benefits

17.1 Defined benefit plans

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

Liabilities amount which is related to “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) is reflected accompanying financial statements and these liabilities are calculated by an independent actuary firm.

The Group is accounted all actuarial profit and loss under Statement of other Comprehensive Income.

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

17.2 Defined contribution plans

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

17.3 Short term benefits to employees

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

The Group management calculates bonus accrual if it foresees that the budgeted year-end figures approved by the Board of Directors are attainable.

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18. Explanations on taxation

Current Tax

With the Law No. 7394 on the Assessment of Immovable Properties Belonging to the Treasury and the Amendment of the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810 and entered into force, and the Article 26 of the Law on the Amendment of Some Laws and Decree Laws and the paragraph added to the provisional Article 13 of the Corporate Tax Law No. 5520, The Corporate Tax rate will be applied as 25% for corporate earnings the taxation period of 2022.

This rate is applied to the tax base to be found as a result of adding expenses that are not accepted as deductible in accordance with the tax laws to the commercial earnings of the corporations and deducting the exemptions and deductions in the tax laws. If the profit is not distributed, no other tax is paid. Starting from the declarations that must be submitted as of October 1, 2023 in accordance with the tax legislation; It entered into force on 15 July 2023 to be applied to the corporate income in 2023 and subsequent taxation periods, and to the earnings of corporations subject to the special accounting period starting in the 2023 calendar year and the following taxation periods. The provisional tax rate will be paid at the rate of 30% on the bases formed as of quarterly periods, and the provisional taxes paid during the year are deducted from the corporate tax calculated on the annual corporate tax return of that year.

The exemption provided for the income obtained by institutions from other investment funds, except for the exception provided for the income obtained from the participation shares of venture capital investment funds and the shares of venture capital investment trusts, has been abolished. This regulation has entered into force to be applied to mutual fund participation shares acquired as of July 15, 2023.

Starting with the declarations that must be submitted as of October 1, 2023; It entered into force on 15 July 2023 to be applied to the corporate income in 2023 and subsequent taxation periods, and to the earnings of corporations subject to the special accounting period starting in the 2023 calendar year and the following taxation periods.

Withholding taxes is not applied to dividends distributed to companies' resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey. With the Council of Minister's decision numbered 2009/14593 and 2009/14594 which are published in official gazette numbered 27130 and dated 3 February 2009, some deduction rates in 15th and 30th articles of the corporate tax law numbered 5520 were re-determined. In accordance with this, dividends distributed to companies other than companies' resident in Turkey or companies who earn income in Turkey through their resident representatives in Turkey are subject to 10% withholding taxes. Double tax treaty agreements are also taken into consideration during the application of withholding taxes on dividends distributed to real persons and to foreign-based taxpayers. Addition of profit to share capital is not considered as dividend distributed therefore no withholding taxes is applied.

With the Communiqué Amending the General Communiqué on Tax Procedure Law (order no. 537) published in the Official Gazette numbered 32073 on 14 January 2023, the procedures and principles of the articles allowing the revaluation of real estates and depreciation units have been redrawn. By taking into consideration aforementioned Communiqué, the Bank, has been revaluated real estate and depreciation units within its balance sheet by providing conditions in the provisions of Tax Procedure Law's provisional Article 32 and duplicated Article 298/ç. Accordingly, corporate income tax has calculated with respect to revaluated real estate and depreciation units.

For the purpose of issuance of certificate of leasing immovables to resource institutions, with the sale of asset leasing companies, the scope of Financial Leasing, Factoring and Financing Companies Law No.6361, dated 21 November 2012 in order to lease it back and in case of taking back at the end of the contract, with the sale of financial leasing companies and asset leasing by asset leasing companies, for profit from the sale of the immovable property inherited from the institution applies this rate as 100% and for the immovable is not compulsory to be in assets at least for a period of two years. But the mentioned immovable's; except in case of failure to fulfill the obligations arising from the source institution, the lesser or leasing agreement, immovable in question by the asset leasing company, in case of selling a third person or institutions, these immovable's with the carrying value before its transfer to resource institution or asset leasing in lesser or asset leasing company, in mentioned institutions taking into consideration the total amount of depreciation is taxable for corporation engaged in the sale.

Corporate tax returns are filed by the thirty days of the fourth month following the balance sheet date and taxes is paid in one instalment by the end of that month.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. However, losses cannot be carried back to offset profits from prior periods. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

In Turkey, there is no procedure for a final and definite agreement on tax assessments.

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On January 20, 2022, the implementation of inflation accounting with the "Law on The Amendment of the Tax Procedure Law and the Corporate Tax Law" adopted on the agenda of the Turkish Grand National Assembly has been postponed starting from the balance sheet dated December 31, 2023.

Deferred Tax

For taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, as per the provisions of "Turkish Accounting Standard on Income Taxes" ("TAS 12"), the Group calculates deferred tax asset or liability over all taxable temporary differences and deferred tax asset over taxable temporary differences, apart from the provisions related to participation accounts Expected Credit Losses for 12-Months (Stage 1) and due to the participation accounts Lifetime Credit Losses (Stage 2) with significant increase in the credit risk after initial recognition, to the extent that is probable that taxable profit will be available in subsequent periods. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis. The tax effect regarding the items directly accounted in equity are also reflected in equity. Updated tax rates in the upcoming periods will be considered in the calculation of deferred tax assets and liabilities.

19. Explanations on additional disclosures on borrowings

Borrowings other than funds collected are measured at amortized cost using the internal rate of return method after the initial recognition. The Group does not apply hedging techniques on related borrowings.

The Group has not issued convertible bonds.

20. Explanations on share certificates issued

There is no significant amount of transaction costs on the Group about share certificates.

21. Explanations on acceptances and availed drafts

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

22. Explanations on government grants

There are no government grants received by the Group.

23. Explanations on segment reporting

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

Segment reporting is disclosed in Section Four, Note 14.

24. Explanations on other matters

The Group has no disclosures on other matters.

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SECTION FOUR

INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

1. Explanations on consolidated equity items

Total capital and Capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of September 30, 2023, Group’s total capital has been calculated as TL 61,100,636 (31 December 2022: TL 42,994,746), capital adequacy ratio is 24.95% (31 December 2022: 26.42%).

On March 23, 2020, the BRSA issued a press release stating that there were fluctuations in financial markets due to the COVID-19 pandemic. Therefore, in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy, as per the BRSA’s Decision No. 9795 dated September 16, 2021, when calculating credit risk based amounts, the amounts of non-monetary assets, excluding items denominated in foreign currency measured at historical cost and in accordance with Turkish Accounting Standards, and their related specific provision amounts shall be calculated using the Central Bank of the Republic of Turkey’s (CBRT) foreign currency buying rate as of December 31, 2021, unless otherwise decided by the Board, and in accordance with the decision of 31 January 2023 using the CBRT’s foreign currency buying rate as of December 30, 2022, until a contrary Board decision is made.

Furthermore, within the scope of the regulations announced by the BRSA on December 21, 2021, if the net valuation differences of the securities in the portfolio of marketable securities accounted for in other comprehensive income are negative, the possibility has been granted to not take into account these differences in the equity amount to be used for the capital adequacy ratio.

The Group’s legal capital adequacy ratio calculation has been made by taking into account the regulation changes mentioned above as of September 30, 2023.

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1.1. Information on consolidated equity items

	Current Period Amount	Prior Period Amount
COMMON EQUITY TIER I CAPITAL		
Paid-In Capital to Be Entitled for Compensation After All Creditors	4,600,000	4,600,000
Share Premium	24,525	24,525
Reserves	18,322,753	5,674,664
Other Comprehensive Income According to TAS	988,126	5,307,706
Profit	20,330,619	15,675,952
Current Period Profit	18,636,951	14,918,773
Prior Period Profit	1,693,668	757,179
Minority Shares	78,062	67,913
Bonus Shares from Associates, Affiliates and Joint-Ventures Not Accounted in Current Period's Profit	-	-
Common Equity Tier I Capital Before Deductions	44,344,085	31,350,760
Deductions From Common Equity Tier I Capital		-
Valuation Adjustments Calculated as Per the Article 9. (I) Of The Regulation on Bank Capital	-	-
Current And Prior Periods' Losses Not Covered by Reserves, And Losses Accounted Under Equity According to TAS (-)	199,184	25,400
Leasehold Improvements on Operational Leases (-)	197,201	135,849
Goodwill Netted with Deferred Tax Liabilities	-	-
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	936,757	522,668
Remaining after deducting from the related deferred tax liability with the deferred tax asset based on future taxable income, except for deferred tax assets based on temporary differences	173,799	138,267
Differences Arise When Assets and Liabilities Not Held at Fair Value, Are Subjected to Cash Flow Hedge Accounting	-	-
Total Credit Losses That Exceed Total Expected Loss Calculated According to The Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Securitization Gains	-	-
Unrealized Gains and Losses from Changes in Bank's Liabilities' Fair Values Due to Changes in Creditworthiness	-	-
Net Amount of Defined Benefit Plans	274,779	294,407
Direct And Indirect Investments of The Bank on Its Own Tier I Capital (-)	4,869	4,869
Shares Obtained Against Article 56, Paragraph 4 Of the Banking Law (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of The Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Total Of Net Long Positions of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
Mortgage Servicing Rights Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Net Deferred Tax Assets Arising from Temporary Differences Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Amount Exceeding The 15% Threshold of Tier I Capital as Per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
The Portion of Net Long Position of The Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or More of the Issued Share Capital Not Deducted from Tier I Capital (-)	-	-
Mortgage Servicing Rights Not Deducted (-)	-	-
Excess Amount Arising from Deferred Tax Assets from Temporary Differences (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Deductions From Tier I Capital in Cases Where There Are No Adequate Additional Tier I Or Tier II Capitals (-)	-	-
Total Deductions from Common Equity Tier I Capital	1,786,589	1,121,460
Total Common Equity Tier I Capital	42,557,496	30,229,300

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ADDITIONAL TIER I CAPITAL		
Privileged stocks not included in common equity and share premiums	-	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	6,846,585	4,678,228
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	6,846,585	4,678,228
Deductions From Additional Tier I Capital		
Direct And Indirect Investments of the Bank on Its Own Additional Tier I Capital (-)	-	-
Investments In Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in The Article 7 of the Regulation	-	-
Total Of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Items To Be Deducted from Tier I Capital During the Transition Period		
Goodwill And Other Intangible Assets and Related Deferred Taxes Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Net Deferred Tax Asset/Liability Not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy of Banks (-)	-	-
Deduction From Additional Tier I Capital When There Is Not Enough Tier II Capital (-)	-	-
Total Deductions from Additional Tier I Capital	-	-
Total Additional Tier I Capital	6,846,585	4,678,228
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	49,404,081	34,907,528
Tier II Capital		
Debt Instruments and The Related Issuance Premiums Defined by the BRSA	9,585,219	6,549,519
Debt Instruments and The Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts Explained in the First Paragraph of the Article 8 of the Regulation on Bank Capital)	2,142,348	1,546,220
Tier II Capital before deductions	11,727,567	8,095,739
Deductions From Tier II Capital		
Direct and Indirect Investments of The Bank on Its Own Tier II Capital (-)	-	-
Investments In Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding The 10% Threshold of Above Tier I Capital (-)	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Exceeding The 10% Threshold of Tier I Capital (-)	-	-
Other Items to Be Defined by The BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	11,727,567	8,095,739
Total Equity (Total Tier I And Tier II Capital)	61,131,648	43,003,267

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Total Tier I Capital and Tier II Capital (Total Equity)		
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and The Assets Acquired Against Overdue Receivables and Held for Sale but Retained More Than Five Years (-)	30,140	7,898
Other Items to Be Defined by the BRSA (-)	872	623
Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period		
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or Less of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% of the Issued Share Capital Exceeding the 10% Threshold of Above Tier I Capital Not Deducted from Additional Tier I Capital or Tier II Capital as Per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights not Deducted from Tier I Capital as Per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
Capital		
Total Capital (Total of Tier I Capital and Tier II Capital)	61,100,636	42,994,746
Total Risk Weighted Assets	244,923,988	162,710,986
Capital Adequacy Ratios		
CET1 Capital Ratio (%)	17.38	18.58
Tier I Capital Ratio (%)	20.17	21.45
Capital Adequacy Ratio (%)	24.95	26.42
Buffers		
Bank-Specific Total CET1 Capital Ratio	2.52	2.52
Capital Conservation Buffer Ratio (%)	2.50	2.50
Systemic Significant Bank Buffer Ratio (%)	0.02	0.02
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 Of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	12.88	14.08
Amounts Lower Than Excesses as Per Deduction Rules		
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% Or Less of the Issued Share Capital	-	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns More Than 10% Or Less of the Issued Share Capital	-	-
Remaining Mortgage Servicing Rights	-	-
Net Deferred Tax Assets Arising from Temporary Differences	-	-
Limits For Provisions Used in Tier II Capital Calculation		
General Loan Provisions for Exposures in Standard Approach (Before Limit of One Hundred and Twenty-Five Per Ten Thousand)	8,022,621	6,500,534
General Loan Provisions for Exposures in Standard Approach Limited By 1.25% of Risk Weighted Assets	2,142,348	1,546,220
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-	-
Total Loan Provision That Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited By 0.6% Risk Weighted Assets	-	-
Debt Instruments Covered by Temporary Article 4 (Effective Between 1.1.2018-1.1.2022)		
Upper Limit for Additional Tier I Capital Items Subject to Temporary Article 4	-	-
Amount Of Additional Tier I Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-
Upper Limit for Additional Tier II Capital Items Subject to Temporary Article 4	-	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 That Exceeds Upper Limit	-	-

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Information on debt instruments to be included in equity calculation:			
Issuer	KT One Company Limited	KT AT One Company Limited	KT21 T2 Company Limited
Mean Code (CUSIP, ISIN vb.)	XS2028862998	XS2227803819	XS2384355520
Legislation to which the mean is subject	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity	BRSA regulation on Shareholders ' Equity
Consideration In Equity Calculation			
Subject to consideration application reduced by 10% from 1/1/2015	Not being subject	Not being subject	Not being subject
Validity on a consolidated or unconsolidated basis or both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis	Current on both consolidated and unconsolidated basis
Means Type	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Additional Tier I Capital)	Subordinated Sukuk (Tier II Capital)
Amount considered in equity calculation (as of last reporting date-TL million)	5,477	1,369	9,585
Nominal value of the mean (TL million))	5,477	1,369	9,585
The account in which the mean is followed accounting	34701103	34701103	34700103
Export date of the mean	16/07/2019	28/09/2020	16/09/2021
Maturity structure of the mean (demand/term))	Demand	Demand	10 years and 3 months term
Initial maturity of the mean	5 Years (Due Date : 16/07/2024)	5 Years (Due Date : 29/09/2025)	10 Years and 3 months (Due Date: 16/12/2031)
Whether the issuer has the right to refund subject to BRSA approval	Yes	Yes	Yes
Date of repayment option, contingent repayment options and amount to be paid back	16/07/2024 - Complete	29/09/2025 - Complete	16/12/2031 - Complete
Subsequent repayment option dates	16/07/2024	29/09/2025	16/12/2031
Dividend payments			
Fixed or variable dividend payments	Fixed dividend payments	Fixed dividend payments	Fixed dividend payments
Dividend ratio and index value for dividend ratio	8.93%	9.84%	6.058%
Whether there are any restrictions that stop paying dividends	None	None	None
The ability to be completely optional, partially optional or mandatory	Mandatory	Mandatory	Mandatory
Whether there is an element to encourage repayment, such as a dividend rate hike	None	None	None
Non-accumulative or cumulative property	Noncumulative	Noncumulative	Noncumulative
Ability to convert to stock			
Trigger events/events that would cause conversion if converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Fully or partially convert property if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
If it can be converted to stock, the conversion rate	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Forced or optional conversion property, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Types of convertibles means, if convertible to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Issuer of the debt instrument to be converted, if it can be converted to stock	Cannot be converted into stock	Cannot be converted into stock	Cannot be converted into stock
Value reduction feature			
Trigger events/events to cause reduction if value reduction is enabled	No Value Reduction	No Value Reduction	No Value Reduction
If it has a value reduction feature, it has a total or partial value reduction feature	No Value Reduction	No Value Reduction	No Value Reduction
If the value reduction property is continuous or transient	No Value Reduction	No Value Reduction	No Value Reduction
If the value can be temporarily reduced, the value increment mechanism	No Value Reduction	No Value Reduction	No Value Reduction
In the case of liquidation, which is in the order in respect of the right of receivables (the instrument which is located just above this instrument of borrowing))	Tier - 1	Tier - 1	Tier - 2
Whether or not the provisions of Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None
Which of the conditions contained in Articles 7 and 8 of the regulation on the shareholders ' equity of the banks are not met	None	None	None

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

Internal evaluation process is established for continuously evaluating and maintaining the types, components and distribution of the adequate level of capital in order to provide for various risks exposed to or to be exposed to. The final purpose of the evaluation process of the internal capital requirement, is to define and evaluate all the risks included or not in the calculations of the legal capital requirements, within the frame of the activities of the Parent Bank's, and to provide the availability of adequate capital to cover these risks and the application of the risk management techniques. The results obtained in this evaluation process by taking into consideration, the Parent Bank's growth strategy, assets-liabilities structure, funding sources, liquidity position, foreign currency position, the effect of the price and market fluctuations on the capital, which are among the variables of the economy, aim to provide the continuity of the mentioned capital adequacy level at the determined level in compliance with the Parent Banks' risk profile and risk appetite.

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

2. Explanations on consolidated credit risk

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

3. Explanations on consolidated currency risk

Foreign currency risk represents the Group's exposure to loss due to the changes in foreign currency exchange rates. All foreign currency assets, liabilities and foreign currency forward transactions are considered in calculation of capital to be employed for foreign currency risk according to standard method. "Standard Method" and "Value at Risk Method" used in legal reporting are used to measure the currency risk that the Group is exposed to. Measurements made under the Standard Method are made on a monthly basis, and measurements made under the Value at Risk Method are made daily.

The Parent monitors daily the designated limits set by the Board of Directors and additionally observes the possible value changes in foreign currency positions. The limits are determined and followed both for the net foreign currency position and for the cross-exchange rate risk within the position. As a tool of foreign currency risk management, foreign currency forward transactions are used when necessary to mitigate the risk.

As of 30 September 2023, the Group consists of a balance sheet open position of TL 10,183,654 (December 31, 2022 - TL 15,916,283 closed) and off-balance sheet close position of TL 14,163,814 (December 31, 2022 - TL 13,326,434 open) with a close position of TL 3,980,160 (December 31, 2022 - TL 2,589,849 closed).

The date of the Parent Bank's financial statement and the main current foreign exchange rates (full TL) announced to the public in the last five business days from this date:

	25/09/2023	26/09/2023	27/09/2023	28/09/2023	29/09/2023	Balance sheet valuation rate
USD	27.19134	27.23907	27.28794	27.39752	27.38634	27.38634
EURO	28.90740	28.85855	28.79129	28.84228	29.02204	29.02204
GBP	33.24847	33.18434	33.14394	33.36916	33.53688	33.53688
CHF	29.88243	29.83800	29.74246	29.81699	30.03989	30.03989
JPY	0.18301	0.18291	0.18295	0.18346	0.18371	0.18371

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

	FC Purchase Rate
USD	26.99503
EURO	28.85534
GBP	33.50209
CHF	30.07634
JPY	0.18290

Consolidated currency risk of the Group

Current Period	Euro	USD	Other FC (***)	Total
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of the Republic of Turkey (***)	20,227,979	51,802,807	29,857,735	101,888,521
Banks (****)	695,841	5,332,875	8,397,704	14,426,420
Financial assets at fair value through profit and loss	622,995	2,858,609	19,151,897	22,633,501
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	10,629,239	14,780,811	-	25,410,050
Loans and finance lease receivables (*)	60,413,042	60,713,530	39,388	121,165,960
Subsidiaries, associates and joint ventures	-	-	-	-
Financial assets at amortized cost	1,018,043	17,588,971	-	18,607,014
Derivative financial assets for hedging purposes	-	-	-	-
Tangible assets	74,145	1,009	-	75,154
Intangible assets	151,981	34	-	152,015
Other assets	250,302	384,829	9,706	644,837
Total assets	94,083,567	153,463,475	57,456,430	305,003,472
Liabilities				
Current account and funds collected from Banks via participation accounts	2,350,074	269,927	921,805	3,541,806
Current and profit-sharing accounts FC (***)	47,317,450	99,719,662	74,926,837	221,963,949
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	10,615,899	69,583,209	3,313,881	83,512,989
Marketable securities issued	-	-	-	-
Miscellaneous payables	942,689	1,409,321	3,253	2,355,263
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	1,113,031	2,318,262	381,827	3,813,120
Total liabilities	62,339,143	173,300,381	79,547,603	315,187,127
Net balance sheet position	31,744,424	(19,836,906)	(22,091,173)	(10,183,655)
Net off-balance sheet position	(31,877,084)	23,432,804	22,608,094	14,163,814
Financial derivative assets	3,559,684	31,502,635	28,151,521	63,213,840
Financial derivative liabilities	35,436,768	8,069,831	5,543,427	49,050,026
Non-cash loans (**)	6,330,147	13,165,214	818,545	20,313,906
Prior Period				
Total assets	67,470,465	100,600,387	56,437,815	224,508,667
Total liabilities	40,407,118	109,847,118	58,338,148	208,592,384
Net balance sheet position	27,063,347	(9,246,731)	(1,900,333)	15,916,283
Net off-balance sheet position	(27,365,245)	11,592,084	2,446,727	(13,326,434)
Financial derivative assets	1,715,162	25,332,901	6,437,465	33,485,528
Financial derivative liabilities	29,080,407	13,740,817	3,990,738	46,811,962
Non-cash loans (**)	4,390,498	7,471,331	677,328	12,539,157

(*) Includes foreign currency indexed loans amounting to TL 1,564,928 (31 December 2022 – TL 1,798,529) and includes expected loss provision amounting to TL 7,222,865 followed as TL on the balance sheet.

(**) Does not have any effect to the net off-balance sheet position.

(***) Also, precious metals are included in "Other FC" column. The balance sheet includes provisions for expected losses in the amount of TL 936.

(****) Other liabilities at fair value through TL 16,863 in the calculation of profit / loss of securities are not included in the foreign currency risk of impairment provisions. It also includes a provision for foreign currency indexed loans amounting to TL 94,643.

(*****) Includes provisions for expected losses amounting to TL 7,219 were deducted from the cash values and the relevant lines from the Central Bank and Banks accounts.

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Foreign currency amounts that are not included in the currency risk table due to the legislation related to calculation of foreign currency net position to equity standard ratio, are explained by their gradation in the financial statements below.

- Derivative financial assets held for trading TL 305,261 (31 December 2022 – TL 217,686)
- Prepaid expenses: TL 938 (31 December 2022 – TL 1,823)
- Derivative financial liabilities held for trading: TL 326,820 (31 December 2022 – TL 167,924)
- Marketable securities of FC revaluation reverse: TL 58,705 (31 December 2022 – TL 56,643)
- Derivative financial liabilities held for hedging: None. (31 December 2022 – None).

Receivables/Payables related to derivative financial instruments include foreign currency purchase/sale transactions that are amounting to.

- Forward foreign currency purchase transactions TL 2,638,694 (31 December 2022 – TL 2,626,196)
- Forward foreign currency sale transactions: TL 4,089,566 (31 December 2022 – TL 2,949,996)
- Precious metals purchase transactions TL 25,505,014 (31 December 2022 – TL 4,086,434)
- Precious metals sale transactions TL 3,355,196 (31 December 2022 – TL 2,111,460)

Sensitivity to exchange rate risk

The Group is largely exposed to exchange rate risk in Euros, US dollars and Gold.

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

	Change in exchange rate (%)	Effect on profit / loss		Effect on equity	
		Current Period	Prior Period	Current Period	Prior Period
USD	10%	359,590	234,535	425,610	305,250
EUR	10%	(13,266)	(30,190)	(11,336)	(26,251)
GOLD	10%	362,069	57,443	362,069	57,443

4. Explanations on stock position risk arising from banking accounts

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

The Group's non-quoted securities are accounted for fair value. When the fair value cannot be reliably measured, the cost method is used.

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

Current Period		Comparison	
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	290,198	-	290,198
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	123,680	-	-
Quoted Securities	-	-	-
Other	270,079	-	-
Quoted Securities	-	-	-
Prior Period			
Equity Securities (shares) investments	Carrying Value	Fair Value	Market Value
Securities at Fair Value Through Other Comprehensive Income	180,898	-	180,898
Quoted Securities	-	-	-
Investments in Associates	-	-	-
Quoted Securities	-	-	-
Investment in Subsidiaries	23,680	-	-
Quoted Securities	-	-	-
Other	143,337	-	-
Quoted Securities	-	-	-

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

None.

5. Consolidated liquidity risk management and liquidity coverage ratio

The liquidity risk of the Parent Bank's is the risk of being unable to fulfill its payment obligations on time due to not having enough cash sources or cash inflows to finance its cash outflows fully and on time due to cash flow instabilities. It has been evaluated in two main categories:

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

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

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

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

The applications and responsibilities related to the liquidity risk has been determined according to the Treasury Liquidity and Market Management Policies and Practices approved by Board of Directors. The Groups's liquidity and funding policy is to own sufficient liquidity reserve and funding opportunities to meet its liabilities even in cases of stress, resulting from the market conditions or other conditions specific to the Group.

The Group has a strong capital structure and is supported by its main shareholder is Kuwait Finance House; also its current and participation accounts are spread to the base and are stable, and its sources of foreign borrowing are diversified. Hence, by the virtue of the aforementioned facts, the Group has a high risk capacity. In addition, the Liquidity Coverage Ratio of the Group which insures its cash outflows with the high-quality liquid assets is deemed high. The Bank also has limits available for use at Central Bank of Turkey and other financial institutions.

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

For the management of liquidity risk, the Risk Management Department follows the funding and liquidity risks, market conditions, in the participating accounts, the distribution of different currencies, maturity, cost and expected future cash flow requirements (particularly with regard to large deposits). Reports on the liquidity gap analysis prepared weekly by Budget and Management Reporting and monitored by the Asset and Liability Committee. These units also estimate the possible liquidity needs of the Group in case of urgent situations and generate action plans based on these estimates. Risk Management Department follows the limits on liquidity risk determined by the Board of Directors. Risk Management Department, in addition to these, is implementing monthly liquidity stress tests to measure the effects of negative scenarios on liquidity position of the Group. The Treasury Group Management manages the liquidity risk and funding risk in order to prevent insufficiencies of funding relating to any time or any source and makes reports related with the liquidity position to Asset and Liability Committee regularly. Official and International Reporting Directorate tracks the liquidity coverage ratio and the results are reported to the BRSA.

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

The Group's liquidity management is performed by the Asset and Liability Management. Depending on the Parent Bank's consolidated subsidiaries are subject to liquidity risk is managed in-house, but the necessary communication and coordination within the Assistant General Manager in charge of Treasury and International Banking are provided.

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

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

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

Almost all liabilities of the Group are denominated in Turkish Lira, American Dollar, Euro or Gold. The TL denominated liquidity of the Group is managed through the open market transactions implemented by the Central Bank of the Turkish Republic and interbank operations. Liabilities denominated in TL are used in order to fund assets that are denominated in TL, assets denominated in TL are generated through foreign exchange based funds with swap operations if necessary. Foreign currency funds are provided with the foreign sourced credits denominated in foreign currency and sukuk-financial certificates issued. Liquidity denominated in foreign currency is kept at the interbank operations and accounts of the corresponding bonds within the limits. Liabilities denominated in Gold are kept at the required reserve accounts of the Central Bank of the Turkish substantially.

5.5. Information on liquidity risk mitigation techniques

Liquidity risk is mitigated by using techniques such as maintaining high quality liquid asset buffer to cover possible fund outflows, diversification of funding sources so far as possible and inclusion to the base, homogenizing the maturity distribution of repayments as far as possible, obtaining limits from funding institutions to use when necessary and ensuring that a determined portion of funding sources are comprised of deposits. In addition, core deposit analysis is performed and concentration on collected funds are closely monitored.

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5.6. Information on the use of stress tests

In order to analyze the source of the possible liquidity insufficiencies and whether conformably move exists on existing off-balance sheet and balance sheet positions relevant with liquidity risk expectation, 3 types liquidity stress tests are applied by Risk Management Directorate. These includes stress test scenarios are special to the Group, related with the overall market or scenarios take in consideration both of the situations. Stress tests related with liquidity risk are repeated at monthly periods. Results are tracked with key risk indicators and monitored by Senior Management.

5.7. General information on emergency funding plan

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

5.8. Presentation of financial liabilities according to contractual maturities

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5.9 Liquidity coverage ratio

Current Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	125,699,834	90,824,626	124,226,902	89,356,932
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	117,131,228	20,271,354	10,538,049	2,027,135
3	Stable deposits	23,501,485	-	1,175,074	-
4	Less stable deposits	93,629,743	20,271,354	9,362,975	2,027,135
5	Unsecured wholesale funding, of which:	100,704,859	49,673,496	68,815,708	30,816,644
6	Operational deposits	-	-	-	-
7	Non-operational deposits	56,515,213	32,943,376	24,970,979	14,431,463
8	Unsecured funding	44,189,646	16,730,120	43,844,729	16,385,181
9	Secured wholesale funding				
10	Other cash outflows of which:	95,507,613	88,269,989	95,537,310	88,299,685
11	Outflows related to derivative exposures and other collateral requirements	55,196,403	47,958,779	55,226,100	47,988,475
12	Outflows related to restructured financial Instruments	40,311,210	40,311,210	40,311,210	40,311,210
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	89,230,948	19,639,989	7,314,814	1,019,295
16	TOTAL CASH OUTFLOWS			182,205,881	122,162,759
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	108,037,266	51,625,868	85,702,311	39,472,864
19	Other cash inflows	57,703,265	51,617,905	57,709,351	51,607,086
20	TOTAL CASH INFLOWS	165,740,531	103,243,773	143,411,662	91,079,950
				Upper Limit Applied Values	
21	TOTAL HQLA STOCK			124,226,902	89,356,932
22	TOTAL NET CASH OUTFLOWS			45,551,470	31,082,809
23	LIQUIDITY COVERAGE RATIO (%)			272.72	287.48

(*) The simple arithmetic average calculated for the last three months of the values calculated by taking the monthly simple arithmetic average.

1 January – 30 September, 2023 The lowest, highest and average liquidity coverage ratios calculated by monthly periods are included in the table below:

	Highest	Date	Lowest	Date	Average
TL+FC	377.60	09/2023	150.59	09/2023	268.58
FC	367.23	09/2023	182.21	07/2023	269.17

The liquidity coverage rate is calculated by the proportion of high-quality liquid assets held by the Group to its one-month maturity cash outflows. Important balance sheet items that determine the rate; Compulsory provisions held by the CBRT, repo / non-repurchase securities, institutional qualified participation accounts, funds from abroad and receivables from banks. These items have more impact on the liquidity coverage ratio than the liquidity assets and net cash outflows, because they have a high share of the current cointegration, high concentration and variability over time.

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Prior Period		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC		FC	
		Total Unweighted Value (Average) (*)		Total Weighted Value (Average) (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS					
1	Total high-quality liquid assets (HQLA)	94,960,857	78,081,043	88,514,401	71,634,587
CASH OUTFLOWS					
2	Retail deposits and deposits from small business customers, of which:	99,249,224	23,220,871	8,995,739	2,322,087
3	Stable deposits	18,583,668	-	929,183	-
4	Less stable deposits	80,665,556	23,220,871	8,066,556	2,322,087
5	Unsecured wholesale funding, of which:	66,748,880	49,629,381	40,259,996	31,468,073
6	Operational deposits	-	-	-	-
7	Non-operational deposits	50,714,038	36,118,762	24,225,154	17,957,454
8	Unsecured funding	16,034,842	13,510,619	16,034,842	13,510,619
9	Secured wholesale funding			-	-
10	Other cash outflows of which:	40,020,979	37,012,500	40,020,979	37,012,500
11	Outflows related to derivative exposures and other collateral requirements	38,650,195	35,641,716	38,650,195	35,641,716
12	Outflows related to restructured financial Instruments	1,370,784	1,370,784	1,370,784	1,370,784
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet obligations	44,609,968	11,760,708	4,427,963	824,667
16	TOTAL CASH OUTFLOWS	-	-	93,704,677	71,627,327
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	56,949,221	39,759,567	43,422,629	31,875,515
19	Other cash inflows	40,502,895	36,679,035	40,502,895	36,679,035
20	TOTAL CASH INFLOWS	97,452,116	76,438,602	83,925,524	68,554,550
				Upper Limit Applied Values	
21	TOTAL HQLA STOCK			88,514,401	71,634,587
22	TOTAL NET CASH OUTFLOWS			23,426,169	17,906,832
23	LIQUIDITY COVERAGE RATIO (%)			377.84	400.04

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

1 October– 31 December 2022 The lowest, highest and average liquidity coverage ratios calculated by monthly periods are included in the table below

Prior Period

	Highest	Date	Lowest	Date	Average
TL+FC	425.27	12/2022	337.78	12/2022	379.25
FC	459.13	10/2022	349.89	12/2022	402.51

The liquidity coverage ratio is calculated by the ratio of the high-quality liquid assets of the Group to the net cash outflows within the one-month maturity window. Important balance sheet items which are influential over the aforementioned ratio may be specified as required reserves held in the presence of TC Central Bank, securities not subject to repo/assurance, institutional qualified participation accounts, funds of foreign origins and receivables from banks. These items have a higher influence over the liquidity coverage ratio as their amounts have a higher share of liquid assets and net cash outflows, their consideration rate is higher, and they may show variability over time.

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Presentation of assets and liabilities according to their remaining maturities

Current Period	Demand	Up to 1 months	1-3 months	3-12 months	1-5 Years	Over 5 years	Unallocated (***)	Total
Assets								
Cash (cash in vault, effectives, cash in transit, Cheques purchased) and balances with the Central Bank of the Republic of Turkey	63,099,212	63,098,201	-	-	-	-	(1,156)	126,196,257
Banks (*)	22,042,755	2,759	2,042,095	-	-	-	(314)	24,087,295
Financial assets at fair value through profit and loss	-	43,183	987,942	18,165,251	5,399,099	468,436	5,277,258	30,341,169
Money market placements	-	329,173	-	-	-	-	(171)	329,002
Financial assets at fair value through other comprehensive income	30,824	23,562,286	-	11,050,214	24,722,662	10,934,854	259,372	70,560,212
Loans (**)	(61,899)	57,813,165	51,845,881	122,095,358	65,704,957	10,999,553	(13,727,179)	294,669,836
Financial assets measured with amortized cost	-	-	-	96,272	34,676,801	9,115,978	(20,870)	43,868,181
Other assets (***)	18,210,624	1,446,762	146,368	-	3,908,686	-	7,499,865	31,212,305
Total assets	103,321,516	146,295,529	55,022,286	151,407,095	134,412,205	31,518,821	(713,195)	621,264,257
Liabilities								
Current account and funds collected from banks via participation accounts	3,648,062	-	30	-	-	-	-	3,648,092
Current and profit-sharing accounts	221,414,914	93,106,551	63,367,308	59,259,021	3,524,300	24,731	-	440,696,825
Funds provided from other financial institutions	-	46,012,452	1,106,753	21,282,987	5,580,201	9,753,920	-	83,736,313
Money market borrowings	-	411,034	339,004	-	-	-	-	750,038
Marketable securities issued	-	304,142	1,987,951	-	-	-	-	2,292,093
Miscellaneous payables	21,011,942	698,104	-	-	-	-	-	21,710,046
Other Liabilities (****)	-	4,721,131	3,530,448	270,411	434,735	52,690	59,421,435	68,430,850
Total Liabilities	246,074,918	145,253,414	70,331,494	80,812,419	9,539,236	9,831,341	59,421,435	621,264,257
Net liquidity gap	(142,753,402)	1,042,115	(15,309,208)	70,594,676	124,872,969	21,687,480	(60,134,630)	-
Prior Period								
Total assets	55,653,237	78,023,305	36,815,753	98,356,472	115,774,777	23,113,113	(3,756,146)	403,980,511
Total liabilities	168,583,632	87,906,831	66,146,294	24,186,285	9,606,484	6,613,206	40,937,779	403,980,511
Net liquidity gap	(112,930,395)	(9,883,526)	(29,330,541)	74,170,187	106,168,293	16,499,907	(44,693,925)	-

(*) Presented with netting off expected credit losses.

(**) Includes receivables from leasing transactions and the loans granted are presented with netting off with the expected credit loss.

(***) 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 and prepaid expenses are included under unallocated assets.

(****) The other unallocated liabilities column consists mainly of equity and provision balances.

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6. Explanations on consolidated leverage ratio

6.1 Disclosure of leverage ratio template

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

	On-balance sheet assets (*)	Current Period	Prior Period
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	614,682,187	399,281,673
2	(Assets amounts deducted in determining Basel III Tier I Capital)	(1,613,812)	(901,684)
3	Total amount on-balance sheet risks (sum of lines 1 and 2)	613,068,375	398,379,989
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative instruments and credit derivatives	1,229,464	612,546
5	The potential amount of credit risk with derivative financial instruments and credit derivatives	544,815	429,157
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5)	1,774,279	1,041,703
	Securities or commodity financing transactions (SCFT)		
7	Risks from SCFT assets (excluding on-balance sheet)	16,762,525	5,199,746
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)	16,762,525	5,199,746
	Other off-balance sheet transactions	-	-
10	Gross notional amounts of off-balance sheet transactions	142,369,334	107,965,469
11	(Adjustments for conversion to credit equivalent amounts)	(49,552,227)	(49,406,445)
12	Total risks of off-balance sheet items (sum of lines 10 and 11)	92,817,107	58,559,024
	Capital and total risks		
13	Tier I Capital	47,605,249	33,064,369
14	Total risks (sum of lines 3, 6, 9 and 12)	724,422,286	463,180,462
	Leverage ratio		
15	Leverage ratio	6.57	7.14

(*) Amounts in the table are three-month average amounts.

The leverage ratio calculated based on the arithmetic average of the amounts realized at the end of each month for the past three-month period as of the Group’s consolidated balance sheet date was 6.57% (31 December 2022 – 7.14%). The main reason for the change compared to the previous period is that the increase in capital, on-balance sheet assets and derivative financial assets and credit derivatives items is higher than other items. Accordingly, main capital increased by 44% from profit for the period, while on-balance sheet risk increased by 54%, off-balance sheet items increased by 59%. Accordingly, there is an decrease of 57 basis points in the current period leverage ratio compared to the prior period.

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

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

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9. Explanations on consolidated hedge accounting practices

None (31 December 2022 – None).

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10. Explanations on consolidated risk management

Risk Management System refers to the Board of Directors, the Audit Committee, the Risk Management Committee, Asset-Liability Committee ("ALC") and the Risk Management Department ("RMD") which has been composed in order to manage systemic risks that the Parent Bank is exposed. The Board of Directors is the owner of the Parent Bank's Risk Management System and ensures the establishment of an effective, sufficient and appropriate risk management system as well as the continuity of the system. The main objective of the Parent Bank's Risk Management System is to identify, measure, monitor and control the risks that the Parent Bank is exposed to, by determining the policies, limits and procedures to control, to monitor, and if necessary to change the risk-return structure of the Bank's future cash flows and the level & the quality of related activities.

10.1 Explanations related to risk management and risk weighted amounts

10.1.1 GB1 – Bank's risk management approach

		Risk Weighted Amounts		Minimum Capital Requirements
		Current Period 30/09/2023	Prior Period 31/12/2022	Current Period 30/09/2023
1	Credit risk (excluding counterparty credit risk) (CCR)	170,561,814	122,821,665	13,644,945
2	Standardized approach (SA)	170,561,814	122,821,665	13,644,945
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	826,040	875,913	66,083
5	Standardized approach for counterparty credit risk (SA-CCR)	826,040	875,913	66,083
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models' equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies – 1250% risk weighting Approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB supervisory formula approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	37,803,793	21,968,861	3,024,303
17	Standardized approach (SA)	37,803,793	21,968,861	3,024,303
18	Internal model approaches (IMM)	-	-	-
19	Operational risk	35,732,341	17,044,547	2,858,587
20	Basic indicator approach	35,732,341	17,044,547	2,858,587
21	Standardized approach	-	-	-
22	Advanced measurement approach	-	-	-
23	Amounts below the thresholds for deduction from capital (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	244,923,988	162,710,986	19,593,918

10.2.1 Guarantees used for counterparty credit risk: None

10.2.2 Credit derivatives: None

10.2.3 Risks to the central counterparty ("CCT"): None

11. Securitization positions

None.

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

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13. Qualitative explanations on market risk

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14. Disclosures regarding the consolidated operating segments

The Bank operates in Retail Banking, Corporate and Commercial Banking, International Banking sectors.

Corporate and Commercial Banking: to meet the financial needs of the customers', unique cash flow and financial solutions are provided to customers through loans, non-cash loans, foreign trade financing services and similar customized products. Domestic and foreign business opportunities are supported by using different corporate banking instruments to serve the sustainability of the production of entities.

Retail and Enterprise Banking includes fund collection, instalment commercial loans, business loans, non-cash loans, consumer financing and credit cards. The Bank serves in the range of products areas of profit share accounts creation, banking services, Trade Finance, Checks, POS services, Credit Cards, ATM services, Online Banking and Mobile Banking in these fields.

In International Banking, the relationships with foreign correspondent banks and investment institutes are executed directly or via branches abroad, representative offices and agencies. The firms, which are exceed size limits, are classified "corporate" customers and directed to the Corporate Banking. The products are the same with the Commercial Banking. The aim of international banking is to enable foreign trade financing and develop mutual long-term financing agreements with foreign banks. Besides supplying syndicated loans and issue the sukuk for the Parent Bank, investment banking also supplies syndicated loans in corporate basis for the firms and groups in Turkey. The Treasury in addition to monitoring foreign currency position and liquidity of the Parent Bank, also conducts spot and forward transactions in TL or foreign currencies, performs derivative transactions (forward, swap) with banks and customers, trades of gold within the context of membership of Istanbul Gold Exchange, trades share certificates in BIST and international markets and conducts Murabaha transactions with foreign banks.

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Specific balance sheet and income statement items according to segments

Current Period 1 January 2023-30 September 2023	Retail Banking	Corporate and Commercial banking	Treasury and international banking	Unallocated	The Parent Bank's total operation
Operating income	21,338,950	34,871,373	7,651,649	-	63,861,972
Operating expenses (-)	19,545,554	5,638,887	962,872	13,554,948	39,702,261
Transfers between segments	11,651,138	(9,067,217)	(2,583,921)	-	-
Net operating income(loss)	13,444,534	20,165,269	4,104,856	(13,554,948)	24,159,711
Income from shareholders who have applied equity management	-	-	-	126,742	126,742
Income (loss) before tax	13,444,534	20,165,269	4,104,856	(13,428,206)	24,286,453
Provision for taxation (-)	-	-	-	2,908,769	5,639,638
Net income for the period	13,444,534	20,165,269	4,104,856	(16,336,975)	18,646,815
Current Period 30 September 2023					
Segment assets	95,112,089	182,840,513	313,663,428	-	591,616,030
Associates, subsidiaries and joint ventures	-	-	-	393,759	393,759
Undistributed assets	-	-	-	29,254,468	29,254,468
Total assets	95,112,089	182,840,513	313,663,428	29,648,227	621,264,257
Segment liabilities	372,745,344	72,267,362	87,416,563	-	532,429,269
Undistributed liabilities	-	-	-	45,245,425	45,245,425
Shareholders' equity	-	-	-	43,589,563	43,589,563
Total liabilities	372,745,344	72,267,362	87,416,563	88,834,988	621,264,257
Prior Period 1 January 2022 – 30 September 2022					
Operating income	11,394,021	10,566,508	12,201,994	-	34,162,523
Operating expenses (-)	10,242,251	2,770,014	2,009,255	6,667,263	21,688,783
Transfers between segments	6,575,164	(4,968,319)	(1,606,845)	-	-
Net operating income(loss)	7,726,934	2,828,175	8,585,894	(6,667,263)	12,473,740
Income from shareholders who have applied equity management	-	-	-	44,520	44,520
Income (loss) before tax	7,726,934	2,828,175	8,585,894	(6,622,743)	12,518,260
Provision for taxation (-)	-	-	-	2,714,918	2,714,918
Net income for the period	7,726,934	2,828,175	8,585,894	(9,337,661)	9,803,342
Prior Period 31 December 2022					
Segment assets	63,362,805	120,864,395	210,923,809	-	395,151,009
Associates, subsidiaries and joint ventures	-	-	-	167,017	167,017
Undistributed assets	-	-	-	8,662,485	8,662,485
Total assets	63,362,805	120,864,395	210,923,809	8,829,502	403,980,511
Prior Period 31 December 2022					
Segment liabilities	256,562,048	55,972,626	42,313,721	-	354,848,395
Undistributed liabilities	-	-	-	18,361,781	18,361,781
Shareholders' equity	-	-	-	30,770,335	30,770,335
Total liabilities	256,562,048	55,972,626	42,313,721	49,132,116	403,980,511

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

1. Explanations and notes related to consolidated assets

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/foreign currency	1,636,417	16,021,995	2,216,128	9,241,195
The Central Bank of Republic of Turkey	22,407,145	75,957,615	6,272,849	58,400,892
Other (*)	264,524	9,909,717	55,900	3,278,301
Total	24,308,086	101,889,327	8,544,877	70,920,388

(*) As of 30 September 2023, precious metal account amounting to TL 4,188,128 (31 December 2022 - TL 3,278,301) and money in transit amounting to TL 5,986,113 (31 December 2022 - TL 55,900) are presented in this line.

1.1.2 Balances with the Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted demand deposit	22,407,145	12,859,414	6,272,849	12,263,740
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	63,098,201	-	46,137,152
Total	22,407,145	75,957,615	6,272,849	58,400,892

1.1.3 Explanations on required reserves

According to the CBRT's Communiqué on Required Reserves No. 2005/1, banks operating in Turkey; Required reserve ratios for Turkish lira and foreign currency liabilities are determined between 5% and 29% by differentiating according to the maturity of liabilities, and these rates are applied by banks as of the date of the report.

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

As of September 30, 2023, there is TL 329,262 (December 31, 2022 - TL 150,040) of financial assets that are subject to repo transactions, the difference in fair value is reflected in profit / loss. There is no guarantee given, there is no blocked (31 December 2022 - None).

Positive differences related to marketable derivative financial assets:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	104,783	59,197	242,868	59,408
Swap transactions	801,760	246,064	218,386	158,278
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	906,543	305,261	461,254	217,686

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1.3 Information on Banks

1.3.1. Information on Banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	9,660,711	14,426,898	3,766,630	17,735,475
Domestic	9,660,711	568,336	3,766,630	1,248,360
Foreign	-	13,858,562	-	16,487,115
Branches and head office abroad	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	9,660,711	14,426,898	3,766,630	17,735,475

1.3.2 Information on foreign banks account

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

	Current Period	Prior Period
Debt Securities	73,839,083	57,840,042
Quoted on stock exchange	73,839,083	57,840,042
Not quoted on stock exchange	-	-
Share certificates / Investment Funds	136,870	89,099
Quoted on stock exchange	30,824	19,920
Not quoted on stock exchange	106,046	69,179
Impairment provision (-)	3,415,741	344,012
Total	70,560,212	57,585,129

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

As of the balance sheet date, there is given collateral financial assets amounting to TL 50,933,241 (31 December 2022: TL 39,231,073) at fair value through to other comprehensive income

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

As of the balance sheet date, there is a repurchase agreement financial assets amounting to TL 396,250 (31 December 2022: 274,871) at fair value through other comprehensive income.

1.5 Explanations on financial assets measured at amortized cost

1.5.1 All types of loans and advances given to shareholders and employees of the Group

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct loans granted to shareholders	36,960	78,668	26,634	45,210
Corporate shareholders	8,550	78,280	10,779	45,163
Real person shareholders	28,410	388	15,855	47
Indirect loans granted to shareholders	3,327	18,225	2,176,543	1,849
Loans granted to employees	240,962	4,476	74,237	1,494
Total	281,249	101,369	2,277,414	48,553

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

Current Period Cash Loans	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
Loans	253,635,824	16,967,734	3,666,578	-
Export Loans	31,715,441	394,389	-	-
Import Loans	11,637,057	364,064	-	-
Corporation Loans	128,184,779	11,924,180	2,935,094	-
Consumer Loans	22,220,133	586,405	4,753	-
Credit Cards	21,974,694	1,831,471	9,771	-
Loans given to financial sector	5,263,845	-	-	-
Other	32,639,875	1,867,225	716,960	-
Other Receivables	367	1,377	-	-
Total	253,636,191	16,969,111	3,666,578	-

Prior Period Cash Loans	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
Loans	171,966,419	9,376,847	2,888,282	-
Export Loans	18,434,765	215,570	-	-
Import Loans	10,128,793	317,949	-	-
Corporation Loans	85,393,999	7,160,333	2,868,223	-
Consumer Loans	16,949,800	431,043	14,112	-
Credit Cards	9,934,053	601,788	5,947	-
Loans given to financial sector	7,518,682	-	-	-
Other	23,606,327	650,164	-	-
Other Receivables	227	364	-	-
Total	171,966,646	9,377,211	2,888,282	-

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

	Standard Loans	Loans and other receivables under close monitoring	Standard Loans	Loans and other receivables under close monitoring
	Current Period	Current Period	Prior Period	Prior Period
12 Month Expected Credit Losses	7,942,290	-	5,882,549	-
Other Financial Assets Measured at Amortized Cost Expected Credit Losses	20,870	-	10,210	-
Significant Increase in Credit Risk	-	6,056,717	-	4,847,784
Total	7,963,160	6,056,717	5,892,759	4,847,784

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

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

Current Period	Short term	Medium and long term	Total
Consumer Loans-TL	526,547	17,570,918	18,097,465
Real Estate Loans	40,299	10,459,056	10,499,355
Vehicle Loans	241,722	5,297,550	5,539,272
Consumer Loans	154,746	749,573	904,319
Other	89,780	1,064,739	1,154,519
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	30,623	4,537,101	4,567,724
Real Estate Loans	21,864	4,054,024	4,075,888
Vehicle Loans	7,622	457,288	464,910
Consumer Loans	1,137	25,789	26,926
Other	-	-	-
Retail Credit Cards-TL	6,636,288	24	6,636,312
With Instalment	2,160,908	24	2,160,932
Without Instalment	4,475,380	-	4,475,380
Retail Credit Cards-FC	2,679	12,253	14,932
With Instalment	-	12,253	12,253
Without Instalment	2,679	-	2,679
Personnel Loans-TL	13,235	132,867	146,102
Real Estate Loans	-	10,081	10,081
Vehicle Loans	3,874	41,531	45,405
Consumer Loans	9,361	81,255	90,616
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	115,922	2	115,924
With Instalment	58,165	2	58,167
Without Instalment	57,757	-	57,757
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	7,325,294	22,253,165	29,578,459

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Prior Period	Short term	Medium and long term	Total
Consumer Loans-TL	315,884	14,332,601	14,648,485
Real Estate Loans	54,319	10,456,951	10,511,270
Vehicle Loans	105,743	2,919,962	3,025,705
Consumer Loans	91,397	418,177	509,574
Other	64,425	537,511	601,936
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	311	2,713,906	2,714,217
Real Estate Loans	-	2,488,936	2,488,936
Vehicle Loans	-	208,939	208,939
Consumer Loans	311	16,031	16,342
Other	-	-	-
Retail Credit Cards-TL	2,489,352	25	2,489,377
With Instalment	724,471	25	724,496
Without Instalment	1,764,881	-	1,764,881
Retail Credit Cards-FC	9,246	-	9,246
With Instalment	-	-	-
Without Instalment	9,246	-	9,246
Personnel Loans-TL	2,783	29,470	32,253
Real Estate Loans	-	4,264	4,264
Vehicle Loans	1,253	12,971	14,224
Consumer Loans	1,506	12,235	13,741
Other	24	-	24
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	48,957	2	48,959
With Instalment	24,282	2	24,284
Without Instalment	24,675	-	24,675
Personnel Credit Cards-FC	-	-	-
Instalment based	-	-	-
Without-instalment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total	2,866,533	17,076,004	19,942,537

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1.5.5 Information on commercial instalment loans and corporate credit cards

Current Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	5,839,454	14,641,593	20,481,047
Business Loans	99,582	1,607,934	1,707,516
Vehicle Loans	4,667,380	9,582,629	14,250,009
Consumer Loans	1,072,492	3,451,030	4,523,522
Other	-	-	-
Commercial Instalment Loans-FC Indexed	12,045	426,010	438,055
Business Loans	12,045	-	12,045
Vehicle Loans	-	-	-
Consumer Loans	-	426,010	426,010
Other	-	-	-
Commercial Instalment Loans-FC	7,353,559	8,921,373	16,274,932
Business Loans	776,948	825,088	1,602,036
Vehicle Loans	30,028	2,487,783	2,517,811
Consumer Loans	-	-	-
Other	6,546,583	5,608,502	12,155,085
Corporate Credit Cards-TL	17,032,824	-	17,032,824
With Instalment	9,602,074	-	9,602,074
Without Instalment	7,430,750	-	7,430,750
Corporate Credit Cards-FC	3,248	32,422	35,670
With Instalment	-	-	-
Without Instalment	3,248	32,422	35,670
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	30,241,130	24,021,398	54,262,528

Prior Period	Short term	Medium and long term	Total
Commercial Instalment Loans-TL	8,579,186	15,698,855	24,278,041
Business Loans	220,671	1,792,159	2,012,830
Vehicle Loans	7,015,444	9,173,167	16,188,611
Consumer Loans	1,343,071	4,733,529	6,076,600
Other	-	-	-
Commercial Instalment Loans-FC Indexed	10,521	459,633	470,154
Business Loans	10,521	2,399	12,920
Vehicle Loans	-	-	-
Consumer Loans	-	457,234	457,234
Other	-	-	-
Commercial Instalment Loans-FC	2,090,870	8,461,500	10,552,370
Business Loans	-	751,994	751,994
Vehicle Loans	62,520	1,482,522	1,545,042
Consumer Loans	-	16,057	16,057
Other	2,028,350	6,210,927	8,239,277
Corporate Credit Cards-TL	7,959,725	-	7,959,725
With Instalment	4,467,414	-	4,467,414
Without Instalment	3,492,311	-	3,492,311
Corporate Credit Cards-FC	34,481	-	34,481
With Instalment	-	-	-
Without Instalment	34,481	-	34,481
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	18,674,783	24,619,988	43,294,771

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1.5.6 Breakdown of loans by users

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1.5.7 Breakdown of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	248,165,241	164,463,609
Foreign loans	26,106,639	19,768,530
Total	274,271,880	184,232,139

1.5.8 Loans granted to subsidiaries and associates

	Current Period	Prior Period
Loans granted directly to subsidiaries and associates	1,394	127
Loans granted indirectly to subsidiaries and associates	-	-
Total	1,394	127

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

	Current Period	Prior Period
Loans and receivables with limited collectability	143,263	92,504
Loans and receivables with doubtful collectability	274,152	265,907
Uncollectible loans and receivables	3,258,611	2,756,380
Total	3,676,026	3,114,791

1.5.10 Information on non-performing loans (Net)

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

	III. Group	IV. Group	V. Group
	Loans and Receivables with Limited Collectability	Loans and Receivables with Doubtful Collectability	Uncollectible Loans and Receivables
Current Period:			
(Gross Amount Before Specific Provisions)	-	-	739,663
Restructured Loans and Receivables	-	-	739,663
Prior Period:			
(Gross Amount Before Specific Provisions)	-	-	672,696
Restructured Loans and Receivables	-	-	672,696

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1.5.10.2 Information on the movement of total non-performing loans

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Ending balance of prior period 31.12.2022	148,232	304,294	2,820,252
Additions in the current period (+)	824,071	406,739	1,124,179
Transfers from other categories of non-performing loans (+)	-	133,374	471,626
Transfers to other categories of non-performing loans (-)	133,374	471,626	-
Collections in the current period (-)	62,165	26,209	807,888
Write offs (-) (*)	-	-	303,358
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	776,764	346,572	3,304,811
Specific provisions (-)	143,263	274,152	3,258,611
Net balances on balance sheet	633,501	72,420	46,200

(*) The Parent Bank has deleted its receivables amounting to TL 265,624 from its assets by the decision of the board of directors dated April 27, 2023. On September 7, 2023, KT Bank AG wrote off its receivables in the amount of EUR 1,300,000 (Full EUR). As a result of these transactions, there was a 10-basis point effect on the tracking conversion rate.

	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 of prior period 31.12.2021	204,088	151,392	2,727,035
Additions in the current period (+)	254,089	208,514	1,300,904
Transfers from other categories of non-performing loans (+)	-	186,595	216,062
Transfers to other categories of non-performing loans (-)	186,595	216,062	-
Collections in the current period (-)	123,350	26,145	1,423,193
Write offs (-)	-	-	556
Sold Portfolio (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
Ending balance of the current period	148,232	304,294	2,820,252
Specific provisions (-)	92,504	265,907	2,756,380
Net balance at the balance sheet	55,728	38,387	63,872

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

	Group III	Group IV	Group V
Current Period:			
Ending balance of the current period	569,870	81,941	849,804
Provision amount (-)	7,786	70,346	836,757
Net balance at the balance sheet	562,084	11,595	13,047
Prior Period:			
Ending balance of the current period	958	71,590	604,347
Provision amount (-)	637	63,562	592,550
Net balance at the balance sheet	321	8,028	11,797

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

	Group III	Group IV	Group V
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	633,501	72,420	46,200
Loans granted to real persons and legal entities (Gross)	776,764	346,572	3,304,811
Specific provision (-)	143,263	274,152	3,258,611
Loans to real persons and legal entities (Net)	633,501	72,420	46,200
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-
Prior Period (Net)			
Loans to real persons and legal entities (Gross)	39,498	52,267	66,222
Specific provision (-)	132,002	318,174	2,822,602
Loans to real persons and legal entities (Net)	92,504	265,907	2,756,380
Banks (Gross)	39,498	52,267	66,222
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (Net)	-	-	-

The Bank has collaterals such as cash, mortgages, pledges, and checks of customer issued for non-performing loans.

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

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

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Current Period (Net)	1,749	3,007	3,615
Profit share accruals, rediscount and valuation differences	7,311	14,161	359,702
Provision (-)	5,562	11,154	356,087

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
Prior Period (Net)	2,561	2,457	4,199
Profit share accruals, rediscount and valuation differences	9,953	13,184	365,861
Provision (-)	7,392	10,727	361,662

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

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

1.5.10.8 Information on the write-off policy

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

1.6 Information on financial assets measured at amortized cost

1.6.1 Information on other financial assets measured at amortized cost

	Current Period	Prior Period
Debt Securities	43,889,051	22,678,201
Quoted on a Stock Exchange	43,518,236	22,475,780
Not Quoted	370,815	202,421
Expected Loss Provision (-)	20,870	10,210
Total	43,868,181	22,667,991

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

	Current Period	Prior Period
Opening Balance	22,678,201	5,935,549
Foreign Exchange Gain/Loss	5,906,061	4,736,322
Purchases During the Year	16,063,394	18,347,606
Disposals Through Sales and Redemptions	758,605	6,341,276
Expected Loss Provision (-)	20,870	10,210
Total	43,868,181	22,667,991

1.7 Information on investment in associates (Net)

1.7.1 The 1.49% ownership of the shares of Kredi Garanti Fonu A.Ş. amounting to TL 4,897 (31 December 2022 – TL 4,897), ownership of the shares of Katılım Finans Kefalet A.Ş amounting to TL 22,500, which corresponds to 15% in (31 December 2022 – None), Swift shares amounting to TL 6,891 (31 December 2022 – TL 4,739) and 0.0035% ownership of the shares traded in Borsa İstanbul A.Ş amounting to TL 15 (31 December 2022 – TL 15), 2.86% ownership of the shares of JCR Avrasya Derecelendirme A.Ş. amounting to TL 2,755 (31 December 2022 – TL 2,755), The 0.44% ownership of the shares of İhracatı Geliştirme A.Ş. amounting to TL 30,420 (31 December 2022 – TL 30,420), VISA shares amounting to TL 191,897 (31 December 2022 – TL 118,489) are classified as financial assets at fair value through other comprehensive income since the Parent Bank's ownership in these entities is less than 10% and the Parent Bank does not have a significant influence on these entities.

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

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

1.8 Information on subsidiaries (Net)

1.8.1 Although the Bank has control power over the management and capital of its non-financial subsidiaries, Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San. Ve Tic. A.Ş and Architech Bilgi Sistemleri ve Pazarlama Tic A.Ş does not confirm to the definition of financial subsidiary in accordance with "Regulation related to the Preparation of Consolidated Financial Statements by Banks" published in the Official Gazette No. 26340 dated 8 November 2006; hence this subsidiary has not been consolidated.

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1.8.2 Information on subsidiaries

	Title	Address (City/Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1	KT Bank AG (*)	Frankfurt/Germany	100	100
2	Neova Katılım Sigorta A.Ş. (***)	Istanbul/Turkey	100	100
3	KT Kira Sertifikaları Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
4	KT Sukuk Varlık Kiralama A.Ş.	Istanbul/Turkey	100	100
5	KT Portföy Yönetimi A.Ş.	Istanbul/Turkey	100	100
6	Körfez Gayrimenkul Yatırım Ortaklığı A.Ş.	Istanbul/Turkey	75	75,17
7	Architech Bilişim Sistemleri ve Pazarlama Tic. A.Ş. (**)	Istanbul/Turkey	100	100
8	Körfez Tatil Beldesi Turistik Tesisler ve Devremülk İşletmeciliği San.ve Tic. A.Ş. (**)	Istanbul/Turkey	99.99	99.99

(*) As of 30 September 2023, financial figures for this entity in the table above are based on the financial information prepared in accordance with the local regulations of the country in which this entity operates.

(**) These are the amounts in the statutory financial statements dated September 30, 2023, regulated according to the Turkish Commercial Code.

(***) According to Article 10 of the Regulation on the Measurement and Evaluation of Capital Adequacy of Insurance and Reinsurance and Pension Companies, Neova Katılım Sigorta A.Ş. calculates a minimum required equity capital twice a year, in June and December periods, and the capital deficiency on September 30, 2023, is none (December 31, 2022: capital deficiency TL 226,650). In addition, the shareholder of Neova Katılım Sigorta A.Ş. has the financial power and management understanding to eliminate any financial risk.

Information on subsidiaries in the order listed above

	Total assets	Equity	Total fixed assets	Profit share income	Income from marketable securities	Current period profit/loss	Prior period profit /loss	Fair value
1	22,482,955	4,691,388	226,127	-	-	56,332	(2,344)	-
2	13,484,374	1,707,890	156,881	-	-	484,350	333,970	-
3	2,306,783	532	-	-	-	35	107	-
4	840	802	-	-	-	66	47	-
5	240,006	187,063	7,195	-	-	112,633	26,694	-
6	344,563	312,250	166,493	-	-	39,454	19,417	-
7	532,334	328,183	37,684	2,675	11,812	86,170	19,155	-
8	170,576	140,231	747	-	-	38,753	2,612	-

Information on the investment funds that were consolidated according to the full consolidation method with the Parent Bank as of September 30, 2023

	Title	The Parent Bank's share ratio (%)	Group's share ratio (%)	Net Asset Value
1	KT Portföy Kuveyt Türk Yabancı Katılım Serbest Özel Fon	100	100	62
2	KT Portföy Birinci Katılım Serbest (TL) Fon	100	100	7,417,712
3	KT Portföy Birinci Katılım Serbest (Döviz-Avro) Özel Fon	100	100	2,696
4	KT Portföy Yönetimi A.Ş. Kobi Girişim Sermayesi Yatırım Fonu	100	100	164,510
5	KT Portföy Lonca Girişim Sermayesi Yatırım Fonu	100	100	120,139
6	KT Portföy Neova Katılım Serbest Özel (TL) Fon	-	100	215,967
7	KT Portföy Yönetimi A.Ş. Neova Katılım Sigorta Özel Girişim Sermayesi Yatırım Fonu	-	100	6,647
8	KT Portföy NKS Katılım Serbest (TL) Özel Fon	-	100	1,464,056

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Movement regarding the subsidiaries

	Current Period	Prior Period
Balance at the beginning of the year	23,680	23,680
Movements during the year	100,000	-
Purchases (*)	100,000	-
Transfers from subsidiaries (net)	-	-
Bonus shares	-	-
Dividends from current year income	-	-
Sales	-	-
Revaluation increase	-	-
Impairment	-	-
Capital commitment payments	-	-
Balance at the end of the year	123,680	23,680
Capital commitments	67,500	-
Share percentage at the end of the year (%)	-	-

(*) Architech Information Systems and Marketing Tic A, a subsidiary of the Parent Bank, the capital of the company, which was TL 83,000,000 (full amount), was increased by TL 100,000,000 (full amount) to TL 183,000,000 (full amount) on March 28, 2023.

Sectoral information on consolidated subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	1,592,030	1,592,030
Insurance Companies	1,151,796	751,796
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Subsidiaries	75,419	75,419
Total	2,819,245	2,419,245

Consolidated subsidiaries listed on the stock exchange:

	Current Period	Prior Period
Quoted in Domestic Stock Exchange	53,418	53,418
Quoted in Foreign Stock Exchange	-	-
Total	53,418	53,418

1.8.3 Information on capital adequacies of major subsidiaries:

The Partner Bank's equity of KT Bank AG, the bank's subsidiary in Germany, calculated as of September 30, 2023, is EUR 161,649,140 (Full EUR amount) and the capital adequacy ratio is 29.5%.

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

	The Parent Bank's share percentage	Total assets	Equity	Total fixed assets	Current period profit/loss	Prior period profit /loss
Katılım Emeklilik ve Hayat A.Ş. (*)	50%	18,949,728	572,090	81,176	253,485	89,040

(*) In accordance with decision of the Bank's Board of Directors on 25 April 2013, Kuveyt Türk Katılım Bankası A.Ş. and Albaraka Türk Katılım Bankası A.Ş. decided to establish the Pension Company in line with main shares. The Parent Bank decided to establish that pension company with the equal share amounts with Albaraka Türk Katılım Bankası A.Ş. and that pension company is registered with the trade name "Katılım Emeklilik ve Hayat Anonim Şirketi", 895027 registry numbered dated 17 December 2013 by İstanbul Ticaret Sicil Müdürlüğü.

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1.10 Information on finance lease receivables (Net)

1.10.1 Presentation of remaining maturities of net finance leases

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	21,433,738	16,491,863	10,776,102	9,201,436
1 to 4 years	18,311,202	16,210,709	11,386,627	10,649,655
More than 4 years	965,624	942,270	1,038,646	1,012,311
Total	40,710,564	33,644,842	23,201,375	20,863,402

1.10.2 Net investments in finance leases

	Current Period	Prior Period
Gross receivable from finance leases	40,710,564	23,201,375
Unearned finance lease income (-)	7,065,722	2,337,973
Unearned finance lease income (-)	-	-
Net Leasing Investment	33,644,842	20,863,402

1.10.3 Information on finance lease contracts

The Parent Bank determines the settlements of the financial lease agreements in accordance with related legislations. Payment terms and amounts may be rearranged with additional agreements upon customers' requests. On the agreements, the Parent Bank gives the customer the option to buy the related property. According to the Financial Lease Law, if a customer does not fulfill its obligations until 60 days, the Bank sends a notice to the customer and the Bank takes legal action against the customer if necessary. Non-performing finance lease receivables amounting to TL 99,279 are included in the non-performing loans in the balance sheet (31 December 2022 – TL 72,248).

1.11 Information on derivative financial assets for hedging purposes

None (31 December 2022 – None).

1.12 Information on tangible asset

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1.13 Explanations on intangible asset

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1.14 Explanations on investment properties

	Current Period	Prior Period
Opening Balance	165,730	63,598
Additions	-	102,132
Disposals (-), Net	124,125	-
Amortization Cost (-)	-	-
Closing Net Book Value	41,605	165,730

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1.15 Information on deferred tax asset

As of 30 September 2023, deferred tax is offset as TL 3,908,686 in the balance sheet. The deferred tax asset is TL 4,980,141 (31 December 2022 – TL 3,515,733) and the deferred tax liability is TL 1,071,455 (31 December 2022 – TL 2,257,621).

	Current Period	Prior Period
TFRS 9 Provisions	2,402,941	1,873,759
Derivative transactions valuation differences	122,537	680,132
Deferred income	369,998	209,779
Severance pays liability	220,391	157,732
Reserve for employee benefits	277,385	247,550
Financial assets valuation difference	464,853	33,242
Transferred financial losses (*)	173,799	138,267
Gold Sukuk Valuation Effect	115,617	-
Tangible Fixed Assets Valuation Differences	445,208	-
Other	387,412	175,272
Deferred tax asset	4,980,141	3,515,733
Financial assets valuation difference	(686,400)	(1,625,767)
Tangible assets valuation differences	(78,837)	(13,703)
Derivative transactions valuation differences	(223,391)	(143,407)
Precious metal valuation difference	(65,651)	(377,242)
Other	(17,176)	(97,502)
Deferred tax liability	(1,071,455)	(2,257,621)
Net Deferred tax asset	3,908,686	1,258,112

(*) The Group has reflected a total of TL 173,799 of deferred tax assets (31 December 2022: TL 138,267) in its records as it plans to generate sufficient taxable income to offset the financial loss in the coming periods.

Table of deferred tax asset movement

	Current Period	Prior Period
As of 1 January,	1,258,112	1,882,944
Deferred tax (expense)/income	458,085	281,073
Deferred tax accounted under equity	2,192,489	(1,586,343)
Deferred Tax Asset	3,908,686	577,674

1.16 Explanations on assets held for sale and discontinued operations

	Current Period	Prior Period
Opening Balance	117,719	240,891
Additions	272,053	92,069
Transfers from Tangible Asset	-	-
Disposals (-), Net	37,498	215,241
Transfer to Tangible Assets	-	-
Amortization Cost (-)	-	-
Provision for Impairment (-)	-	-
Closing Net Book Value	352,274	117,719

1.17 Information on other assets

As of balance sheet date, the Group's other assets amount to TL 21,940,480 (31 December 2022 – TL 5,051,789). Other assets balance does not exceed 10% of the total assets on the balance sheet excluding off balance sheet commitments.

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2. Explanations and notes related to consolidated liabilities

2.1 Information on funds collected

2.1.1 Information on maturity structure of funds collected

Current Period	Demand	Up to 1 months	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	31,043,319	-	-	-	-	-	-	-	31,043,319
II. Real persons profit sharing accounts TL	-	10,858,982	71,867,975	5,672,994	-	11,547,839	2,536,745	13,631	102,498,166
III. Another current accounts-TL	21,670,306	-	-	-	-	-	-	-	21,670,306
Public sector	501,330	-	-	-	-	-	-	-	501,330
Commercial sector	20,738,194	-	-	-	-	-	-	-	20,738,194
Other institutions	324,526	-	-	-	-	-	-	-	324,526
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	106,256	-	-	-	-	-	-	-	106,256
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	105,663	-	-	-	-	-	-	-	105,663
Participation banks	15	-	-	-	-	-	-	-	15
Others	578	-	-	-	-	-	-	-	578
IV. Profit sharing accounts-TL	-	991,680	8,385,995	2,137,679	-	3,671,785	109,942	120	15,297,201
Public sector	-	210	4,795	-	-	177,303	-	-	182,308
Commercial sector	-	752,682	7,545,951	2,008,854	-	3,325,899	109,458	120	13,742,964
Other institutions	-	236,440	632,171	37,348	-	79,851	484	-	986,294
Commercial and other institutions	-	2,348	203,048	91,477	-	88,732	-	-	385,605
Banks and participation banks	-	-	30	-	-	-	-	-	30
V. Real persons current accounts-FC	83,420,019	-	-	-	-	-	-	-	83,420,019
VI. Real persons profit sharing accounts-FC	-	15,402,495	12,103,716	1,959,159	-	4,568,698	3,399,945	16,889	37,450,902
VII. Another current accounts-FC	29,738,440	-	-	-	-	-	-	-	29,738,440
Commercial residents in Turkey	19,384,144	-	-	-	-	-	-	-	19,384,144
Commercial residents in Abroad	7,784,005	-	-	-	-	-	-	-	7,784,005
Banks and participation banks	2,570,291	-	-	-	-	-	-	-	2,570,291
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	90	-	-	-	-	-	-	-	90
Foreign banks	2,565,118	-	-	-	-	-	-	-	2,565,118
Participation banks	5,083	-	-	-	-	-	-	-	5,083
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	427,673	1,079,495	549,146	-	500,221	294,101	22	2,850,658
Public sector	-	30	87,556	-	-	-	-	-	87,586
Commercial sector	-	291,520	386,831	55,026	-	152,057	11,538	22	896,994
Other institutions	-	34,703	194,884	494,081	-	339,297	281,466	-	1,344,431
Commercial and other institutions	-	101,420	410,224	39	-	8,867	1,097	-	521,647
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	59,190,892	7,688,659	4,024,483	627,061	-	484,400	30,241	-	72,045,736
X. Profit sharing accounts special funds - TL	-	-	1,231,701	3,868,564	-	40,193,873	3,036,032	-	48,330,170
Residents in Turkey	-	-	1,231,701	3,868,564	-	39,792,338	2,987,552	-	47,880,155
Residents Abroad	-	-	-	-	-	401,535	48,480	-	450,015
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (**)	225,062,976	35,369,489	98,693,365	14,814,603	-	60,966,816	9,407,006	30,662	444,344,917

(*) There are no 7 days notification accounts of the Group.

(**) As of 30 September 2023, the Parent Bank has a total of TL 80,350,568 (31 December 2022: TL 44,232,985) foreign exchange-protected deposit instrument of which TL 50,104,107 (31 December 2022: TL 23,423,914) opened within the scope of the "Communique on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" published by the CBRT in the Official Gazette dated 21 December 2021 and numbered 31696, TL 130,454,675 (31 December 2022: TL 67,656,899) opened within the scope of the announcement of the Ministry of Treasury and Finance ("Treasury") dated 24 December 2021. Foreign exchange revaluation differences amounting to TL 17,483,897 (31 December 2022: TL 681,794) regarding the foreign exchange-protected deposit instrument calculated as of the balance sheet date are presented in other assets wider assets and included in other liabilities under liabilities.

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Prior Period	Demand	Up to 1 months	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	28,581,579	-	-	-	-	-	-	-	28,581,579
II. Real persons profit sharing accounts-TL	-	11,844,756	53,871,241	3,455,298	-	7,619,222	1,161,534	15,311	77,967,362
III. Another current accounts-TL	18,258,435	-	-	-	-	-	-	-	18,258,435
Public sector	309,957	-	-	-	-	-	-	-	309,957
Commercial sector	17,687,175	-	-	-	-	-	-	-	17,687,175
Other institutions	198,874	-	-	-	-	-	-	-	198,874
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	62,429	-	-	-	-	-	-	-	62,429
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	62,429	-	-	-	-	-	-	-	62,429
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	1,039,535	7,749,201	2,594,915	-	2,928,479	195,171	47	14,507,348
Public sector	-	411	4,123	-	-	83,085	-	-	87,619
Commercial sector	-	869,626	7,054,549	2,445,215	-	2,750,155	194,800	47	13,314,392
Other institutions	-	168,930	585,212	51,182	-	50,651	371	-	856,346
Commercial and other institutions	-	568	105,292	98,518	-	44,588	-	-	248,966
Banks and participation banks	-	-	25	-	-	-	-	-	25
V. Real persons current accounts-FC	53,456,522	-	-	-	-	-	-	-	53,456,522
VI. Real persons profit sharing accounts-FC	-	12,945,066	11,731,134	1,731,931	-	3,299,705	3,932,794	12,554	33,653,184
VII. Another current accounts-FC	21,196,156	-	-	-	-	-	-	-	21,196,156
Commercial residents in Turkey	13,801,293	-	-	-	-	-	-	-	13,801,293
Commercial residents in Abroad	5,833,308	-	-	-	-	-	-	-	5,833,308
Banks and participation banks	1,561,555	-	-	-	-	-	-	-	1,561,555
Central Bank of Republic of Turkey	213,395	-	-	-	-	-	-	-	213,395
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	1,348,160	-	-	-	-	-	-	-	1,348,160
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	547,701	1,214,539	386,231	-	263,346	215,833	-	2,627,650
Public sector	-	47	59,539	-	-	-	-	-	59,586
Commercial sector	-	430,370	611,884	76,533	-	75,656	12,205	-	1,206,648
Other institutions	-	16,790	253,251	309,671	-	181,730	203,628	-	965,070
Commercial and other institutions	-	100,494	289,865	27	-	5,960	-	-	396,346
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	44,330,959	6,521,360	3,425,381	540,213	-	400,669	17,145	-	55,235,727
X. Profit sharing accounts special funds - TL	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents in Turkey	-	-	203,564	747,404	-	5,814,863	10,009	-	6,775,840
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total	165,823,651	32,898,418	78,195,060	9,455,992	-	20,326,284	5,532,486	27,912	312,259,803

(*) There are no 7 days notification accounts of the Group.

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

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

	Under the guarantee of saving deposit insurance		Exceeding the limit of saving Deposit	
	Current Period	Prior Period	Current Period	Prior Period
Real and legal persons current and profit-sharing accounts that are not subject to commercial activities				
TL accounts	70,270,084	46,974,148	147,557,876	99,081,497
FC accounts	87,136,054	52,436,738	121,451,283	102,497,446
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

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

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

The headquarters of the Parent Bank is in Turkey.

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

The Parent Bank has no current or profit-sharing accounts which are not under the guarantee of the Saving Deposit Insurance Fund except for the current and profit-sharing accounts of shareholders, member of Board of Directors, CEO, the Vice Presidents and their first-degree relatives.

	Current Period	Prior Period
Foreign branches' profit-sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit-sharing accounts of their mother, father, spouse and children in care	15,833	15,340
Profit sharing account and other accounts in scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in offshore banking activities solely	-	-

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2.2 Information on derivative financial liabilities held for trading

Derivative financial liabilities held for trading

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	147,421	33,448	8,064	21,777
Swap transactions	-	293,372	8,079	146,147
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	147,421	326,820	16,143	167,924

2.3. Information on funds borrowed

2.3.1 Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Loans from The Central Bank of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	176,024	47,141,362	564,451	21,592,120
From Foreign Banks, Institutions and Funds	47,300	19,667,539	47,300	5,630,771
Total	223,324	66,808,901	611,751	27,222,891

2.3.2 Information on maturity structure of borrowings

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	223,324	62,599,113	611,751	24,322,340
Medium and Long-Term	-	4,209,788	-	2,900,551
Total	223,324	66,808,901	611,751	27,222,891

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

A large part of the loans received by the Parent Bank consists of foreign currency loans. There is no risk concentration of the Parent Bank's current and profit-sharing accounts.

2.4. Information on securities issued

As of September 30, 2023, the Group has sukuks issued, the details of which are given below. The rates of return on issued securities are 27.03% on average for the Turkish Lira. The maturity of sukuks issued in Turkish Lira is between October 2023 and December 2023.

Current Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	2,240,000	-	-	-
Remaining Income Distribution	139,830	-	-	-
Book Value	2,292,093	-	-	-

Prior Period	TL		FC	
	Short Term	Medium and Long-Term	Short Term	Medium and Long-Term
Nominal	2,500,000	-	-	-
Remaining Income Distribution	103,127	-	-	-
Book Value	2,294,758	-	-	-

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2.5 Information on other liabilities and miscellaneous payables

As of 30 September 2023, other liabilities amount to TL 4,433,440 (31 December 2022 – TL 3,090,109), sundry creditors amount to TL 21,710,046 (31 December 2022 - TL 3,084,199), both of them do not exceed 10% of the balance sheet total.

2.6 Information on finance lease payables (Net)

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	35,216	40,115	18,040	21,049
1 to 4 years	79,014	70,760	63,259	68,196
More than 4 years	1,118,220	720,793	754,681	486,117
Total	1,232,450	831,668	835,980	575,362

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

2.6.1. Explanations on contract changes and the new obligations these changes bring to the Group

None (31 December 2022 – None).

2.6.1.1. Explanations on financial leasing obligations

None (31 December 2022 – None).

2.6.1.2. Explanations on operating lease

Leasing is classified as an operating lease in which the lessor holds all the risks and benefits of that asset. Such transactions include lease agreements belonging to branches, which can be cancelled with prior notice.

There are no significant obligations imposed by the changes in the contract related to the operating lease to the Group.

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

2.7 Information on hedging derivative financial liabilities

None (31 December 2022 - None).

2.8 Information on provisions

2.8.1 Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans: As of September 30, 2023, currency indexed loans amounting to TL 0 for loans (31 December 2022 – TL 0) and TL 0 (31 December 2022 – TL 0) for finance lease receivables exchange rate decreases have been clarified from the accounts of loans and finance lease receivables.

2.8.2 Information on other provisions

	Current Period	Prior Period
Provision for profits will be allocated to participation accounts	1,825,725	1,315,157
General Provisions for non-cash loans	1,008,745	787,896
Specific provisions for non -cash loans that are not indemnified converted into cash	791,901	604,898
Credit cards of banking services applications	8,448	8,337
Other (*)	502,152	388,270
Total	4,136,971	3,104,558

(*) The other item is mainly collected from TL 278,656 (31 December 2022 – TL 248,250) litigation provision, TL 112,034 (31 December 2022 – TL 60,034) for collected delay penalties that may be subject to refund in the current period.

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2.8.3 Information on provisions for employee benefits

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 734,635 (31 December 2022 – TL 631,314), vacation pay liability amounting to TL 45,741 (31 December 2022 – TL 6,163), performance premium amounting to TL 511,326 (31 December 2022 – TL 632,100), retirement bonuses on payment of TL 274,331 (31 December 2022 – TL 272,860), committee fee amounting to TL 65,832 (31 December 2022 – TL 59,977) and other fees amounting to TL 47,755 (31 December 2022 – TL 39,880).

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire.

The compensation to be paid is up to one month's salary for each service year and this amount is limited to TL 23,489.83 (full TL amount) (31 December 2022 – TL 15,371.40 (full TL amount)). The liability is not funded, as there is no funding requirement.

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

	Current Period	Prior Period
Discount rate (%)	12.72	12.72
Inflation rate (%)	9.90	9.90
Salary increases rate (%)	10.40	10.40

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

	Current Period	Prior Period
Balance at the beginning of the period	631,314	228,869
Provisions recognized during the period	145,998	95,630
Paid during the period	(42,677)	(20,588)
Actuarial loss	-	327,403
Balances at the end of the period	734,635	631,314

2.9 Explanations on tax liability

2.9.1 Explanations on current tax liability

2.9.1.1 Information on tax provisions:

As of the balance sheet date, the Group has a corporate tax liability of TL 6,426,125 (December 31, 2022: TL 5,076,326) and a prepaid tax of TL 3,093,403 (December 31, 2022: TL 3,022,412). The bank clearly showed its corporate tax liability and prepaid tax in the financial statements.

2.9.1.2 Information on taxes payable

	Current Period	Prior Period
Taxation of marketable securities	53,288	32,333
Taxation of immovable property	5,732	3,336
Banking Insurance Transaction Tax (BITT)	163,078	110,425
Foreign Exchange Transaction Tax	19,121	31,950
Value Added Tax Payable	14,450	14,448
Income tax deducted from wages	95,763	35,648
Other	132,647	3,222
Total	484,079	231,362

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2.9.1.3 Information on premiums (*)

	Current Period	Prior Period
Social Insurance Premiums-Employee	92,081	39,861
Social Insurance Premiums-Employer	101,570	44,003
Unemployment insurance-Employee	6,575	2,845
Unemployment insurance-Employer	13,797	6,145
Other	2	-
Total	214,025	92,854

(*) Included in Other Liabilities/Various Debts in the Balance Sheet.

2.9.1.4 Information on deferred tax liability

As of 30 September 2023, the deferred tax has been netted as TL 3,908,686 in the balance sheet within the scope of the relevant regulations. The deferred tax asset is calculated as TL 4,980,141 (31 December 2022 – TL 3,515,733) and the deferred tax liability as TL 1,071,455 (31 December 2022 – TL 2,257,621).

2.10 Information on payables related to assets held for sale

None (31 December 2022 – None).

2.11 Information on subordinated loans

It has not been prepared in the interim period in accordance with Article 25 of the Communiqué on Financial Statements to be Disclosed to the Public by Banks and on Disclosures and Footnotes Related to Them.

2.12 Information on shareholders' equity

2.12.1 Presentation of paid-in capital

	Current Period	Prior Period
Common shares	4,600,000	4,600,000
Preference shares	-	-
Repurchased shares amount (*)	(4,869)	(4,869)
Total	4,595,131	4,595,131

(*) It represents the Parent Bank's acquisition of its own shares as a result of the Bank's shareholders not using their right of preference according to the commitment made in the capital increase in the Bank.

2.12.2 Amount of Paid-in Capital, Disclosure on whether the Bank Applies the Registered Share Capital System, and, if so, the Ceiling Amount of the Registered Share Capital

Registered capital system is not applied in the Parent Bank.

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

None

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

None

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

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

2.12.6 Summary of privileges given to shares representing the capital

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None (31 December 2022- None).

2.12.7 Information on marketable securities value increase fund

	Current Period		Prior Period	
	TL	FC	TL	FC
From Associates, Subsidiaries and Entities Under Common Control (Joint Vent.)	-	-	-	-
Valuation Difference (*)	176,516	(58,705)	4,765,546	(56,643)
Foreign Exchange Difference	-	-	-	-
Total	176,516	(58,705)	4,765,546	(56,643)

(*) Valuation difference is calculated taking the tax effect of the rent certifications in the account, which are classified as “Government Debt Securities” and “Other Marketable Securities” under financial assets at fair value through other comprehensive income in the balance sheet.

2.13 Information on minority shares

30 September 2023 – TL 78,062 (31 December 2022 – TL 67,913).

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

3.1. Explanations on off-balance sheet accounts

3.1.1 Types and amounts of irrevocable commitments

Commitment for credit card limits, as of 30 September 2023 amounts to TL 25,636,730 (31 December 2022 – TL 13,003,526); payment commitments for cheque books amounts to TL 3,860,449 (31 December 2022 – TL 2,368,988).

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

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

As of 30 September 2023, the Group’s has guarantees and surety ships constituting of TL 39,780,135 (31 December 2022 – TL 23,149,142) of letters of guarantee; TL 252,070 (31 December 2022 – TL 136,081) of acceptances and TL 8,774,794 (31 December 2022 – TL 5,971,813) of letters of credit. Also, the Parent Bank has other acceptances amounting to TL 3,013,247 (31 December 2022 – TL 1,560,494).

3.1.2.2 Revocable, irrevocable guarantees and other similar commitments and contingencies

There are no other than those explained in 2.i

3.1.3 Total amount of non-cash loans

	Current Period	Prior Period
Non-cash loans given against cash loans	205,453	108,671
With original maturity of 1 year or less	205,453	108,671
With original maturity of more than 1 year	-	-
Other non-cash loans	51,614,793	30,708,859
Total	51,820,246	30,817,530

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

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

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

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

3.2. Explanations on derivative transactions

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3.3. Explanations on credit derivatives and their risks

None.

3.4. Explanations on contingent liabilities and assets

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

3.5. Explanations on services provided to other names and accounts

None.

3.6. Summary information on the rating of the Parent Bank to international rating agencies

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

4. Explanations and notes related to the consolidated statement of income

4.1 Information on profit share income

4.1.1 Information on profit share received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans	19,903,172	4,223,932	11,338,652	2,424,361
Short term loans	11,993,618	1,755,268	5,315,908	980,523
Medium- and long-term loans	7,691,261	2,407,875	5,770,019	1,379,931
Profit share on non-performing loans	218,293	60,789	252,725	63,907
Premiums received from resource utilization support fund	-	-	-	-
Total	19,903,172	4,223,932	11,338,652	2,424,361

4.1.2 Information on profit share received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
The Central Bank of the Republic of Turkey	49,481	-	2,519	-
Domestic Banks	1,861,129	-	442,582	-
Foreign Banks	681	419,006	-	90,619
Branches and head office abroad	-	-	-	-
Total	1,911,291	419,006	445,101	90,619

4.1.3 Information on profit share income from securities portfolio

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit or Loss	921,606	168,648	114,948	275,072
Financial Assets at Fair Value Through Other Comprehensive Income	9,498,196	956,079	7,320,594	583,044
Financial Assets valued at Amortized Cost	2,064,387	943,255	937,248	451,712
Total	12,484,189	2,067,982	8,372,790	1,309,828

4.1.4 Information on profit share income received from associates and subsidiaries

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	Current Period	Prior Period
Profit Share Income Received From Associates and Subsidiaries	789	341

4.2 Information on profit share expenses

4.2.1 Information on profit share given to loans used

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	74,607	579,976	34,757	133,879
The Central Bank of the Republic of Turkey	-	-	-	-
Domestic banks	69,599	9,610	32,614	4,770
Foreign banks	5,008	570,366	2,143	129,109
Foreign headquarters and branches	-	-	-	-
Other Institutions	-	1,476,843	-	595,218
Total	74,607	2,056,819	34,757	729,097

4.2.2 Profit share expense given to associates and subsidiaries

	Current Period	Prior Period
Profit share expenses given to associates and subsidiaries	7,170	3,555

4.2.3 Profit share expense paid to securities issued

Due to the issued securities in the Group's liabilities, there is a profit share expense of TL 216,303 as of the period (January 1-September 30, 2022 – TL 352,447).

4.3 Information on dividend income

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

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

Current Period		Profit Sharing Accounts						
Account name	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	3	-	-	-	-	-	3
Real person’s non-trading profit sharing account	1,317,569	7,822,578	751,094	-	2,152,033	259,994	1,371	12,304,639
Public-sector profit-sharing account	38	520	-	-	946	-	-	1,504
Commercial sector profit sharing account	101,778	802,369	286,479	-	339,994	4,419	-	1,535,039
Other institutions profit sharing account	25,330	86,873	25,362	-	13,820	91	-	151,476
Total	1,444,715	8,712,343	1,062,935	-	2,506,793	264,504	1,371	13,992,661
FC								
Banks	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	73,071	65,400	14,309	-	50,515	34,064	213	237,572
Public-sector profit-sharing account	-	444	-	-	-	-	-	444
Commercial sector profit sharing account	1,872	3,767	4,578	-	2,479	1,733	-	14,429
Other institutions profit sharing account	814	2,803	4,633	-	2,125	71	-	10,446
Precious metal accounts	7,043	3,865	586	-	504	-	-	11,998
Total	82,800	76,279	24,106	-	55,623	35,868	213	274,889
Grand Total	1,527,515	8,788,622	1,087,041	-	2,562,416	300,372	1,584	14,267,550
Prior Period		Profit Sharing Accounts						
Account name	Up to 1 months	Up to 3 months	Up to 6 months	Up to 9 months	Up to 1 year	Above 1 year	Accumulated profit-sharing accounts	Total
TL								
Collected funds from banks through current and profit share accounts	-	3	-	-	-	-	-	3
Real person’s non-trading profit sharing account	1,246,187	3,556,943	302,442	-	274,951	95,163	1,587	5,477,273
Public-sector profit-sharing account	38	154	34	-	189	-	-	415
Commercial sector profit sharing account	78,256	287,839	458,743	-	44,246	1,597	-	870,681
Other institutions profit sharing account	14,915	27,242	8,321	-	1,029	53	-	51,560
Total	1,339,396	3,872,181	769,540	-	320,415	96,813	1,587	6,399,932
FC								
Banks	-	-	-	-	-	-	-	-
Real person’s non-trading profit sharing account	131,116	167,961	15,274	-	26,002	25,761	124	366,238
Public-sector profit-sharing account.	-	-	-	-	-	-	-	-
Commercial sector profit sharing account	6,722	12,906	672	-	218	56	-	20,574
Other institutions profit sharing account	726	3,392	12	-	2	25	-	4,157
Precious metal accounts	8,560	4,565	788	-	483	-	-	14,396
Total	147,124	188,824	16,746	-	26,705	25,842	124	405,365
Grand Total	1,486,520	4,061,005	786,286	-	347,120	122,655	1,711	6,805,297

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4.5 Information on trading income/loss (net)

	Current Period	Prior Period
Trading profit / loss (net)	9,802,418	4,370,284
Profit	100,226,504	278,185,289
Gain on capital market transactions	614,547	185,410
Gain on derivative financial instruments	15,145,802	9,072,620
Foreign exchange profit	84,466,155	268,927,259
Losses (-)	(90,424,086)	(273,815,005)
Losses on capital market transactions	(12,176)	(2,022)
Losses on derivative financial instruments	(6,766,991)	(4,718,202)
Foreign exchange losses	(83,644,919)	(269,094,781)

4.6 Information on other operating income

The details of other operating income are presented below. There are no unusual items in the other operating income which materially affect the income of the Group.

	Current Period	Prior Period
Reversal of prior period provisions	1,139,569	953,239
Income from sales of assets	248,293	330,100
Cancellations of Provisions from Profits to be Distributed to Participation Accounts	346,162	66,917
Rental income	3,035	2,491
Other Income (*)	4,229,548	1,858,282
Total	5,966,607	3,211,029

(*) The other item mainly includes Neova Katılım Sigorta A.Ş.'s TL 4,104,660 gross written bonus and unearned bonus provision (30 September 2022 – TL 1,760,710).

4.7 Provisions for loan losses and other receivables of the Bank

	Current Period (*)	Prior Period (*)
Expected Credit Loss	5,604,392	5,382,535
12 month expected credit loss (Stage 1)	2,493,194	3,376,341
Significant increase in credit risk (Stage 2)	1,496,960	945,576
Non-performing loans (Stage 3)	1,614,238	1,060,618
Marketable Securities Impairment Expense	48,650	23,912
Financial Assets at Fair Value through Profit or Loss	48,650	23,912
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Impairment losses from Associates, Subsidiaries and Jointly Controlled Entities	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (**)	442,282	530,529
Total	6,095,324	5,936,976

(*) Includes the provisions in the “Other Provision Expenses” line in the Income Statement.

(**) Also includes provisions that can be allocated from profit to be distributed to participation accounts according to provisions regulation.

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4.8 Information on other operating expenses

	Current Period	Prior Period
Provision for retirement pay liability	103,321	56,918
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	432,751	249,604
Impairment Expenses of intangible fixed assets	-	-
Depreciation expenses of intangible assets	186,223	82,329
Depreciation expenses of assets held for sale	-	-
Other operating expenses	1,989,244	951,540
Lease Expenses Regarding TFRS 16 Exemptions	12,385	6,302
Maintenance expenses	263,563	137,288
Advertisement expenses	119,845	65,537
Communication expenses	174,559	92,526
Heating, electricity and water expenses	103,262	77,943
Cleaning expenses	23,694	10,830
Vehicle expenses	41,870	28,473
Stationery expenses	310,709	79,424
Other expenses (*)	939,357	453,217
Losses on sales of assets	5,803	4,397
Deposit insurance fund expenses	812,938	478,732
Other	6,232,017	2,506,735
Total	9,762,297	4,330,255

(*) As of September 30, 2023, "Financial Activity Fees" amounting to TL 171,537 (30 September 2022-TL 77,422) and "Bank and Insurance Transaction Tax" amounting to TL 162,721 are classified here (30 September 2022- TL 42,559.). As of September 30, 2023, the TL 2,452,444 Compensation Paid account (30 September 2022 – TL 1,533,080) and the TL 2,832,735 Outstanding Compensation Provision account (30 September 2022 – TL 583,195) from Neova are shown here.

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

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

4.10 Information on tax provision for continued and discontinued operations

The Group's, current period tax provision for the period amounting to TL 6,097,723 (1 January-30 September 2022 – TL 2,985,933), deferred tax income of TL 1,529,842 (1 January-30 September 2022 – TL 1,621,879), deferred tax expense of TL 1,071,757 (1 January-30 September 2022 – TL 1,350,864).

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

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

4.12 Information on net income/loss

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

As of 30 September 2023, net profit share income is TL 27,090,369 (1 January-30 September 2022 – TL 17,153,371) net fees and commission income is TL 1,759,271 (1 January-30 September 2022 – TL 819,197).

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

None (1 January – 30 September 2022 – None).

4.12.3 Profit/Loss attributable to minority interest:

	Current Period	Prior Period
Profit / (Loss) of Minority Shares	9,864	4,854

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

As of 30 September 2023, other fees and commissions received is TL 4,311,568 (1 January – 30 September 2022 – TL 1,748,378), TL 1,295,460 of this amount is related with credit card fees and commissions (1 January – 30 September 2022 – TL 548,626) and TL 942,963 of this amount is related with POS machine commissions (1 January – 30 September 2022 – TL 305,400).

As of 30 September 2023, other fees and commissions given is TL 2,832,240 (1 January – 30 September 2022 – TL 1,082,146), TL 1,080,625 (1 January – 30 September 2022 – TL 372,785) of this amount is related with POS clearing commissions and installation expenses, TL 355,306 (1 January – 30 September 2022 – TL 115,907) of this amount is related with fees and commissions paid for credit cards.

5. Explanations and notes related to the consolidated statement of shareholders' equity

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

6. Explanations and notes related to consolidated statement of cash flows

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

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

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

Current Period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	127	39,978	26,634	45,210	2,176,542	1,849
Balance at end of period	1,394	58,361	36,960	78,668	3,327	18,225
Profit share and commission income	351	438	3,144	361	442	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

Prior Period:

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	193	28,603	6,955	21,246	64,315	2,297
Balance at end of period	127	39,978	26,634	45,210	2,176,542	1,849
Profit share and commission income	-	341	769	175	11,923	-

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411.

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

Risk group of the Group (*)	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and profit-sharing accounts						
Balance at beginning of period	115,505	28,489	219,676	104,748	454,287	348,052
Balance at end of period	262,505	115,505	417,737	219,676	627,963	454,287
Profit share expense	7,170	3,555	9,639	4,397	425	168

(*) Defined in the Subsection 2, Article 49 of the Banking Law No. 5411

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

Risk group of the Group	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Transactions at Fair Value through Profit or Loss:						
Balance at beginning of period	2,697,940	758,268	842,005	1,992,498	-	-
Balance at end of period	2,027,677	2,697,940	1,718,201	842,005	-	-
Total Profit / Loss	15,472	91,540	30,892	23,773	-	-
Hedging Transactions:						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) It is defined in paragraph 2 of Article 49 of the Banking Law No. 5411.

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Borrowings						
Balance at beginning of period	-	-	957,272	270,055	-	-
Balance at end of period	-	-	8,420,510	957,272	-	-
Profit share expense	-	-	182,981	14,749	-	-

(*) It is defined in paragraph 2 of Article 49 of the Banking Law No. 5411.

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

The entire additional capital-like capital (Tier-I) sukuk of USD 200,000,000 (full amount) realized by the Parent Bank's on July 16, 2019, and the entire equity-like additional principal capital (Tier-I) sukuk of USD 50,000,000 (full amount) realized by the Parent Bank's on September 28, 2020, belong to Kuwait Finance House. Of the USD 350,000,000 (full amount) of the capital-like contribution capital (Tier-II) of USD 35,000,000 (full amount) realized by the Parent Bank's on 16 September 2021, Kuwait Finance House owns it.

7.6 Information on remunerations provided to top management

As of 1 January – 30 September 2023, the Group has paid TL 311,553 to top management (1 January – 30 September 2022- TL 113,752).

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

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

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

With the decision of the Board of Directors dated October 30, 2023, the Group has written off its receivables amounting to TL 181,176 from its assets.

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SECTION SIX

OTHER EXPLANATIONS

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

None.

SECTION SEVEN

LIMITED REVIEW REPORT

- 1. Explanations on the limited review report**

The consolidated financial statements have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member Firm of Ernst & Young Global Limited) and the independent auditors' limited review report dated 13 November 2023 is presented preceding the financial statements.

- 2. Notes and disclosures prepared by the independent auditor: None.**

SECTION EIGHT

INTERIM CONSOLIDATED ACTIVITY REPORT

- 1. The Parent Bank explanations on interim annual report including the evaluations of interim activities of the Chairman of the Board of Directors and General Manager**

- 1.1 About Kuveyt Türk**

Kuveyt Türk Katılım Bankası A.Ş. ("The Bank") was incorporated with the approval of the Central Bank of the Republic of Turkey (CBRT) on 28 February 1989 and commenced its operations on 31 March 1989, with the name of Kuveyt Türk Evkaf Finans Kurumu A.Ş. To comply with the Banking Act 5411, the title of the Parent Bank's has been changed to Kuveyt Türk Katılım Bankası A.Ş. with a change in the Articles of Association which was approved in the annual general meeting dated 26 April 2006. Main field of operation is, in addition to the Parent Bank's equity, to collect funds from domestic and foreign customers through "Current Accounts" and "Profit/ Loss Sharing Accounts" and allocate such funds to the economy, to perform all kinds of financing activities in accordance with the regulations, to encourage the investments of all individuals and legal entities operating in agricultural, industrial, trading and service industries, participating into the operations of these entities or individuals and to form joint business partnerships and to perform all these activities in a non-interest environment.

As of 30 September 2023, 62.24% of the Parent Bank shares are owned by Kuwait Finance House located in Kuwait, 18.72% by T.C. Vakıflar Genel Müdürlüğü, 9.00% by Wafra International Investment Company in Kuwait and 9.00% by Islamic Development Bank whereas the remaining 1.04% of the shares are owned by other real persons and legal entities.

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1.2 Financial information summary

CONSOLIDATED BALANCE SHEET	30.09.2023	31.12.2022
CASH BALANCES AND CENTRAL BANK BANKS	126,197,413	79,465,265
SECURITIES	24,087,609	21,502,105
LOANS AND RECEIVABLES	144,790,432	98,875,522
FINANCE LEASE RECEIVABLES (Net)	278,700,027	187,504,917
EXPECTED LOSS PROVISIONS (-)	33,644,842	20,863,402
TANGIBLE ASSETS (Net)	17,695,903	13,855,334
OTHER ASSETS	2,385,049	1,651,454
	29,154,788	7,973,180
TOTAL ASSETS	621,264,257	403,980,511
FUND COLLECTED	444,344,917	312,259,803
FUNDS BORROWED	67,032,225	27,834,642
MARKETABLE SECURITIES ISSUED (Net)	2,292,093	2,294,758
FINANCE LEASE PAYABLES (Net)	831,668	575,362
SUBORDINATED LOANS	16,704,088	11,424,892
OTHER LIABILITIES	46,469,703	18,820,719
EQUITY	43,589,563	30,770,335
TOTAL LIABILITIES	621,264,257	403,980,511
CONSOLIDATED STATEMENT OF PROFIT AND LOSS	30.09.2023	30.09.2022
PROFIT SHARE INCOME	43,986,254	25,230,798
PROFIT SHARE EXPENSE	16,895,885	8,077,427
NET PROFIT SHARE INCOME/EXPENSE	27,090,369	17,153,371
NET FEES AND COMMISSION INCOME/EXPENSE	1,759,271	819,197
PERSONNEL EXPENSES	4,605,589	2,815,740
DIVIDEND INCOME	4,256	2,830
NET TRADING INCOME / LOSS	9,802,418	4,370,284
OTHER OPERATING INCOME	5,966,607	3,211,029
EXPECTED CREDIT LOSS (-)	5,604,392	5,382,535
OTHER PROVISION EXPENSES (-)	490,932	554,441
OTHER OPERATING EXPENSES (-)	9,762,297	4,330,255
PROFIT / LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING	126,742	44,520
INCOME/ LOSS BEFORE TAX	24,286,453	12,518,260
TAX CHARGE	5,639,638	2,714,918
CURRENT PERIOD INCOME/LOSSES	18,646,815	9,803,342
RATIOS	30.09.2023	31.12.2022
Total Loans/Total Assets*	50.28%	51.58%
Total Loans/Fund Collected*	70.29%	66.73%
Average Equity Profit **	66.87%	76.90%
Average Assets Profit **	4.85%	5.31%
Capital Adequacy Ratio	24.95%	26.42%

* Finance Lease Receivables is included in total loans.

** Related ratios calculated by included in interim periods' profit amounts to year-end balances.

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1.3 Message from the Chairman

Dear Shareholders,

While the world economies are gradually recovering from the negative effects of the pandemic and the Russian-Ukrainian War, policymakers and institutions assume important responsibilities against potential risks in the process of returning economic activity to pre-pandemic levels. Problems persist in economic activity, especially in emerging economies, and divergence is observed in countries that are regionally affected by crises, especially in Europe.

At its September meeting, the Fed kept its policy rate unchanged between 5.25 percent and 5.30 percent, in line with market expectations, while most Fed officials indicated that they expect another rate hike within the year. The European Central Bank (ECB), on the other hand, decided to raise interest rates at its September meeting and raised the ECB deposit rate to 4 percent and the policy rate to 4.50 percent with the latest decision. While the ECB's Euro area inflation forecasts for 2023 and 2024 were revised upwards, market expectations for further rate hikes increased following ECB President Christine Lagarde's remarks that "we can't say that now ECB rates at peak". Considering the downward revisions in ECB's growth expectations, it is expected that the risks on inflation in the Euro area, unlike the US, will remain, while the recovery in economic activity is expected to be slower than in other developed and emerging economies.

In the October 2023 World Economic Outlook Report published by the International Monetary Fund (IMF), it was emphasized that the economic slowdown was more pronounced in advanced economies than in emerging economies, core inflation pressures persisted and tightening monetary policies should be expected to continue. The IMF revised its growth forecast for 2023 to 3 percent, while revising its growth forecast for 2024 negatively to 2.9 percent. With these forecasts, which are below the historical global growth averages of 3.8 per cent, attention was drawn to the difficulties in the decisions to be taken by institutions and authorities against the risks that the monetary policy tools used to ensure price stability and the actions taken to correctly anchor inflation expectations will pose on the financial sector and growth.

In the October 2023 World Economic Outlook Report, the IMF updated its inflation forecasts and revised its expectations for the coming years upwards. In the report, which revised inflation forecasts for 2022 by 1.8 percentage points to 5.7 per cent for advanced economies and by 2.8 percentage points to 8.7 per cent for emerging economies, it is emphasized that economic uncertainties will change according to the course of the war.

In the current operating period of 2023, our expert, well-trained, devoted, young and dynamic employees are the carrier power of our success. I would like to thank all our employees who have contributed to our success and our stakeholders who have never withheld their support.

Regards,

Hamad Abdulmohsen ALMARZOUQ

Head of the BOD

Kuveyt Türk Katılım Bankası

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1.4 Message from the General Manager

Dear Shareholders,

Global macroeconomic risks, regional risks and gradual recovery caused by cumulative shocks are carefully monitored by central banks and markets. On the other hand, despite the negative effects of the earthquake, the Turkish economy maintained its steady growth trend and continued its stable economic policies within the scope of the fight against inflation.

Kuveyt Türk, Turkey's leading participation finance institution, continued to offer innovative products and services to its customers in the third quarter of 2023, focusing on customer excellence and experience. It has solved the financial needs of its customers through digital channels in a fast and reliable manner thanks to its strong technological infrastructure.

Providing interest-free finance services to its customers for more than 30 years with products and services developed in line with the principles of participation finance, Kuveyt Türk continued its steady growth by increasing its profitability in the third quarter of 2023 and increased its net profit by 90 percent to 18,646,815 TL compared to the same period of the previous year. Kuveyt Türk's collected fund size reached 444,344,917 TL with an increase of 42 percent compared to 2022, while the size of funds provided increased by 50 percent to 312,344,869 TL. Having increased its shareholders' equity to 43,589,563 TL and its asset size to 621,264,257 TL, Kuveyt Türk consolidated its first place among participation finance institutions in terms of asset size and maintained its 10th place in the banking sector.

The participation finance sector and Kuveyt Türk, which adopt the principle of utilizing their resources in a way that will provide the highest contribution to the real economy, will continue to support investment, production and exports in 2023 as in the past. As Kuveyt Türk, we will continue to provide all products and services that our customers need in the best way possible with our understanding that puts customer experience at the center. In doing so, we will increase our market share in the banking sector while contributing to the increase in the share of participation finance in the banking sector. We will maintain our prudent approach in terms of asset quality and liquidity in the new year and continue to differentiate positively from the sector in this area.

Kuveyt Türk aims to continue to be the leading institution of the participation finance sector in Turkey in the coming period with its strong capital and liquidity structure, high asset quality, dynamic corporate governance approach, continuous development-oriented customer service model, ongoing investments in technology, accelerated digital transformation efforts and international expansion.

Regards,

Ufuk UYAN

Member of BOD and General Manager
Kuveyt Türk Katılım Bankası

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1.5 Financial position, performance and assessment of the prospects for the future

As of 30 September 2023, consolidated financial statements asset size is TL 621 billion 264 million, amount of the utilization of funds is TL 312 billion 345 million and funds collected amount is TL 444 billion 345 million. Because of the first nine months' profit of TL 18 billion 647 million, the ratio of shareholder equity increased 42% by reaching TL 43 billion 590 million. As of 30 September 2023, consolidated capital adequacy ratio has been realized as 24.95%.

We continue to expect that our Parent Bank will continue its development in line with its growth and profitability targets.

1.6 Significant events and transactions occurring during the three months period

The Parent Bank issued sukuk with a nominal value of TL 2 billion 240 million and a minimum cost of 23.67% and a maximum cost of 31.56% in different maturity brackets through ten separate transactions through KT Kira Sertifikaları Varlık Kiralama A.Ş.

1.7 Assessment of the expectations related to the subsequent interim period

Despite the measures taken while protecting the global macroeconomic risks caused by cumulative shocks since the outbreak, the focus of inflation in the global sense continues. While inflation pressures continue in the global economy, tight monetary policies are expected to create a significant burden on economic activity. While the management of financial and non-financial risks will figure in an important role for the financial sector in 2023, geopolitical and macroeconomic developments will continue to be closely monitored.