



İLBANK
CONSTRUCTIVE POWER OF TÜRKİYE



ANNUAL REPORT 2023





“

The Finance Bank should be established for the public services of the municipalities in the construction and installation of the cities.

”

K. Atatürk

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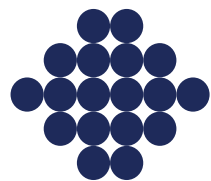
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ILBANK
CONSTRUCTIVE POWER OF TÜRKİYE

 www.illbank.gov.tr





İller Bankası was established under the name of (Municipalities Bank) with a capital of 15 Million Liras on 11 June 1933 with the Law No. 2301, with the instructions of our great leader Mustafa Kemal Atatürk, within the framework of the development initiative initiated after the War of Independence.

One of the Republic's oldest established institutions, being founded in 1933 as the Municipalities Bank, İller Bankası is a proud and unique institution in the world's history of development banking.

In accordance with the Establishment Law, the structure of the Bank of Municipalities has been reorganized due to the fact that it operates exclusively for municipalities, the capital of the establishment has not been able to meet the increasing need for loans in parallel with the rapid population growth and urbanization, as well as the villages that have been excluded from this aid and the villages are excluded from this aid.

Within this framework, with the enactment of the Law numbered 4759, which was accepted on 13 June 1945 and published in the Official Gazette on 23.06.1945; The area of activity has been expanded to include all local governments, including provincial special administrations, municipalities and villages, and a new legal status has been created by expanding both the name of the Bank and its duties, powers and responsibilities. In parallel with the changing economic and social conditions of the world and our country; It is aimed to adapt the country and world conditions by changing the fields of activity, organizational structure, personnel policy and employment of the Bank, and to become an institution that produces more effective and efficient services. With all these needs and obligations, the Bank was restructured with a legal arrangement; The Law on İller Bankası A.Ş. numbered 6107 was accepted by the Parliament on 26 January 2011 and published in the Official Gazette dated 8 February 2011. Thus, the Bank was transformed into "Joint Stock Company" status and was renamed as "İller Bankası A.Ş."



Article 3 of the Law no. 6107 governing İller Bankası sets forth that;

The Objectives of İller Bankası Are;

- To meet the financing needs of special provincial authorities, municipalities, and their affiliated organizations, and of local administrative associations of which only these may be members,
- To develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations,
- To provide such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works,
- To perform any and all functions related to development and investment banking.

In order to achieve these summarized objectives, İller Bankası may;

- It can open all kinds of short, medium and long-term cash and non-cash loans to its partners.
- It may or may provide research, project development and consultancy services regarding its activities, and may provide technical assistance.
- It can establish and transfer a company under the leadership of the Bank.
- Can be an Insurance Agent.
- It can open branches and representative offices in the country and abroad, provided that the necessary permissions are obtained.
- It can cooperate with domestic and foreign financial institutions, and become a member of national and international organizations in which they participate. It can provide resources from domestic and foreign financial institutions, money and capital markets and all kinds of funds.
- It carries out all kinds of development and investment banking transactions that will help realize its purpose.
- It carries out or has it done the special projects and urban infrastructure projects and construction works requested by the Ministry.
- In order to procure funds for the Bank, it makes or has it done with profit-oriented real estate investment projects, provided that it does not undertake any debt or conditional obligation for the project resource.

As constitutionally and statutorily prescribed organizations, local governments are the cradle of democracy and have an important place in, and contribution to, the inculcation of democratic ideals and principles in society. İller Bankası is a unique institution, which has no exact analogues anywhere else. Having a special place in the annals of development banking by virtue of its distinctive structure, İller Bankası has been providing local governments with financial support as well as transforming that support into investment ever since the day it was founded. Farsightedness and the Bank since its foundation, reflecting the dynamism of the service concept, **"Türkiye's Constructive Power"** continues with enthusiasm on the day of its establishment as a service.



Mehmet ÖZHASEKİ

Republic of Türkiye Minister of
Environment, Urbanization and
Climate Change



“As an important actor in the realization of our country’s 2053 and 2071 goals, Iller Bank will act in accordance with the vision of ‘**Türkiye Century**’ put forward by our President Recep Tayyip Erdoğan in 2024 as it did in 2023, will continue its investments, will produce new projects, and will continue to support local governments that adopt service municipalism and works municipalism.”

“It will continue to work with determination for the construction of robust, healthy, energy efficient, environmentally friendly, Zero Waste compliant and people-oriented cities that are resistant to disasters.”

With its 90 years of experience, Iller Bank is one of the most well-established institutions of our country, having played a role in almost every development and progressive move of our country.

Established in the early years of the Republic to meet the local, common needs of municipalities, the duties and responsibilities of the Bank of Provinces have increased over time. In addition to supporting thousands of different projects such as infrastructure, superstructure, environment and urbanization projects carried out by our local governments, we also provide loans, consultancy services and technical support for local governments to produce and develop projects at international standards. The importance of the Bank of Provinces has increased even more with the local development initiative put forward by our President in 1994 and spread all over the country since 2002.

Together with our local governments, we continue a strong struggle against climate change, which threatens our common home, our world, with the financing models and projects we have developed.

Likewise, our Bank played an important role in the reconstruction and construction of the cities affected by the February 6 earthquakes, and financing was provided to the municipalities in the region with a grant of TL 56 billion from external sources.

Iller Bank in 2023;

Asset size increased by 61.49% to TL 149 billion 893 million.

Shareholders’ equity increased by 38.54%, reaching TL 49 billion 62 million.

The Bank’s paid-in capital increased to TL 39 Billion 40 Million, ranking the Bank 2nd in the banking sector in terms of paid-in capital.

For our Bank, 2023 was completed with a rising momentum as in previous years.

As an important actor in the realization of our country’s 2053 and 2071 goals, Iller Bank will act in accordance with the vision of the

“Türkiye Century” put forward by our President Recep Tayyip Erdoğan, continue its investments, produce new projects, and continue to support local governments that adopt service municipalism and works municipalism in 2024, just as it did in 2023.

In the coming years, these services will be carried to a much wider platform with the diversification of the urban transformation and financing area, and will continue to improve the quality of service in cooperation with the Ministry to develop a sustainable urbanism approach.

It will continue to work with determination for the construction of robust, healthy, healthy, energy efficient, environmentally friendly, Zero Waste compliant and people-oriented cities that are resistant to disasters.

I wish that the annual report of Iller Bank for the 2023 service year, prepared within this framework, will be beneficial for both our stakeholders and the Bank.



Eyyüp KARAHAN
Chairman of the Board of Directors

“We will continue to serve our 81 provinces and 84 million citizens with our entire team, day and night, with love, enthusiasm and determination. We owe our well-deserved reputation and market position that we have built in Turkey and in the international arena over the past 90 years to our employees who have worked for generations with wholehearted devotion to our Bank and built today with dedication.”



“In parallel with the growth momentum required by the age for the development of our cities, we offer the financial power and technical infrastructure of our bank to the service of our citizens, taking into account the priority needs of our local governments.”

As İller Bank, we have made great efforts for this country for 90 years, and we have climbed many hills along the way. The old saying goes, “After climbing a big hill, you will only see that there are many more hills to climb.” We have taken this promise to heart. Aware that our citizens expect new works and new projects from us at every moment, we continued our work tirelessly.

Our aim is to carry our cities to better places and to bring the activities of our Bank to every corner of our country and bring them together with our citizens.

We aim to preserve our seas, rivers and lands with all their beauty for the future. With an understanding based on the protection of our nature and the revitalization of our cities, we have responded to the demands of local governments and the needs of our cities in every project we have carried out, from drinking water to wastewater, from solid waste to renewable energy, from bicycle paths to urban transportation.

In parallel with the growth momentum required by the age for the development of our cities, we offer the financial power and technical infrastructure of our bank

to the service of our citizens, taking into account the prioritized needs of our local governments.

As an important institution for the development of our country, our Bank continues to grow with its investments and financial resources. When we look at the financial data of our Bank, the size of its assets increased by 61.49% compared to 2022 and reached TL 149 Billion 893 Million 906 Thousand at the end of 2023. The Bank’s net profit for the period is TL 4 Billion 127 Million 268 Thousand. The Bank’s loan stock increased by 42.66% to TL 65 Billion 176 Million 685 Thousand and shareholders’ equity increased by 38.54% to TL 49 Billion 62 Million 845 Thousand.

In this period, the Bank’s paid-in capital increased to TL 39 Billion 40 Million 740 Thousand. Our Bank ranks 2nd in the banking sector with its paid-in capital.

In 2023, the Bank’s return on assets was 2.75% and return on equity was 8.41%.

As “Turkey’s Most Powerful Development and Investment Bank”, we will continue to contribute to our vision of “Türkiye Century” announced by our President with our valuable projects.

As İller Bank, we have been in a race for service in every province, city, district and even village across Turkey. Because the path to a strong Turkey passes through strong cities and strong towns.

With this awareness, God willing, we will continue to serve our 81 provinces, 84 million citizens, with our entire team, day and night, with love, enthusiasm and determination. We owe the well-deserved reputation and market position we have built in Turkey and in the international arena over the past 90 years to our employees, who have been devotedly working for our Bank for generations and who have built today with their dedication.

I would like to thank all my colleagues who have carried our bank from success to success, to our local governments who have always pushed us forward and encouraged us to do the best.





Recep TÜRK
General Manager

“In 2023, we continued to build our investments that will add value to our country. As ‘Turkey’s Most Powerful Development and Investment Bank’, we continued to move towards the goals of Turkey’s Century together with all our colleagues and local governments with the awareness that our responsibility is much more than banking.”



With 90 years of experience since its establishment, İller Bank continues to contribute to the development of our country, which is growing and developing in every field, and to support local governments.

In light of our vision of sustainable cities and our strategy of always being at the side of local governments, we continued to build our investments that will add value to our country in 2023. As “Turkey’s Most Powerful Development and Investment Bank”, we continued to move towards the goals of Turkey’s Century together with all our colleagues and local governments with the awareness that our responsibility is much more than banking.

Our strategic priorities and dynamic structure have enabled us to successfully manage the difficult conditions of 2023 and guided us to make efficient and effective use of our resources.

As Turkey’s constructive power, İLBANK continued to produce non-stop in 2023 and to support local governments in providing the highest quality services to our people. In 2023, across Turkey; 59 wastewater (wastewater network, wastewater treatment, deep sea discharge), 72 units of drinking water (drinking water network, drinking water treatment, drinking water drilling, drinking water storage), 85 superstructures (solar energy system, street sanitization, service building, social facility, market place,

recreation area, facade renovation), 64 urban planning (zoning plan, mapping, geological survey, geographic information system) and 215 other infrastructure (asphalt, road paving, curbs, bicycle paths, solid waste) investments, we realized 495 projects worth 4.8 billion TL.

In the particular case of the Kahramanmaraş-centered earthquake disaster that occurred on February 6, 2023, our Bank has fully fulfilled all its responsibilities. In the aftermath of the earthquake, we continued our work in the field both for the continuation of urban infrastructure services in the acute period and for the creation of resilient infrastructures in the medium and long term. As always, our Bank applied its practical knowledge and experience in the field in this earthquake. The supply of drinking and potable water to the settlements where the earthquake struck and the disposal of wastewater were the priorities of everyone.

Our Bank took immediate action after the earthquakes and restored 98 percent of the drinking water infrastructure in 11 affected provinces, ensuring access to drinking water for citizens. As a result of the damage assessment works carried out in all existing drinking water facilities, a total of 800 faults in tanks, pumping stations, transmission lines and art structures belonging to 79 local governments were repaired in a very short time. Drinking water and waste water connections have been completed in the tent city and container areas.

In order to heal the wounds of the earthquake, grants were provided to the Bank from the General Budget and the Bank’s profits within the scope of the maintenance, repair and reconstruction of drinking water and sewerage infrastructures in the post-earthquake region.

For disasters such as earthquakes and floods, TL 5.5 Billion financing was provided with the appropriations transferred from the General Budget within the scope of protocols and with the assistance of our Bank.

At the same time, within the framework of the earthquake report prepared by the Presidential Strategy and Budget Directorate, our post-earthquake reconstruction efforts continue with international financing.

In this context, in the first phase, 64 billion TL financing was allocated from International Financial Institutions for environmental infrastructure investments of local governments in 13 earthquake-affected provinces.

These projects aim not only to repair damage to municipal infrastructure, but also to prepare our cities for a resilient and sustainable future with a “rebuild-better approach”.

In addition to earthquake projects, we will continue to develop our collaborations with international organizations to meet the needs and demands of our local governments in the coming period.

Our Bank will continue to provide high quality and accessible services in 2024 with our policy towards the

development of cities, our sustainable growth criteria that envisages the efficient use of resources, and our strong collaborations with international financial institutions.

Our strategy is to increase the diversity and quality of the services we offer to local governments and to develop an innovation strategy and roadmap in infrastructure financing and consultancy services by supporting our business processes with new techniques and technologies.

In line with our Sustainability Policy, we develop collaborations that aim to create added value with the principle of banking that respects people and the environment.

İller Bank will continue to provide financing to all local governments with an effective approach, taking into account the urgency and importance of their needs.

Financially supporting investment projects that can meet the needs of our country and our cities will continue to be our prioritized goals.

I would like to thank all my colleagues who use their knowledge, mind and heart for a Greater and Stronger Turkey and who continuously improve themselves with up-to-date information and techniques, and to our local authorities who join their hands together for our common home, our world and our children.

BOARD AGENDA

DATE OF GENERAL ASSEMBLY MEETING

Tuesday, June 11, 2024 Time: 14:00

VENUE

İller Bankası Macunköy Campus Social Facilities

Address: Çamlıca neighbourhood Anadolu Boulevard No: 24/E Yenimahalle/ANKARA

(It will be done electronically within the scope of Article 1527 of the Turkish Commercial Code numbered 6102.)



AGENDA OF THE GENERAL ASSEMBLY MEETING

1. Opening & moment of silence,
2. Formation of the General Assembly Council and the authorization of the Council Chair to sign the Ordinary General Assembly Meeting minutes,
3. Reading, deliberating and approving the Board of Directors' Report and the Statutory Auditors' Report,
4. Reading, reviewing, deliberating and approving the Balance Sheet and Profit/Loss accounts having undergone independent audits, for year 2023,
5. Individual releases of each of the company's directors and statutory auditors
6. Determining the remuneration to be paid to the members of the Board of Directors and Statutory Auditors
7. Authorizing the Board of Directors members as per Articles 395 and 396 of the Turkish Commercial Code
8. Submission of the Amendment Text of the Articles of Association of İller Bankası A.Ş. approved by the Banking Regulation and Supervision Agency and the Ministry of Trade for the approval of the General Assembly,
9. Submission of the Amendment Text of the Internal Directive prepared in accordance with Article 419 of the Turkish Commercial Code for the approval of the General Assembly,
10. Election of a Board Member to represent Special Provincial Administrations in accordance with Article 7 of the Bank Law,
11. Approval of the Independent Audit Firm to perform the independent audit activities for the year 2024, as selected by the Board of Directors,
12. Petitions and Suggestions,
13. Closing.

OUR CORPORATE MESSAGE



OUR VISION

To be an international development and investment bank which leads modern urban development and whose service quality is proven.



OUR MISSION

To contribute towards sustainable urbanization by creating and developing projects conforming to international standards, by supplying credit, by acting as a consultant, and by providing technical support in order to satisfy the urban needs of local governments.



OUR STRATEGY

To serve with a perspective of investment banking and total quality management.

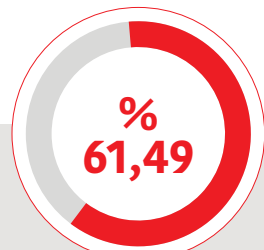


OUR CORE VALUES

- Country Benefit
- Activity
- Reliability
- Environmental Awareness
- Social Responsibility
- Openness to Change
- Participation
- Ownership of Ethical Values
- Team Spirit
- Quality
- Transparency
- Impartiality
- Lead

SUMMARY FINANCIAL RESULTS

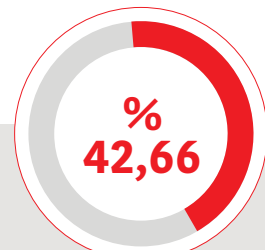
TOTAL ASSETS



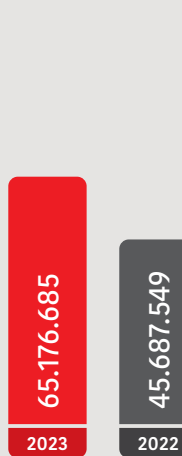
Rate of Change



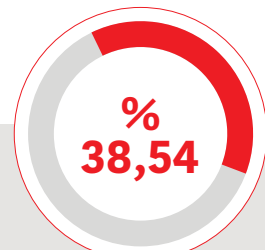
LOANS



Rate of Change



SHAREHOLDERS' EQUITY



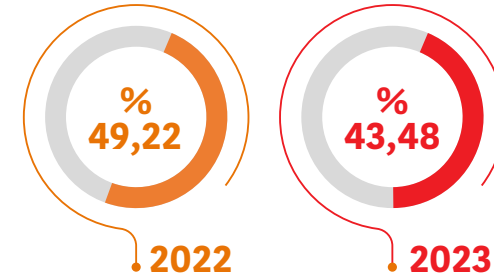
Rate of Change



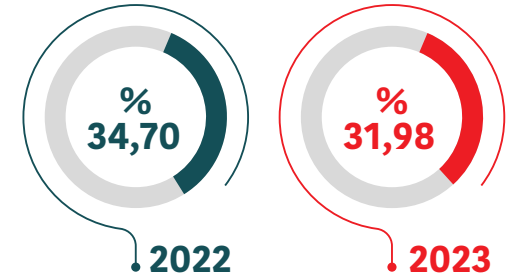
Summary Financial Results

(Thousand TL)	2022	2023	Amount of Change	Rate of Change (%)
Total Assets	92.821.750	149.893.906	57.072.156	61,49
Liquid Assets and Banks	39.928.633	77.280.778	37.352.145	93,55
Loans	45.687.549	65.176.685	19.489.136	42,66
Shareholders Equity	35.414.239	49.062.845	13.648.606	38,54
Paid-in capital	28.538.677	39.040.740	10.502.063	36,80
Loans Received	23.568.228	36.145.098	12.576.870	53,36
Interest Incomes	6.871.460	13.181.560	6.310.100	91,83
Interest Expenses	1.680.770	3.395.895	1.715.125	102,84
Non-interest incomes	1.592.750	2.884.783	1.292.033	81,12
Non-interest expenses	3.421.998	8.543.179	5.121.181	149,65
Profit before tax	4.451.422	6.540.906	2.089.484	46,94
Net Period Profit / Loss	3.361.442	4.127.268	765.826	22,78

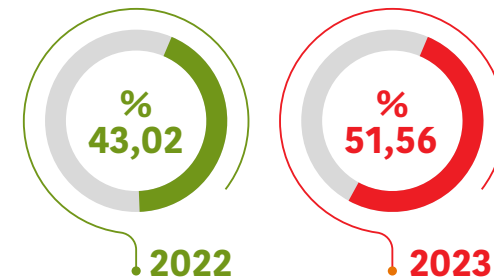
RATIOS (%)



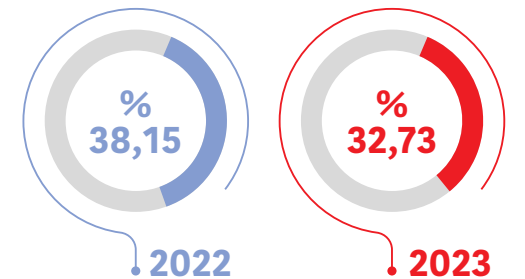
Loans / Total Assets



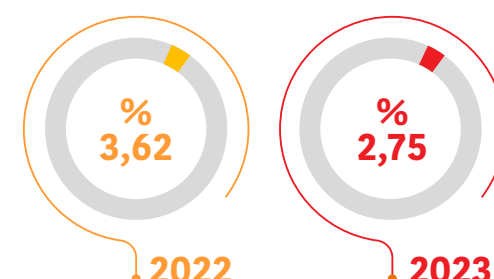
Capital Adequacy Ratio



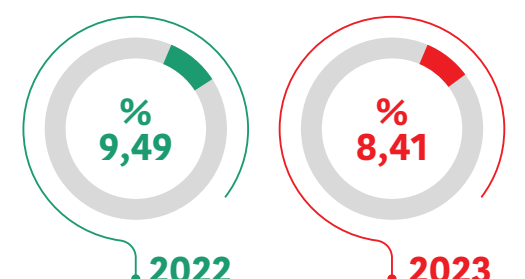
Liquid Assets / Total Assets



Earnings on Equity



Earnings on Assets



Shareholder's Equity / Total Assets

Capital and Partnership Structure

In **2023**, the Bank's paid-up capital increased by **36,80 %** and reached **TL 39.040.740 Thousand**.

In paragraph 2 of the article 4 of “the Law No. 6107 on İller Bankası Joint Stock Company” states; that the Bank's capital is TL 9.000.000.000 (Nine Billion TL) and that this capital can be increased up to five times by the Decree of the Council of Ministers,



Its capital resources will consist of the following:

- According to Law no. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities dated 2 July 2008, sums equal to 2% of total tax revenue allotments to be distributed by the Ministry of Finance and İller Bankası, which sums will be deducted monthly,
- 30% share that will be set aside from the Bank's annual net profit after the Bank's tax and other legal obligations will be deducted,
- Funds approved to be transferred into the Bank's capital as per the provisions of other legislation, and any and all donations and contributions made to be added to the capital,

it is arranged that it will occur.

Owing to this structure, the Bank's capital is not divided into shares and the registered capital system is not employed.

The Bank's nominal capital was increased from TL 18 billion to TL 30 billion with the Presidential Decree No. 1767 published in the Official Gazette No. 30942 dated 8 November 2019, and to TL 45 billion with the Presidential Decree No. 6659 published in the Official Gazette No. 32069 dated 10 January 2023.

As of 31 December 2023, TL 39.040.740 thousand of TL 45 billion of capital is paid.

Neither the chairman nor any member of the Bank's Board of Directors, nor any audit committee member, nor the general manager or any vice president is a shareholder in the Bank.

Nominal capital of the Bank over the years, the collection of capital, paid and unpaid capital situation are presented in the table below.

Capital Movements of the Bank for the Last 10 Years (Thousand TL)

Years	Nominal Capital	Annual Capital Collection	Paid-up Capital	Outstanding Capital
2014	18.000.000	874.065	9.402.380	8.597.620
2015	18.000.000	1.081.365	10.483.745	7.516.255
2016	18.000.000	1.207.004	11.690.749	6.309.251
2017	18.000.000	1.431.435	13.122.184	4.877.816
2018	18.000.000	1.725.352	14.847.536	3.152.464
2019	30.000.000	2.023.021	16.870.557	13.129.443
2020	30.000.000	2.407.575	19.278.132	10.721.868
2021	30.000.000	3.269.631	22.547.763	7.452.237
2022	30.000.000	5.990.914	28.538.677	1.461.323
2023	45.000.000	10.502.063	39.040.740	5.959.260

2023 Investment and Financing Program

A Bank Sourced Loans

TL 12 Billion 500 Million

- Infrastructure • SUKAP • Superstructure • Other Infrastructure • Renewable Energy • Urban Information Systems • Purchase of Materials and Equipment • Expropriation • Notice Severance Pay and Other Personnel Receivables • Cash Support Loan (Support Loan for the Restructuring of Corporate and Public Debts) • Other (Zoning, Mapping, Infrastructure, Survey Project, Geological-Geotechnical Survey, Drilling, Zoning Application, Service Procurement, etc.) • European Union Environmental Investments Projects • Cash Credit

B Grants

TL 3 Billion 92 Million 175 Thousand

- Water and Sewerage Infrastructure Projects (SUKAP) Allowance → TL 1 Billion 500 Million
- Allocation from Bank Profit → TL 1 Billion 550 Million
- Urban Infrastructure Equalization Allowance → TL 42 Million 175 Thousand

C External Loans

TL 29 Billion 282 Million 518 Thousand

- Drinking Water → TL 8 Billion 542 Million 744 Thousand
- Wastewater → TL 10 Billion 774 Million 209 Thousand
- Municipality Services → TL 3 Billion 403 Million 312 Thousand
- Energy → TL 1 Billion 797 Million 618 Thousand
- Transportation → TL 4 Billion 764 Million 635 Thousand

D External Grants

TL 3 Billion 543 Million 793 Thousand

- Drinking Water → TL 1 Billion 833 Million 15 Thousand
- Wastewater → TL 1 Billion 258 Million 829 Thousand
- Municipality Services → TL 352 Million 274 Thousand
- Transportation → TL 99 Million 675 Thousand

E Resource Development Activities

TL 1 Billion 500 Million

Resource Development Activities are planned to be **TL 49 Billion 918 Million 486 Thousand**

TL 14.502.043 Thousand Borrowing from the Bank's equity, TL 1,535,981 Thousand Utilization of funds transferred to the Bank within the scope of protocols related to the use of grant resources transferred from the General Budget (SUKAP), TL 1.255.712 Thousand from the appropriation allocated to be used as a grant in accordance with the Banking Law, TL 5,458,963 thousand foreign credit utilization, TL 2.053.680 Thousand external grants utilized, TL 1,381,070 Thousand was spent on Resource Development activities, totaling TL 26,187,449 Thousand and realizing 52.45 %.

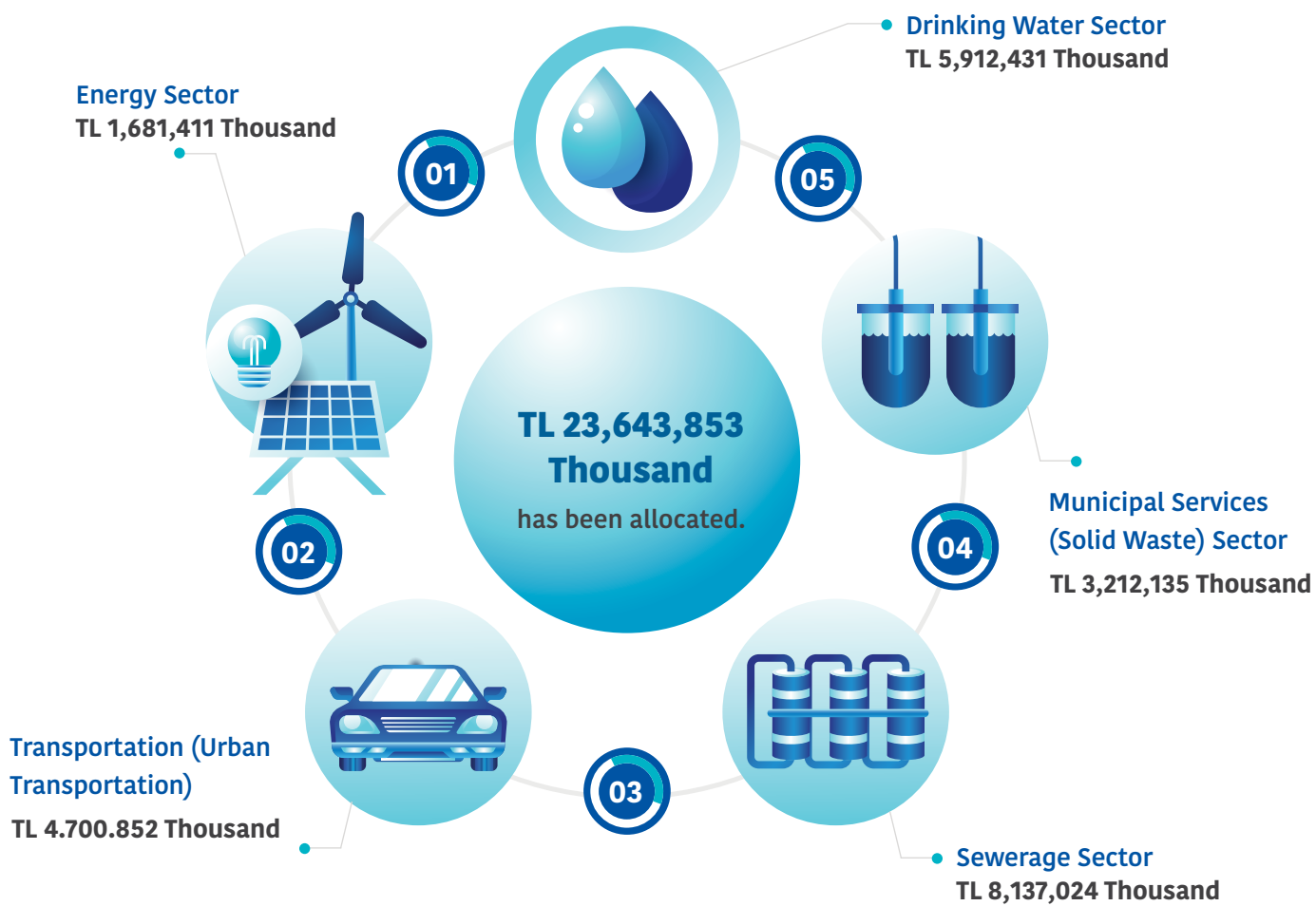
Within the scope of the 2023 investment and financing program, İller Bankası transferred a total of TL 24,806,379 thousand to local governments across Turkey. A total of TL 9,453,741 thousand from the funds transferred to the Bank within the scope of various protocols outside the 2023 investment program, The Bank's total resource utilization amounted to TL 35,641,190 thousand, of which TL 1,381,070 thousand was spent for resource development activities.

2023 Annual Official Investment Program



The 2023 investment program of İller Bankası A.Ş. was published in the Official Gazette with the Presidential Decree dated 15.01.2023 and numbered 32074.

Within the scope of the published Investment Program;



It is planned to spend TL 23.643.853 Thousand for projects with foreign loans, TL 52.175 Thousand for urban infrastructure projects and TL 1.500.000 Thousand for SUKAP, which are included in the Investment Program of İller Bankası.

In the Drinking Water sector, which was determined as TL 6.534.681 thousand in the investment program, TL 4.541.281 thousand, TL 3.114.957 Thousand in Sewerage projects determined as TL 9.066.949 Thousand, TL 729 Thousand in the Municipal Services (Solid Waste) sector, which was determined as TL 3.212.135 Thousand, TL 1,245,357 Thousand in the Transportation (Urban Transportation) sector, which was determined as TL 4,700,852 Thousand, and TL 59,751 Thousand in the Energy sector, which was determined as TL 1,681,411 Thousand, a total of TL 8,961,345 Thousand was spent and 35.57% realization was achieved according to the official program.



Realization Status of Investment by Year 2023 Official Program

(Thousand TL)

Sector	2023 Project Count	External Loan	The Ministry Of Finance		Total	Realization of Investment Program for 2023			Total
			Urban Infrastructure (From The Balance Allowance)	SUKAP		External Loan Spending	The Ministry Of Finance Urban Infrastructure Spending	SUKAP Spending	
Energy	5	1.681.411	-	-	1.681.411	59.751	-	-	59.751
Drinking water	11	5.912.431	22.250	600.000	6.534.681	3.969.262	-	572.019	4.541.281
Sewage	11	8.137.024	29.925	900.000	9.066.949	2.150.995	-	963.962	3.114.957
Municipal Services (Solid Waste)	8	3.212.135	-	-	3.212.135	729	-	-	729
Transportation (Urban Transportation)	7	4.700.852	-	-	4.700.852	1.245.357	-	-	1.245.357
Total	42	23.643.853	52.175	1.500.000	25.196.028	7.426.095	-	1.535.981	8.962.076



Urban Infrastructure Equalization Allowance

Within the framework of Provisional Article 1 of Law No. 5779 on Allocation of Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities, the appropriation transferred to the Bank of Provinces within the scope of the "Regulation on the Use of the Appropriation Allocated for Urban Infrastructure Needs of Municipalities" is used to finance mapping, zoning plan, drinking water, wastewater, solid waste, sea discharge, project and construction works carried out by the Bank.

Loans and Grants from External Financial Institutions

In 2023, regarding the loans obtained from Foreign Financial Institutions; TL 597,384 thousand from Sustainable Cities Project I provided by the World Bank, TL 344.517 thousand from Sustainable Cities Project II, TL 517,566 thousand from Sustainable Cities Project II Additional Financing, TL 122,915 thousand from the Municipal Services Development Project, TL 32,410 thousand from Turkey Earthquake, Flood and Fire Emergency Reconstruction Project, TL 993,458 thousand from the Local Governments Infrastructure Development Project provided by the Japan International Cooperation Agency, TL 387,606 thousand from Local Governments Environmental Development Project, TL 2,150,494 thousand from the Urban Transportation and Environment Loan from the European Investment Bank, TL 312,613 thousand from Urban Transportation Projects provided by the Islamic Development Bank, A total of TL 5,458,963 thousand was spent from external sources.

Grants from External Finance Institutions; TL 40,178 thousand from the Sustainable Cities Project provided by the World Bank, TL 438,717 thousand from the Municipal Services Development Project, TL 859,914 thousand from the Municipal Resilience Program provided by the European Investment Bank, TL 646,676 thousand from the Municipal Services Development Project provided by the French Development Agency, TL 68,195 Thousand from the EU Instrument for Pre-Accession Financial Assistance Environment and Climate Action Program, total expenditures amounting to TL 2,053,680 thousand were realized.

Works carried out with 100% Credits Financed by Bank Equity



In addition to the Bank's investment program, local administrations have been allocated with credits for the works requested, and combined administrations have been able to implement sewerage, drinking water, maps, zoning, renewable energy, expropriation, road transport system, road construction, Highway intersections, Underpass-Overpass and urban transformation projects.



From the construction works of local governments

In 2023, a total of 248 of the local administration works have been completed, of which 113 roads, 47 drinking water, 28 municipal buildings, 19 renewable energy, 18 sewerage and 23 other sectors.

Sector	Number of Works in Progress	Number of Works Completed
Roads	353	113
Municipality Const.	273	28
Drinking water	150	47
Sewage	70	18
Renewable Energy	37	19
Other Infrastructure	53	23
Total	936	248

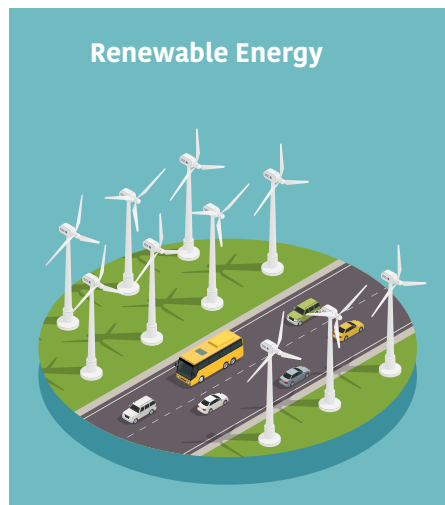


From the project works of local governments;

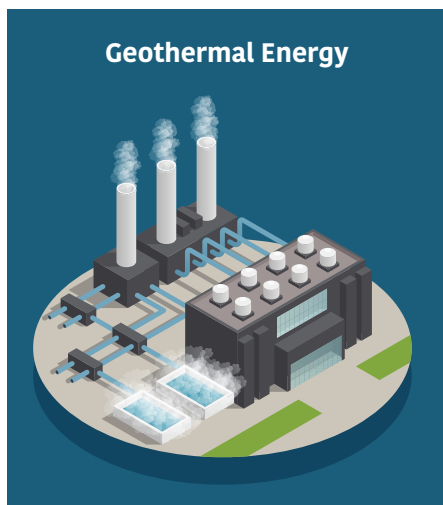
In 2023, a total of 23 of the local administration works project have been completed, 9 units of expropriation, 6 geotechnical and geothermal, 3 drinking water boreholes, 2 units of wastewater treatment, 2 smart city applications, 1 map Project.

Sector	Number of Works in Progress	Number of Works Completed
Expropriation	23	9
Geotechnical, Geothermal	9	6
Drinking Water Drilling	8	3
Wastewater Treatment	6	2
Zoning Plan	5	-
Smart City Apps	3	2
Map	2	1
Total	56	23

Renewable Energy



Geothermal Energy



Municipal Buildings



Project Studies



In the project works carried out by the Bank, the project studies of 128 works were completed in 2023. For these works, a total of TL 35,138 thousand was spent, including 5,241 thousand TL in loans, TL 29,887 thousand in grants and TL 10 thousand from the municipality.



2023 Realization Status of Investments According to the Official Program

Project Sector		Completed Projects in 2023		Number of Tendered Projects	Number of projects in Progress in 2024	
		Expenditures from bank	Other Works		Expenditures from bank	Other Works
Potable Water Project	Network	23	25	22	13	28
	Treatment	6	5	7	6	4
Wastewater Project Sector	Network	17	2	11	3	22
	Treatment	8	8	-	13	16
	Marine Discharge/ Solid Waste	-	-	-	-	2
	Solid waste	22	-	14	33	4
Superstructure Project	Superstructure	-	-	-	-	-
Renewable Energy Sector	Energy	-	-	-	-	-
Drinking Water Drilling Works	Drinking	12	-	4	5	-
Total		88	40	58	73	76

Wastewater Project Sector

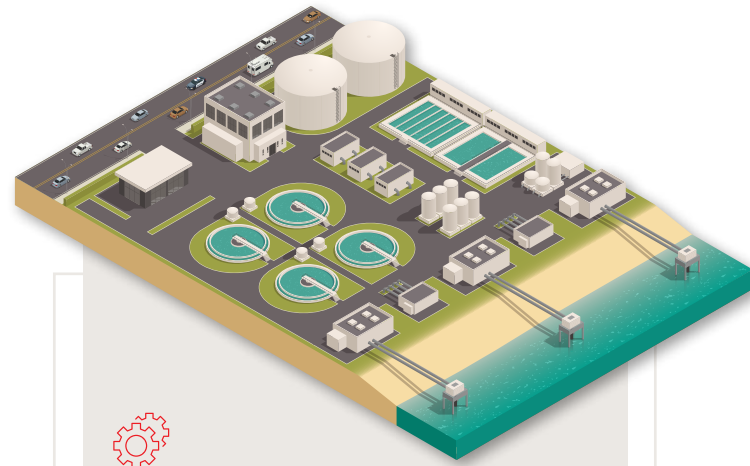


Wastewater Treatment Project Studies

Water is a limited resource; It is an inevitable fact that with the increasing population, industrialization, agricultural practices and urbanization, the need for water and the amount of wastewater generated from this use are also increasing. One of the main objectives of our Bank is to develop a management system that will ensure the protection and development of the quality of water resources and their sustainable use.

Wastewater Treatment; As it is known, one of the physical, chemical and biological treatment processes applied in order to regain some or all of the physical, chemical and bacteriological properties of water by turning it into wastewater as a result of various uses, and/or to make the natural physical, chemical, bacteriological and ecological characteristics of the receiving environment intact. or a process involving more than one.

One of the most common methods of wastewater treatment is biological treatment. The biological activated sludge system, which is widely used in the world, is a conventional system with advantages in terms of nutrient removal processes, operation, cost and ease of maintenance, and is applied by our bank by considering renewable energy technologies, different sludge disposal methods and the use of treated water in irrigation.



İller Bankası completes the studies, projects and constructions of wastewater treatment plants in accordance with our country's legislation within the framework of the authorization received from our Municipalities and delivers them to their Municipalities. **Since 2005, 374 Wastewater Treatment Plant Projects have been approved, and the projects of 29 works are continuing.**

Wastewater Treatment Project Studies

Our most basic duty is to collect the domestic wastewater that will be generated in the places where we work within the limits of our duty and authority, and to dispose of them in an environmentally friendly manner and in accordance with the legislation. In this direction, sewerage network projects are designed to meet the 35-year needs of the relevant settlements and to be suitable for the development of the city. Sewage network, collector lines, and if necessary, pumping lines, which constitute the sewage system during the project and will transmit the wastewater to the wastewater treatment plant, sewerage systems are formed as a whole with the pumping center and collector lines.



2023 across Turkey;

Financed by our Bank's grant and loan resources

- A total of 1400 km of sewerage network, collector line, pumping line and collector projects with a construction cost of TL 8.500.000.000 were approved.
- A total of 155 km stormwater network project with a total construction cost of TL 1.800.000.000 was completed and approved.



In 2023, there are a total of 36 works designed and ready for construction within the Wastewater Network Project Directorate.

Renewable Energy Resources and Climate Change Studies

The Presidential Circular on Energy Savings in Public Buildings (2023/15) aims to use public resources efficiently and reduce the burden of energy costs on the public sector. In order to reduce the burden of energy costs on the public sector, public buildings that are obliged to appoint an energy manager according to the Energy Efficiency Law (total annual energy consumption of 250 TOE or more or total construction area of 10,000 m² or more) are targeted to achieve at least 30% energy savings by the end of 2030.

Energy efficiency audits will identify energy consumption in buildings and treatment plants and reduce consumption through necessary improvement activities. Reducing overall energy consumption will also enable renewable energy to meet an even larger share of remaining energy needs.

In this respect, our Bank;

- Energy Management (ISO 50001) and Energy Efficiency
- Renewable Energy Sources
- Low Carbon District Heating-Cooling
- Heat Pumps and Heat Storage
- Climate Change Action Plans

The Bank supports Local Governments with the preparation of studies, feasibility studies and projects, as well as all kinds of project, technical and financial support required for the construction of these works.



Renewable Energy Plants

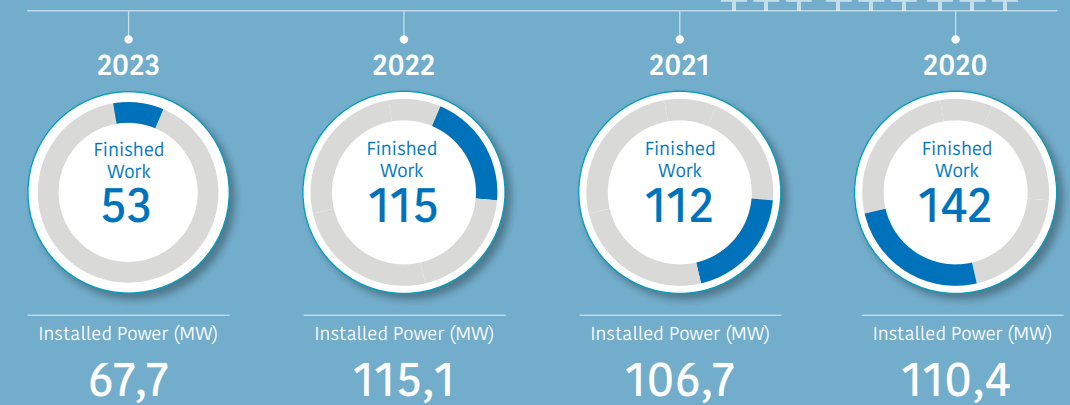
The steps to be taken by our Local Governments to meet their electricity consumption by generating it through clean and inexhaustible energy sources are among the most important investments. However, reducing consumption by using our energy efficiently will also enable renewable energy to meet an even larger share of the remaining energy needs.

Aziziye (Erzurum) Municipality Solar Power Plant (999 kWe)

Havran (Balıkesir) Municipality Solar Power Plant (1.000 kWe)

Bitlis (Merkez) Municipality Solar Power Plant (1.987 kWe)

Renewable Energy Resources and Climate Change in 2023;



Financing, Grant Resources Transferred from the General Budget and Works Carried Out with the Appropriation Allocated to be Used as Grant in accordance with the Banking Law

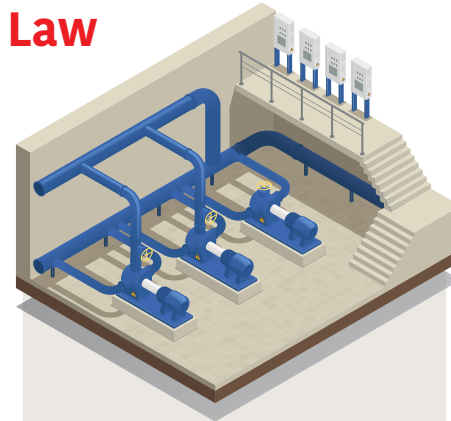
Water and Sewer Systems Infrastructure Project (SUKAP)

With the President's Decision, 50% of the project amount is granted to the municipalities with a population of 25,000 or less, and a long-term loan is extended to the municipality by İller Bankası for the remaining 50%. The municipalities with a population of more than 25,000 and included in the annex of the President's Decision are allocated by İller Bankası without the condition of complying with the debt stock limit in the Municipality Law No. 5393. In addition, the projects of the municipalities whose projects are not ready are primarily designed by İller Bankası.

Between 2011 and 2023, a total of TL 9.004.682 Thousand of appropriation was transferred to the İller Bankası through the Central Government Budget Law.

As of 31 December 2023, a total of TL 19.318.645 Thousand, of which TL 11.224.742 Thousand is loan and TL 8.093.903 Thousand is grant, has been allocated for 1.513 drinking water and sewerage investments carried out within the scope of SUKAP.

In 2023, a total of TL 3.272.515 thousand was spent, of which TL 1.892.509 thousand from loans and TL 1.380.006 thousand from grant.



**Within the scope of SUKAP;
1.513 Works As Of 31.12.2023;**

- 1.366 Complete
- 103 Qty. Ongoing Construction
- 7 Work Business Contract Stage
- 37 Work The job is at the tender stage.

bulunmaktadır.



Sectoral Breakdown of Works Assigned to Finance with Water and Sewerage Infrastructure Project (SUKAP) (2011-2023)

(31.12.2023)

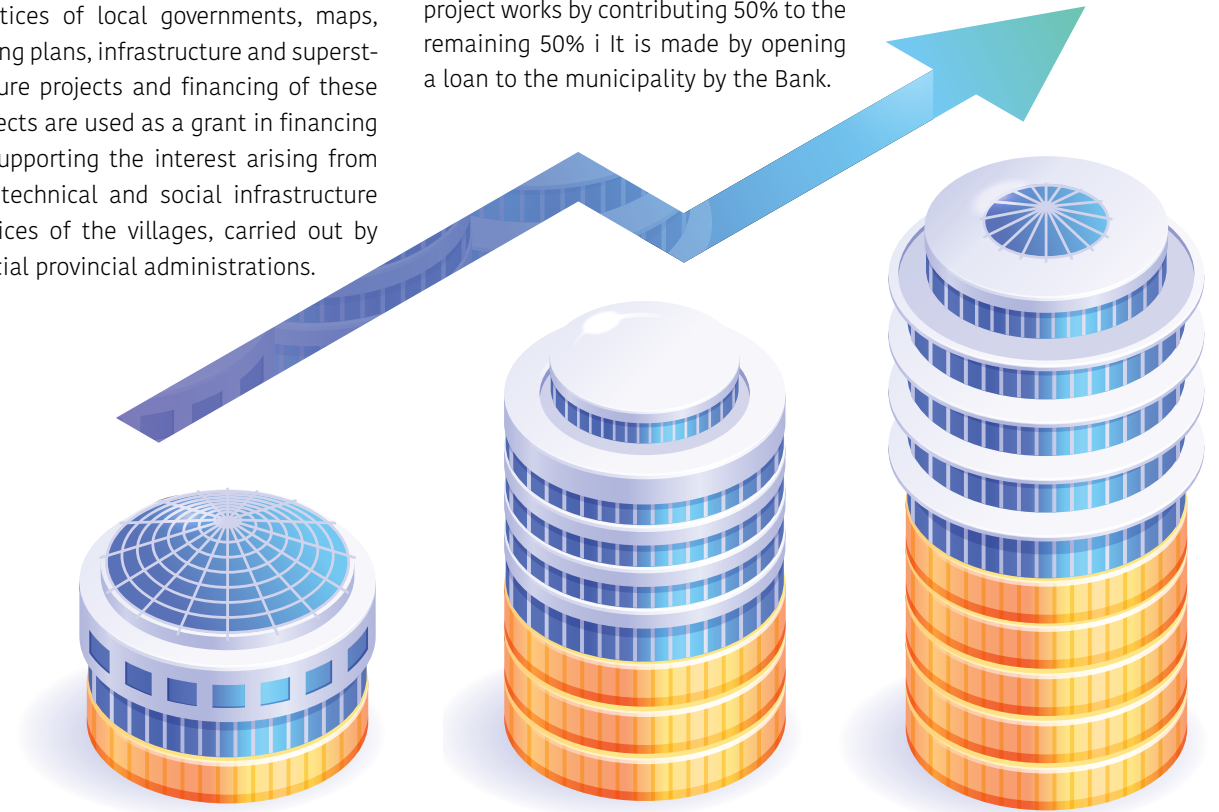
	Potable Water	Waste Water	Total
Number of finished Works	533	833	1.366
Number of Works Under Construction	47	56	103
Number of Works Under Contract	4	3	7
Number of Works Contracted	14	23	37
Number of Works in Progress	598	915	1.513
Amount of Total Appropriation	7.636.043	11.682.602	19.318.645
Amount of Loans Extended	4.550.253	6.674.489	11.224.742
Amount of Grants Extended	3.085.790	5.008.113	8.093.903
Total Disbursement in year 2023	1.470.782	1.801.734	3.272.516

The Works Carried Out With the Allowance Allocated From Bank Profit

İller Bankası A.Ş. Pursuant to paragraph 3 of Article 13 of the Law, the Bank has fifty percent of the net profit arising from the balance sheet approved by the General Assembly; urban regeneration practices of local governments, maps, zoning plans, infrastructure and superstructure projects and financing of these projects are used as a grant in financing or supporting the interest arising from the technical and social infrastructure services of the villages, carried out by special provincial administrations.

Financing of municipal maps, zoning plan, drinking water, wastewater, treatment plant, sea discharge, solid waste landfill, geothermal energy facility, urban information system, survey and project works by contributing 50% to the remaining 50% i It is made by opening a loan to the municipality by the Bank.

Pursuant to the Bank's law, the grant appropriation of TL 1,634,041 thousand calculated over the net profit of 2022 was transferred to the accounts.



In 2023, a total of 54 works, 43 works in the municipal buildings sector and 11 works in the Renewable Energy sector, were completed in the construction works carried out with the appropriation allocated to be used as grants in accordance with the Bank's law. In the construction works carried out, grants amounting to TL 112,122 thousand and loans amounting to TL 39,389 thousand were utilized.

In 2023, a total of 88 works, including 33 works in the geotechnical-geothermal sector, 19 works in the zoning plan sector, 13 works in the sewerage project sector, 11 works in the mapping sector, 6 works in the wastewater treatment sector, 5 works in the drinking water project sector and 1 work in the drinking water treatment sector, were completed. In the project works carried out, grants amounting to TL 11,347 thousand and loans amounting to TL 11,346 thousand were utilized.

Together with the amounts carried over from previous years from the appropriation allocated to be used as grants in accordance with the Bank's law, a total of TL 1,255,712 thousand grants were disbursed in 2023, including TL 349 thousand for payments for village and municipal works, TL 1,237,216 thousand for works to be directly contributed, TL 113 thousand for works to be provided with interest support, and TL 18,034 thousand for audit and consultancy services.

Republic of Türkiye Minister of Environment, Urbanization and Climate Change with Works made under the Protocols

♻️ Solid Waste Program (KAP)

KAP Procedures and Principles; Presidency Strategy and Budget Presidency (Türkiye Minister Ministry of Development) was determined by Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İLBANK and signed on May 26, 2017. The protocol for supporting PDP projects was signed by the Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İLBANK on September 4, 2018 and entered into force. II. class landfill facility, existing II. additional lot to the class landfill facility, Pretreatment plant (mechanical separation/compost/bio-drying/biomethanization/waste derived fuel plant) and transfer station project and construction works are within the scope of the protocol. Within the scope of the said protocol, an appropriation of TL 339.687 Thousand has been transferred to our Bank from the Ministry of Environment, Urbanization and Climate Change to date. In this context, 31 project works and 14 construction works have been completed. 3 project works and 11 construction works are ongoing and 5 projects and 1 construction work are at the tender stage. 7 construction works are in the process of obtaining financing.



In this context, a total grant of TL 354,615 thousand has been allocated and the total amount spent from the grant to date is TL 216,150 thousand. The total amount of credit allocated by our Bank under the KAP is TL 548,101 thousand. The total amount spent from the loan to date is TL 404,105 thousand.

Under the Goal of Greener and Livable Cities

3,000 km Bike and 3,000 km Green Walkway, 60 km Eco-Friendly Street and 60,000 m2 Noise Barrier Construction Support Protocol

Republic of Türkiye Minister of Environment, Urbanization and Climate Change and İller Bankası A.Ş. in cooperation with; Within the scope of the 100 Days Action Plan, for the creation of cities with habitable environment and identity; protocol for the construction of bicycle path, green walking path, environmentally friendly street and noise barrier for the purpose of reducing the effects of traffic pollution and noise exposure, protecting the physical and mental health, improving the quality of life and raising the awareness of environmental protection as well as contributing to the aesthetics of the city. Signed in August 27, 2018.

Studies carried out; A total of 352 applications were made to our bank.

1.366 It's complete,

103 construction is underway,

The project has been evaluated.

Republic of Türkiye Minister of Environment, Urbanization and Climate Change and the commission of our Bank, for projects approved by the municipality (completed and ongoing works) for applications for bicycle and green walking tracks, environmentally friendly streets and noise barriers, as our Ministry and our Bank, a total of approximately TL 270 million financial support has been provided so far.



Protocol on the Construction of Common Infrastructures of the Istanbul International Financial Center (IUFM)

"Protocol Concerning Construction Activities of Istanbul International Financial Center (IUFM) Joint Infrastructure" Republic of Türkiye Ministry of Environment and Urbanization, General Directorate of Spatial Planning, Emlak Konut REIT Inc. and our Bank on 2 October 2014 and entered into force. Within the scope of the protocol; With regard to the Construction of the Istanbul International Financial Center (IUFM) Common Infrastructures Activities, the procurement of supply construction has been carried out by our Bank in 2020. Asset Fund Project located property in Türkiye, the Central Bank, Ziraat REIT, Vakıf REIT, Halk REITs, tracking of payments to be made by Business REIT's control and inspection services business is conducted by the Bank.



Ministry-AFAD Permanent Disaster Housing Protocol

"The Protocol on the Construction of Permanent Disaster Structures, Arranged within the Scope of the Law No. 7269 on Assistance to be Taken with Measures to Be Taken for Disasters Affecting Public Life" between our Ministry and the TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 23 November 2017 and entered into force. The financing resources transferred to our Bank by AFAD within the scope of the protocol are transferred to the relevant accounts in accordance with the instructions of the General Directorate of Construction Affairs of our Ministry for the progress payments of the projects.



KÖYDES (Supporting the Infrastructure of Villages) Project

With the Presidential Decision, our Bank is tasked with transferring the KÖYDES (Supporting the Infrastructure of Villages) Project appropriations to 453 Village Service Associations in 51 provinces and realizing the expenditures through our Bank. In this context; TL 1,496,700 thousand in 2019, TL 1,496,700 thousand in 2020, TL 1,604,308 thousand in 2021, TL 3,110,964 thousand in 2022 and TL 3,800 million in 2023, totaling TL 11,508,672 thousand, was transferred to the Unions for Providing Services to Villages for KÖYDES Project.

Between Our Bank and Public Institutions and Organizations Works Carried out within the Scope of the Protocols

Protocol Concerning the Transfer of Financing and Progress Payment for Projects in the Investment Program of AFAD Presidency

The “Protocol on Transfer of Financing and Progress Payment for Projects in the Investment Program of AFAD Presidency” between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 25 December 2020 and entered into force. Within the scope of the protocol, the investment allowance allocated for the projects carried out by the AFAD Presidency is transferred to our Bank and the progress payments prepared and approved by AFAD for these works are paid to the Contractor’s accounts in line with AFAD’s demands.

AFAD Disaster Housing Protocol

The “Protocol on the Transfer of Financing for Disaster Housing and Progress Payments” between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 20 December 2019 and entered into force. Progress payments for disaster houses included in the AFAD investment program within the scope of the protocol are made to the Contractor’s accounts in line with AFAD’s demands.

AFAD Provincial Service Buildings Protocol

The “Protocol on Financing Transfer and Progress Payment for the Construction Works of AFAD Provincial Service Buildings and Management Centers” between our Bank and TR Ministry of Interior Disaster and Emergency Management Presidency (AFAD) was signed on 6 December 2018 and entered into force. Within the scope of the protocol; Progress payments of Provincial Service Buildings and Management Centers that have been tendered, contracted and under construction by AFAD are made to the Contractor’s accounts in line with AFAD’s demands.

AFAD Earthquake Zone Temporary Accommodation Areas Infrastructure Protocol

The “AFAD Earthquake Region Temporary Shelter Areas Infrastructure Protocol” was signed between our Bank and the Republic of Turkey Ministry of Interior Disaster and Emergency Management Presidency (AFAD) on May 17, 2023 and entered into force. Within the scope of the protocol, the investment appropriation allocated for the projects carried out by AFAD is transferred to our Bank and the progress payments prepared and approved by AFAD for these works are paid to the contractor accounts in line with AFAD’s requests.



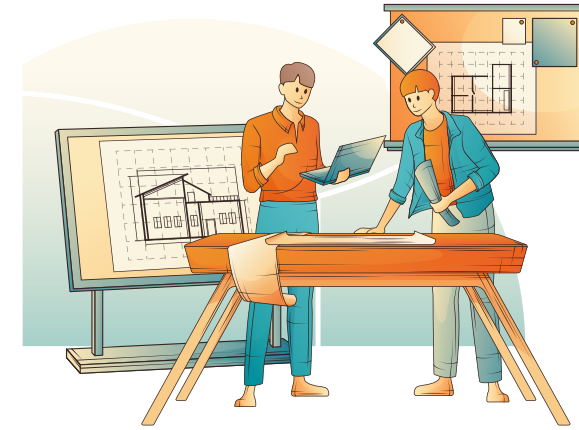
AFAD Infrastructure Protocol under Law No. 7452

The “AFAD Infrastructure Protocol within the Scope of Law No. 7452” was signed between our Bank and the Republic of Turkey Ministry of Interior Disaster and Emergency Management Presidency (AFAD) on August 07, 2023 and entered into force. Within the scope of the protocol, the investment appropriation allocated for the projects carried out by AFAD is transferred to our Bank and the progress payments prepared and approved by AFAD for these works are paid to the contractor accounts in line with AFAD’s requests.



AFAD Cooperation Protocol under Law No. 4153

“AFAD Cooperation Protocol within the Scope of Law No. 4153” was signed between our Bank and the Disaster and Emergency Management Presidency (AFAD) of the Ministry of Interior of the Republic of Turkey and entered into force on December 15, 2023. Within the scope of the protocol, the investment appropriation allocated for the projects carried out by AFAD is transferred to our Bank and the payments prepared and approved by AFAD for these works are sent to the accounts of local governments in line with AFAD’s requests.



Protocols Signed Between Our Bank and Public and Institutional Organizations

(Thousand TL)

Expenditures Made	Spending Amount
AFAD Permanent Disaster Housing Protocol	88.454
AFAD Provincial Service Buildings Protocol	13.021
AFAD Disaster Housing Protocol	97.733
Protocol on Financing Transfer and Progress Payment for the Projects of AFAD Presidency in the Investment Program	7.803
AFAD Earthquake Zone Temporary Accommodation Areas Infrastructure Protocol	19.990
AFAD Infrastructure Protocol under Law No. 7452	81.773
AFAD Cooperation Protocol under Law No. 4153	302.189
As of 31.03.2024 Total Expenditure in 2024	610.962

Resource Development Activities and Urban Transformation Projects

With the Decree numbered 648 and dated 8 August 2011, İller Bankası A.Ş. Article 3 of the Law titled Bank's activities and topics "Implement or make applications with profitable real estate investment projects so as not to enter into any obligations and conditional obligations for the project resource to provide funds to the Bank" provision has been added.

Within this scope, with the resource development activities, it is aimed to produce brand projects in order to strengthen the "İLBANK" brand in "superstructure" investments besides "infrastructure investments" in the field of activity of our Bank and thus to serve our partners more strongly. For this purpose, our Bank develops jointly profit-oriented real estate projects on its own and on the municipalities of municipalities and special provincial administrations, other public and private institutions and individual.

In this context, in accordance with the relevant legislation, olup land-based revenue sharing method ile has the qualification to be evaluated by the İller Bankası also deemed appropriate by the Municipality real estate;

- Purchase by bank,
- Implementing co-implementation with municipalities by using the land-based income sharing method on these,

With the options, it is possible to offset the debts of Municipalities to İller Bankası.

In addition, İller Bankası also played an active role in the Urban Transformation Projects and Brand Cities Development Project realized under the Law on Transformation of Areas Under Disaster Risk. Within this scope, İller Bankası transfers both the projects and half of the profit from real estate projects to the Ministry Urban Transformation Special Account for use in urban transformation projects.

Projects Performed with Municipalities, Public and Private Organizations and Individuals:

We carry out protocols with the aim of carrying out studies to develop a common real estate project on properties owned by İller Bankası, Municipalities, public institutions and real persons / legal entities. Following the planning studies, the said immovables are tendered by means of revenue sharing for the sale of the land, and the obtained revenue is shared with the project stakeholders.

In 2023, TL 1.381.070 Thousand was spent for fundraising activities.

Urban Transformation Projects:

İller Bankası is in the field of application declared within the scope of the Law Concerning Transformation of Disaster Risk Areas No 6306 or in the areas declared urban transformation and development area within the scope of Article 73 of Municipality Law No 5393, Republic of Türkiye Minister of Environment, Urbanization and Climate Change and / Or authorized institutions / organizations, performs the urban transformation projects within the scope of the protocols made and makes applications within the scope of the Tender Regulation of the Sales, Leasing and Land Sale Equivalence Revenue Sharing of İller Bankası.

İller Bankası, within which are owned and technical consulting services in exchange for the Bank on transfer as properties acquired in the projects as they deem appropriate and will see the Bank's appropriate rate and sales direct sales, is engaged in real estate investment transactions with revenue sharing and in return method.

Within this context, revenue of TL 1.921.331 Thousand was obtained from sales transactions in 2023.

Karabağlar Urban Transformation Protocol

Pursuant to the Protocol dated December 13, 2018 signed between the Republic of Türkiye Minister of Environment, Urbanization and Climate Change of the Republic of Türkiye and our Bank, the conditions for the payment of immovables to be purchased to be utilized in urban transformation applications in the risky area have been determined. In 2023, TL 324 thousand was spent within the scope of the urban transformation protocol.

TOKİ Public Order and Security Urban Transformation Protocol

The "Protocol on the Procedures and Principles of Urban Transformation Projects to be Implemented in Areas where Public Order and Security is Disrupted in a Way that Will Halt or Interrupt Ordinary Life" was signed between our Bank and TOKİ (Housing Development Administration) on March 11, 2020 and entered into force. With the protocol in question, works such as general infrastructure, ground improvement, landscaping, etc. are carried out on the zoning roads within the project boundaries. In 2023, TL 31,404 thousand was spent for infrastructure construction works within the scope of the Urban Transformation Protocol.



The following activities are carried out within the scope of İller Bankası resource development activities;

Revenue Sharing Tenders for Land Sale:

In the real estates owned or in the possession of İller Bankası, İller Bankası prepares contracts and specifications for revenue sharing tenders and realizes contracts and executes the contract within the scope of Tender Regulation for Sale, Lease and Sale of Land.

Real Estate Sales:

İller Bankası carries out real estate purchase, sale, exchange, leasing and renting activities within the scope of the related legislation in order to secure funds.

Profile of Credits Provided out of the Equity of İller Bankası

Works Carried Out By Municipalities and Special Provincial Authorities Under The Local Government In-vestments Program

In year 2023, a total of TL 14.502.043 thousand was budgeted to be offered as loans for Material, Equipment, Vehicles and other Requisites in addition to Cash Support Loan requests and the projects included in the investment programs of local governments.

From the construction works of local governments; 47 drinking water, 18 sewers, 2 solid wastes, 113 roads, 21 other and 28 municipal buildings sectors, 19 renewable energies to be 248 jobs in total with project work 1 map, 6 geotechnical, geothermal, 2 smart city applications, 9 expropriation, 3 drinking water drilling and 2 wastewater treatment a total of 23 project works, including a total of 271 works were completed.



Short-Term Loans

No. 5779 "Loans for short-term specialized loans given to local administrations for short-term specialized loans for the shares distributed to İller Bankası within the framework of the Law on Granting of Special Provincial Administrations and Municipal Budget Tax Revenues to the municipalities and the municipalities in their investment programs.

İller Bankası ceased to extend short-term credits in 2007 as a matter of principle, save for in exceptional situations. However İller Bankası issues letters of guarantee for loans that local governments obtain from financial institutions other than the ban. When such administrations default on their installments etc., the Bank, in its capacity as guarantor, is responsible for making the payments whenever the beneficiary of the letter so demands. Such payments are booked to the local governments' accounts as "short-term loans".

In addition, a commission fee is charged once every three months on the outstanding balances of letters of guarantee issued by the Bank. These amounts are then charged to local governments' accounts as "short-term credit".

Medium and Long Term Directed Loans

Loans on 3 to 10 year terms for various projects and facilities related to local governments' public services which are placed in the Bank's investment program by the Ministry of Development and loans extended since 2005 for infrastructure and superstructure investments which are included in the Bank's and in local governments' investment programs and which are carried out by the Bank and by local governments either directly or through tenders, for;

- Sewerage,
- Rail Transportation System,
- Intersection Arrangement,
- Renewable Energy,
- Urban Transformation etc.
- Drinking Water
- Road Construction,
- Under-Underpass,
- Urban Information System,

are used for the performance of the projects in this framework.

Cash Support Loans

In addition to loans for investments of Local Administrations, İller Bankası has started to use the cash support loan for; the Payments of severance and indemnity that will be paid to the retirement personnel of the local administrations since 2010, the cadre will receive more personnel and paying for other corporate debts in 2011, Local Government cash payments in 2012, and the urgent current payments of municipalities since 2015, this practice was continued in 2023.

In 2023; He extended a cash support loan of TL 1.515.297 Thousand in total, of which TL 63,811 Thousand is notification and severance pay, TL 1.128.585 Thousand is cash, TL 322.900 Thousand is current payments.

Non-cash Loans

As per "The Law on the Payment of Shares to Special Provincial Administrations and Municipalities out of the Tax Revenues of the General Budget" no. 5779, non-cash loans are extended by issuing letters of credits with reference to the estimated amounts calculated once the debt installments to the Bank and other agencies are deducted out of the shares distributed to local governments by İller Bankası.

In 2023, a total of 670 letters of guarantee were issued to local governments: 669 letters of guarantee amounting to TL 37,953,182 thousand and 1 letter of guarantee amounting to EUR 2,999 thousand. With the decision of the Board of Directors of İller Bankası dated February 25, 2020 and numbered 9/257, the commission rate applied to letters of guarantee was set at 1.5%, and a total commission income of TL 361,368 thousand was obtained in 2023.



Loans for Materials, Equipment, Tools and Supplies and Expropriation

In order to meet the needs of all kinds of materials, equipment, tools and materials that local governments need in the fulfillment of their urban services, a total of TL 2.140.370 Thousand, TL 2.070.023 Thousand for Expropriations and TL 70.348 Thousand, has been extended by İller Bankası in 2023.



Bank's Financial Assets at Fair Value Through Profit or Loss

Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş (Emlak Konut REIT)

The capital of Emlak Konut REIT located in İstanbul is TL 3.800 Million, İller Bankası stake in the company is 0.000032152%, amounts to 60,284.





Relations with International Financial Institutions

İller Bankası, in order to keep pace with the globalizing world, is an international service provider that pioneers the processes of building modern, sustainable cities in line with sustainable development goals (SDG) and meeting the needs of our local governments in almost all sectors, while observing international environmental and social impact standards in our projects. In line with its vision of “becoming an investment bank”, within the framework of its vision, it continues its efforts to increase its current work and contacts with international financial institutions. Contribution to the green development goals of our country is provided by the support given to the projects of the local governments in line with the climate change fight and adaptation strategies.

Another priority is to ensure that İller Bankası expands abroad due to the necessity of constantly working in close contact with international financial institutions, the size of the international fund volumes it manages, and the breadth of its portfolio. In this context, it is aimed to create the necessary infrastructure for İller Bankası knowledge, experience and services to contribute to the realization of projects in countries where our country attaches importance to bilateral cooperation. In addition, it is foreseen to open foreign representative offices in order to participate more actively in the negotiations with the European Union and other international organizations and to accelerate the accreditation processes regarding international financial management.

İller Bankası; It provides long-term and long-term cooperation with international institutions and organizations, especially the World Bank, French Development Agency, Japan International

Cooperation Agency, European Investment Bank, European Council Development Bank, United Nations Development Program, European Bank for Reconstruction and Development and Islamic Development Bank. continues to direct low-interest foreign resources to the investment needs of local governments. The number of local governments receiving international financing and the number of sectors supported have increased over the years, increasing the inclusiveness of this financing. With internationally financed projects, not only financial support is provided to local governments, but also technical assistance and capacity building activities are used to support the goals of local governments to create sustainable and climate resilient cities. At the same time, through these projects, exemplary projects are being implemented for the use of new techniques and technologies in urban infrastructure management in innovative sectors such as disaster risk management, renewable energy, energy efficiency, sustainable urban mobility and climate resilient infrastructures. In other words, İLBANK builds a sustainability bridge between international organizations and local governments.

İLBANK also coordinates international financial support for post-earthquake reconstruction projects following the disaster of the century. In this context, financing agreements with the World Bank and the European Investment Bank were signed by the Ministry of Treasury and Finance in 2023, and financing agreements with the Japan International Cooperation Agency, the European Bank for Reconstruction and Development, the French Development Agency and the Islamic Development Bank will be signed in 2024.

World Bank Loan-Municipal Services Project (II) (Additional Credit)

Within the scope of the financing program of the Country Cooperation Strategy (CPS), which constitutes the framework of the financial and technical support to be provided by the World Bank in the period of 2008-2011, the Ministry of Treasury and Finance, the Presidency, the Strategy and Budget Directorate and the World Bank The negotiations that started in January 2008 have been concluded.

Within the scope of Municipal Services Project - II (Additional Loan), a Loan Agreement of Eur 178,200 thousand was signed between İller Bankası and the World Bank on 29 June 2010 for use in the drinking water, sewerage and solid waste sectors. Guarantee Agreement has been signed.

In this context, Sub-Loan Agreements were signed with Kayseri Metropolitan Municipality, Denizli (Central), Kırşehir (Central), Beypazarı (Ankara) Municipalities, ASAT (Antalya) and MESKİ (Mersin).

94,13% of the loan amount (Eur 167.733 thousand) has been used. The loan has been closed as of 30 November 2016 and project expenditures will continue until 31 March 2017, in order to be able to make payments for work, deliveries and services until the closing date.



World Bank Sustainable Cities Project-1

In addition to water, waste water, solid waste sectors covered in previous projects financed by the World Bank, this project covers transportation, energy efficiency, and comprehensive city development zoning plans. Regarding the sustainable Cities Project, the sustainability of the three basic elements of international experience in the financial and social and environment sustainability is planned to be implemented in Türkiye.

Project for Sustainable Cities “loan agreement amounting to Eur 121.200 thousand was signed on 26 December 2016 by İller Bankası A.Ş. and the World Bank, and a Guarantee Agreement was signed between the Undersecretary of Treasury and the World Bank on the same date.

In this frame, Eur 67.450 Thousand for the financing of Muğla Metropolitan Municipality General Directorate of Water and Sewerage Administration (MUSKİ) and Muğla Wastewater Project, and Sub-credit agreements amounting to Eur 121.200 thousand, of which Eur 53.750 thousand for the financing of Denizli Metropolitan Municipality Water and Sewage Administration (DESKİ) General Directorate and Denizli Drinking Water, Wastewater and Stormwater Improvement Projects were signed on 28 December 2016.

As of 31 December 2023, 98,69% of the total loan amount (Eur 119.607 thousand) has been used. The loan amount used in 2023 is Eur 18.339 Thousand.

World Bank Sustainable Cities Project-2

Within the scope of “Sustainable Cities Project-2”, the loan agreement amounting to Eur 73.500 thousand was signed between İller Bankası and the World Bank on 16 May 2018 and the guarantee agreement was signed between the Treasury of the Prime Ministry and the World Bank on 16 May 2018.

In this context, Eur 15,500 Thousand for the financing of Muğla Metropolitan Municipality Water and Sewerage Administration (MUSKİ) General Directorate and Muğla Wastewater Project-2 and Antalya Metropolitan Municipality Water and Wastewater Administration (ASAT) and Antalya Sustainable Water and Wastewater Project. for the financing of the Bank, amounting to Eur 73.500 Thousand, of which Eur 58 million was signed on 17 May 2018.

As of 31 December 2023, 49,91% of the total loan amount (Eur 36.681 thousand) has been used. The loan amount used in 2023 is Eur 10.576 Thousand.



World Bank Sustainable Cities Project-2 Use of Additional Financing within the Scope

Within the scope of “Sustainable Cities Project-2” (Additional Financing) Eur 500 Million (Five Hundred Million) Loan Agreement was signed on 10 July 2019, and a Guarantee Agreement was signed between the Ministry of Treasury and Finance and the World Bank on the same date. Within the scope of SCP-II (Additional Financing), it is aimed to increase the access of participating municipalities and administrations to targeted municipal services in their mandates.

In this context, our Bank and Kozaklı Municipality, Konya Water and Sewerage Administration (KOSKİ), Niksar Municipality, Konya Metropolitan Municipality, Manisa Water and Sewerage Administration (MASKİ), Balıkesir Water and Sewerage Administration (BASKİ), Niğde Municipality, İçcehisar Municipality, Ankara Water and Sewerage Administration (ASKİ), Muğla Water and Sewerage Administration (MUSKİ), Kemerhisar (Niğde) Municipality, Emet Municipality, Çilimli Municipality, Merzifon Municipality, Yerköy Municipality, Kargı Municipality, Gümüşhane Municipality, Fethiye Municipality, Suluova Municipality, Akçakoca Municipality, Suşehri Municipality, Alaca (Çorum) Municipality, Kapaklı Municipality, Sındırgı Municipality, Keskin Municipality and Gerze Municipality Sub-Loan Agreements were signed and implemented.

As of 31 December 2023, 6,28% (Eur 21.524 Thousand) of the total loan amount has been used. The loan amount used in 2023 is Eur 15.889 Thousand.

Sustainable City Project Component A “Sustainable City Planning and management systems” Grant

For the Sustainable Cities Project, Component A “Sustainable Cities Planning and Management Systems”, a Grant Agreement of Eur 23,125 Thousand was signed between the World Bank and İller Bankası on 28 September 2017 regarding the grant provided by the European Bank and provided by İller Bankası through the World Bank. Within the framework of the Grant Agreement, technical assistance is provided to Municipalities / Administrations to provide comprehensive and integrated planning, including support for spatial, social, environmental and financial investment planning and management of Municipalities / Administrations.

Component A: It produces contributions that will enable municipalities to deal with short and medium-term planning activities and investment programs with a sustainable approach, not only for the infrastructure investments currently underway. Subprojects under the Grant Component have the potential to benefit from ongoing lending projects because they provide an analytical framework for making future investments and monitoring them for their contribution to enhancing urban sustainability. Within the scope of Component A, it has updated not only the planning tools but also the project development studies with a sustainability perspective. In this framework, İLBANK has determined

various priorities for project selection, such as climate change, energy efficiency, and contribution to sustainable development goals, both in the sectors it has supported for many years and in innovative sectors where it has started to strategically direct its investments. İLBANK has started to develop an infrastructure to monitor its contribution to sustainable development goals. İLBANK transfers its experience and knowledge gained through international projects to the use of national resources and management processes, and tries to ensure the integrity of implementation by internalizing the sustainability approach. The original design of the project offers a holistic and integrated approach to the concept of sustainable cities.

With this project, İLBANK is not only a source of finance for municipalities, but also gained significant experience in new approaches in urban development and in the municipal sector.

Within the scope of Component A; Studies are carried out for Current Situation Assessment and Needs Analysis, Integrated Urban Water Management Plan, Capital Investment Plan (CIP) and Sustainable Energy and Climate Action Plan (SECAP).

As of 31 December 2023, 92,19% of the total grant amount (Eur 21.319 Thousand) has been used. The grant amount used in 2023 is (Eur 1.233 Thousand).

Turkey Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER)

Within the scope of the Turkey Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER), a Loan Agreement amounting to 420 Million Euros was signed between the World Bank and İller Bankası A.Ş. and a Guarantee Protocol was signed between our Bank and the Republic of Turkey Ministry of Treasury and Finance on 30.12.2022. Provinces covered by these projects: Adana, Antalya, Balıkesir, Bursa, Düzce, Elazığ, Hatay, İzmir, Kastamonu, Konya, Malatya, Muğla, Rize, Samsun, Sinop, Tokat, Trabzon and Zonguldak.

In this context, Sub-Credit Agreements were signed between our Bank and Rize Municipality for EUR 35 Million, Akçakoca (Düzce) Municipality for EUR 10 Million, Kastamonu Municipality for EUR 25 Million, Düzce Municipality for EUR 45 Million, İzmir Metropolitan Municipality for EUR 20 Million, İzmir Water and Sewerage Administration (İZSU) for EUR 110 Million, Antalya Metropolitan Municipality for EUR 14 Million and Antalya Water and Wastewater Administration (ASAT) General Directorate for Eur 38 Million.

As of December 31, 2023, 0,35% of the total grant amount of Eur 995 thousand has been used. The amount of loan utilized in 2023 is 995 Thousand Euros.

Turkey Post Earthquake Recovery and Reconstruction Project (TERRP)

Six International Financial Institutions were envisaged to urgently meet the infrastructure needs of 11 cities damaged by the earthquake disaster centered in Kahramanmaraş and Hatay on February 6-7, 2023. It is implemented by the Ministry of Treasury and Finance, İLBANK and International Finance Institutions (IFI) under the coordination of the Presidency of Strategy and Budget. Within the scope of earthquake projects; drinking water, sewerage, stormwater, treatment plants, transportation and combating disaster risks sectors will be financed. The total foreseen budget of the projects is approximately Eur 1.84 billion. In this context, the Eur 388 million TERRP Project is planned to be implemented with the World Bank for the financing of emergency response vehicles and urban transportation projects, mainly environmental infrastructure projects of local governments damaged after the earthquake. A 1 Billion Dollar (910.5 Million Euro) loan agreement was signed on September 1, 2023 between the World Bank and the Ministry of Finance as the financial institution in question and the repayments of the Eur 388 Million portion of the loan to be executed by İLBANK will be made by the Ministry of Treasury and Finance. Furthermore, a “Project Agreement” was signed between the World Bank and İLBANK on September 1, 2023. Sub-project studies are ongoing within the scope of the project.

Public and Municipal Renewable Energy Project (PUMREP)

The Public and Municipal Renewable Energy Project aims to reduce our country's energy expenditures through investments in the renewable energy and energy efficiency sectors in public and municipalities and to support the fight against climate change by reducing carbon emissions. The project has a total budget of 500 million Euros, of which 250 million Euros is for renewable energy investments in public buildings, implemented by the General Directorate of Construction Works of the Ministry of Environment, Urbanization and Climate Change. The other component of Eur 250 million allocated for renewable energy investments of local governments is implemented by İLBANK. The Loan Agreement for the said loan of Eur 250 million allocated to support municipalities' renewable energy investments was signed between İLBANK and the World Bank on September 20, 2023. The project collects renewable energy project requests from municipalities.



Turkey Water Circularity and Efficiency Improvement Project (WCEIP)

Within the scope of Increasing Water Circularity and Efficiency Project, it is a project designed to contribute to the solution of problems in the field of wastewater management, irrigation and reuse of treated water in order to overcome water scarcity caused by climate change, and the loan agreement amounting to Eur 75 Million was signed between İLBANK and the World Bank on September 20, 2023.

Within the scope of the project, a Sub-Loan Agreement was signed between our Bank and Konya Water and Sewerage Administration (KOSKI) on 22.12.2023.

Japan International Cooperation Agency (JICA- I) Loan – Municipal Sewer System and Waste Water Treatment Plants Development Project

With a view to ensuring the widespread use of sewage and waste water treatment systems in Türkiye and improving the water quality in the receptive environments, the “Municipal Sewer System and Waste Water Treatment Plants Development Project” Credit Agreement at an amount of 12.784 Million thousand Japanese Yen was signed under Treasury guarantee on 22 June, 2011 by and between the Bank and Japan International Cooperation Agency (JICA), for the improvement of sewage and waste water treatment systems of medium-sized municipalities. Within the scope of the

loan, Sub-Loan Agreements have been signed with Biga Municipality, Orhangazi Municipality (BUSKI), Çan Municipality, Kadirli Municipality, Kuşadası Municipality, Kütahya Municipality, Osmaniye Municipality, Reyhanlı Municipality (HATSU), Tekirdağ Municipality (TESKİ).

Within the scope of the project, 97.07% of the loan amount was used as JPY 11,623,717 Thousand, and as of 26 July 2021, the Development of Municipal Sewerage Network and Wastewater Treatment Plants Project was closed. However, in order to make payments for the works, deliveries and services carried out until the closing date, the project expenditures continued until 26 November 2021 and the uses were completed as of this date. Loan repayments continue.

Japan International Cooperation Agency (JICA- II), Local Governments Infrastructure Development Project

Water of local governments where the Syrians under temporary protection in our country, in order to meet the demand for wastewater and solid waste projects in the sector, 15 May 2015 Japan International Cooperation Agency (JICA) and the Provincial Bank Inc 45 billion in Japanese yen amounting Treasury guaranteed “Local Government Infrastructure Development Project” is the Loan Agreement is signed, Within the scope of the mentioned project, Gazian-

tep Water and Sewerage Administration (GASKİ), Hatay Water and Sewerage Administration (HATSU), Kahramanmaraş Water and Sewerage Administration (KASKİ), Adana Water and Sewerage Administration (ASKİ), Kilis Municipality, Şanlıurfa Water and Sewerage Administration (ŞUSKİ), Malatya Water and Sewerage Administration (MASKİ), Osmaniye Municipality, Gaziantep Metropolitan Municipality and Adıyaman Municipality, sub-loan agreements have been signed and implemented.

As of 31 December 2023, 93,45% of the total loan amount has been used, JPY 42.051.268 Thousand. The loan amount used in 2023 is JPY 4.788.509 Thousand.

Japan International Cooperation Agency (JICA-III) Loan, Local Authorities Environmental Improvement Project

In support of meeting the increasing infrastructure needs in the cities where Syrians under temporary protection live in our country, As a continuation of the ‘Local Governments Infrastructure Development Project-TK P21’ financed by the Japan International Cooperation Agency (JICA) and carried out by our Bank, and within the scope of TK-P22 “Local Governments Environment Improvement Project,” on 20 August 2021 with the Japan International Cooperation Agency (JICA). A Loan Agreement amounting to 45 Billion Japanese Yen was signed between İller Bankası and a Guarantee Protocol was signed between our Bank and the TR Ministry of Treasury and Finance on 23 August 2021.

Within the scope of this loan, Sub-Loan Agreements were signed and implemented between our Bank and Elazığ Municipality, Şanlıurfa Metropolitan Municipality, Malatya Metropolitan Municipality, Konya Metropolitan Municipality, Konya Water and Sewerage Administration (KOSKİ), Ankara Water and Sewerage Administration (ASKİ), Muş Municipality, Hatay Water and Sewerage Administration (HATSU), Gaziantep Water and Sewerage Administration (GASKİ) and Adana Water and Sewerage Administration (ASKİ).

As of 31 December 2023, 32,20% of the total loan amount has been used, JPY 14.294.006 Thousand. The amount of loan used in 2023 The amount of loan used is JPY 10.790.324 Thousand.

European Investment Bank (EIB) I Loan- Urban Infrastructure Projects I

In order to cooperate in the fields of water, wastewater and solid waste in the field of environment, which is one of the priority sectors in Türkiye’s European Union (EU) Membership Negotiation process, a Treasury guaranteed “Urban Infrastructure Projects” Loan Agreement amounting to Eur 150 Million was signed between the European Investment Bank (EIB) and İller Bankası A.Ş. on 28 June 2012. On 19 July 2019, an amendment agreement amounting to Eur 3 Million Thousand was signed between our Bank and the EIB.

Within the scope of the loan; a sub-credit agreement amounting to 3 Million Thousand Euros was signed with Yerköy Municipality on 9 August 2018.

As of 31 December 2023, 98,09% of the total loan amount was used with Eur 2.943 Thousand, and the project loan disbursement has been completed and the repayments are still ongoing.

European Investment Bank (EIB) Loan II-Urban Infrastructure Projects II

In order to finance the priority investment projects of the local governments in the urban transport, water, wastewater and solid waste sectors, to improve public health and the environment and to contribute to the implementation of the EU acquis in Türkiye in the scope of Urban Transportation and Environmental Loan, a Eur 250 million worth Loan Agreement with the guarantee by Prime Ministry, Treasury Undersecretariat was signed on 6 October 2015, by and between the European Investment (EIB) and İller Bankası.

On 22 May 2019, an amendment agreement of Eur 200 million was signed between our Bank and the EIB. Within the scope of the loan; A Revised Sub-Loan Agreement was signed between Bursa Water and Sewerage Administration (BUSKİ) on 27 March 2019 and on 31 December 2021. Sub-Loan Agreements were signed between our Bank and Burdur Municipality on 13 June 2016, between Eskişehir Metropolitan Municipality on 16 August 2021, between Yozgat Municipality on 24 February 2022 and between Yalova Municipality on 18 April 2022.

As of 31 December 2023, 45,81% of the loan amount was used, Eur 96.437 Thousand. The loan amount used in 2023 is Eur 66.019 Thousand.

Studies on EIB-MADAD Project

In order to meet the additional infrastructure needs of the local governments, where Syrian guests, who are under temporary protection in our country, live intensely due to the increasing population due to immigration, by the European Commission with the decision of 10 December 2014, a European Union Regional Trust Fund (MADAD) has a value of Eur 71.600 Thousand. Grant funds have been allocated. Infrastructure projects of Kilis, Adıyaman, Gaziantep, Şanlıurfa and Hatay provinces are planned to be benefited from MADAD grant. The Grant Agreement between the European Investment Bank (EIB) and İller Bankası was signed on 16, May 2019 under the “Municipal Resilience Program-I”.

Within the scope of the project, Sub-Financial Agreements were signed between our Bank and Kilis Municipality, Besni Municipality, Adıyaman, Gaziantep Water and Sewerage Administration (GASKİ), Şanlıurfa Water and Sewerage Administration (ŞUSKİ), Hatay Water and Sewerage Administration (HATSU) on 15 November 2019 and put into practice. has been passed.

As of 31 December 2023, 85,88% of the total grant amount was used as Eur 56.649 Thousand. The grant amount used in 2023 is Eur 26.399 Thousand.



Studies on Projects Financed by the European Union Instrument for Pre-Accession Assistance (IPA)

Municipality contributions for municipal environmental infrastructure projects that use grants under the EU Instrument for Pre-Accession Assistance (IPA) Environment Operational Programme Budget are covered by İller Bankası loans upon the request of grant beneficiary municipalities and administrations. EU projects for which municipal contribution payments are covered by İller Bankası loans are monitored by our General Directorate and Regional Organisations.

The Bank has allocated a loan amounting to TL 184.709 thousand to 30 municipalities/administrations and the loan has expired as of 31 December 2017.

Municipality contributions for municipal environmental infrastructure projects using grants under the Environment and Climate Action Programme Budget of the EU Instrument for Pre-Accession Assistance (IPA II) period are covered by İller Bankası loans upon the request of the grant beneficiary municipalities and administrations. EU projects for which municipal contribution payments are covered by İller Bankası loans are monitored by our General Directorate and Regional Organisations.

In this framework, Çarşamba (Samsun) Wastewater Treatment Plant Construction Project, Sorgun (Yozgat) Wastewater Treatment Plant Construction Project, Niksar (Tokat) Integrated Water Project, Elbistan (Kahramanmaraş) Wastewater Treatment Plant Construction Project, Şirnak (Center) Municipality Wastewater Treatment Plant Construction Pro-

ject, Bandırma (Balıkesir) Integrated Water Project, Iğdır (Center) Municipality Wastewater Treatment Plant, Main Collector Line and Sewerage Network Construction Project, Trabzon Drinking Water Supply Project, Sivas (Center) Municipality, Kızılırmak Right and Left Bank Collector Line Construction Project, Çankırı (Center) Municipality, Wastewater Treatment Plant and Sewerage Collector Line Construction Project, Collector Line-Wastewater Plant Construction Work and Consultancy Project for Rize (Center) Municipality, Kastamonu Union of Local Authorities (KASMiB) Kastamonu Integrated Solid Waste Management, For Giresun Wastewater Project and Yüksekova (Hakkari) Wastewater Treatment Plant Construction Project, financing from our Bank is used by the relevant local administrations.

Within the scope of these projects; 14 municipalities/administrations were allocated financing amounting to 325.469 thousand TL by our Bank.

As of 31 December 2023, the total amount of financing used is Eur 12.610 thousand. The amount of financing utilised in 2023 is Eur 2.094 thousand.

(FRIT-II) Project and Related Studies

Financial Assistance Program for Refugees in Türkiye (FRIT-II) covered (Water, Wastewater, Solid Waste, Recreation and Technical Assistance), including “Municipal Infrastructure Sector” for loans under the blending of Eur 380 million grant and Eur 135.500 Thousand amount It is carried out through İller Bankası and under the coordination of the Presidency FRIT

Office. With this fund, it is aimed to meet the infrastructural needs arising due to the increasing population in our provinces where Syrians live heavily. On 15 March 2019, International Financial Institutions submitted their project proposals to the European Commission. However, only the proposals of the World Bank and the French Development Agency (AFD) were accepted. A Framework Agreement was signed between AFD and the European Commission on 20 December 2019 to finance a portfolio of Eur 155.890 Thousand, and a Municipal Services Project I Grant Agreement was signed between our Bank and AFD on 13 April 2020, amounting to Eur 147.350 Thousand.

Within the scope of the said Agreements; Sub-Grant Agreements between our Bank and Adıyaman Municipality, Elbeyli (Kilis) Municipality, Polateli (Kilis) Municipality, Kilis Municipality, Gaziantep Water and Sewerage Administration (GASKİ), Şanlıurfa Water and Sewerage Administration (ŞUSKİ) on 22 July 2020, Mardin Water and Sewerage Administration Administration (MARSU) on 17 August 2020 and Mersin Water and Sewerage Administration (MESKİ) on 1 September 2020. Sub-Grant Agreement was signed and put into practice.

Within the scope of FRIT II (Package 2), in addition to the Grant Agreement signed on 13 April 2020, the Grant Amendment Agreement with the French Development Agency (AFD) on December 6, 2021 amounting to Eur 55,779 Thousand, the Loan Agreement amounting to Eur 63 Million, and the Turkish Treasury and Finance Agreement with our Bank. The Guarantee Agreement was signed on 6 December 2021.

Within the scope of the said Agreements; Between our Bank and Mersin Water and Sewerage Administration (MESKİ) on 26 September 2022, Credit and Grant, between Malatya Water and Sewerage Administration (MASKİ) on 01 September 2022, Credit Grant, between Şanlıurfa Metropolitan Municipality, Credit on 03 October 2022, between Gaziantep Metropolitan Municipality On 01 November 2022, Sub-Financial Agreements were signed between the Credit and Grant and Adıyaman Municipality and the Loan on 21 November 2022 and started to be implemented.

As of 31.12.2023, 11,45% of the total grant amount was used as Eur 23.260 Thousand. The grant amount used in 2023 is Eur 19.853 Thousand.

Within the scope of the financing to be made available through the World Bank (DB) under the European Union's Financial Assistance Program for Refugees in Türkiye (FRIT II) budget, the Management Agreement (Administration Agreement) between the European Commission and the World Bank on 29 September 2020, and between our Bank and the World Bank. A loan and grant agreement of Eur 268,990 Thousand in total, of which Eur 135,360 Thousand and Eur 133,640 Thousand grant, was signed on 17 March 2021.

Within the scope of the said Agreements; Sub-Financing Agreements between our Bank and Kahramanmaraş Metropolitan Municipality, Osmaniye Municipality, Kahramanmaraş Water and Sewerage Administration (KASKİ), Kayseri Water and Sewerage Administration (KASKİ), Adana Water and Sewerage Administration (ASKİ), and Konya Water and Sewerage

Administration, (KOSKİ) Sub-Grant Agreements were signed on 20 May 2021 and started to be implemented.

As of 31.12.2023, 13,22% of the total grant amount was used as Eur 17.663 Thousand. The grant amount used in 2023 is Eur 13.468 Thousand.

As of 31.12.2023, 5,68% of the total loan amount was used as Eur 7.692 Thousand. The loan amount used in 2023 is Eur 3.773 Thousand.

Islamic Development Ban Loan for Urban Transportation Projects

Within the scope of “Urban Transportation Projects”, the Framework Agreement with the amount of 150 million Euros was signed between İller Bankası and Islamic Development Bank on 29 August 2016 in order to provide local governments with financing of urban transportation projects and the Guarantee Agreement was signed between the Undersecretary of Treasury and the Islamic Development Bank on the same date. In this context, a sub-financing agreement was signed on 31 August 2016 amounting to Eur 29.388 Thousand so as to finance the project “Antalya 2nd Stage Square- Airport- Expo Rail System Vehicle Purchase and Additional Construction Works”.

Sub-Financing Agreements between Kayseri Metropolitan Municipality and our Bank within the scope of the “Kayseri Light Rail System Project” amounting to 30 million Euros and within the scope of the “Gaziray Commuter Line Project” with the Metropolitan Municipality of Gaziantep and 63 million Euros were signed on 18 November 2019.

As of 31 December 2023, 45,89% of the total financing amount was Eur 55.778 Thousand. The loan amount used in 2023 is Eur 9.597 Thousand.

Council of Europe Development Bank (CEB)

Within the scope of the “Strengthening the Resilience of Municipalities against Natural Disasters Project” to be financed by the Council of Europe Development Bank (CEB) and implemented by our Bank; Loan negotiations were completed with the participation of our Bank, the Ministry of Treasury and Finance and the Council of Europe Development Bank, and the “Loan Agreement” amounting to EUR 200 million was signed between our Bank and the Council of Europe Development Bank on December 21, 2023. A Guarantee Protocol was signed between our Bank and the Republic of Turkey Ministry of Treasury and Finance on December 25, 2023. Sub-project studies are ongoing within the scope of the project.

European Investment Bank Turkey Post-Earthquake Reconstruction Framework Project

In this context, a EUR 400 million loan agreement was signed between the European Investment Bank and the Ministry of Treasury and Finance on November 15, 2023. İLBANK is the implementing agency of the loan and the repayments of the loan will be made by the Republic of Turkey Ministry of Treasury and Finance.

Sub-project studies are ongoing within the scope of the project.



2024 Investment, Budget And Financing Program



İller Bankası A.Ş. The investment and financing allowance for 2024 is planned as **TL 93.585.114 Thousand**.

İller Bankası A.Ş. Investment and Financing Program;

	From Bank Resources; TL 20.000.000 Thousand Infrastructure, SUKAP, Superstructure, Other Infrastructure, Renewable Energy, Urban Information Systems, Material and Equipment Purchase, Expropriation, Notice Severance Pay and Other Personnel Receivables, Cash Support Loan, Other, European Union Environmental Investments Projects, Cash Loan)
	From Grant Resources; TL 4.678.522 Thousand (SUKAP Allowance TL 2.726.347 Thousand, Bank Profit Allowance TL 1.900.000 Thousand, Urban Infrastructure Equalization Allowance TL 52.175 Thousand)
	From Foreign Sourced Loans; TL 61.550.284 Thousand (Drinking Water TL 19.327.189 Thousand, Wastewater TL 21.086.302 Thousand, Municipal Services TL 7.196.275 Thousand, Energy TL 5.665.827 Thousand, Transportation TL 8.274.691 Thousand)
	Outsourced Grants; TL 6.856.308 Thousand (Drinking Water TL 3.283.448 Thousand, Wastewater TL 2.648.083 Thousand, Municipal Services TL 736.474 Thousand, Transportation TL 188.303 Thousand)
	A total of TL 93,585,114 thousand, including TL 500,000 thousand from Resource Development Activities.

Financing of these investments;	
From Loan Principal Returns	TL 15.000.000 Thousand
From Capital Collection	TL 14.000.000 Thousand
From the Resources to be Transferred from the General Budget;	
SUKAP and Urban Infrastructure Equalization Allowance	TL 2.778.522 Thousand
External sources (World Bank, JICA and EIB)	TL 68.406.592 Thousand
From Interest and Other Collections	TL 23.062.220 Thousand
From Resource Development and Urban Transformation Activities	TL 1.778.100 Thousand

TL 67.799.238 Thousand of this program, which hits 46 jobs, will be carried out under the investment program of İller Bankası, and other works will be carried out within the scope of investment programs of municipalities and special provincial administrations.

anticipated to be provided.

İller Bankası A.Ş. Summary Of Investment Program For 2024-2026 (Thousand TL)									
Sector	Pro-ject Num-ber	Project Amount		Cumulative Expenditure Until the End of 2023		2024 Investment			
		Foreign Credits	Total	Foreign Credits	Total	Grant	Other	Foreign Credits	Total
Energy	4	15.901.140	16.469.429	363.350	363.350	44.153	-	5.079.996	5.214.281
Drinking water	13	43.236.120	74.176.139	8.105.157	17.181.337	4.421.699	79.533	13.487.741	15.697.833
Sewage	17	87.173.113	114.163.944	9.811.654	21.794.198	4.278.355	10.000	28.317.862	31.157.645
Municipal Services	6	15.624.567	19.380.757	20.212	20.212	736.474	-	7.012.425	7.916.133
Transportation (Urban Transportation)	6	21.157.800	25.020.769	3.651.596	4.015.818	188.303	-	6.877.776	7.813.346
Total	46	183.092.740	249.211.038	21.951.969	43.374.915	9.668.984	89.533	60.775.800	67.799.238

Statutory Shares Transferred to Local Governments

Allotments Made to Municipalities

Under Laws nr. 5779 on “Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities”, and on the Amendment of Certain Laws and Decrees with the Force ofLaw” (Lawno. 5237 un-til 1 March 1981 and subsequently by Law no. 2380 until 15 August 2008), İller Bankası has, based on population and development index criteria, been required to distribute;

- Municipalities other than Metropolitan 1,50
- Metropolitan district municipalities 4,50

The Amount of the Shares by Years is shown in the Table below.

Municipal Shares Transferred to İller Bankası Broken Down By Year (Thousand TL)

Years	Transferred Mu-nicipal Shares	Distributed During the Year	Carried Forward to the Next Year*
1948-2002	7.790.701	7.457.351	333.350
2003	2.920.323	2.970.453	283.220
2004	4.496.119	4.237.926	541.413
2005	5.287.598	5.261.485	567.527
2006	6.247.598	6.171.950	643.174
2007	7.048.162	6.885.751	805.586
2008	8.368.934	8.331.671	842.849
2009	8.854.892	8.890.731	807.010
2010	11.271.002	10.892.290	1.185.722
2011	13.242.202	13.037.973	1.389.951
2012	14.441.742	14.253.326	1.578.367
2013	16.908.947	16.716.796	1.770.518
2014	19.518.799	19.184.212	2.105.105
2015	23.734.206	23.474.843	2.364.468
2016	26.721.739	25.821.952	3.264.255
2017	31.095.285	30.857.214	3.502.326
2018	36.635.518	36.062.135	4.075.709
2019	38.789.814	38.463.859	4.401.664
2020	48.079.315	46.372.857	6.108.122
2021	66.614.968	63.780.295	8.942.795
2022	132.686.539	122.898.915	18.730.419
2023	245.694.085	224.995.284	39.429.220
Total	776.448.488	737.019.269	

* The transfer balance for the following year in 2023 is the amounts sent from the Treasury as the share of November at the end of December, and will be distributed to the municipalities until 10 January 2024 in accordance with the principles of the Law No. 5779.

Accruals, Remittances and Deductions to Municipalities in 2023 (Thousand TL)

	Accrual	Transfer	Interruption
2023	224.995.284	201.334.788	23.660.496

Shares Distributed to Special Provincial Administrations

According to the Law No. 5779 on esi Share of General Budget Tax Revenues to Provincial Special Administrations and Municipalities ve transferred to İller Bankası and

- 50% According to population,
- 10% According to land area,
- 10% According to number of villages,
- 15% According to rural population,
- 15% According to the Development Index of the provinces,

According to the Amount of 0.50% of the Shares Distributed to Special Provincial Administrations According to Years, is shown in the Table below.

Amounts of Special Provincial Administration Allotments Transferred to İller Bankası Broken Down by Year (Thosuan TL)

Years	Shares of Provincial Special Administra-tions	Distributed During the Year	Carried Forward to the Next Year*
1981 - 2002	1.464.160	1.401.935	62.225
2003	636.372	635.156	63.441
2004	853.010	815.399	101.052
2005	987.286	982.417	105.921
2006	1.172.625	1.158.583	119.963
2007	1.315.764	1.285.351	150.376
2008	1.673.120	1.642.344	181.152
2009	1.908.628	1.916.314	173.466
2010	2.423.822	2.342.414	254.874
2011	2.847.457	2.803.159	299.172
2012	3.104.434	3.064.338	339.268
2013	3.635.595	3.594.287	380.576
2014	2.100.669	2.305.820	175.425
2015	1.977.972	1.956.358	197.039
2016	2.226.821	2.151.841	272.019
2017	2.591.271	2.571.430	291.860
2018	3.052.972	3.005.190	339.642
2019	3.329.580	3.302.418	366.804
2020	4.006.710	3.864.504	509.010
2021	5.551.229	5.315.007	745.232
2022	11.057.134	10.241.500	1.560.866
2023	20.474.664	18.749.762	3.285.768
Total	78.391.295	75.105.527	

* The transfer balance for the following year in 2023 is the amounts sent from the Treasury as the share of November at the end of December, and will be distributed to the municipalities until 10 January 2024 in accordance with the principles of the Law No. 5779.

Accrual, Remittance and Deductions to Special Administrations in 2023 (Thousand TL)

	Accrual	Transfer	Interruption
2023	18.749.762	17.518.590	1.231.172

Debts Subjected to Reconciliation

Under the Provisional Article 3 of the Metropolitan Municipalities Act (Statute 5216) and the Provisional Article 5 of the Municipalities Act (Statute 5393), a reconciliation commission was set up and charged with “clearing, offsetting, and deducting” unpaid obligations owed to public agencies and organizations by metropolitan municipalities and their affiliated organizations, or by companies, in which metropolitan or county municipalities control more than a 50% capital interest. From 2004 to 2008, the commission reported such debt reconciliations for 2.464 municipalities to İller Bankası.

In accordance with Article 7 of the Law No. 5779, it is notified by the relevant institutions and cuts from the shares of local governments distributed by İller Bankası. These shares are transferred to the related institutions according to the Council of Ministers Decree No. 2010/238. The payer institutions, the payments made during the year and the transfer balances of 2024 are shown in the table below. In addition, in the following table, there are debts which are followed within the scope of the reconciliation pursuant to the provisional article 2 of Law No. 6552.

Debts Subjected to Reconciliation (Thousand TL)

Creditor Institution Name	Carried Forward to 2023	Debited in 2023	Cancelled or Paid (*)	Carried Forward to 2024
TEDAŞ	24.878	-	10.779	14.099
SGK (SSK)	71.805	366.105	420.735	17.175
SGK (State Retirement Fund)	1.595	9.508	10.281	822
Tuberculosis Association	304	-	304	-
Provincial Directorate of Youth and Sports	1.183	-	1.183	-
Municipalities	662	-	187	475
Special Provincial Administrations	17.595	-	11.839	5.756
Metropolitan Municipalities	93.013	-	16.914	76.099
Affiliated Organizations	381	-	95	286
Municipal Unions	2.249	-	346	1.903
Republic of Turkey Ministry of Treasury and Finance	197.938	157	92.554	105.541
Finance (6552 SK)	33.229	1.791	18.679	16.341
SGK (6552 SK)	31.369	192.344	207.350	16.363
SGK (Pension fund. 6552 SK)	108	4.770	4.718	160
Total	476.309	574.675	795.964	255.020

Debts not Subjected to Reconciliation

The following chart shows the outstanding obligations of municipalities and special provincial authorities reported by Tax Office, Social Insurance Institution, State Retirement Fund and various agencies subject to Law no. 6183, which are required to be deducted from the allotments distributed by İller Bankası to local governments under Article 7 of Law no. 5779, and paid to relevant agencies as per the Council of Ministers Decree 2010/238.

Debts not Subjected to Reconciliation (Thousand TL)

Creditor Institution Name	Carried Forward to 2023	Debited in 2023	Cancelled or Paid *	Carried Forward to 2024
Tax Offices	509.567	685.019	699.992	494.594
Tax Offices (6736-7020-7143... S.K.)	6.476.665	6.344.180	2.963.514	9.857.331
SGK (S.S.K.)	4.078.293	16.848.211	18.696.875	2.229.629
SGK (6736-7020-7143 S.K.)	764.080	6.214.372	6.273.724	704.728
SGK (State Retirement Fund)	912.313	7.704.085	7.997.028	619.370
SGK (State Retirement Fund6736-7020-7143... S.K.)	1.025.064	9.074.620	8.817.353	1.282.331
Special Provincial Administrations (Real Estate Tax)	6.896	-	374	6.522
Social Assistance and Solidarity Fund	460	-	145	315
Other Institutions (Installment Payables)	921.358	4.138.187	1.747.424	3.312.121
Immovable Culture Tax Contributions	1.917.567	2.758.731	4.149.815	526.483
Association of Municipalities	121.367	197.295	209.851	108.811
Other Institutions	340.519	295.704	464.434	171.789
Development Agencies	342.778	338.368	454.966	226.180
Medical Institutions	52	-	26	26
Association of Municipalities of Türkiye	11.192	416.241	421.417	6.016
General Lighting Expense	73.937	4.442.291	4.365.159	151.069
TEDAŞ	610.388	9.368	344.877	274.879
Republic of Turkey Ministry of Treasury and Finance	6.822	32.207	36.539	2.490
DSİ	121.266	149.428	179.814	90.880
Total	18.240.584	59.648.307	57.823.327	20.065.564

(*) Reasons for the increase in debt / credit columns of Settlement and Non-Settlement debts in 2023:

- Debt updates reported by public institutions and organizations,

- Our Bank account is Türkiye Union of Municipalities of the Metropolitan Municipality and the Ministry of Finance Treasury dues to be collected from the General Directorate of the cancellation of our registration required,

Other Activities Carried Out By İller Bankası

In the early years after İller Bankası was set up, materials, machinery, tools, and other supplies required for the potable water and sewer systems, mapping, surveying, project development, construction, and drilling services needed by local governments had been procured by contractors.

However, in view of the gradually growing volume of work, the difficulties brought on by frequent changes in domestic and foreign trade and customs regimes, the fiscal capacities of local governments while making large-volume joint procurements, contractors' lack of funds, and a desire to procure better-quality supplies faster and more economically, it was

thought advisable for such procurements to be made by the Bank.

For many years it was the practice for İller Bankası to procure and stock the materials required for local governments' investments and to use them to meet local governments' needs.

In 2003, the Bank began surrendering such materials directly to the facilities concerned of local governments rather than booking them as inventory first. In 2004, the Bank began extending credit to local governments so that they could procure their own materials, vehicles, tools, equipment, etc. themselves. When such credit-financed supplies are to be procured, they may be purchased by local governmentsor (if it has been authorized) by the Bank.



The amount of the material amounting to TL 2.140.370 Thousand, which was delivered to the municipalities in 2023 by using loans or by making purchases, All credit materials, machinery, tools and equipment purchases by its expropriation costs.

The chart below provides information about procurements, which municipalities requested İller Bankası to make in 2014-2023 together with details of transactions whose payments were financed on credit. (Thousand TL)

Years	Amount of Credit Extended for Heavy-Duty Equipment	Amount of Credit Extended for Service Vehicles	Amount of Credit Extended for Pipe Pumps	Amount of Credit Extended for Construction Materials	Loan Amount for Expropriation	Amount of Credit Extended for Office Equipment	Amount of Credit Extended for Other Materials	Total Amount of Credit Paid Out
2014	74.377	176.373	18.348	426.382	199.257	2.794	61.562	959.093
2015	179.097	171.522	4.965	150.023	299.809	481	17.156	823.053
2016	209.034	237.305	80.915	181.412	350.070	7681	64.550	1.130.967
2017	114.960	197.166	69.092	383.763	261.156	6.288	94.804	1.127.229
2018	39.669	92.380	18.776	484.667	169.662	225	36.405	841.784
2019	48.141	63.412	2.778	171.928	42.639	225	36.455	365.578
2020	120.504	149.742	8.919	261.053	54.779	92	17.084	612.173
2021	164.937	181.113	54.058	337.298	215.290	2.037	51.252	1.005.545
2022	261.810	280.702	284.437	1.251.345	109.438	7.246	238.157	2.433.135
2023	114.214	319.461	200.517	1.215.830	70.348	-	220.000	2.140.370

The material amounting to TL 14.824 Thousand belongs to stationery, computer consumables and workshop materials in stocks for İller Bankası needs. Material availability and distribution are presented in the adjacent table.



Material Availability (Thousand TL)

Local Government Material Stocks	9.968
Computer Consumables	1.676
Stationery	2.394
Stock Material in the Warehouse	786
Total Material Availability	14.824



Electronic Fund Transfer Transactions

In order to increase the productivity of its resources while also lowering its funding costs, İller Bankası makes extensive use of electronic funds transfers (EFT) in the conduct of its banking business and Within 1 hour period transactions. By making effective use of modern technology at its own EFT center, local governments' shares, progress entitlement so wed to contractors under lending agreements to which the Bank is a party, and all disbursements related to the Bank's current expenditures are made within one hour directly to the recipients' accounts in line with their instructions and without the involvement of any other intermediary bank whatsoever.

In 2023, 97,170 outgoing wire transfers amounting to TL 2,285,285,057 thousand and 15,001 incoming wire transfers amounting to TL 2,285,301,790 thousand were made to various banks and financial institutions by İller Bank EFT center.

Banking Operations

İller Bankası is a development and investment bank whose activities are governed by article 77 of the Banking Law (no.5411). Within the framework of Law no. 6107 governing İller Bankası A.Ş. and of the "İller Bankası Articles of Incorporation and Lending Regulations" issued pursuant to that law, the Bank extends short-, medium-, and long-term credit to local governments while also providing them with non-cash credit.

Pursuant to Article 60 (4) of the Banking Law and the amendment of the Public Treasury General Communiqué published in the Official Gazette dated 28 February 2018 and numbered 30346, the Bank provides funds from special provincial administrations, municipalities and borrowers.



Treasury Management

With the decision of the Board of Directors dated 16 November 2017 and numbered 35/968, İller Bankası made the city special with the amendment made in the General Communiqué of the Public Treasury published in the Official Gazette dated 28 February 2018 and numbered 30346 with the decision of the 60th article of the Banking Law No. 5411. funds can be accepted from our administrations, municipalities and borrowers.

In 2023, TL 77,837,551 thousand fund collection and TL 70,179,290 thousand payment transactions were realized from our shareholders, of which TL 7,658,261 thousand was transferred to 2024. TL 1,585,738 thousand in interest was paid to İller Bank shareholders and the beneficiaries of these transactions.

In 2023, interest income amounting to TL 8,145,046 thousand was earned from the utilization of the Bank's liquid surplus in the interbank money markets. On the other hand, the Bank borrowed from interbank markets and long-term loans to meet its short-term cash needs, which resulted in interest expense of TL 1,646,286 thousand and net interest income of TL 4,913,022 thousand from treasury transactions.

Training Activities

İller Bankası pays special attention to training activities for human resources. In order to increase the competencies and know-how of the Bank staff, courses and seminars are organized in the country, and the participation of the staff in the courses and seminars organized at home and abroad is ensured.

720 personnel were trained within the scope of the trainings received by İller Bankası in 2023.



Quality Management System

Our Bank has taken the TS EN ISO 9001: 2008 Quality Management System Certificate for the first time from the Turkish Standards Institute (TSE) on December 3, 2013, and put the quality management system into practice. The International Organization for Standardization (ISO) published the ISO 9001: 2015 version based on risk-based process management on 15 September 2015 and made it mandatory to transition to the 2015 version. Our Bank received the TS EN ISO 9001: 2015 certificate as a result of the first surveillance and transition audit conducted in 2018.

Risk-based process management is applied within the scope of TS EN ISO 9001: 2015 as a management system approach in our bank. The quality management system implemented in our bank has been integrated with the work of our internal system units as a result of the studies carried out in 2019. The processes and risks determined by the Internal Control Department and Risk Management Department, which are our internal system units, are also monitored within the framework of the quality management system under the coordination of the Planning Coordination Department. The continuity and up-to-dateness of the system is provided by the work of the three departments in question.

In 2022, our Quality Management System certificate was renewed by TSE. 2023 I. Surveillance Audit was carried out on January 10-11, 2024 and it was decided to continue the validity of our document.

Insurance

Insurance business Groupama Sigorta Inc., Güneş Sigorta Inc. Ankara Insurance Inc. and Bereket Sigorta Inc., acting as an agency for the insurance transactions of local government, bank personnel and other individuals and companies' facilities, vehicles, materials and buildings, İller Bankası issued 6623 policies in 2023 and earned TL 5.094 thousand commission income.

Research-Development Activities for New Services and Operations

Pursuant to its governing law, İller Bankası performs project development, offers consultancy services and secures credit-financing for the projects for the infrastructure and superstructure investments needed by local governments. The bank keeps a close eye on advancing technology and the products used in Türkiye and abroad, in parallel with the services it renders.

Within the framework of new fields of activity, work on resource development projects, urban transformation projects, Geographical Information System and Urban Information System are in progress.

In this respect;

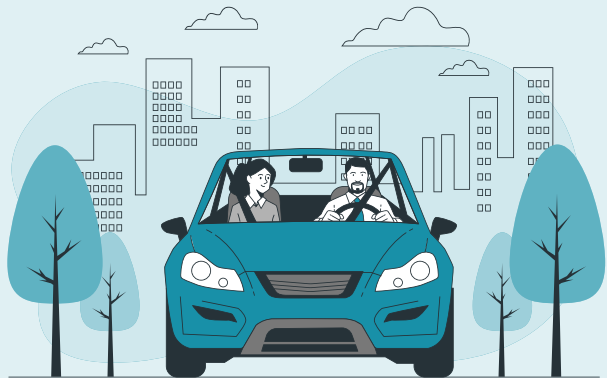
Smart City Applications

The smart city concept is a vision of sustainable urban development that aims to increase the quality of urban life by using information and communication technologies and to establish an effective city management in sectors such as transportation, infrastructure, superstructure, environment, economy, health, governance, etc. in accordance with the requirements of the age, and to ensure full coordination in data collection, information provision and service production for faster and more accurate functioning of decision and control mechanisms.

Within this framework, İller Bankası provides financial and technical facilities for local governments.

Based on the request of local governments, our Bank will provide the following services in 2023;

- 1 Municipality for the establishment of Smart City Application infrastructure, 1 Special Provincial Administration for the establishment of Geographical Information System and 1 Municipality for the establishment of Urban Information System.
- In addition, feasibility studies were carried out for the establishment of Intelligent Transportation System for 2 municipalities, Smart City Application infrastructure for 1 municipality and Digital Archive and City Information System for 2 municipalities.



Street Refinement Projects

There are a total of 245 street sanitization works handled by our Bank upon the request of municipalities.

- For these 245 street sanitization works, a total of TL 1.1 billion financing amount has been/will be allocated by our Bank; TL 454 million as loan and TL 631 million as grant.
- A total of 245 projects and constructions are being carried out by the Bank;
 - Among these works; 118 works have been completed, 40 works are under construction, 17 works are at the tender stage, and 70 works are under project studies.
 - 175 projects have been completed, of which 10 projects have been carried out by the Bank and the Ministry, 12 projects by the Bank and 153 projects by the Municipality.



Studies on Renewable Energy Resources and Prevention of Climate Change

The Presidential Circular on Energy Savings in Public Buildings (2023/15) aims to use public resources efficiently and reduce the burden of energy costs on the public sector. In order to reduce the burden of energy costs on the public sector, public buildings that are obliged to appoint an energy manager according to the Energy Efficiency Law (total annual energy consumption of 250 TOE (Tonnes of oil equivalent) or more or total construction area of 10,000 m² or more) are targeted to achieve at least 30% energy savings by the end of 2030.

Energy efficiency audits will identify energy consumption in buildings and treatment plants and reduce consumption through necessary improvement activities. Reducing overall energy consumption will also enable renewable energy to meet an even larger share of remaining energy needs.

In this respect, our Bank;

- Energy Management (ISO 50001) and Energy Efficiency
- Renewable Energy Sources
- Low Carbon District Heating-Cooling
- Heat Pumps and Heat Storage
- Climate Change Action Plans

The Bank supports Local Governments with the preparation of studies, feasibility studies and projects, as well as all kinds of project, technical and financial support required for the construction of these works.



Sectoral Objectives, Policies and Measures in the Bank's Strategic Plan for 2024 and Beyond

Energy

The main objective is to maximize domestic and renewable energy resources based on the continuous, high quality, sustainable, secure and affordable supply of energy, resource diversification in energy supply and the net zero emission target for 2053. In this context, practices to make public buildings more efficient will continue.

Disaster Management

The main objective is to increase the resilience of settlements and society against disasters, to minimize loss of life and property by reducing disaster risks and damages, to carry out all processes of disaster management effectively, to increase disaster awareness of the society and all organizations. Disaster hazards and risks will be prioritized at the spatial planning stage and supervision and sanction mechanisms will be strengthened to improve practices. Microzonation studies will be carried out to identify disaster risks, prioritizing areas with high disaster risk, and legislation will be updated to take disaster risks into account in zoning planning processes. Data on disasters will be produced in sufficient detail and used in planning for all stages of integrated disaster management.

Urban Transformation

The main objective is to activate and expand practices for the transformation of areas under disaster hazard and risk and risky buildings outside these areas in a way to ensure healthy and safe living. Spatial planning and urban transformation practices will be handled in an integrated manner.

Urbanization

The main objective is to create smart, safe, sustainable cities and settlements that are resilient to climate change and disasters, have qualified residential areas in harmony with their historical and cultural background, have high quality of life, and are based on green and digital technologies. Data and information system infrastructure to be used in the analysis of disasters, hazards, risks and resilience in the preparation of spatial plans will be developed.

Construction, Engineering-Architecture, Technical Consultancy and Contracting Services

The main objective is to create a sustainable and safe built environment that utilizes renewable resources in line with the net zero carbon target and to ensure green transformation in the construction sector and to support technical consultancy services. Renewable energy utilization rates in buildings will be increased and buildings with high energy efficiency will be made widespread. Nearly Zero Energy Building (nSEB) criteria will be improved and developed.

Environmental Protection

In line with the Sustainable Development Goals (SDGs), the main objective is to ensure the transition to a low-carbon economy that is resilient to the impacts of climate change, to protect and manage the environment and natural resources with an understanding of social justice, and to increase public awareness and sensitivity towards the environment. In order to minimize the harmful effects of all wastes on human health and the environment, necessary measures will be taken regarding their release into the air, water and soil.

Urban Infrastructure

In urban infrastructure, the main objective is to create sustainable systems that provide access to healthy and reliable drinking and potable water, minimize the impacts of wastewater and solid wastes on human and environmental health, and ensure cost-effective, clean and energy-efficient urban transportation systems that are easily accessible for all individuals and have strong inter-modal connectivity. Efforts to overcome existing obstacles such as lack of supervision, technical knowledge and capacity in the construction and operation of wastewater treatment plants will be accelerated, support mechanisms for their operation in accordance with the standards and alternative systems for the disposal of wastewater treatment plant sludge will be developed. The "Solid Waste Program", which is implemented to support solid waste management projects that local governments have difficulty in financing, will be expanded.

Local Governments

The main objective is to transform local governments into a structure that ensures citizen satisfaction, provides effective, fast and quality services, is prepared for disasters, prioritizes environmental protection, adapts to technological developments, is participatory, transparent, accountable and ensures financial sustainability. Legislation will be prepared to ensure that disaster risks are taken into account in technology and location selection and construction processes in the construction of local government infrastructure facilities. Financial support mechanisms will be established to enable local governments to combat disasters and climate change more effectively.

Medium Term Macroeconomic Targets and Policies

Green Transformation

In line with the 2053 net zero carbon emission target, work will be carried out to prepare a long-term low emission development strategy in line with development plans. Zero waste practices will be popularized. The use of technologies and materials with low noise level and greenhouse gas emissions in road construction projects will be expanded. Energy efficiency efforts will continue in public buildings and services, and the technical and administrative infrastructure required for wider use of energy performance contracts will be developed. Energy efficiency efforts will continue in public buildings and services, and the technical and administrative infrastructure required for wider use of energy performance contracts will be developed. Within the framework of Environmental, Social and Governance criteria, participation in international financial markets will be accelerated and financing needs of investments will be met by developing innovative and sustainable financing instruments for green transformation.

Public Finance

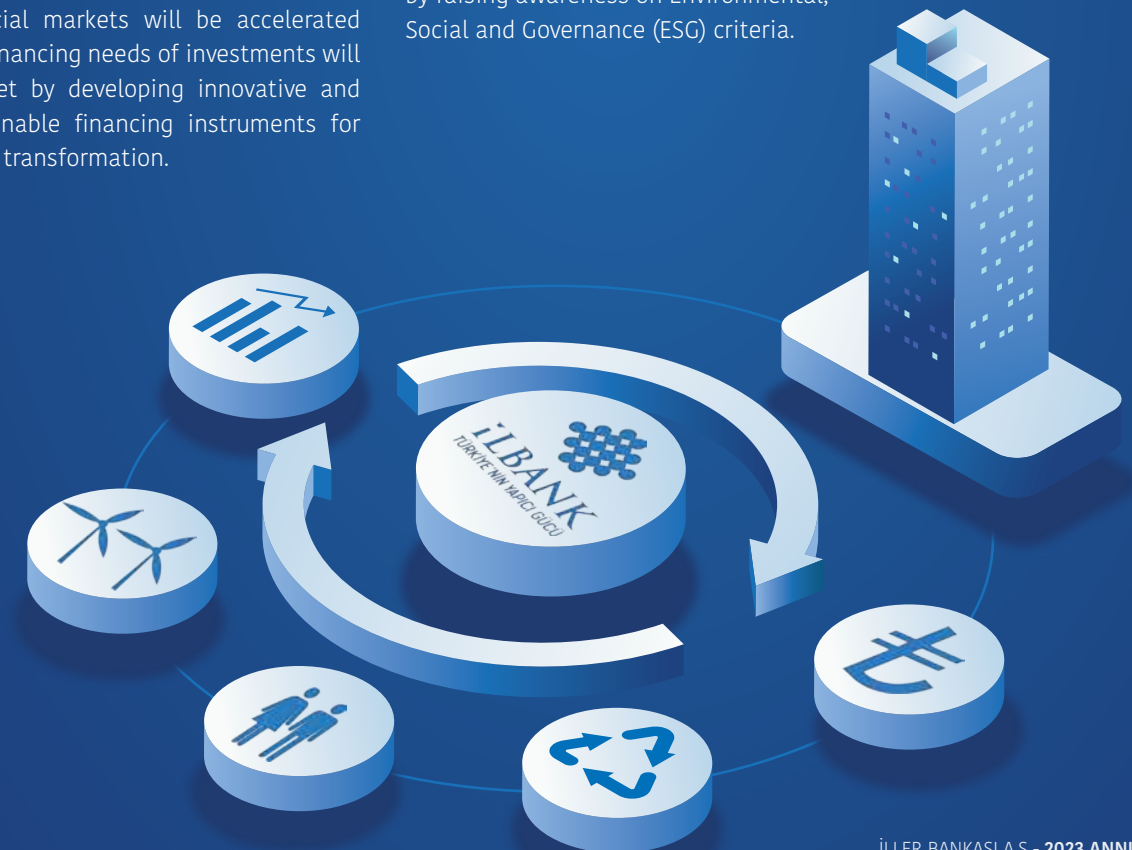
In February 2023, necessary measures will continue to be taken to eliminate the effects of the earthquake by rehabilitating and reconstructing the regions damaged by the earthquakes centered in Kahramanmaraş and Hatay, one of the biggest disasters of the century. By rationalizing the public investment program, investments that will produce economic and social benefits by being completed in a short time will be prioritized.

Financial Stability

Development and investment banking will be developed to become more effective in financing investment projects with a focus on strategic products and priority sectors. New products and services in green finance will be developed by raising awareness on Environmental, Social and Governance (ESG) criteria.

Disaster Management

Priority will be given to projects for the full normalization of socio-economic life in the provinces affected by the Kahramanmaraş and Hatay earthquakes and for the compensation of earthquake damages. Within the scope of reconstruction efforts, the resilience of infrastructures in the earthquake zone against disasters will be increased, contributing to the formation of a healthy and resilient texture of the region, while at the same time, investments that will encourage green transformation and increase energy efficiency will be supported within the framework of reconstruction efforts. Inclusive, healthy, safe and resilient living spaces in disaster-prone areas will be planned as a whole with infrastructure and superstructure facilities and built in a sustainable environment and in accordance with social housing standards.



Board of Directors



Eyyüp KARAHAN Chairman of the Board

He was born on 21.02.1962 in Gümüşhane. He graduated from İstanbul University, Faculty of Economics, Department of Business Administration/Social Politics in 1984. He worked as Accounting and Sales Responsible in various companies. He served as İstanbul Provincial General Assembly Member, İstanbul Metropolitan Municipality Assembly Member and Plan Budget Commission Member. He worked as Commercial Manager at HAMİDİYE A.Ş., a subsidiary of İstanbul Metropolitan Municipality and as Assistant General Manager in charge of Financial and Administrative Affairs at İSFALT A.Ş., İSTAÇ A.Ş. and KİPTAŞ A.Ş. In November 2007, he was appointed as the General Manager of AĞAÇ A.Ş., a subsidiary of İstanbul Metropolitan Municipality. He served as the Chairman of the Board of Directors at Ağaç A.Ş., Metro A.Ş. and Kültür A.Ş. As a result of the appointments made in July 2014, he was appointed as Assistant Secretary General in charge of Financial Affairs and Subsidiaries of İstanbul Metropolitan Municipality. With the Presidential Decree No. 2021/602, he was appointed as the Director General of Environmental Management of the Ministry of Environment, Urbanization and Climate Change. Established in 2021, he also served as the Chairman of the Board of Directors of the Turkish Environment Agency until 2023. With the approval of the Minister of Environment, Urbanization and Climate Change, he was appointed as a Member of the Board of Directors of İller Bankası A.Ş. on 25.08.2023 and elected as the Chairman of the Board of Directors of İller Bankası A.Ş. on 28.08.2023. He is married and has 3 children.



Selim YAĞCI Vice Chairman of the Board / Chairman of the Audit Committee

He was born in 1966 in Cumali Village of Bilecik Province. He completed his primary, secondary and high school education in Bilecik, Bursa and Çanakkale between 1973-1984. He completed his primary, secondary and high school education in Bilecik, Bursa and Çanakkale between 1973-1984. Between 1989 and 2004, he served as a judge for 15 years in Tunceli, Sivas, Trabzon and Sakarya provinces. Between 2004-2018, he was elected as Mayor of Bilecik Province for 3 terms and served for 15 years. Between 2004-2018, he served as the Marmara Municipalities Union Assembly Chairman and Council Member. Between 2004-2018, he served as the President of Bilecik Municipalities Union and Bilecik Karasu Drinking and Utilization Water Union. Between 2009-2018, he served as a Board Member and Vice President of the Union of Turkish World Municipalities. He was elected as the 27th Term Deputy of Bilecik between 2018-2023 and served as a Member of the Interior Commission between 2018-2023. Between 2018 and 2023, he served as the Chairman of the Turkey-Ecuador Friendship Group. Since 2018, he has been serving as Vice President of Local Governments of Ak Parti. With the approval of the Minister of Environment, Urbanization and Climate Change, he was appointed as a Member of the Board of Directors of İller Bankası A.Ş. on 25.08.2023 and elected as Deputy Chairman of the Board of Directors of İller Bankası A.Ş. on 28.08.2023. He is married and has two children. He speaks English and Arabic.



Recep TÜRK General Manager / Board Member

Born in İzmir in 1976, Recep Türk graduated from Ankara University, Faculty of Political Sciences, Department of Public Administration in 1995-1999. After completing his education, he started his professional career at Türkiye Halk Bankası A.Ş. in 2000 and worked as Vocational Officer-Inspector-Deputy Chairman of the Board of Inspectors between 2000 and 2009, Assistant Regional Manager between 2009 and 2011, Branch Manager between 2011 and 2012, and Regional Manager between 2012 and 2014. Mr. Türk continued his career at Ziraat Bankası A.Ş. and served as Head of Department between 2015-2016, Regional Manager between 2016-2018, and Head of Credit Risk Monitoring, Liquidation and Legal Group in 2020-2021. Recep Türk has served in various positions in his professional life such as Ziraat Bank of Georgia, Ziraat Bank of Azerbaijan, Ziraat Finansal Kiralama A.Ş., Halk Emeklilik A.Ş. Board Member and Gaziantep Chamber of Commerce Assembly Member. Mr. Türk, who has been serving as the Assistant General Manager of Credit Risk Monitoring and Liquidation at Ziraat Bankası A.Ş. since April 2021, was appointed as the General Manager of İller Bankası A.Ş. with the Presidential decree published in the Official Gazette on Friday, August 11, 2023.



Mücahit DEMİRTAŞ Board Member

Mücahit DEMİRTAŞ was born in 1959 in Refahiye. In 1982, he completed his undergraduate education at İstanbul Technical University Sakarya Engineering Faculty Civil Engineering Department. Between 1982-2009, he worked at various levels in Sümerbank General Directorate, Bursa Provincial Directorate of National Education and İstanbul Metropolitan Municipality. DEMİRTAŞ, who served as the Member of the Board of Directors of İÇDAŞ between 2005 and 2009, has been serving as the İstanbul Provincial Directorate, the General Directorate of Construction Affairs and Deputy Undersecretary since 2009 and has been serving as the Deputy Minister since June 2018. He was appointed as a Member of the Board of Directors at İller Bankası A.Ş. with the Approval of the Minister of Environment, Urbanization and Climate Change, dated 29 September 2016 and numbered 9687. On July 20, 2018, DEMİRTAŞ resigned as the Chairman of the Board of Directors and continued to serve as a Member of the Board of Directors and was reappointed on September 29, 2022. He is also the President of the Union of Turkish World Engineers and Architects and speaks English and Arabic. He is married and has 4 children.

Board of Directors



Tufan BÜYÜKUZUN Vice Chairman of the Board / Chairman of the Audit Committee

Tufan BÜYÜKUZUN was born in 1975 in Gaziantep. He completed his primary, secondary and high school education in Gaziantep. He graduated from Ankara University, Faculty of Political Sciences, Department of Labor Economics and Industrial Relations in 1996. He served as National Real Estate Controller between 1997-2004, Head of Department between 2004-2012, and Deputy General Manager between 2012-2014 in the Ministry of Finance. Between 2014 and 2016, he served as the General Manager of the State Supply Office and the Chairman of the Board of Directors. He was appointed to the General Directorate of National Real Estate in 2016 and continues to work. He was appointed as a member of the Board of Directors of İller Bankası A.Ş. with the approval of the Republic of Turkey Ministry of Environment, Urbanization and Climate Change dated March 25, 2022 and numbered 3287301 and started his duty on March 29, 2022. He was elected as a member of the Audit Committee with the Board of Directors' resolution dated April 7, 2022 and numbered 14/385.



Rahmi METİN Board member*

Rahmi METİN was born in Rize in 1969. He completed his primary and secondary education in Rize. He graduated from Atatürk University, Department of Sociology in 1993. He worked as a philosophy teacher in a private classroom in Rize between 1993-2004 and also served as the General Manager of the private teaching institutions. In 2004, he was elected Rize Provincial Council Member in the Local Elections, and he served as the President of the Assembly until 2009. In the 2009 Local Administrations Elections, the Provincial General Assembly Member was re-elected and served as the Speaker of the Assembly until 2011 and until 2014 as a Member of the Assembly. He served as president for 3 terms at Rize University Alumni Association (RÜDER) and between 2009-2014 at University Development Association in Rize. Rahmi METİN, who was the founding member of the Development Foundation and Chairman of the Supervisory Board at Recep Tayyip Erdoğan University, was elected Mayor of Rize in the 31 March 2019 Local Administrations Elections. İller Bankası A.Ş. was held on 27 June 2019. METİN, who was elected as a Member of the Board of Directors on behalf of the Municipalities at the Ordinary General Assembly meeting, was re-elected on 24 March 2022 and still continues this duty. He is married and has 4 children.



Hakan AKKAŞ Board member*

Hakan AKKAŞ was born in Sivas in 1967. He graduated from Dokuz Eylül University Faculty of Law in 1991. After his internship and military service, he started to work as a lawyer under the Sivas Bar Association since 1994. During his military service, he contributed to his directive on the "Trial of Soldiers, Hiring a Lawyer and Paying the Wages", which he has contributed greatly in writing. He worked as a Member of the Board of Directors of Sivas Demir Çelik Enterprise between 1996-1997 and as Manager of the Sivas Bar Association between 1999-2003. Hakan AKKAŞ, who was elected as Sivas Provincial Council Member in the Local Elections held in 2019, also fulfills his duty as the President of the Assembly. İller Bankası A.Ş. was held on 27 June 2019. AKKAŞ, who was elected as a Member of the Board of Directors on behalf of Special Provincial Administrations at the Ordinary General Assembly Meeting, was re-elected on 24 March 2022 and still continues this duty.

- Within the framework of Article 7 of the Law on İller Bankası Joint Stock Company numbered 6107, the Board of Directors of the Bank consists of 7 members, together with the General Manager. Four of the members of the Board of Directors are appointed by the Minister of Environment, Urbanization and Climate Change, and two are elected by the General Assembly among the two candidates proposed by the Ministry of Internal Affairs among the Mayors and Provincial Special Administration representatives who attended the General Assembly to represent Municipalities and Special Provincial Administrations. At the first meeting following the oath ceremony, the Board of Directors elects a member from among them as the chairman and vice chairman. The term of office of the Members of the Board of Directors is three years, and those whose term of office expires can be reassigned.
- The Board of Directors must convene at least once a month in order to fulfill its duties and responsibilities assigned by İller Bankası A.Ş. Law and İller Bankası A.Ş. Main Contract. 72 Ordinary Meetings were held by the Board of Directors in 2023 and a total of 2207 decisions were taken at these meetings.
- Paragraph (1) of article 12 of İller Bankası A.Ş. Law No. 6107 states that "monthly fees and other payments may be made to the members of the Board of Directors in an amount not exceeding the amount determined by the High Planning Board every year and determined by the General Assembly". Apart from paying wages, financial benefits such as the right to peace, premium and profit share are not provided.
- Our Bank does not have a Credit Committee, which is one of the committees that can be established to assist the Board of Directors and the Audit Committee.

Audit Committee

Selim YAĞCI
Chairman of the Audit Committee

Mr. YAĞCI's Resumé is found on page 52

Tufan BÜYÜKUZUN
Audit Committee Member

Mr. BÜYÜKUZUN's Resumé is found on page 53

The Audit Committee, established on 22 February 2008 with the decision of the Board of Directors No. 8/92, on behalf of the Board of Directors, to monitor the effectiveness and adequacy of the internal systems of the Bank, the functioning of these systems and accounting and reporting systems within the framework of laws and related regulations, and independent audit. is responsible and responsible for conducting preliminary assessments in the election of its institutions by the Board of Directors, and regularly monitoring the activities of these organizations selected by the Board of Directors. While carrying out its works within the framework of the "Regulation on the Working Procedures and Principles of the Audit Committee" approved by the Board of Directors' decisions dated 25 June 2008 and numbered 21/298, the Board of Directors dated 23 July 2011 and numbered 23/286 after the Law on İller Bankası A.Ş. The İller Bankası A.Ş. Audit Committee Regulation, which was adopted with the decisions of the Board of Directors, has been repealed and continues to be executed within the framework of the İller Bankası A.Ş. Audit Committee Regulation adopted by the Board of Directors' resolutions dated 27 September 2012 and numbered 29/520.

The Audit Committee held 33 meetings in 2023 and 60 topics were discussed at these meetings.

Information on the Assets and Liabilities Committee

Chairman
Recep TÜRK,
General Manager and Member of Board of Directors

Members
Salih YILMAZ, Vice General Manager
Onuray GÖZÜTOK, Vice General Manager

The Asset-Liability Committee of the Bank was established with the Board of Directors' decision dated 19 March 2014 and numbered 3/28. The Committee, which meets at least once a month, manages the Bank's financial structure, portfolio, loan rates, developments in money and capital markets and other banks, manages the Bank's assets and liabilities and determines the policies regarding fund movements, and executes the related units for the management of the Bank's balance sheet. follows the decisions to be taken and the implementation of the decisions taken.

The Asset-Liability Committee held 12 meetings in 2023 and made 12 decisions.

Information On The Audit Board Committee



Turan KONAK
Audit Board Member

Turan KONAK was born in 1973 in Vakfıkebir. After completing his primary and secondary education in Trabzon, he graduated from Istanbul University, Faculty of Political Sciences, Department of Public Administration in 1994 with the first rank. Later, he completed his master's degree in the Public Administration Department at the same university. Later, he completed the MBA program in the Department of Business Administration at Beykent University. He started his business life in 1995 in Istanbul Metropolitan Municipality, Directorate of Council. He worked as an Assistant Manager and Manager in the same unit. Later, he served as the Head of the Registry and Resolutions Department. In addition to being a member of the Municipal Council, he served as a Board Member and Chairman of the Board of Inspectors and affiliates of Istanbul Metropolitan Municipality. He served as a member of the Istanbul Provincial Human Rights Board. During this period, he gained experience in the Municipal Council and the council, tender legislation, zoning plans and zoning applications, electronic correspondence and digital archive, and auditing in local governments, attended many seminars and gave seminars on these topics. Between 2016 and 2018, he served as the Head of Department and then as the Head of Administrative and Financial Affairs at the Prime Ministry and was appointed as the Director General of Local Governments on 6 August 2018. T.C. August 10, 2018 and 141256 numbered by the Ministry of Environment, Urbanization and Climate Change with the date of the date of 141256 appointed as a Member of the Supervisory Board of the Bank of Provinces, appointed on August 15, 2021 and still continues this duty by the Ministry of Environment, Urbanization and Climate Change. KONAK, who speaks English, also works as a manager in various non-governmental organizations.



Tuncay İNCİ
Audit Board Member

Tuncay İNCİ was born in Ankara in 1982. He completed his primary, secondary and high school education in Ankara. He graduated from Anadolu University, Faculty of Economics and Administrative Sciences, Department of Economics in 2005. He completed his master's degree in International Business Administration (MBA) at the University of East London. Starting his professional career as Assistant Tax Inspector in 2011, Mr. İNCİ was appointed as Tax Inspector in 2014 and Chief Tax Inspector in 2022. Between 2017-2018, he worked in an administrative position in the strategy and business development unit within the Presidency of the Tax Inspection Board. Between 2019-2020, he served as Group Head at the Capital Group Presidency of the Tax Inspection Board, and between 2020-2021, he served as Head of Department at the Ankara Tax Refunds Audit Department of the Presidency of the Tax Inspection Board. During this period, he served as a member of the Central Report Evaluation Commission of the Tax Audit Board, as a member of the Competence and Qualification Commission and as a member of the R&D Evaluation and Audit Commission of the Ministry of Industry and Technology. He was appointed as a member of the Board of Auditors of İller Bankası A.Ş. by the Republic of Turkey Ministry of Treasury and Finance on September 29, 2022. He speaks fluent English.



Ahmet Sami CEYLAN
Audit Board Member

Ahmet Sami Ceylan was born on April 28, 1971 in Yeşilyayla village of Çorum. He graduated from Çukurova University, Faculty of Agriculture, Department of Agricultural Machinery. He started his business life in the family company. Çorum served in the AK Parti organization for a total of 9 years, including 2.5 years as the Head of Political and Legal Affairs in the AK Parti Central District Administration, 2.5 years as AK Parti Central District Vice Chairman, 2.5 years as AK Parti Provincial Chairman and 4 years as AK Parti Provincial Chairman. He was a founding member of Çorum Independent Industrialists' and Businessmen's Association (MÜSİAD) Çorum, founding member of All Industrialists' and Businessmen's Association (TÜMSİAD) Çorum, Imam Hatip High School Students Platform Çorum coordinator, Çorumspor Supreme Board chairmanship and founder, chairman and board member in many non-governmental organizations established for public benefit. He was a member of the AK Parti FMC and the TBMM Commission on Agriculture, Forestry and Rural Affairs. With the approval of the Minister of Environment, Urbanization and Climate Change, he was appointed as a member of the Supervisory Board of İller Bankası A.Ş. on August 25, 2023 and took office on the same date. Fluent in English, Ceylan is married and has 2 children.

- Pursuant to Article 9 of Law No. 6107 on İller Bankası A.Ş. Two members are appointed by the Republic of Türkiye Ministry of Environment, Urbanization and Climate Change and one member is appointed by the Republic of Türkiye Ministry of Treasury and Finance. Members of the Audit Board must meet the requirements for the members of the Bank's Board of Directors.
- Article 9, paragraph (2) of Law No. 6107 on İller Bankası A.Ş. stipulates that "Members of the Audit Board shall be paid a monthly salary and other financial rights in an amount to be determined by the General Assembly, not exceeding the salary and other financial rights determined by the High Planning Council for the membership of the Audit Board each year." No financial benefits other than salary payments are provided.

Information on General Manager and Assistant General Managers



Recep TÜRK

General Manager / Board Member

Mr. TÜRK's Resumé Is found on page 52



Salih YILMAZ

Deputy General Manager

Salih YILMAZ, was born in Kemalîye in 1966. After graduating from Vefa High School, in 1988, he graduated from Istanbul University, Faculty of Economics. He worked for a while in the private sector, and in the period 1995-2007, as a Public Accountant. Mr. Yılmaz was appointed as an Auditor of İller Bankası in 2006. During his tenure at that position, he was appointed to the Board of Directors of İller Bankası through the Joint Decree dated 22 March, 2007. Thereafter he served as a Member of the Audit Committee, Chairman of the Audit Committee, Deputy Chairman of the Board of Directors, and a Consultant. Since 17 April, 2014, he continues to serve as a Vice President. He studied on Project Finance and Credit Analysis at the Banking Formation Institute of Luxembourg (IFBL). He holds Islamic Finance and Sukuk Training Certificates (from INCEIF and Capital Market Licensing Registry and Training Agency), Expert Witness Certificate, Independent Auditor License for Capital Markets, Credit Rating Expert License, Corporate Governance Rating Expert License, and Advanced Capital Market Operations License. Türkiye and Middle East Public Administration Institute in the Top 52. Period for Public Diplomacy Training Program (KADEP) completed. Furthermore, he is an Independent Auditor accredited by Public Oversight, Accounting, and Audit Standard Agency.



Volkan BEKTAŞ

Deputy General Manager

Volkan BEKTAŞ was born in 1974 in Vakfıkebir, Trabzon. He graduated from Karadeniz Technical University, Department of Mechanical Engineering in 1998. In 2013, he completed his master's degree at Avrasya University, Department of Business Administration. He worked as Mechanical Engineer at İller Bankası Erzurum Regional Directorate between 1998-2001, Engineer at İller Bankası Trabzon Regional Directorate between 2001-2011, Technical Specialist at İller Bankası Trabzon Regional Directorate between 2011-2013, Construction Implementation Manager at Trabzon Regional Directorate in 2013, Gaziantep Regional Manager between 2013-2018, Trabzon Regional Manager between 2018-2019. He was appointed as Acting Assistant General Manager with the approval of the General Directorate Authority dated 18 January 2019 and numbered 6247. With the Presidential Decree dated 15 May 2019 and numbered 30775 published in the Official Gazette, he was appointed as Deputy General Manager and he is still serving in this position. He speaks English at intermediate level. He is married and has 2 children.



Erdoğan TOPCU

Deputy General Manager

Erdoğan TOPCU was born on 5 October 1966 in Ardauç district of Artvin. He completed his primary, secondary and high school education in Ardauç. In 1987, he graduated from Fırat University, Faculty of Engineering, Department of Civil Engineering. In 2015, he graduated from Anadolu University (AÖF) Faculty of Business Administration, Department of Business Administration. In 2019, he completed his master's degree in Real Estate Development and Management at Ankara University Institute of Science and Technology. In 1988, he started working as a Civil Engineer at Trabzon Regional Directorate of İller Bankası. He completed his military service as a reserve officer in Ankara between 1991-1992. After working as a Civil Engineer, Branch Manager and Manager at İller Bankası between 1988 and 2016, he served as the Head of Investment Coordination Department, Trabzon Regional Manager and Head of Infrastructure Implementation Department between 2016 and 2020 (April). On 22 April 2020, Mr. TOPCU was appointed as Acting Deputy General Manager and continues his duty as a principal with the Presidential Decree No. 2022/499 published in the Official Gazette dated 2 October 2022 and numbered 31971. He is married and has 2 children.



Onuray GÖZÜTOK

Deputy General Manager

Onuray GÖZÜTOK was born in Istanbul in 1976. He graduated from Ondokuz Mayıs University, Faculty of Engineering, Department of Electrical Engineering in 1998. In 2013, he completed his master's degree in the Department of Business Administration at Khoja Ahmet Yesevi International Turkish-Kazakh University, and in 2022, he completed his master's degree in the Department of Real Estate Development and Management at Ankara University Institute of Science and Technology. In 1998, he started working as an Engineer at the Department of Drinking Water of İller Bankası A.Ş. After working as an Engineer and Manager at İller Bankası A.Ş. between 1998-2018, he served as the Head of Department at the Investment Evaluation Department between 2018-2020. On April 22, 2020, Mr. GÖZÜTOK was appointed as Acting Deputy General Manager and has been appointed as a full-time Assistant General Manager in accordance with the Presidential Decree No. 2022/499 published in the Official Gazette No. 31971 dated October 2, 2022. He is married and has 2 children.

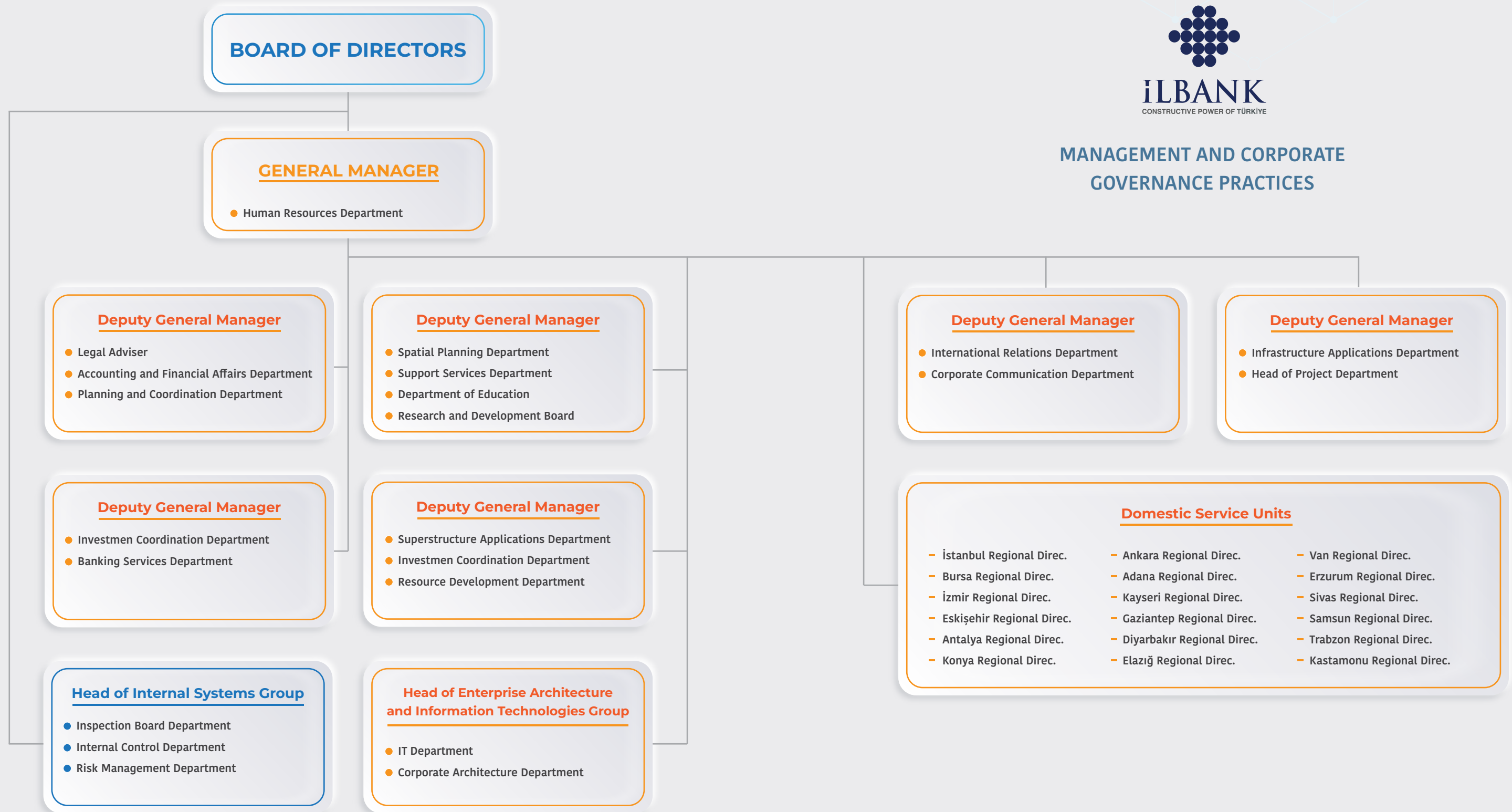


Muhammed Ferit YÜKSEL

Deputy General Manager

In 2000, he graduated from Harran University, Faculty of Engineering, Department of Environmental Engineering. After graduating from Harran University, Faculty of Engineering, Department of Environmental Engineering in 2003, he received his master's degree from Gebze Institute of Technology, Department of Environmental Engineering in 2003 and from the Institute of Public Administration of Turkey and the Middle East Institute of Public Administration, Department of Public Administration in 2007. In 2001, he started working as a civil servant. In 2003, he started to work as an Engineer at the General Directorate of İller Bank, and served as Manager at Kastamonu Regional Directorate between 2011-2012, Kastamonu Regional Manager between 2012-2014, Istanbul Regional Manager in 2014, Assistant General Manager between 2014-2018 and Istanbul Regional Manager between 2018-2023. He has been serving as Acting Assistant General Manager since April 2023 and is fluent in English. He is married and has 3 children.

- The Bank's General Manager and Assistant General Managers are appointed by the President of the Republic in accordance with the Presidential Decree No. 3 "Presidential Decree on the Procedures for Appointment of Senior Public Executives and Public Institutions and Organizations".
- Paragraph (2) of Article 12 of the Law No. 6107 on İller Bankası A.Ş. stipulates that "The monthly salary, bonus and other financial and social rights of the Bank's personnel and the contractual principles shall be determined by the proposal of the General Manager and the decision of the Board of Directors. However, the monthly average of all payments made under the names of monthly salary, all kinds of social benefits, increase, compensation, allowance or other names cannot exceed the upper limit to be determined by the High Planning Council for the Bank."



Summary Board of Directors Report

Our Bank, which is one of the oldest institutions in the history of the Republic and has taken its place as a unique institution in the history of development banking in the world, was established in 1933 under the name of “Municipalities Bank” with a capital of TL 15 million in order to provide services to municipalities. In 1945, its duties, powers and responsibilities were expanded and it was renamed as İller Bankası in order to provide services to local governments and it was restructured as a joint stock company with the “Law on İller Bankası Incorporated Company” numbered 6107, which entered into force after being published in the Official Gazette dated 8 February 2011 and numbered 27840 in order to increase its contribution to the modern structure needed in the urbanisation of the country.

Our Bank was established to meet the financing needs of Special Provincial Administrations, Municipalities and their affiliated organisations and local administration unions of which they are exclusively members, to develop projects related to local common services of the people living within the borders of these administrations, to provide consultancy services to these administrations, to assist in the construction of urban projects of technical nature and infrastructure and superstructure works and to perform all kinds of development and investment banking functions, It fulfils these duties by financing the projects of local governments developed to meet their urban needs from its own resources or from international sources under the most favourable conditions, by providing consultancy, by developing projects of optimum scale and state-of-the-art technology, by giving approval to such projects prepared by municipalities or by carrying out all these projects itself.

Our Bank, which has a strong shareholders’ equity, transferred TL 24.806.379 thousand to local governments within the scope of investment and financing programme in 2023. Of this amount; TL 14.502.043 Thousand was utilised as loans from shareholders’ equity and the remaining part was met from funds, grants and external loans and grants.

Within the scope of the works carried out with the funds transferred to the Bank from the General Budget and funds allocated from the Bank’s profit;

From the funds transferred to our Bank from “Water and Sewerage Infrastructure Project” (SUKAP) and Urban Infrastructure Equalisation Allowance, TL 1,535,981 thousand was spent in 2023 excluding loans for the works included in the project. Within the framework of the “Regulation on the Utilisation of Grants for Infrastructure Projects and Construction Works of Villages and Municipalities”, TL 1,255,712 thousand grant was utilised in 2023 from the appropriation allocated to be used as grant in accordance with the Banking Law. In addition, a total of TL 9,453,741 thousand was used during the year from the funds transferred to the Bank within the scope of various protocols outside the 2023 investment programme.

Within the scope of the studies carried out with International Financial Institutions;

Within the scope of the projects carried out with the World Bank, Japan International Cooperation Agency, European Investment Bank, European Investment Bank, Islamic Development Bank, French Development Agency and Council of Europe Development Bank, loan and grant disbursements continue and repayments are made in the relevant periods for the projects whose repayments have started. In addition, project selection processes are ongoing for the projects for which sub-loan agreements have not yet been finalised.

In 2023, TL 5,458,963 thousand loans and TL 2,053,680 thousand grants were disbursed to Local Governments from international financial institutions.

Within the scope of the protocols and assignments made for Urban Transformation Projects and other projects carried out jointly by the Bank and the Republic of Turkey Ministry of Environment, Urbanisation and Climate Change, the work continues at full speed and in an expanded manner.

In 2023, as a result of the activities carried out by our Bank with a total of 2859 personnel, including the Head Office and 18 Regional Directorates;

As of 31 December, 2023;

- İller Bankası total assets grew by **61,49%** from **TL 92.821.750 thousand** to **TL 149.893.906 thousand**.
- İller Bankası total lending grew by **42,66%** from **TL 45.687.549 thousand** to **TL 65.176.685 thousand**.
- İller Bankası shareholders’ equity grew by **38,54%** from **TL 35.414.239 thousand** to **TL 49.062.845 thousand**.

Profit / Loss

The distribution of TL 3,890,641 Thousand, which is TL 6,540,906 Thousand of pre-tax profit before tax obtained by our Bank as a result of its activities in 2023, after deducting TL 233,417 Thousand of the gain on sale of real estate subject to exemption under Article 5/1-e of the Corporate Tax Law, which is not subject to distribution, from the remaining TL 6,307,489 Thousand after deducting TL 2,416,848 Thousand of tax provision, according to the Bank’s Law, is shown below.

	(Thousand TL)
5% statutory reserves	194.532
30% capital share	1.167.192
9% dividend	350.158
Discretionary statutory reserves - Remaining Part	2.178.759
Total	3.890.641

Within the scope of resource development activities, TL 1,381,070 thousand of resources were used in 2023, and urban transformation project activities and revenue sharing activities in return for land sales continue in order to significantly increase the Bank’s income by developing joint real estate projects with local governments and other public institutions and organisations. Net income of TL 1,921,331 thousand was obtained from these activities in 2023.

Our Bank carries out its activities in accordance with the Law No. 6107 on İller Bankası Anonim Şirketi and other applicable legislation, and we would like to present the Audited Financial Statements and our summary report for the accounting period ended 31 December 2023 for your appreciation, and we would like to extend our thanks to the Bank’s employees.

Regards...

İLLER BANKASI A.Ş. BOARD OF DIRECTORS



INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the General Assembly of İller Bankası Anonim Şirketi ;

Opinion

We have audited the Annual Report of the İller Bankası Anonim Şirketi (the "Bank"), for the accounting period ending on December 31, 2023.

In our opinion, the financial information included in the Annual Report of the board of directors and the Board of Directors' examinations of the Bank's situation are consistent with the audited full set of financial statements and the information we obtained during the independent audit, in all their important aspects, and reflect the truth.

Basis for Opinion

The Independent Audit was conducted in accordance with the "Bankaların Bağımsız Denetimi Hakkında Yönetmelik" published in the Official Gazette numbered 29314 and the Independent Audit Standards (IASs) which are part of the Turkish Audit Standards (TAS) published by the Public Oversight, Accounting and Auditing Standards Authority (POA). Our responsibilities within the scope of these standards are explained in detail in the Independent Auditor's Responsibilities Regarding the Independent Audit of the Annual Activity Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) published by POA and the ethical provisions in the legislation regarding independent auditing. Other responsibilities regarding ethics within the scope of the Code of Ethics and legislation have also been fulfilled by us. We declare that the independent audit evidence we obtained during the independent audit constitutes a sufficient and appropriate basis for the formation of our opinion.

Auditor's Opinion on Financial Statements

We have expressed a unqualified opinion in our auditor's report dated February 26, 2024 regarding the Bank's full set of financial statements for the accounting period between January 01, 2023 - December 31, 2023.

Responsibility of the Board of Directors Regarding the Annual Report

According to Articles 514 and 516 of the Turkish Commercial Code (TCC) No. 6102 and the "Regulation on the Procedures and Principles Regarding the Preparation and Publication of the Annual Activity Report by Banks" published in the Official Gazette No. 26333 dated November 1, 2006, the Bank's management is responsible for the following regarding the annual activity report:

- It prepares the annual report within the first three months following the balance sheet date and submits it to the general assembly.
- It prepares the annual activity report in a way that reflects the bank's activities for that year and its financial status in every aspect accurately, completely, directly, truthfully and honestly. In this report, the financial status is evaluated according to the financial statements. The report also clearly indicates the bank's development and the possible risks it may face. The board of directors' evaluation of these issues is also included in the report.

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

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c) The activity report also includes the following matters:

- Events of special importance that occurred in the bank after the end of the activity year,
- Research and development activities of the bank,
- Financial benefits such as salaries, bonuses, premiums paid to the members of the board of directors and senior executives, allowances, travel, accommodation and representation expenses, in-kind and cash opportunities, insurances and similar guarantees.

When preparing the activity report, the board of directors shall take into account the information provided by the Republic of Turkey It also takes into account the secondary legislation regulations made by the Ministry of Trade and relevant institutions.

Responsibility of the Independent Auditor Regarding the Independent Audit of the Annual Report


Our aim is to express an opinion on whether the financial information included in the annual activity report and the Board of Directors' analysis using the information included in the Bank's financial statements are consistent with the Bank's audited financial statements and the information we obtained during the independent audit, and to prepare a report containing our opinion.

The independent audit process was conducted in accordance with the "Regulation on Independent Audit of Banks" published in the Official Gazette numbered 29314 and BDSs. These standards require that the independent audit be planned and conducted in order to ensure compliance with ethical provisions and to obtain reasonable assurance as to whether the financial information in the activity report and the examinations made by the Board of Directors are consistent with the financial statements and the information obtained during the audit and whether they reflect the truth.

The responsible auditor who conducted and concluded this independent audit is Adil ÖNER.

Ankara, 26 February 2024

**REHBER BAĞIMSIZ DENETİM
VE YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.**


Adil ÖNER, Sworn in CPA
Auditor In Charge

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Turan Güneş Bulvarı Galip Erdem Caddesi No:43 Çankaya / ANKARA
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Human Resources Practices

These rules were changed by article 11 of “A law concerning İller Bankası Anonim Sirketi” (no. 6107), which was published in issue 27840 of the official gazette on 8 February 2011 and which contains two provisions concerning the matter. According to the first, “Duties necessitated by the Bank’s services are performed by personnel who are not subject either to the State Civil Servants Law (no. 657 dated 14 July 1965) or to the provisions of other laws pertaining to contract employees.” According to the second, matters related to “the hiring of the Bank’s personnel, their qualifications, their appointments, their progression, their advancement, the ways in which they may be dismissed, their duties and authorities, their disciplinary principles, their obligations, their job positions, and their numbers are governed by regulations issued subject to the opinion of the State Personnel Ministry and pursuant to Board of Directors decision.” (Amendment:16/05/2012-Law no. 6306/art. 21)

The gross salaries of the Bank's contracted personnel are determined by the General Management Authority, taking into account their position, education level, foreign language level and length of service, provided that they adhere to the base and ceiling salaries determined by the Board of Directors decision within the framework of the limits determined by the Presidential Decree No. 2393 "Regarding the determination of the base and ceiling salaries to be applied to the contracted and out-of-scope personnel and the salaries of the members of the management, audit and liquidation boards of some public institutions and organizations" published in the Official Gazette No. 31096 dated 11 April 2020.

İller Bankası A.Ş.'s personnel policy and the criteria, procedures and principles regarding the recruitment of personnel are set out in the "İller Bankası A.Ş. Human Resources Regulation" published in the Official Gazette No. 31414 dated 5 March 2021.

Type	Year-end 2022			Year-end 2023		
	Headquarters	Regional Offices	Total	Headquarters	Regional Offices	Total
Total Contractual Administrative Personnel	643	599	1,242	716	646	1,362
Total Contractual Technical Personnel*	461	765	1,226	553	846	1,399
Total Worker Personnel	47	62	109	43	55	98
Total Blue-Collar Personnel	1,151	1,426	2,577	1,312	1,547	2,859

1) The Chairman and Members of the Board of Directors and the Members of the Supervisory Board are not included.

2) Personnel on free leave are included in the table.

3) * Personnel working in Technical Expert, Technical Expert Assistant, Engineer, Architect, Technician, Technician positions

Transactions The Bank Enters Into With Members Of Its Own Risk Group

As required by İller Bankası A.Ş. Law, the Bank's capital consists of funds provided by local governments and from other sources mandated by law. For this reason, no member of the Bank's board, nor the general manager nor any vice president holds a share in the Bank's capital. The Bank's Law does not permit the Bank to extend credit to any individual or to any organization that is not a local government.

No credit is extended to members of the Board of Directors save for that which is allowed under article 50 of the Banking Law and whose amount must not exceed five times the recipient's total net monthly salary. There are no companies over which İller Bankası has direct control as defined in article 49 of the Banking Law.

Activities For Which Support Services Are Outsourced

In order to ensure security at the Head Office and Regional Directorates of İller Bankası A.Ş., private security support services are provided in accordance with the provisions of Law No. 5188 on Private Security Services and the Regulation put into effect based on this Law.

Audit Board Report To The 79th Annual General Assembly of İller Bankası A.Ş.

The activities of İller Bankası A.Ş. for the year 2023 were audited in accordance with the provisions of the Bank's Law No. 6107 and Articles of Association, the Banking Law No. 5411, the Turkish Commercial Code No. 6102, and customary practices.

In 2023, the Bank's Board of Directors meetings were attended. The Bank's books and records were examined, the Bank's safe deposit box was checked by us at indefinite intervals, and a general count of the cash at the end of the year was made together with the Bank's officers. It has been determined that the cash and assets have been recorded in accordance with the provisions of the relevant legislation, the year-end counts and reconciliations have been carried out in accordance with the provisions of the Law and the Regulation, and the reconciliation documents related to this count have been signed jointly with the Bank officials.

The Bank's annual report and financial statements for 2023 submitted to the General Assembly have been reviewed, approved and deemed appropriate by the Bank's Board of Directors. İller Bankası financial statements dated 31 December 2023 have been checked by us for compliance with the general trial balance, and it has been determined that they accurately reflect the activities of the Bank in 2023.

The Bank's shareholding structure did not change in 2023, the Bank's paid-in capital reached TL 39,040,740 thousand, and the Bank's total shareholders' equity increased by 38.54% compared to the previous year and reached TL 49,062,845 thousand.

The year-end capital adequacy ratio was 31.98%, well above the limit set by the Banking legislation.

In 2023, the Bank's total assets increased by 61.49% and reached TL 149,893,906 thousand. Compared to the previous year, the Bank's total loan stock increased by 42.66% and reached TL 65,176,685 thousand. In 2023, the Bank distributed TL 201,334,788 thousand to municipalities and TL 17,518,590 thousand to special provincial administrations in accordance with Law No. 5779.

The Bank's Balance Sheet, Profit and Loss Statement (Income Statement) for the year 2023, which has been prepared in accordance with the Regulation on Procedures and Principles Regarding Banks' Accounting Practices and Safeguarding of Documents issued by the Banking Regulation and Supervision Agency and the Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Public Oversight Accounting and Auditing Standards Authority, and which has been examined and audited by us, is submitted for your approval.

We would like to express our gratitude to the Chairman and Members of the Board of Directors, the General Manager and all Bank employees who have contributed to the execution of the services, and submit the Annual Report, Balance Sheet and Income Statement of İller Bankası for 2023 for the acceptance and approval of the Honorable Delegates.

Tuncay İNCİ
Audit Board Member

Ahmet Sami CEYLAN
Audit Board Member

Turan KONAK
Audit Board Member

Audit Committee's Assessment Of The Operation Of The Internal Control, Internal Audit, And Risk Management Systems and its Statement Concerning Activities in Year 2023

Duties and responsibilities related to Internal Systems are carried out by the Audit Committee in order to assist the Board of Directors in fulfilling its audit and supervision activities. "Internal Control, Internal Audit and Risk Management Activities" are organized in accordance with the provisions of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published in the Official Gazette No. 29057 dated 11 July 2014 by the Banking Regulation and Supervision Agency.

The Audit Committee held 33 meetings in total between 1 January 2023 and 31 December 2023 to discuss 60 agenda items.

The Audit Committee, together with the Senior Management, Heads of Departments within the scope of Internal Systems and Inspectors, evaluated the functioning of internal systems, Unit Authorities within the scope of Banking Processes and Independent Audit Firm Authorities on the issues on the agenda.

The Audit Committee Activity Reports, which include the activities of the Audit Committee during the period and its opinions on regulatory and remedial measures regarding the Bank's activities, were submitted to the Board of Directors for information.

The Report on the Assessment of the Independence of Independent Audit Institutions in their Bank-related Activities and the Adequacy of the Resources Allocated was submitted to the Board of Directors on a quarterly basis.

The Adequacy and Risk Assessment Report on the Support Services Received by the Bank was submitted to the Board of Directors.

For the 2022 BSD period (1 January - 31 December 2022), the Management Statement, Management Statement Report and Report Annexes were submitted to the Board of Directors for approval and submission to the Independent Audit Firm, and delivered to the Independent Audit Authorities by the Audit Committee.

For the 2023 BSD period (1 January-31 December 2023), studies are being carried out to ensure that the Management Declaration, which will be prepared by the Board of Directors and submitted to the Independent Audit Firm by the end of January 2024, is carried out in accordance with the principles set out in the relevant Regulation and Communiqué, and the studies are monitored by the Audit Committee.

2022 Information Systems and Business Processes Audit Report and Details Regarding the Findings Classified as Control Weakness, 2022 Unconsolidated Financial Statements and Independent Audit Report and 2023 Interim Unconsolidated Financial Statements and Limited Independent Audit Reports were submitted by the Audit Committee for the information of the Board of Directors.

2022 Information Systems and Business Processes Action Plans for the May/2023 Period and September/2023 Period prepared for the findings in the Independent Audit Report and the findings of the previous period have been submitted to the Board of Directors for approval and submitted to the Banking Regulation and Supervision Agency via the BADES System in accordance with our Notification Obligation.

Annual Reports of the Internal Control Department, Risk Assessment Reports of the Risk Management Department, Market Risk Calculation Reports, Risk Limits Monitoring Reports, Credit Risk Analysis Reports, Climate Change Risk Assessment Report and Operational Risk Monitoring Reports prepared every 6 months were evaluated by the Audit Committee and submitted to the Board of Directors by the relevant Departments.

The "Internal Control Department 2022 Annual Activity Report" prepared by the Internal Control Department was submitted to the Board of Directors by the relevant Department as a result of the Audit Committee's evaluation.

The "2023 Risk Assessment and Internal Control Programme" and its Annexes and "Internal Control Activity Calendar" prepared by the Internal Control Department were evaluated by the Audit Committee, and the said programme and activity calendar were submitted to the Board of Directors by the relevant Department for approval. The internal control programme and activity schedule approved by the Board of Directors' Resolution No. 3/78 dated 19 January 2023 was revised by the Internal Control Department and submitted to the Board of Directors for approval following the Audit Committee's evaluation.

Within the scope of article 18 under the title of "Compliance Controls" of the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" and the Bank's Circular No. 2013/8, it is required to obtain an opinion from the Internal Control Department regarding the compliance of the Bank's Head Office and Domestic Service Units with the Banking Law No. 5411 and other relevant legislation, internal policies and rules and banking customs for new products and transactions and activities planned to be carried out by the Bank's Head Office and Domestic Service Units, and in this context, 5 opinions were formed in 2023.

Quarterly Activity Evaluation Reports of the Board of Internal Auditors were submitted to the Board of Directors together with the opinion of the Audit Committee and sent to the Banking Regulation and Supervision Agency in accordance with our Notification Obligation.

The "Risk Matrix and Risk Assessment Report with Data for the Period 1 January 2023-30 September 2023" and the "Internal Audit Plan for 2024" prepared by the Board of Internal Auditors were examined

and the said report and plan were submitted to the Board of Directors for approval to be put into effect and sent to the Banking Regulation and Supervision Agency in accordance with our Notification Obligation.

Circular dated 14.01.2015 and numbered 2015/3 containing the issues to be complied with in the tender procedures for the support services to be procured within the scope of the "Regulation on Banks' Procurement of Support Services" was published by our Bank. In this context, risk analysis reports, technical qualification reports and the Support Services Risk Management Programme were prepared for the procurement of support services. The Audit Committee evaluates the service procurements based on these reports within the framework of the Regulation on the Procurement of Support Services by Banks, and the evaluations made are notified to the relevant service units of our Bank.

As a result of the notifications made to the Audit Committee by the relevant service units of our Bank as of the reporting period;

- As a result of the evaluations made by the Audit Committee, 12 Risk Analysis Reports have been prepared by the Risk Management Department, and as a result of the evaluations made by the Audit Committee, risk mitigating measures have been taken by taking into account the activities to be carried out by the Support Service Organisation and Regional Directorates/Departments in managing the risks specified in the said "Risk Analysis Reports", With the Bank's Circular dated 14 January 2015 and numbered 2015/3, the related service units were notified to continue the transactions within the framework of the "Regulation on Banks' Procurement of Support Services".

- As a result of the notifications made to the Audit Committee by the relevant service units of our Bank, as of the reporting period; 7 opinions were given for service procurements within the scope of support services as a result of the evaluations made within the framework of the relevant legislation, and the evaluations made were notified to the relevant service units and the Support Services Department.

Board Of Inspectors

The Internal Audit Department carries out the internal audit of the Bank in accordance with the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks published by the BRSA and the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks published by the BRSA and the Regulation on the Board of Internal Auditors of our Bank with its staff consisting of 41 managers and personnel, including 1 Internal Systems Group President, 2 Vice Presidents of the Board of Internal Auditors, 12 Chief Inspectors, 11 Inspectors, 9 Assistant Inspectors, 1 Manager, 4 Specialists, 1 Management Personnel.

The Board of Internal Auditors carries out inspections, examinations, investigations and inquiries in relation to all activities and

transactions of the Bank. In this context, the Board prepares the necessary proposals for the better realization of the Bank's objectives, to ensure that the Bank operates in accordance with the legislation, plans, projects and programs, and to make various researches and examinations on the Bank's business and operations in order to ensure more effective, efficient and high quality and coordinated execution of the Bank's business, and to make suggestions on issues that are in conflict with the Bank's legislation. The Board of Internal Auditors also evaluates the effectiveness and adequacy of the Bank's internal control and risk management systems within the scope of regular audits.

All units of the Bank are inspected every year according to risk priorities in line with Internal Audit Plans. In this reporting period; within the framework of the 2023 Internal Audit Plan, the inspection of the Regional Directorates of our Bank, which is planned to be carried out between 1 June 2023 and 30 November 2023, has been completed and necessary instructions have been given to the relevant units on important issues. Thus, within the framework of the Internal Audit Plan, the audit activities of the Bank's Head Office Units and Domestic Service Units were carried out in compliance with the annual audit plan.

In this reporting period, 4 examinations/investigations have been finalised and audit activities of 1 examination/investigation are still ongoing.

In addition, "Risk Matrix and Risk Assessment Report with Data for the Period 1 January 2023-30 September 2023" and "Internal Audit Plan for 2024" were approved by the decision of the Board of Directors of our Bank dated 28 December 2023 and numbered 72/2169.

During this period, 1 Vice President, 2 Chief Inspectors, 11 Inspectors and 9 Assistant Inspectors working at the Board of Inspectors attended "ISO 27001 Information Security Management System Basic Training" and "ISO 27001 Information Security Management System Internal Auditor Training" between 31 October - 4 November 2023.

In addition, within the scope of the "Work and Training Plan for Assistant Inspectors"; in order to familiarise the Assistant Inspectors with the inspection, examination and investigation works and to improve them in report writing techniques, they were assigned to work alongside the Accompanying Inspectors in the audit activities in order to gain experience and expertise, and with the Approval of the Audit Committee on behalf of the Board of Directors dated 7 December 2023 and numbered 139677, 9 Assistant Inspectors who completed their 2 years were given the authority to conduct ex-officio inspections, examinations and investigations.

Internal Control

Internal Control Department carries out its activities effectively in accordance with the provisions of the Banking Law No. 5411 and the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" published by the BRSA.

The Internal Control Department, with a staff of 23 personnel, including 1 Chairman, 1 Senior Specialist, 3 Managers, 4 Technical Specialists, 7 Specialists, 3 Engineers, 3 Management Personnel and 1 Office Personnel, and 1 internal control personnel appointed to perform internal control activities in the Regional Directorates, and a total of 47 employees, aims to protect the Bank's assets, to carry out activities in accordance with the legislation, regulations, internal policies, strategies and targets, to establish a secure accounting and recording system, financial reporting system and to ensure the efficiency and productivity of operations. In line with these objectives, whether the Bank's activities at the Head Office and Domestic Service Units are carried out in accordance with the regulations set out in the relevant standards, legislation and guidelines is monitored by the personnel carrying out operational activities and internal control personnel designated as "Standard Control Points Responsible Personnel" in the units through reports prepared on a monthly basis in accordance with the sampling methodology on the "Standard Control Form and Explanations". The reports prepared are analysed by the internal control personnel and submitted to the Audit Committee, Board of Directors and Senior Management in monthly activity reports on a regular basis.

In order to ensure that activities are carried out in a healthy manner, control points are revised and existing control points are re-evaluated primarily by taking into account the determinations, opinions and suggestions of the relevant process owners who carry out the activities.

The control points of the IT Department are carried out through control points prepared in accordance with the "Regulation on Information Systems and Electronic Banking Services of Banks". Issues that need to be added to or removed from the control points are evaluated at the control self-assessment meetings held at least once a year between the authorities of the IT Department and the authorities of the Internal Control Department, and revisions are made on the control points if deemed necessary. The internal control activity of the IT Department is carried out quarterly, semi-annually and annually by the personnel of the Internal Control Department according to the control period of the control point.

"2023 Risk Assessment and Internal Control Programme" was prepared by the Internal Control Department and approved by the Board of Directors' Resolution No. 3/78 dated 19 January 2023. The "Risk Assessment and Internal Control Programme for 2023" was revised with the Board of Directors' decision dated 30 March 2023 and numbered 21/506 in line with the findings of the Department of Implementation I of the Banking Regulation and Supervision Agency in the Financial Structure and Rating Report. Pursuant to the revised "2023 Risk Assessment and Internal Control Programme"; it was decided that the reporting activities of the personnel (1 administrative and 1 technical manager) working as Standard Control Points Responsible in the Domestic Service Units of our Bank will be terminated as of the March 2023 control period, and the control po-

ints under the responsibility of the Standard Control Points Responsible personnel will be added to the standard control form under the responsibility of the internal control personnel assigned to the Presidency to perform internal control activities in the Domestic Service Units and reported to the Presidency in a single form in monthly periods. In addition, it has been decided that the internal control activities of the Head Office Service Units of our Bank will be carried out by the internal control personnel of the Presidency in the periods and durations determined in the "2023 Risk Assessment and Internal Control Programme" approved by the Board of Directors' decision dated 19 January 2023 and numbered 3/78 until the July 2023 control period, through the standard control points in the Standard Control Forms of the relevant Unit, and in quarterly control periods starting from the July-August-September 2023 control period starting from the July 2023 control period.

The Internal Control Department, in accordance with the basic responsibility of the compliance function, ensures that the relevant units are informed in order to ensure that the necessary changes are made in the processes depending on the changes in legal regulations. If deemed necessary by the Internal Control Department, changes in legislation are also sent to the relevant units in writing. In addition, before obtaining the approval of the Board of Directors for new products and transactions and activities planned to be realized by the Head Office and Domestic Service Units, the Internal Control Department is asked for its opinion on compliance with the Banking Law No. 5411, other relevant legislation, internal policies and banking customs, Circular No. 2013/8 has been issued to inform all units, and requests for opinions from the units for their new products and businesses as well as the activities they plan to realize are evaluated by the Department personnel, the opinion of the Risk Management Department is added and forwarded to the relevant unit through the Audit Committee.

In this context, with the instructions of the Audit Committee;

- Draft Loan Agreement prepared for the "Climate and Disaster Resilient Cities Project" to be signed between the World Bank and our Bank,
- Draft Loan Agreement prepared for the "Renewable Energy Project for Public and Municipalities (PUMREP)" to be signed between the World Bank and our Bank,
- Draft Loan Agreement prepared for the "Turkey Water Circularity and Efficiency Improvement Project (WCEIP)" to be signed between the World Bank and our Bank,
- Draft Project Agreement prepared for the "Turkey Post-Earthquake Recovery and Reconstruction Project (TERRP)" to be signed between the World Bank and our Bank,
- Draft Project Agreement prepared for the "Strengthening the Resilience of Municipalities against Natural Disasters Project" to be signed between the Council of Europe Development Bank (CEB) and our Bank,

Within the scope of our Bank's Circular No. 2013/8, the compliance with the Banking Law No. 5411 and other relevant legislation, internal policies and rules and banking customs has been evaluated by the Internal Control Department and the opinion of the Presidency on the subject has been submitted to the International Relations Department with the approval of the Audit Committee and the opinion letter received from the Risk Management Department in accordance with the provision in Article 40, paragraph 2, subparagraph (ç) of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks.

Risk Management

Risk Management activities are organized, taking into account the exceptions for the Development and Investment Banks specified in the Banking Law no. 5411 and exemptions specified in the Banking Law no. 6107, on the basis of regulations, communiqué, manual and other legislative provisions issued by BRSA for the execution of Banking Law no. 5411, and other legislative provisions, and the provisions of this regulation, in accordance with internal legislation provisions issued by the Board of Directors.

Risk Management Department, with a staff of 15 people, to design and implement the Risk Management system, to define, measure, analyze, monitor and report the risks faced by the Bank, to give warnings in order to reduce controllable and uncontrollable risks, Participating in the design, selection, implementation and pre-approval process of risk measurement models, which are a basic tool in the Risk Management process, regularly review the models, perform scenario analysis and back-testing processes and make changes.

"Risk Assessment Report", "Market Risk Calculation Report", "Risk Limits Monitoring Report", "Credit Risk Analysis Report" and "Operational Risk Monitoring" prepared monthly in accordance with the 4th article of the Risk Management Department Regulation. Its report is submitted to the Board of Directors; Following the Decision of the Board of Directors, in accordance with the provisions of the 3rd paragraph of the 45th article of the "Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process", to obtain information from the aforementioned reports, to the Senior Management and the units responsible for the occurrence and monitoring of risk, IL-BIS, Management Information System. It is reported that it is saved in the module.

In addition, within the framework of international and national re-

gulations for combating climate change and managing climate-related financial risks in order to realise sustainable development, a "Climate Change Risk Assessment Report" was prepared and submitted to the Board of Directors and sent to senior management and relevant Departments for information in order to determine our Bank's risks arising from climate change and to address our Bank's climate change adaptation activities.

Required to be reported by the BRSA within the scope of Basel II; Interest Rate Risk Arising from Banking Accounts Standard Ratio Notification Schedule, Credit Risk Standard Approach Partial Using Simple Method Form, Operational Risk Analysis Form, Equity Analysis Form, Capital Adequacy Analysis Form are prepared and sent to the Department of Accounting and Financial Affairs to be submitted to the BRSA.

The Bank was exempted, as a response to the written request for exemption filed with BRSA, from the obligations regarding the Stress Testing and Internal Capital Adequacy Evaluation Procedure (ISEDES) reporting it has before the BRSA as per articles 43 and 48 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures, applicable at the end of the year.

The Risk Analysis Report of the Head Office and Regional Directorates is prepared and sent to the Audit Committee in accordance with the written request received from the Audit Committee in accordance with the Regulation Regarding Banks' Receiving Support Services by the Risk Management Department and Circular No: 2015/3 of 14 January 2015.

Pursuant to Article 40 titled "New products and services" of the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, risk assessment is made by the Presidency based on the written request received from the Internal Control Department regarding the products and services newly offered by our Bank and sent to the Internal Control Department for referral to the relevant Department.

The secretariat operations of the Asset Liability Committee of the Bank are carried out by the Risk Management Department.

Risk Management Department maintains its efforts to enhance the contribution of the results of Risk Management activities in the Bank's decision-making processes, and its efficiency in terms of management processes.

Selim YAĞCI
Audit Committee Chairman

Tufan BÜYÜKUZUN
Audit Committee Member

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of İller Bankası A.Ş.,

Independent Audit of Unconsolidated Financial Statements

Opinion

We have audited the accompanying unconsolidated financial statements of İller Bankası A.Ş. ("Bank") as of December 31st, 2023, which are comprised of unconsolidated statement of financial position, unconsolidated statement of income, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in equity, unconsolidated statement of cash flows and with a summary of significant accounting policies and footnotes on unconsolidated financial statement.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2023, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BDDK") 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 BDDK and Turkish Accounting Standards ("TAS") for those matters not regulated by the aforementioned regulations.

Basis of our Opinion

Our independent audit was conducted in accordance with the "Regulation on the Independent Audit of Banks" (BDDK Audit Regulation) published by the BRSA in the Official Gazette No. 29314 dated April 2, 2015 and the Independent Auditing Standards ("BDS"), which is a part of the Turkish Auditing Standards published by the Public Oversight, Accounting and Auditing Standards Authority ("KGK"). Our responsibilities under these Standards are described in detail in the "Auditor's Responsibilities for the Independent Audit of Financial Statements" section of our report. We declare that we are independent from the Bank in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") published by the KGK and the ethical provisions in the legislation regarding the independent audit of financial statements. Other responsibilities related to ethics within the scope of the Code of Ethics and legislation have also been fulfilled by us. We believe that the independent audit evidence obtained by us during the independent audit constitutes a sufficient and appropriate basis for the formation of our opinion.

Key Audit Matters

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

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

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Key Audit Matters	How Key Audit Matter Addressed in the Audit
Loans	
As of December 31, 2023, the balance of the Bank's loans, measured by amortized cost, constituted 43% of its total assets. Interest on these loans is the Bank's main income item. Pursuant to the Law No. 6107 on "İller Bankası A.Ş." ("Law"), the purpose of the Bank is; to meet the financing needs of special provincial administrations, municipalities and their affiliates and the local administration associations of which they are members, to develop projects related to the local common services of the people living within the borders of these administrations, to provide consultancy services to these administrations and to assist in the implementation of technical urban projects and infrastructure and superstructure works, and to fulfill all kinds of development and investment banking functions. In this context, the Bank provides loans to meet the financing needs of local governments, especially for infrastructure and superstructure projects. When the Bank's financial statements are considered as a whole, the size of the loans, the disbursement of large and significant amounts of loans to local governments, the accounting of loans measured by amortized cost due to the complexity of the collection and interest accrual process, and the interest received on the loans were identified as key audit subjects.	Our audit procedures to audit the recognition of loans include the following: - The design, implementation and operational effectiveness of the controls established for credit allocation, disbursement, collateralization, collection, follow-up, classification and interest calculation processes were tested together with information systems experts. - The availability of loans and the accuracy of receivable balances were checked with external confirmations obtained directly for the loan receivables we determined through sample selection. - Interest income from loans was tested by applying analytical procedures. - The adequacy and appropriateness of the disclosures made in the footnotes to the unconsolidated financial statements related to the loans were evaluated.
Funds	
In the Bank's unconsolidated financial statements as of December 31, 2023, 60.643.045 TL thousand consists of funds allocated to the bank. The reason why we focused on this area during our audit is the size of the funds.	Within the scope of the audit studies we carried out within this framework, we evaluated the controls and follow-up policy regarding the sources from which these funds obtained from other financial institutions were obtained, their compliance with the legislation and the fact that they were not used for purposes other than allocation. The examination studies of the funds include a detailed examination of the usage areas of the funds selected by sampling.

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

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

When preparing unconsolidated financial statements, management; is responsible for evaluating the Bank's ability to maintain its continuity, explaining the issues related to continuity when necessary, and using the principle of continuity of the business unless there is an intention or obligation to liquidate the Bank or terminate the commercial activity.

Those responsible for senior management are responsible for oversight of the Bank's financial reporting process.

Responsibilities of the Independent Auditor Relative to Auditing of Unconsolidated Financial Statements

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

Our goal is to obtain reasonable assurance as to whether the unconsolidated financial statements as a whole contain material misstatement due to error or fraud and to issue an auditor's report containing our opinion. Reasonable assurance given as a result of an independent audit conducted in accordance with the BDDK Audit Regulation and BDSs; It is a high level of assurance, but it does not guarantee that a material misstatement will always be detected. Inaccuracies may be due to errors or cheating. Misstatements, individually or in the aggregate, are considered material if they can reasonably be expected to affect the economic decisions made by users of financial statements based on those statements.

By force of an independent audit conducted in accordance with Banking Regulation and Supervision Agency Audit Regulation and Independent Audit Standards, we are in process of using our Professional judgement and suspiciousness.

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Turan Güneş Bulvarı Galip Erdem Caddesi No:43 Çankaya / ANKARA
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THE UNCONSOLIDATED FINANCIAL REPORT OF İLLER BANKASI A.Ş. FOR THE YEAR ENDED 31 DECEMBER 2023



In Addition :

-The risks of "material misstatements" originating from errors or fraud in unconsolidated financial statements are identified and evaluated; audit procedures that respond to these risks are designed and implemented, and sufficient and appropriate audit evidence is obtained to provide a basis for the audit. Fraud could be includes collusion, forgery, wilful neglect, mispresentation or breach of internal control, because of that a material misstatements arising from frauds has higher level of risk than misstatements arising from errors.

-The internal control relevant to the audit is evaluated to design audit procedures that are appropriate to the situation, but not for presenting an opinion about the effectiveness of the Bank's internal control.

It has been evaluated whether the accounting estimates made and conformity of accounting policies used by the management and relevant disclosures, are reasonable, or not.

-Based on the audit evidence obtained, there have been decided about whether the management has reason to believe that there is a material uncertainty about the circumstances or events may cause serious doubt about the Bank's ability of continuing to it's going concern, or not, and about the compatibility of using the going concern concept by the management. When we confirm that there is a significant uncertainty, in our report, we must point to the relevant disclosures that are in unconsolidated financial statements. if these disclosures are insufficient, we must issue another opinion rather than a positive opinion. The results obtained by us, are based on evidences obtained until the date of audit report. However, any future event or circumstance may terminate the continuity of the Bank.

-There have been evaluated, including comments, whether unconsolidated financial statements, disclosures are included, and the underlying transactions and events of these tables are reflect the truths accordingly, with their general presentation, structure and content.

On top of the other issues, we are on report the material audit findings with the planned coverage and timing of the independent audit to those charged with governance, including any significant internal control deficiencies we have identified during the audit.

-We have made a notice that we have complied with the ethical provisions relating to independence to those charged with governance. In addition, we have delivered all the relations and other considerations that could be considered to have an impact on independence, and if any, relevant measures, to those responsible for the senior management.

-Among the items that are reported to those charged with governance, we specify the most important issues, namely the key audit issues, in the independent audit of the financial statements that are not present in the current period. In cases where the legislation does not allow the disclosure of the matter to the public, or in exceptional cases where the negative consequences of public disclosure are reasonably expected to exceed the public interest arising from the disclosure, we may decide not to disclose the relevant matter in our independent auditor's report.

Other Matter

The Bank's unconsolidated financial statements for the accounting period ended December 31, 2022 were audited by another independent auditor and a positive opinion was given on February 08, 2023 regarding these unconsolidated financial statements.

Other Liabilities Arising From the Legislation

Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); There was no significant issue indicating that the Bank's bookkeeping scheme in the accounting period of January 1 – December 31, 2023 was not in accordance with the provisions of the TCC and the Bank's articles of association regarding financial reporting.

Pursuant to the fourth paragraph of Article 402 of the TCC; The Board of Directors has made the requested explanations to us within the scope of the audit and has given us the requested documents.

Ankara, 26 February 2024 / 2024-14

REHBER BAĞIMSIZ DENETİM
VE YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

ADİL ÖNER, Sworn in Financial Advisor
Responsible Auditor

Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş.

Turan Güney Bulvarı Galip Erdem Caddesi No: 43 Çankaya / ANKARA
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The unconsolidated financial report for the designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

1. General Information About The Bank
2. Unconsolidated Financial Statements Of The Bank
3. Explanations On The Corresponding Accounting Policies Applied In The Related Period
4. Information Related To Financial Position And Risk Management Of The Bank
5. Explanatory Disclosures And Footnotes On Unconsolidated Financial Statements
6. Other Disclosures
7. Independent Auditors' Report

The unconsolidated financial statements for and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in Thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Banks' records, have been independently audited and presented as attached.

Eyyüp KARAHAN
Chairman of the Board

Recep TÜRK
General Manager

Salih YILMAZ
Deputy General Manager

Gökmen TEMİRCAN
Accounting and Financial
Affairs Department

Selim YAĞCI
Vice Chairman of the Board
Chairman of the Audit Committee

Tufan BÜYÜKUZUN
Vice Chairman of the Board
Chairman of the Audit Committee

The contact details of the officer who will act as the contact person for the questions regarding this financial report:

Full Name/ Title : Mesut ÇELİK/Manager & Ümit BİLGE/Expert
Phone : (0312) 508 74 07-0312 508 74 15
Faks : (0312) 508 74 99

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1. SECTION

GENERAL INFORMATION REGARDING THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

İller Bankası A.Ş. ("Bank") was established as "Municipalities Bank" with the Law No. 2301 dated 11 June 1933. With the "İller Bankası A.Ş. Law" dated 13 June 1945 and numbered 4759, both the name of the Bank and the duties, powers and responsibilities of the Bank were changed and transformed into İller Bankası A.Ş.. With the "Law on İller Bankası Anonim Şirketi" ("The Bank's Law") numbered 6107, which was published in the Official Gazette dated 8 February 2011 and numbered 27840, it was transformed into İller Bankası Anonim Şirketi, by preserving its duties, authorities and responsibilities as the continuation of the Bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK, SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

Pursuant to the Bank's governing Law No. 6107, the Bank's capital consists of 2% monthly deductions to be made from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under the Law no. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities dated 2 July 2008, and of 30% of the Bank's annual profits. For this reason, there is no capital group, which has either direct or indirect control over the Bank's capital.

III. EXPLANATIONS REGARDING THE CHAIRMAN AND THE MEMBERS OF BOARD OF DIRECTORS, AUDIT COMMITTEE, GENERAL MANAGER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES AND THEIR RIGHTS OF RESPONSIBILITY IN THE BANK

BOARD OF DIRECTORS					
Full Name	Responsibility	Appointment Date	Departed from Office on	Education	Experience in Banking and Business Administration
Eyyüp KARAHAH(*)	Board Chairman	25 August 2023		Bachelor's Degree	29 Years
Av. Selim YAĞCI(*)	Vice Board Chairman	25 August 2023		Bachelor's Degree	34 Years
Recep TÜRK(**)	Board Member-General Manager	10 August 2023		Bachelor's Degree	23 Years
Mücahit DEMİRTAŞ	Board Member	30 September 2019		Bachelor's Degree	25 Years
Rahmi METİN	Board Member	27 June 2019		Master's Degree	28 Years
Av. Hakan AKKAŞ	Board Member	27 June 2019		Bachelor's Degree	26 Years
Tufan BÜYÜKUZUN	Board Member	25 March 2022		Bachelor's Degree	15 Years
Ertan YETİM(*)	Board Chairman	16 July 2018	25 August 2023	Bachelor's Degree	35 Years
Dr. İlker EREN(*)	Vice Board Chairman	10 August 2018	25 August 2023	Ph. Degree	29 Years
Yusuf BÜYÜK(**)	Board Member-General Manager	8 August 2016	10 August 2023	Master's Degree	26 Years

(*) With the approval of the Republic of Turkey Ministry of Environment, Urbanisation and Climate Change dated 25.08.2023 and numbered 7242570, Eyyüp KARAHAH was appointed as Chairman of the Board of Directors instead of Ertan YETİM, and Av. Selim YAĞCI was appointed as Vice Chairman of the Board of Directors instead of İlker EREN.

(**) With the Presidential Decree No. 2023/382 dated 10 August 2023 and published in the Official Gazette No. 32276 dated 11 August 2023, Recep TÜRK was appointed as the General Manager of the Bank.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

AUDIT COMMITTEE

Full Name	Responsibility	Appointment Date	Departed from Office on	Education	Experience in Banking and Business Administration
Av. Selim YAĞCI(*)	Chairman/President of Auditing Committee Risk Management Department President Internal Audit Department President Auditing Committee Office Manager	31 August 2023		Bachelor's Degree	34 Years
Tufan BÜYÜKUZUN	Member/President of Auditing Committee Risk Management Department President Internal Audit Department President Auditing Committee Office Manager	7 April 2022		Bachelor's Degree	15 Years
Dr. İlker EREN(*)	Chairman of Audit Committee	11 April 2019	25 August 2023	Ph. Degree	29 Years

(*) With the resolutions of the Board of Directors dated 31.08.2023 and numbered 53/1535, Attorney Selim YAĞCI was elected as the Chairman of the Audit Committee in place of İlker EREN, whose duty as Board Member and Chairman of the Audit Committee was terminated with the approval of the Republic of Turkey Ministry of Environment, Urbanisation and Climate Change dated 25.08.2023 and numbered 7242570.

GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS

Full Name	Responsibility	Appointment Dates	Dismissal Dates	Education Status	Experience in Banking and Business Administration
Recep TÜRK(*)	General Manager / Head of Human Resources Department - Head of IT Department - Head of Corporate Architecture Department	10 August 2023		Bachelor's Degree	23 Years
Salih YILMAZ	DG / Legal Counsellor's Office - Accounting and Financial Affairs Department - Planning and Coordination Department	17 April 2014		Bachelor's Degree	30 Years
Volkan BEKTAŞ	Directorate General / Department of Spatial Planning - Department of Support Services - R&D Committee - Department of Education	18 January 2019		Master's Degree	25 Years
Erdoğan TOPÇU	DGMM / Department of Infrastructure Implementation - Depart-ment of Project	22 April 2020		Master's Degree	34 Years
Onuray GÖZÜTOK	DGM / Department of Investment Evaluation - Department of Banking Services	22 April 2020		Master's Degree	23 Years
Muhammed Ferit YÜKSEL(**)	Deputy Director General / Department of Resource Development - Department of Investment Coordination - Department of Super-structure Implementation - Department of International Relations - Department of Press and Public Relations	31 March 2023		Master's Degree	22 Years
Emrah BAYDEMİR(***)	Deputy General Manager	26 April 2018	19 January 2024	Master's Degree	14 Years
Selahattin ÖZSOY(**)	Deputy General Manager	6 March 2017	16 March 2023	Master's Degree	31 Years
Yusuf BÜYÜK(*)	General Manager	8 August 2016	10 August 2023	Master's Degree	25 Years

(*) With the Presidential Decree No. 2023/382 dated 10 August 2023 and published in the Official Gazette No. 32276 dated 11 August 2023, Recep TÜRK was appointed as the General Manager of the Bank.

(**) Deputy General Manager Selahattin ÖZSOY resigned from his duty as of 16.03.2023 in order to be a candidate for parliamentary candidacy in the Parliamentary General Elections to be held on 14.05.2023 and Muhammed Ferit YÜKSEL was appointed as Deputy General Manager by the decision of the Board of Directors dated 31.03.2023 and numbered 22/235.

(***) Deputy General Manager Emrah BAYDEMİR was dismissed from his duty with the Presidential Decree dated 19.01.2024 and numbered 2024/9 published in the Official Gazette dated 20.01.2024 and numbered 32435.

SUPERVISORY BOARD

Full Name	Responsibility	Appointment Date
Turan KONAK	Member	10 August 2018
Tuncay İNCİ	Member	27 September 2022
Ahmet Sami CEYLAN	Member	25 August 2023

The Bank's chairman and members of the board of directors, general manager and assistant general managers do not have any shares in the Bank as required by the Bank's establishment law.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Pursuant to the Bank’s Law No: 6107, the Bank’s share capital consists of the amounts deducted monthly at the rate of 2% from the sum of the shares of tax revenues to be distributed by the Ministry of Treasury and Finance and the Bank in accordance with the “Law on Allocation of Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities” dated 2 July 2008 and numbered 5779, and TL 39.040.740 of the nominal capital amounting to TL 45.000.000 has been paid as of 31 December 2023. The Bank’s capital consists of the deductions made from the Municipalities and Special Provincial Ad-ministrations in accordance with the above mentioned legislation and is not divided into shares. The Bank’s nominal capital was increased from TL 18,000,000 to TL 30,000,000 with the Presidential Decree No. 1767 published in the Official Gazette No. 30942 dated 8 November 2019, and to TL 45,000,000 with the Presidential Decree No. 6659 published in the Official Gazette No. 32069 dated 10 January 2023.

V. EXPLANATIONS ON THE BANK’S FUNCTIONS AND LINES OF ACTIVITY

The Bank has the status of a development and an investment bank. Its fields of operations are defined in the Bank’s governing law no. 6107 as “satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions”. Within this framework, the Bank may do the following;

- Open all kinds of short, medium and long-term cash and non-cash loans to its partners.
- Provide research, project development and consultancy services on its activities or provide technical assistance.
- Establish and transfer companies under the leadership of the Bank,
- Act as an insurance agent,
- Open branches and representative offices in Türkiye and abroad, provided that necessary approvals are obtained,
- Cooperate with domestic and/or foreign financial institutions, become a member of national and international organizations of which they are members,
- Obtain resources from domestic and international financial institutions, money and capital markets, and any and all funds,
- Perform any and all development and investment banking transactions that would support the achievement of its objectives,
- Develop projects and construct special projects and urban infrastructure projects demanded by the Ministry, or arrange for the development and constru-ction thereof,
- Execute, or arrange for the execution of, profit-making real estate investment projects and implementations in order to obtain funds for the Bank, provided that it shall not incur any debts or enter any conditional obligation in doing so,
- Carry out other activities set out in its Articles of Incorporation.

VI. DIFFERENCES BETWEEN THE COMMUNIQUÉ ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

The Bank has no subsidiaries or affiliates.

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER’S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

None.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

2. SECTION

UNCONSOLIDATED FINANCIAL STATEMENTS

I. Balance Sheet (Statement of Financial Position)

II. Statement of off-balance sheet items

III. Statement of profit or loss

IV. Statement of profit and loss and other comprehensive income.

V. Statement of changes in shareholders’ equity

VI. Statement of cash flows

VII. Statement of profit distribution

NOTES TO THE UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

I- BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) ASSETS			Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
		Notes	TL	FC	Total	TL	FC	Total
I.	FINANCIAL ASSETS		74.178.169	3.102.609	77.280.778	38.006.676	1.921.957	39.928.633
1.1	Cash and Cash Equivalents		74.178.165	3.102.609	77.280.774	38.006.671	1.921.957	39.928.628
1.1.1	Cash and Balances with Central Bank	V-I-a	361	-	361	237	-	237
1.1.2	Banks	V-I-d	74.177.804	3.102.609	77.280.413	38.006.434	1.921.957	39.928.391
1.1.3	Receivable from Money Market		-	-	-	-	-	-
1.2	Financial Assets at Fair Value Through Profit or Loss	V-I-b	4	-	4	5	-	5
1.2.1	Government Securities		-	-	-	-	-	-
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		4	-	4	5	-	5
1.3	Financial Assets at Fair Value Through Other Comprehensive Income	V-I-e-f	-	-	-	-	-	-
1.3.1	Government Securities		-	-	-	-	-	-
1.3.2	Equity Securities		-	-	-	-	-	-
1.3.3	Other Financial Assets		-	-	-	-	-	-
1.4	Derivative Financial Assets	V-I-c	-	-	-	-	-	-
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	Financial Assets Measured at Amortized Cost (Net)		38.388.543	26.788.142	65.176.685	32.447.095	13.240.454	45.687.549
2.1	Loans	V-I-g	38.388.543	26.778.142	65.176.685	32.447.095	13.240.454	45.687.549
2.2	Lease Receivables	V-I-I	-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Financial Assets Measured at Amortized Cost		-	-	-	-	-	-
2.4.1	Government Securities		-	-	-	-	-	-
2.4.2	Other Financial Assets		-	-	-	-	-	-
2.5	Non-Performing Loans		-	-	-	-	-	-
2.6	Specific Provisions (-)		-	-	-	-	-	-
III.	ASSETS HELD FOR SALE AND ASSET OF DISCONTINUED OPERATIONS (Net)	V-I-s	-	-	-	-	-	-
3.1	Asset Held for Resale		-	-	-	-	-	-
3.2	Assets of Discontinued Operations		-	-	-	-	-	-
IV.	OWNERSHIP INVESTMENTS		-	-	-	-	-	-
4.1	Associates (Net)	V-I-i	-	-	-	-	-	-
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
4.2	Subsidiaries (Net)	V-I-j	-	-	-	-	-	-
4.2.1	Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3	Joint Ventures (Net)	V-I-k	-	-	-	-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)	V-I-n	1.253.813	-	1.253.813	1.141.128	-	1.141.128
VI.	INTANGIBLE ASSETS (Net)	V-I-o	26.363	-	26.363	24.537	-	24.537
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		26.363	-	26.363	24.537	-	24.537
VII.	INVESTMENT PROPERTY (Net)	V-I-p	3.673.156	-	3.673.156	3.393.729	-	3.393.729
VIII.	CURRENT TAX ASSET		-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	V-I-r	203.187	-	203.187	133.906	-	133.906
X.	OTHER ASSETS	V-I-t	2.129.127	150.797	2.279.924	2.484.618	27.650	2.512.268
	TOTAL ASSETS		119.852.358	30.041.548	149.893.906	77.631.689	15.190.061	92.821.750

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

NOTES TO THE UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) LIABILITIES			Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
		Notes	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	V-II-a	-	-	-	-	-	-
II.	LOANS RECEIVED	V-II-c	7.431.127	28.713.971	36.145.098	9.126.663	14.441.565	23.568.228
III.	MONEY MARKET FUNDS		-	-	-	-	-	-
IV.	MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Asset Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	FUNDS		59.500.351	1.142.694	60.643.045	30.700.992	771.158	31.472.150
5.1	Borrower Funds		224.354	-	224.354	67.002	-	67.002
5.2	Other	V-II-c	59.275.997	1.142.694	60.418.691	30.633.990	771.158	31.405.148
VI.	FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS	V-II-b	-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	V-II-e	-	-	-	-	-	-
7.1	Derivative Financial Liabilities Measured at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2	Derivative Financial Liabilities Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	V-II-e	26.110	-	26.110	6.747	-	6.747
X.	PROVISIONS	V-II-g	1.093.065	-	1.093.065	742.315	-	742.315
10.1	General Provisions		-	-	-	-	-	-
10.2	Restructuring Provisions		-	-	-	-	-	-
10.3	Reserve for Employee Benefits		671.488	-	671.488	483.386	-	483.386
10.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.5	Other Provisions		421.577	-	421.577	258.929	-	258.929
XI.	CURRENT TAX LIABILITY	V-II-h	971.830	-	971.830	370.407	-	370.407
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	V-II-i	-	-	-	-	-	-
13.1	Asset Held for Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	V-II-j	-	-	-	-	-	-
14.1	Borrowings		-	-	-	-	-	-
14.2	Other Debt Instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES	V-II-d	1.900.665	51.248	1.951.913	1.245.850	1.814	1.247.664
XVI.	SHAREHOLDERS' EQUITY	V-II-k	49.062.845	-	49.062.845	35.414.239	-	35.414.239
16.1	Paid-in capital		39.040.740	-	39.040.740	28.538.677	-	28.538.677
16.2	Capital Reserves		1.245.696	-	1.245.696	1.109.344	-	1.109.344
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		1.245.696	-	1.245.696	1.109.344	-	1.109.344
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		(295.630)	-	(295.630)	(181.880)	-	(181.880)
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
16.5	Profit Reserves		4.863.784	-	4.863.784	2.536.213	-	2.536.213
16.5.1	Legal Reserves		1.117.449	-	1.117.449	957.249	-	957.249
16.5.2	Status Reserves		3.661.566	-	3.661.566	1.578.964	-	1.578.964
16.5.3	Extraordinary Reserves		-	-	-	-	-	-
16.5.4	Other Profit Reserves		84.769	-	84.769	-	-	-
16.6	Profit or (Loss)		4.208.255	-	4.208.255	3.411.885	-	3.411.885
16.6.1	Prior Periods' Profit or (Loss)		80.987	-	80.987	50.443	-	50.443
16.6.2	Current Period Profit or (Loss)		4.127.268	-	4.127.268	3.361.442	-	3.361.442
	TOTAL LIABILITIES		119.985.993	29.907.913	149.893.906	77.607.213	15.214.537	92.821.750

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. STATEMENT OF OFF-BALANCE SHEET COMMITMENTS			Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
		Notes	TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		49.403.396	68.259.935	117.663.331	20.883.177	36.473.329	57.356.506
I.	GUARANTEES AND WARRANTIES	V-III-a	41.735.997	681.637	42.417.634	11.219.611	409.701	11.629.312
1.1.	Letters of Guarantee		41.735.997	681.637	42.417.634	11.219.611	409.701	11.629.312
1.1.1.	Guarantees Subject to State Tender Law		3	-	3	3	-	3
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3.	Other Letters of Guarantee		41.735.994	681.637	42.417.631	11.219.608	409.701	11.629.309
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	-	-	-	-	-
1.3.1.	Documentary Letters of Credit		-	-	-	-	-	-
1.3.2.	Other Letters of Credit		-	-	-	-	-	-
1.4.	Guaranteed Prefinancings		-	-	-	-	-	-
1.5.	Endorsements		-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of Türkiye		-	-	-	-	-	-
1.5.2.	Other Endorsements		-	-	-	-	-	-
1.6.	Purchase Guarantees for Securities Issued		-	-	-	-	-	-
1.7.	Factoring Related Guarantees		-	-	-	-	-	-
1.8.	Other Guarantees		-	-	-	-	-	-
1.9.	Other Warrantees		-	-	-	-	-	-
II.	COMMITMENTS	V-III-a	7.667.399	67.578.298	75.245.697	9.663.566	36.063.628	45.727.194
2.1.	Irrevocable Commitments		7.667.399	40.474.089	48.141.488	9.663.566	21.544.924	31.208.490
2.1.1.	Asset Purchase and Sales Commitments		-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Commitments for Loan Limits		7.667.399	40.474.089	48.141.488	9.663.566	21.544.924	31.208.490
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-	-	-	-
2.2.	Revocable Commitments		-	27.104.209	27.104.209	-	14.518.704	14.518.704
2.2.1.	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	27.104.209	27.104.209	-	14.518.704	14.518.704
III.	DERIVATIVE FINANCIAL INSTRUMENTS	V-III-b	-	-	-	-	-	-
3.1	Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

			Audited Current Period 31.12.2023			Audited Prior Period 31.12.2022		
		Notes	TL	FC	Total	TL	FC	Total
3.2	Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest Rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		17.256.100	4.493.580	21.749.680	11.710.196	2.756.916	14.467.112
IV.	ITEMS HELD IN CUSTODY		14.243.907	4.482.947	18.726.854	10.029.246	2.745.688	12.774.934
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		-	-	-	-	-	-
4.3.	Cheques Received for Collection		-	-	-	-	-	-
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		14.178.196	4.482.947	18.661.143	9.978.843	2.745.688	12.724.531
4.8.	Custodians		65.711	-	65.711	50.403	-	50.403
V.	PLEDGES RECEIVED		3.012.193	10.633	3.022.826	1.680.950	11.228	1.692.178
5.1.	Marketable Securities		-	-	-	-	-	-
5.2.	Guarantee Notes		3.012.193	10.633	3.022.826	1.680.950	11.228	1.692.178
5.3.	Commodity		-	-	-	-	-	-
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		-	-	-	-	-	-
5.6.	Other Pledged Items		-	-	-	-	-	-
5.7.	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)			66.659.496	72.753.515	139.413.011	32.593.373	39.230.245	71.823.618

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. STATEMENT OF PROFIT OR LOSS INCOME AND EXPENSE ITEMS		Notes	Audited Current Period 31.12.2023	Audited Prior Period 31.12.2022
I.	INTEREST INCOME	V-IV-a	13.181.560	6.871.460
1.1	Interest on Loans		4.675.168	3.262.567
1.2	Interest Received from Reserve Requirements		-	-
1.3	Interest Received from Banks		8.204.317	3.364.052
1.4	Interest Received from Money Market Transactions		-	-
1.5	Interest Received from Marketable Securities Portfolio		-	-
1.5.1	Financial Assets at Fair Value Through Profit or Loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		-	-
1.5.3	Financial Assets Measured at Amortised Cost		-	-
1.6	Financial Lease Income		-	-
1.7	Other Interest Income		302.075	244.841
II.	INTEREST EXPENSE	V-IV-b	3.395.895	1.680.770
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		1.654.631	906.104
2.3	Interest Expense on Money Market Transactions		-	-
2.4	Interest on Securities Issued		-	-
2.5	Interest on Leases		2.081	1.317
2.6	Other Interest Expenses		1.739.183	773.349
III.	NET INTEREST INCOME (I - II)		9.785.665	5.190.690
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		311.773	8.308
4.1	Fees and Commissions Received		367.644	100.020
4.1.1	Non-cash Loans		361.368	96.098
4.1.2	Other		6.276	3.922
4.2	Fees and Commissions Paid		(55.871)	(91.712)
4.2.1	Non-cash Loans		-	-
4.2.2	Other		(55.871)	(91.712)
V	DIVIDEND INCOME	V-IV-c	-	-
VI.	TRADING INCOME / LOSS (Net)	V-IV-d	(24.980)	(14.542)
7.1	Trading Gains/ Losses on Securities		-	-
7.2	Trading Gains/ Losses on Derivative Financial Instruments		-	-
7.3	Foreign Exchange Gains/ Losses		(24.980)	(14.512)
VII.	OTHER OPERATING INCOME	V-IV-e	2.479.651	1.439.874
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		12.552.109	6.624.330
IX.	EXPECTED CREDIT LOSS (-)	V-IV-f	-	-
X.	PERSONEL EXPENSES (-)		(2.713.214)	(1.083.503)
XI.	OTHER OPERATING EXPENSES (-)	V-IV-g	(3.297.989)	(1.089.405)
XII.	NET OPERATING INCOME/ LOSS (VIII-IX-X)		6.540.906	4.451.422
XIII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIV.	INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV.	INCOME/ LOSS ON NET MONETARY POSITION		-	-
XVI.	INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	V-IV-h	6.540.906	4.451.422
XVII.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	V-IV-i	2.413.638	1.089.980
17.1	Current Tax Provision		2.416.848	1.120.524
17.2	Deferred Tax Income Effect (+)		29.321	17.302
17.3	Deferred Tax Expense Effect (-)		(32.531)	(47.846)
XVIII.	NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XV±XVI)	V-IV-j	4.127.268	3.361.442
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1	Income from Non-Current Assets Held for Resale		-	-
19.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Income from Discontinued Operations		-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1	Expense from Non-Current Assets Held for Resale		-	-
20.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
20.3	Other Expenses from Discontinued Operations		-	-
XXI.	INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII -XIX)		-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1	Current Tax Provision		-	-
22.2	Deferred Tax Income Effect (+)		-	-
22.3	Deferred Tax Expense Effect (-)		-	-
XXIII.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XX± XXI)		-	-
XXIV.	NET PROFIT/LOSS (XVII+XXII)	V-IV-j	4.127.268	3.361.442
	Earnings / (Loss) Per Share		-	-

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Audited Current Period 31.12.2023	Audited Prior Period 31.12.2022
I.	CURRENT PERIOD INCOME/LOSS	4.127.268	3.361.442
II.	OTHER COMPREHENSIVE INCOME	(113.750)	(181.880)
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	(113.750)	(181.880)
2.1.1	Gains/Losses on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains/Losses on Revaluation of Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	(179.821)	(242.507)
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	66.071	60.627
2.2	Other Income/Expense Items to be Reclassified to Profit or Loss	-	-
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets at Fair Value through Other Comprehensive Income	-	-
2.2.3	Gains/Losses Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Reclassified to Profit or Loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	4.013.518	3.179.562

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
Audited Prior Period 31.12.2022		Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Revaluation Surplus on Tangible and Intangible Assets	Defined Benefit Plans' Actuarial Gains/Losses	Other	Exchange Differences on Translation	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Fair Value Through Other Comprehensive Income	Other	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
I.	Balance at the beginning of period	22.547.763	-	-	1.109.344	-	-	-	-	-	-	2.034.774	2.689.592	-	28.381.473
II.	Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	22.547.763	-	-	1.109.344	-	-	-	-	-	-	2.034.774	2.689.592	-	28.381.473
IV.	Total Comprehensive Income	-	-	-	-	-	(181.880)	-	-	-	-	-	-	3.361.442	3.179.562
V.	Capital Increase by Cash	5.199.169	-	-	-	-	-	-	-	-	-	-	-	-	5.199.169
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	791.745	-	-	-	-	-	-	-	-	-	501.439	(2.639.149)	-	(1.345.965)
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(1.345.965)	-	(1.345.965)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	501.439	(501.439)	-	-
11.3	Other	791.745	-	-	-	-	-	-	-	-	-	-	(791.745)	-	-
Period-End Balance (III+IV+.....+X+XI)		28.538.677	-	-	1.109.344	-	(181.880)	-	-	-	-	2.536.213	50.443	3.361.442	35.414.239

Audited Current Period 31.12.2023

I.	Balance at the beginning of period	28.538.677	-	-	1.109.344	-	(181.880)	-	-	-	-	2.536.213	3.411.885	-	35.414.239
II.	Adjustments in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	28.538.677	-	-	1.109.344	-	(181.880)	-	-	-	-	2.536.213	3.411.885	-	35.414.239
IV.	Total Comprehensive Income	-	-	-	-	-	(113.750)	-	-	-	-	-	-	4.127.268	4.013.518
V.	Capital Increase by Cash	9.540.862	-	-	-	-	-	-	-	-	-	-	-	-	9.540.862
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	94.226	-	-	-	-	-	-	-	-	-	94.226
XI.	Profit Distribution	961.201	-	-	42.126	-	-	-	-	-	-	2.327.571	(3.330.898)	-	-
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(1.634.042)	-	(1.634.042)
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2.327.571	(693.529)	-	1.634.042
11.3	Other	961.201	-	-	42.126	-	-	-	-	-	-	-	(1.003.327)	-	-
Period-End Balance (III+IV+.....+X+XI)		39.040.740	-	-	1.245.696	-	(295.630)	-	-	-	-	4.863.784	80.987	4.127.268	49.062.845

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

NOTES TO THE UNCONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. STATEMENT OF CASH FLOWS		Notes	Audited Current Period 31.12.2023	Audited Prior Period 31.12.2022
A.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities		4.391.632	2.552.856
1.1.1	Interest Received		12.492.427	6.647.605
1.1.2	Interest Paid		(3.239.531)	(1.621.430)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		367.644	100.020
1.1.5	Other Income		536.276	386.096
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7	Payments to Personnel and Service Suppliers		(2.303.868)	(904.166)
1.1.8	Taxes Paid		(2.139.111)	(1.243.504)
1.1.9	Other	V-VI-I	(1.322.205)	(811.765)
1.2	Changes in Operating Assets and Liabilities		21.848.518	8.323.610
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		-	-
1.2.2	Net (increase) / decrease in Due from Banks and Other Financial Institutions		-	-
1.2.3	Net (increase) / decrease in Loans		(19.532.784)	(11.767.859)
1.2.4	Net (increase) / decrease in Other Assets	V-VI-I	1.722.779	(1.969.538)
1.2.5	Net increase / (decrease) in Bank Deposits		-	-
1.2.6	Net increase / (decrease) in Other Deposits		-	-
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		12.576.476	10.170.399
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	V-VI-I	27.082.047	11.890.608
I.	Net Cash Provided from Banking Operations		26.240.150	10.876.466
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities		169.090	61.381
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(1.320.968)	(336.282)
2.4	Disposals of Property and Equipment		1.490.058	397.663
2.5	Cash Paid for Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.6	Cash Obtained from Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7	Cash Paid for Purchase of Financial Assets Measured at Amortized Cost		-	-
2.8	Cash Obtained from Sale of Financial Assets Measured at Amortized Cost		-	-
2.9	Other	V-VI-I	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		9.540.863	5.199.170
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Equity Investments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other	V-VI-I	9.540.863	5.199.170
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	V-VI-I	858.578	249.734
V.	Net Increase/ (Decrease) in Cash and Cash Equivalents (I+II+III+IV)		36.808.681	16.386.751
VI.	Cash and Cash Equivalents at Beginning of the Period		39.851.501	23.464.750
VII.	Cash and Cash Equivalents at End of the Period		76.660.182	39.851.501

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

NOTES TO THE UNCONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VII. PROFIT DISTRIBUTION STATEMENT		Audited Current Period 31.12.2023	Audited Prior Period 31.12.2022
I.	DISTRIBUTION OF CURRENT YEAR PROFIT		
1.1	CURRENT YEAR PROFIT	6.540.906	4.451.422
1.2	TAXES AND DUTIES PAYABLE (-)	2.650.265	1.247.419
1.2.1	Corporate Tax (Income Tax)	2.416.848	1.120.524
1.2.2	Income Withholding Tax	-	-
1.2.3	Other Taxes and Duties (*)	233.417	126.895
A	NET INCOME FOR THE YEAR (1.1-1.2)(*)	3.890.641	3.204.003
1.3	PRIOR YEAR LOSSES	-	-
1.4	FIRST LEGAL RESERVES (-)	194.532	160.200
1.5	OTHER STATUTORY RESERVES (-) (**)	1.167.192	961.201
B	NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	2.528.917	2.082.602
1.6	FIRST DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Privileged Shares	-	-
1.6.3	To Owners of Preferred Shares	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.7	DIVIDENDS TO PERSONNEL -(***)	350.158	288.360
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDENDS TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Privileged Shares	-	-
1.9.3	To Owners of Preferred Shares	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Holders of Profit and Loss Sharing Certificates	-	-
1.10	STATUS RESERVES (-)	2.178.759	1.794.242
1.11	EXTRAORDINARY RESERVES	-	-
1.12	OTHER RESERVES	-	-
1.13	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	DISTRIBUTED RESERVES	-	-
2.2	DIVIDENTS TO SHAREHOLDERS (-)	-	-
2.2.1	To Owners of Ordinary Shares	-	-
2.2.2	To Owners of Privileged Shares	-	-
2.2.3	To Owners of Preferred Shares	-	-
2.2.4	To Profit Sharing Bonds	-	-
2.2.5	To Holders of Profit and Loss Sharing Certificates	-	-
2.3	DIVIDENDS TO PERSONNEL (-)	-	-
2.4	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE	-	-
3.1	TO OWNERS OF ORDINARY SHARES	-	-
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3	TO PRIVILEGED SHAREHOLDERS	-	-
3.4	TO PRIVILEGED SHAREHOLDERS (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
4.1	4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2	4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	4.3 TO PRIVILEGED SHARES	-	-
4.4	4.4 TO PRIVILEGED SHARES (%)	-	-

(*) In accordance with Article 5/1-e of the Corporate Tax Law No. 5520, TL 233.417 Real Estate Sales Gain Exemption fund is not subject to profit distribution.

(**) 30% of the Bank's net profit is transferred to the Bank's Capital as per the Article 4 of the "Law on İller Bankası Anonim Şirketi".

(***) The decision regarding the profit distribution will be made at the General Assembly meeting. Dividends to personnel is provided based on article 27 of Bank's Articles of Incorporation. Board of Directors decide whether annual dividends will be distributed or not, and when and how much will be paid. The unpaid portion is allocated as reserves. There is no provision in the financial statements as at 31 December 2023.

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. SECTION

ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Law numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with other regulations published by the Banking Regulation and Supervision Agency regarding the reporting principles, the circular and explanations of the Banking Regulation and Supervision Agency, and the BRSA legislation and Turkish Accounting Standards (“TAS”) and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (“Turkish Financial Reporting Standards” or “TFRS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (collectively “BRSA Accounting and Financial Reporting legislation”).

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with “Communique on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks” published in the Official Gazette dated 28 June 2012 and numbered 28337 and appendices and amendments to this communique. The Bank keeps its accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

The financial statements are prepared on historical cost basis except for financial assets measured at fair value through profit or loss.

The accompanying financial statements have been prepared in accordance with the “BRSA Accounting and Financial Reporting Legislation”. “TFRS 9 Financial Instruments” standard published in the Official Gazette dated 19 January 2017 and numbered 29953 by the Public Oversight Accounting and Auditing Standards Authority, effective from 1 January 2018, was started to be implemented instead of “TAS 39 Financial Instruments: Recognition and Measurement” standard. TFRS 9 standard mainly introduces new principles for the classification and measurement of financial instruments and the expected loss allowance to be calculated for financial assets. In accordance with Law No. 6107 on İller Bankası A.Ş., the Bank does not reserve provisions for loans and losses.

With the decision of the Banking Regulation and Supervision Board dated 12 December 2023 and numbered 10744, “In the Announcement on the Inflation Adjustment of Financial Statements of Companies Subject to Independent Audit dated 23.11. 2023 dated 23.11.2023 published by the Public Oversight, Accounting and Auditing Standards Authority, the institutions or organisations authorised to regulate and supervise in their fields are given the freedom to determine different transition dates for the application of inflation accounting, and in this context, it has been decided that the financial statements of banks and financial leasing, factoring, financing, savings financing and asset management companies dated 31.12.2023 will not be subject to the inflation adjustment required under TAS 29”. In accordance with the Board’s decision, no inflation adjustment has been made in the financial statements dated 31 December 2023 within the scope of TAS 29.

The amounts shown in the financial statements and in their associated explanations and notes are denominated in thousand Turkish Liras unless otherwise indicated.

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

Loans included in the liabilities of the Bank’s balance sheet within the scope of the “Municipal Services Project” and “Sustainable Cities Project” from the World Bank, within the scope of the “Municipal Sewerage and Wastewater Treatment Project Development Project” from the Japan International Cooperation Agency (“JICA”), within the scope of the “Urban Transport Project” It consists loans obtained from the Islamic Development Bank, the European Investment Bank (“EIB”) within the scope of the “Environmental Loan” and the World Bank under the European Union’s Financial Assistance Program for Refugees in Türkiye (“FRIT II”) and extended to municipalities. Exchange rate differences in loans are reflected to local governments using loans. Within the scope of the Municipality, Sewage and Wastewater Treatment Facilities Development Project, the exchange differences of the loans obtained from JICA under the name of “Consulting” belong to the Bank, and the items in the active and passive accounts at the end of the period within the scope of TAS 21 (Effects of Currency Changes). Monetary assets in foreign currency at the Central Bank’s buying rate as of the end of the reporting period; Monetary liabilities in foreign currencies are also converted into TL by being evaluated at the TC Central Bank selling rate as of the end of the reporting period.

Asset and liability monetary items denominated in foreign currencies are valued according to the Central Bank of Türkiye exchange rates in effect on the balance sheet date. Foreign exchange losses/gains arising from the valuation of monetary items are accounted for in the statement of profit or loss as “Exchange rate losses/gains”.

Exchange rates declared by the Central Bank of Türkiye at the balance sheet date:

Date	USD Buying	USD Selling	EUR Buying	EUR Selling	100 JPY Buying	100 JPY Selling
29 December 2023	29,4382	29,4913	32,5739	32,6326	20,7467	20,8841
Date	USD Buying	USD Selling	EUR Buying	EUR Selling	100 JPY Buying	100 JPY Selling
30 December 2022	18,6983	18,7320	19,9349	19,9708	14,1301	14,2237

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

The Bank had no forward and option contracts and derivatives as at the end of the reporting period.

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized according to the effective interest method. Only loans granted by local governments in accordance with the Bank’s Law No. 6107. The interest on loans credit is accrued on a monthly basis.

From the European Union’s Financial Assistance Programme for Refugees in Turkey (FRIT II) with Additional Financing for Municipal Services Project - II, Sustainable Cities Project I-II and II, from the World Bank under the Turkey Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER), from JICA under the Municipal Sewerage and Wastewater Treatment Facilities Improvement Project (JICA-I) and Local Governments Environmental Development Project (JICA-III), For the foreign currency denominated loans obtained from the European Investment Bank (EIB) within the scope of the “Environmental Loan” and from the French Development Agency within the scope of the European Union’s Financial Assistance Programme for Refugees in Turkey (FRIT II) and extended to local governments, interest accruals are made monthly and interest payments are made semi-annually.

In accordance with Article 2 of the “Communiqué on the Amendment of the General Communiqué of Public Treasurership” published in the Official Gazette dated 28 February 2018 and numbered 30346 and the paragraph numbered 5 added to the 5th article of the communiqué “İller Bankası A.Ş. municipalities and special provincial administrations, which are shareholders, may use their financial resources at İller Bankası A.Ş.” As per its provision, the Bank obtains funds from its shareholders. Interest expenses related to the funds collected are also accounted according to the effective interest method.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

The Bank extends non-cash loans to local governments and earns commission income. In addition, the Bank Groupama Sigorta A.Ş., Bereket Sigorta A.Ş., Ankara Sigorta Insurance Inc. and Türkiye Sigorta A.Ş. of the type of securities and real estate agency and local government itself collects the insurance commissions arising from its insurance. A guarantee fee is paid to the Undersecretariat of Treasury for loans obtained from external financial institutions to be reflected on local governments. As commission expenses, there is a commitment commission paid to the Central Bank of the Republic of Türkiye for interbank money market transactions and to JICA due to the loans used from JICA for the portion corresponding to the Bank’s share . In addition, there are commissions paid for medium and long-term loans obtained from domestic banks.

VI. EXPLANATIONS ON FINANCIAL ASSETS

The Bank’s financial assets are classified and recognized as under the headings of “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortized cost.”

Financial Assets at Fair Value through Profit or Loss

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

Financial assets at the fair value through profit/loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss.

Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. However, for certain investments in equity instruments that would normally be measured at fair value through profit or loss, it may irreversibly choose, at initial recognition, the recognition of subsequent changes in fair value through other comprehensive income.

The Bank’s financial assets at fair value through profit or loss consist of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., which has less than 10% of shares and votes and has no significant activity. Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., which is traded in Borsa İstanbul (“BIST”), is valued with the prices formed in the BIST at the balance sheet date.

Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to statement of profit or loss.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. EXPLANATIONS ON FINANCIAL ASSETS *(continued)*

“Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the statement of profit or loss of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the shareholders’ equity are reflected to the statement of profit or loss.

Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in statement of profit or loss.

Loans

Loans are financial assets created by providing money, goods or services to the borrower. Loans are financial assets that have fixed or determinable payments and are not traded in an active market. These loans are first recorded at the acquisition cost. As required by its governing law, the Bank extends loans only to local governments. Loans are recognized on the basis of their acquisition costs. Guarantees of loans, shares transferred to the bank to be distributed from the general budget tax revenues to the local administrations, and drinking water of municipalities, terminal, rent etc. their incomes. All loans of the Bank are monitored in the “Measured by Amortized Cost” account.

VII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Pursuant to paragraph 5 of article 13 of the Law No. 6107 on İller Bankası A.Ş., the provisions of the Banking Law No. 5411 regarding provisions are not applicable to the Bank. In accordance with this provision, the provisions of TFRS 9 regarding provisions are not applied.

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and obligations are shown in the balance sheet on the basis of their net amounts only in situations where the Bank has the legal right and the power to compel such netting as well as the intention to collect on or to pay off such financial assets and liabilities at their net value or where the Bank has the right to simultaneously wind up such financial assets and obligations.

IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

As of the end of the reporting period, the Bank had no transactions made under agreements calling for selling and buying back securities (repo) or transactions involving securities which had been purchased with sell-back commitment (reverse repo).

X. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

The assets which meet the criteria for categorization as assets held for sale shall be recognized over their book values; application of depreciation for such assets shall be suspended. These assets shall be recognized separately on the balance sheet. In order for an asset to be considered as asset held for sale, the asset (or asset group to be disposed of) in question should be available for immediate sale under the conventional and frequently observed conditions applicable to the sale of such assets (or asset group to be disposed of), and should command a high likelihood of sale. In order for the asset to have a high likelihood of sale, a plan should be made by an appropriate management level for the sale of the asset (or the asset group to be disposed of), and an active program to conclude the plan through the identification of buyers should have been commenced. Furthermore, the asset (or the asset group to be disposed of) should be marketed actively at a price tag consistent with its fair value. A variety of incidents or circumstances may extend the term of completion of the sale to more than one year.

In case there is sufficient evidence to conclude that such delay arose due to incidents or circumstances outside the control of the enterprise, and that the enterprise’s sale plans regarding the sale of the asset (or the asset group to be disposed of), such assets shall remain in the assets held for sale category.

A discontinued operation is a part of the bank’s business categorized as disposed-of or held-for-sale.

The results regarding the discontinued operations are shown separately in the statement of profit or loss. The bank has no property or discontinued operations recognized under the assets held for sale account.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill items that needed to be shown in the financial statements. Goodwill and other intangible assets are recognized at cost in accordance with the Standard Accounting Standard for Intangible Assets (“ TAS 38”).

The costs of intangible assets that were acquired before 1 January 2005 were inflation-adjusted for the period until 31 December 2004, which is the date the period of high inflation was deemed to have ended by the authorities. Assets acquired thereafter were recognized in the financial statements on the basis of their initial acquisition cost.

Intangible assets are depreciated according to the straight-line method with an assumed useful life of three to five years. The useful lifetime of an asset is determined on the basis of a consideration of such issues as how long the asset can be expected to be useful; technical, technological, and other forms of obsolescence; and the maintenance costs that will be required to secure the economic benefit expected from the asset.

If there is an indication of impairment, the recoverable amount of the related asset is determined as (“TAS 36”) and the amount of the recoverable amount of the related asset If the carrying amount is less than the carrying amount, provision for impairment is booked.

XII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

The costs of tangible assets that were acquired before January 2005 were inflation-adjusted for the period until 31 December 2004, which is the date the period of high inflation was deemed to have ended by the authorities. Assets acquired thereafter were descended in the financial statements on the basis of their initial acquisition cost. Depreciation of tangible fixed assets is allocated over their costs using the straight-line depreciation method with equal amounts according to the useful lives of the assets.

In the case of an asset that was in the assets for less than a full fiscal year as of the end of the reporting period, the amount of depreciation that is set aside is determined by prorating the amount that would have been set aside for a full year according to the length of time that the asset was in the inventory.

If there is an indication of impairment, the Bank estimates the recoverable amount of the related asset in accordance with the “Turkish Accounting Standard for Impairment of Assets” (“TAS 36”) and allocates a provision for impairment if the recoverable amount is below the book value of the related asset.

The gain or loss that arises when a tangible fixed asset is disposed of is determined by subtracting the net book value of the asset concerned from the proceeds secured from its sale. The resulting difference is recognized in the statement of profit or loss.

There are no pledges, mortgages and other measures on tangible fixed assets or commitments made for the purchase of these or a major issue limiting the exercise of the disposal rights on them. There are no changes in accounting estimates that have a significant impact on the current period or are expected to have a significant impact on the following periods.

The Bank had a real estate appraisal company authorized by the BRSA in 2022 for its real estates registered in its name, and there are no impaired real estates. Depreciation rates and estimated useful lives of tangible fixed assets are as follows;

Tangible fixed assets	Estimated Useful Life (Years)	Depreciation Rate (%)
Buildings and cashboxes	50	2
Office machines, furniture, interior fittings, other movables	3-10	33,33-10
Transportation vehicles	4-10	25-10

Investment properties

“Investment properties” are real estate properties that are held for the purpose of securing rental and/or appreciation income. Investment properties are recognized as an asset where the future economic benefits will probably be registered with the enterprise, and the cost of the investment property can be appraised reliably. Investment properties are recognized on the basis of their costs. Investment properties are presented in the balance sheet with their cost value after deducting accumulated depreciation and accumulated values, if any. If it meets the accepted criteria, the cost of replacing any part of the existing investment property is included in the balance sheet amount. The amount in question does not include daily maintenance to investment properties. The straight-line depreciation method is used in the depreciation of investment properties.

Right of use assets

The right to use assets consist of service buildings and vehicle vehicles acquired through operating lease. Pursuant to TFRS 16, the real estates that are considered as the right of use at the date of rental actually are measured at the cost value of the right of use. The lease obligation is initially measured at the present value of the lease payments to be made during the lease period. In subsequent measurements, the book value of the liability is increased to reflect the interest on the lease obligation and decreased to reflect the lease payments made. While applying the cost method, the existence of the right to use; accumulated depreciation and accumulated impairment losses are measured at their adjusted costs based on reassessment of the lease obligation. Those which are considered as the right of use of real estates are subject to depreciation.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

Bank as lessor

The Bank does not have any financial leasing transactions. There are leasing transactions arising from the leasing of real estates that are not used in banking transactions and excluding financial leasing transactions. Operating lease income is recorded in the statement of profit or loss on a straight-line basis during the lease period. As of the end of the reporting period, real estates leased out within the scope of the Bank’s operating lease are classified as investment properties in the balance sheet.

Bank as lessee

The lease obligation is measured at the present value of the lease payments that were not paid on the date that the lease actually started, in accordance with TFRS 16. Lease payments are discounted using an alternative borrowing interest rate. After the lease actually started, the book value of the lease obligation; It is re-measured to increase the interest in its lease obligation, to decrease the lease payments made, to reflect all reassessments and changes to the lease, or to reflect fixed lease payments in its revised core. The interest on the lease obligation for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease obligation. After the lease actually starts, the lease obligation is re-measured to reflect changes in lease payments. Gains or losses related to the partial or complete termination of the lease are recognized in profit or loss. For all other changes, correction is made on the right of use.

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

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

Provisions are entered into the accounts in situations where, as of the balance sheet date, there is an existing or pre-existing legal or structural obligation, there is a possibility of having to dispose of economically beneficial resources in order to fulfill the obligation, and it is possible to make a reliable estimate as to the amount of the obligation. For obligations that arise as a consequence of events transpiring in earlier reporting periods, provisions are set aside during the reporting period in which the obligations are incurred, in keeping with the principle of “periodicity”. In situations where the amount cannot be estimated, the obligation is treated as being “contingent”. A provision is set aside for a contingent liability only if the likelihood of the liability occurring is high and if it can be reliably quantified.

XV. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE BENEFITS

Pursuant to Article 11/1 of the Law No. 6107 governing İller Bankası A.Ş. published in the Official Gazette issue 27840 dated 8 February 2011 and within the frame of the provision that reads “Duties required by the Bank’s services will be carried out via contractual personnel who are not subject to the Law 657 on Civil Servants dated 14 July 1965” and to the provisions of other laws governing contractual personnel; the Bank renders its services via white-collar employees, and blue-collar workers subject to the Labor Law in line with the “İller Bank Human Resources Regulation” published in the Official Gazette issue 28518 dated 04 January, 2013.

Pursuant to Article 4 (c), subparagraphs 1 and 2 of the Social Security and General Health Insurance Law no. 5510, retirement benefits for those contractual personnel who have started work prior to October, 2008 are subject to the requirements of the Civil Servants Pension Fund, whereas the same for those who have started work after October, 2008 are subject to the requirements of the Social Security Institution (for employees). As required by Article 1 of the Law No. 6107 governing İller Bankası A.Ş., the Bank is a “special budget” institution which is subject to the provisions of private law. In the aftermath of the enforcement of Law No. 6107 governing İller Bank, in the case of those bank personnel who wish to remain subject to the requirements of the Civil Servants Pension Fund with respect to their retirement benefits, or those who wish to work on a contract basis, the retirement bonuses are paid by the Civil Servants Pension Fund, after which the Fund makes a recourse to the Pension Fund of the pension bonus paid to the Bank.

In the case of those whose retirement benefits are subject to the requirements of the Social Security Institution (for employees), severance pays are paid by the Bank to the relevant personnel upon their retirement. Provisions are set aside for the relevant contractual personnel for retirement bonuses on the basis of actuarial calculations and within the framework of the “Turkish Accounting Standard concerning Employee Benefits” (“TAS 19”). In the case of personnel in “blue-collar worker” status who are employed by the Bank, provision is set aside on the basis of the net present value of the service award provision as required by the Labor Law, which is calculated on an actuarial basis, within the framework of the “Turkish Accounting Standard on Employee Benefits” (“TAS 19”).

XVI. EXPLANATIONS ON TAXATION

Corporate Income Tax

In Türkiye, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with tax laws to the commercial income of corporations in Türkiye and by deducting the exemptions in the tax laws was applied as 20% after 1 January 2021. However, the Law No. 7316 on the Collection Procedure of Public Receivables, which was published in the Official Gazette dated 22 April, 2021 and numbered 31462, article 11 of the Law on Amending Certain Laws, With the Provisional Article 13 added to the Corporate Tax Law No. 5520, the corporate tax rate has been regulated as 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period.

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In addition, with the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated 15 April 2022 and numbered 31810, and the Law on Amendments to Some Laws and Decrees with the Force of Law, Article 26 With the sentence added to the first paragraph of the Provisional Article 13 added to the Corporate Tax Law No. 5520, banks, companies within the scope of the Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies and pension companies will be able to operate in 2022. Corporate tax will be charged at the rate of 25% for corporate earnings for the taxation period. The tax rate change will be valid for corporate earnings for the taxation period starting from 1 January 2022, starting from the declarations that must be submitted as of 1 July 2022.

In addition, with the Law No. 7417 on the Amendment of the Law on Civil Servants and Some Laws and the Decree Law No. 375, which was published in the Official Gazette dated 5 July 2022 and numbered 31887, the 25% rate determined within the scope of the Law No. 7394 was amended. Thus, the relevant regulation has been made to calculate the corporate tax rate of 25% on the corporate earnings of the above mentioned banks and financial institutions for the year 2023 and the following taxation periods.

In the financial statements dated 30 June 2023, the Bank has used 25% as the tax rate in the calculations of current and deferred tax. The Law No. 7456 on Additional Motor Vehicles Tax for the Compensation of Economic Losses Caused by Earthquakes Occurring on 6/2/2023 and Amendments to Certain Laws and Decree Law No. 375 was published in the Official Gazette dated 15.07.2023 and numbered 32249. With the regulation, the corporate tax rate applied as 20% has been increased by 5 percentage points to 25% (30% for banks and financial institutions). This rate will be valid for the earnings of the corporations for 2023 and the following years, starting from the declarations to be submitted as of 01.10.2023.

The corporate tax rate will be added to the commercial earnings of the corporations as a result of the addition of the expenses that are not accepted as per the tax laws, the exemption in the tax laws (such as the subsidiary earnings exception) and the deduction of the discounts. Applied to tax base. Institutions calculate temporary tax on their quarterly financial profits at the current Corporate Tax rate and declare it until the 17th day of the second month following that period and pay until the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year. In case of remaining temporary tax amount despite the offset, this amount may be refunded or offset against other financial liabilities to the government.. Under the Bank’s governing statute, 10% withholding tax is accrued on the 51% portion allocated from the Bank’s profit for infrastructure and superstructure needs of municipalities and villages, which is paid during the relevant period.

50% of the profits arising from the sale of participation shares and real estate held for at least two years are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law or kept in a special fund account for 5 years. However, institutions dealing with securities and immovable trade and leasing are exempted for this purpose (It is the article amended by Article 89 of Law No. 7061 and entered into force as of 5 December 2017, according to Article 3 of the Communiqué No. 14 of K.V.K. dated 23 December 2017, 75% will be applied to sales made until 5 December 2017 for 2017, will be applied as 50% thereafter).

As of 15.07.2023, if the immovable registered in the assets of the institution is disposed of, corporate tax will be calculated for the entire gain and VAT will be calculated at the rate to which the immovable is subject to over the disposal price. However, in the event that the immovables that were entered in the records before 15.07.2023, which is the effective date of Law No. 7456, are disposed of after the publication date of the Law (if they also meet the other conditions listed in the law); Exemption will be applied to 25% of the gain to be obtained instead of 50%. There is no practice in Türkiye to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the 25th day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within 5 years and the tax amounts to be paid may change if an erroneous transaction is detected. As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the regulation made with the Law No. 7352 dated January 20, 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, will not be subject to inflation adjustment, and for the 2023 accounting period; It will not be subject to inflation adjustment as of the temporary tax periods, but the TPL financial statements as of 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions have been met. Profit/loss difference arising from inflation adjustment in TPL financial statements will be shown in previous years’ profit/loss accounts and will not affect the corporate tax base.

Deferred Taxes

The Bank calculates and reflects deferred tax in accordance with the provisions of “Turkish Accounting Standard for Income Taxes” (“TAS 12”) for taxable temporary differences that arise between the book value of an asset or liability and its tax basis determined in accordance with the tax legislation.

In the calculation of deferred tax, in accordance with the current tax legislation, the legal tax rates valid as of the end of the reporting period are used. While the deferred tax liability is calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated on the condition that it is highly likely to benefit from these differences by obtaining taxable profit in the future. Deferred tax is calculated over the tax rates (2023: 25%) valid in the period when assets are created or liabilities are fulfilled, and are recorded as expense or income in the statement of profit or loss.

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If transactions and other events are recognized in profit or loss, the related tax effects are also recognized in profit or loss. If transactions and other events are recognized directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity. Calculated deferred tax assets and deferred tax liabilities are netted off in the financial statements. In the event that the income balance remains as a result of deferred tax asset and net offsetting, deferred tax income is not subject to profit distribution and capital increase. In accordance with the related circular of BRSA, deferred tax income is not taken into consideration in profit distribution.

XVII. ADDITIONAL EXPLANATIONS ON BORROWINGS

All lendings are made from the Bank’s own equity resources. The Bank also acts as an intermediary in the lending of a variety of funds that are made available as budget grants. In case of liquidity insufficiency in the balance of income and expenditure, the bank borrows from domestic banks as needed.

Article 2 of the “Communiqué on the Amendment of the General Communiqué of Public Treasurership” published in the Official Gazette dated 28 February 2018 and numbered 30346 and 5th paragraph of the communiqué added to the 5th article of the “İller Bankası A.Ş. Municipalities and special provincial administrations, which are their shareholders, can use their financial resources in İller Bankası A.Ş.". In accordance with its provisions, the Bank obtains funds from its shareholders.

The Bank obtained foreign resources from the World Bank for the “Municipal Services Project”, “Sustainable Cities Projects”, “FRIT-II EU Financial Assistance Program for Refugees in Turkey” and “Turkey Earthquake, Flood and Fire Emergency Reconstruction Project (TEWFER)”, and from the Japan International Cooperation Agency (“JICA”) for the “Municipal, Sewage and Wastewater Treatment Facilities Development Project” and “Local Government Infrastructure Development Project”, Long-term loans obtained from the European Investment Bank (“EIB”) within the scope of “Urban Infrastructure Project” and “Urban Transportation and Environment Loan”, from the Islamic Development Bank (“IDB”) within the scope of “Urban Transportation Projects” and from the French Development Agency (“AFD”) within the scope of “FRIT-II Municipal Services Project” are recorded in the Bank’s records upon signing of the loan agreements.

XVIII. EXPLANATIONS ON ISSUED STOCKS

The Bank’s capital is collected in the manner mandated by the Bank’s own governing statute and no shares whatsoever are issued for capital collection purposes.

XIX. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

There are no endorsements or acceptances which are shown as obligations owed on assets

XX. EXPLANATIONS ON GOVERNMENT INCENTIVES

The Bank is a subsidiary of the special budget does not receive any incentives from the state budget.

XXI. EXPLANATIONS ON SEGMENT REPORTING

The scope of İller Bank’s activities is defined as “satisfying the financing need of special provincial authorities, municipalities, their affiliated organizations and of local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works, and performing any and all development and investment banking functions”. The Bank pursues its activities in the status of a development and investment bank under Article 77 of the Banking Law no. 5411. The Bank’s activities mainly focus on investment banking.

XXII. EXPLANATIONS ON OTHER MATTERS

None.

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4. SECTION

INFORMATION ON FINANCIAL STRUCTURE AND RISK MANAGEMENT

I. INFORMATION ON SHAREHOLDER’S EQUITY

The capital adequacy standard ratio calculated within the framework of the “Regulation on the Equity of Banks” and the “Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks” is 31,98% as of 31 December 2023 (31 December 2022: 34.70%).

Information on Shareholder’s Equity:

Current Period (31.12.2023)	Amount	Amounts Related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	39.040.740	
Share issue premiums	-	
Reserves	6.109.480	
Gains recognized in equity as per TAS	(295.630)	
Profit	4.208.255	
Current Period Profit	4.127.268	
Prior Period Profit	80.987	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	49.062.845	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-
Improvement costs for operating leasing (-)	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
The portion exceeding 10% of the Bank's core capital of the total net long positions of investments made in the equity elements of unconsolidated banks and financial institutions in which 10% or less of the partnership shares are held	-	-
The portion exceeding 10% of the core capital of the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are owned	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
The excess amount arising from the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are held	-	-
Excess amount arising from the rights to provide mortgage services	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	-	
Total Common Equity Tier 1 Capital	49.062.845	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	

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Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital + Additional Tier I Capital)	49.062.845	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Tier II Capital Before Deductions	-	
Deductions from Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	-	
Total Capital (The sum of Tier I Capital and Tier II Capital)	49.062.845	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
TOTAL CAPITAL		-
Total Capital (The sum of Tier I Capital and Tier II Capital)	49.062.845	-
Total risk weighted amounts	153.405.556	-
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	31,98	-
Tier 1 Capital Adequacy Ratio (%)	31,98	-
Capital Adequacy Ratio (%)	31,98	-

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BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (a+b+c)	2,500	-
a) Capital protection buffer ratio (%)	2,500	-
b) Bank-specific cyclical capital buffer ratio (%)	0,00	-
c) Systemically significant bank buffer ratio (%) **	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	27,96	-
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) Amounts to be considered within the scope of transitional provisions.
(**) Systemically important bank buffer ratio has been shown as “0,00” in the unconsolidated financial report since it has to be filled by systemically important banks that are not obliged to prepare consolidated financial statements within the scope of paragraph 4 of article 4 of the “Regulation on Systemically Important Banks”.

Information on Shareholder’s Equity

Prior Period (31.12.2022)	Amount	Amounts Related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	28.538.677	
Share issue premiums	-	
Reserves	3.645.557	
Gains recognized in equity as per TAS	(181.880)	
Profit	3.411.885	
Current Period Profit	3.361.442	
Prior Period Profit	50.443	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	35.414.239	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-
Improvement costs for operating leasing (-)	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-

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Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
The portion exceeding 10% of the Bank's core capital of the total net long positions of investments made in the equity elements of unconsolidated banks and financial institutions in which 10% or less of the partnership shares are held	-	-
The portion exceeding 10% of the core capital of the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are owned	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
The excess amount arising from the net long positions of the investments made in the core capital elements of the unconsolidated banks and financial institutions in which more than 10% of the partnership shares are held	-	-
Excess amount arising from the rights to provide mortgage services	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions from Common Equity Tier 1 Capital	-	
Total Common Equity Tier 1 Capital	35.414.239	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions from Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital + Additional Tier I Capital)	35.414.239	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Tier II Capital Before Deductions	-	
Deductions from Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Total Tier II Capital	-	
Total Capital (The sum of Tier I Capital and Tier II Capital)	35.414.239	
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
TOTAL CAPITAL		-
Total Capital (The sum of Tier I Capital and Tier II Capital)	35.414.239	-
Total risk weighted amounts	102.048.800	-
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	34,70	-
Tier 1 Capital Adequacy Ratio (%)	34,70	-
Capital Adequacy Ratio (%)	34,70	-
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (a+b+c)	2,500	-
a) Capital protection buffer ratio (%)	2,500	-
b) Bank-specific cyclical capital buffer ratio (%)	0,00	-
c) Systemically significant bank buffer ratio (%) **	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	26,70	-
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	-	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) Amounts to be considered within the scope of transitional provisions.
(**) Systemically important bank buffer ratio has been shown as "0,00" in the unconsolidated financial report since it has to be filled by systemically important banks that are not obliged to prepare consolidated financial statements within the scope of paragraph 4 of article 4 of the "Regulation on Systemically Important Banks".

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. EXPLANATIONS ON CREDIT RISK

Credit risk refers to the probability that the Bank shall suffer loss caused by the credit customer’s lack of compliance with the agreement requirements thus partial or complete inability to fulfill its responsibilities.

Provided that it is in accordance with the legal regulations, credit extension authority in the Bank belongs to the Board of Directors. The Board of Directors is obliged to establish the policies related to accreditation, approval and other administrative principals, ensure implementation and monitoring of those and take the necessary precautions. The Board of Directors can transfer its rights to accredit to the Loans Committee and/or Headquarters. Headquarters can use this transferred accreditation authority through its affiliated units or regional directorates. Written recommendation of the Headquarters is necessary for the accreditation by the Board or transferal of authority. The Board determines the credit policies and limits on macro levels, establishes the policies related to accreditation, approval and other administrative principals.

Since the Bank is not engaged in banking operations other than lending to local governments, it is not subjected to the vendor and sectorial risk concentration limitation.

Credit Risk is monitored in accordance with the Lending Regulations and Risk and Authority Limits Application Methods. Also, credit risk is monitored by being calculated with the standard method at the forms prepared for Credit Risk management under Base II standards. There is no other internal method is used in order to calculate the credit risk.

Loans made by the bank to local governments, secured, structured, etc. credit concentration, guarantees, return and follow-up of loans are presented to the senior management with monthly Risk Assessment Reports in terms of credit risk.

Income from drinking water, rent, terminal, parking, harbor and other business costs of the local governments who currently wants to use credit in the bank are taken as a collateral and credit is granted in return of these collateral. In the application in subject, Bank debits the local governments using credit, makes payment to contractor company and income regarding the collateral are gathered in an account and put in pledge with a pledge agreement on the account. The bank concludes a collateral account agreement with the bank branch with a protocol in the location of the local governments. According to the agreement, local government opens a new secured account in the bank branch in its region and collects all the drinking water, rent, terminal, parking, harbor and other business incomes pledged as collateral in this account. Even though the Bank has a robust collateral structure, the assets comprising the collateral for the credits extended do not fit into the collateral categories provided in Basel II criteria. For these reasons, no rating-scoring application can be made for credit risk measurements in the Bank.

Non-cash loans that are compensated have the same risk weight as the mature unsettled credits.

The Bank observes best practices within the frame of BRSA regulations and restrictions, and thus ensures management of credit risk in accordance with its volume, quality and complexity of its lending. The Amount Subject to Credit Risk at the Bank is calculated within the framework of statutory reporting, using the “Standard Method” on a monthly basis; it is included in the calculation of the Bank’s Capital Adequacy Standard Ratio. The Bank submits reports on its credit risk exposure to the BRSA under applicable legislation.

The Bank’s activities are governed by article 77 of the Banking Law no 5411, and it is not subject to the general credit limits defined in Article 54 of that act. However, the Bank extends credit in accordance with the Statute on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities and municipal revenues are recorded as collateral.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Regardless of the effects of credit risk mitigation, the total amount of risks exposed after offsetting and the average amount of risks disaggregated according to different risk classes and types for the relevant period.

	Current Period (31.12.2023) Risk Amount(*)	Current Period Average Risk Amount	Prior Period (31.12.2022) Risk Amount(*)	Prior Period Average Risk Amount
Conditional and unconditional receivables from central governments and Central Banks	37	37	32	44
Conditional and unconditional receivables from regional or local governments	97.537.024	77.911.605	57.118.955	44.320.203
Conditional and unconditional receivables from administrative bodies and non-commercial enterprises	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	75.496.158	52.081.028	39.851.264	31.377.071
Conditional and unconditional receivables from corporates	-	-	-	-
Conditional and unconditional receivables from retail portfolios	210.548	194.399	91.378	90.824
Conditional and unconditional receivables secured by mortgages	-	-	-	-
Past due receivables	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-
Investments similar to collective investment funds	-	-	-	-
Equity securities	-	-	-	-
Other receivables	32.795.237	37.450.017	30.253.030	24.735.994
TOTAL	206.039.004	167.637.085	127.314.659	100.524.136

(*) Includes the total amounts prior to the consideration of Credit Risk Reduction impacts.

The top 100 and top 200 cash loans extended by the Bank correspond respectively to 78,71% (31 December 2022: 75,71%) and 87,62% (31 December 2022: 85,67%) of its total cash loans.

The top 100 and top 200 non-cash loans extended by the Bank correspond respectively to 90,81% (31 December 2022: 95,34%) and 97,83% (31 December 2022: 99,30%) of its total non-cash loans.

An assessment of the Bank’s cash and non-cash credits based on their dimensions shows that the combined value of the 100 and 200 biggest clients’ accounts respectively make up 45,45% (31 December 2022: 43,19%) and 50,58% (31 December 2022: 48,37%) of all cash and non-cash loans.

According to the 5th paragraph of the 13th article of the “Law on İller Bankası A.Ş.” numbered 6107, the Bank has no obligation to set aside provisions for its loans.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. EXPLANATIONS ON CREDIT RISK *(continued)*

Profile of the significant exposures in major regions

Current period (31.12.2023)																			
Risk classifications (1)																			
	1	2	3	4	5	6	7	8		9	10	11	12	13	14	15	16	17	Total
Domestic	37	97.537.024	-	-	-	75.496.158	-	210.548		-	-	-	-	-	-	-	-	32.795.237	206.039.004
European Union countries	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
OECD Countries ⁽²⁾	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Coastal Banking Regions	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities ⁽³⁾	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Total	37	97.537.024	-	-	-	75.496.158	-	210.548										32.795.237	206.039.004

Prior period (31.12.2022)																			
Risk classifications (1)																			
	1	2	3	4	5	6	7	8		9	10	11	12	13	14	15	16	17	Total
Domestic	32	57.118.955	-	-	-	39.851.264	-	91.378		-	-	-	-	-	-	-	-	30.253.030	127.314.659
European Union countries	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
OECD Countries ⁽²⁾	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Coastal Banking Regions	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Other countries	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint ventures	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Undistributed Assets / Liabilities ⁽³⁾	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-
Total	32	57.118.955	-	-	-	39.851.264	-	91.378										30.253.030	127.314.659

1- Contingent and non-contingent receivables from central governments or central banks
2 - Contingent and non-contingent receivables from regional or local governments
3 - Contingent and non-contingent receivables from Administrative Units and Non-Commercial Enterprises
4 - Contingent and non-contingent receivables from multilateral development banks
5 - Contingent and non-contingent receivables from international organizations
6 - Contingent and non-contingent receivables from banks and intermediary institutions
7 - Contingent and unconditional corporate receivables
8 - Contingent and unconditional retail receivables
9 - Receivables secured by contingent and non-contingent real estate mortgages
10 - Overdue receivables
11 - Receivables determined as high risk by the Board

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

12 - Mortgage-backed securities
13 - Securitization positions
14 - Short-term receivables from banks and intermediary institutions and short-term corporate receivables
15 - Investments a collective investment institution
16- Equity securities,
17 - Other receivables
(1) Refers to the risk classes stipulated in the Regulation regarding the Measurement and Assessment of Capital Adequacy of Banks.
(2) EU countries, OECD countries other than USA and Canada
(3) Assets and liabilities which cannot be distributed to regions on the basis of a consistent method

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. EXPLANATIONS ON CREDIT RISK (continued)

Risk profile according to the geographical concentration

Risk profile by sector or counterparty

Current Period (31.12.2023)		Risk classifications (1)																			
	1	2	3	4	5	6	7	8	9		10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture																		-	-	-	-
Farming and Livestock	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Industry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Electricity, Gas, Water	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Construction	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Hotel and Restaurant Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Transportation And communication	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Real Estate and Rent. Ser.	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Self Service	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Other	37	97.537.024	-	-	-	75.496.158	-	210.548	-		-	-	-	-	-	-		32.795.237	144.504.311	61.534.693	206.039.004
Total ⁽¹⁾	37	97.537.024	-	-	-	75.496.158	-	210.548	-		-	-	-	-	-	-		32.795.237	144.504.311	61.534.693	206.039.004

Prior Period (31.12.2022)		Risk classifications (1)																			
	1	2	3	4	5	6	7	8	9		10	11	12	13	14	15	16	17	TP	YP	Total
Agriculture																		-	-	-	-
Farming and Livestock	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Industry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Mining and Quarrying	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Manufacturing Industry	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Electricity, Gas, Water	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Construction	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Hotel and Restaurant Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Transportation And communication	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Real Estate and Rent. Ser.	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Self Service	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Education Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-		-	-	-	-
Other	32	57118.955	-	-	-	39.851.264	-	91.378	-		-	-	-	-	-	-		30.253.030	93.683.083	33.631.576	127.314.659
Total ⁽¹⁾	32	57118.955	-	-	-	39.851.264	-	91.378	-		-	-	-	-	-	-		30.253.030	93.683.083	33.631.576	127.314.659

(1) Contingent and non-contingent receivables from central governments or central banks

(2) Contingent and non-contingent receivables from regional or local governments

(3) Contingent and non-contingent receivables from Administrative Units and Non-Commercial Enterprises

(4) Contingent and non-contingent receivables from multilateral development banks

(5) Contingent and non-contingent receivables from international organizations

(6) Contingent and non-contingent receivables from banks and intermediary institutions

(7) Contingent and unconditional corporate receivables

(8) Contingent and unconditional retail receivables

(9) Receivables secured by contingent and non-contingent real estate mortgages

(10) Overdue receivables

(11) Receivables determined as high risk by the Board

(12) Mortgage-backed securities

(13) Securitization positions

(14) Short-term receivables from banks and intermediary institutions and short-term corporate receivables

(15) Investments in the nature of a collective investment institution

(16) Equity securities,

(17) Other receivables

(1) Represents the risk classes included in the Regulation on Measurement and Evaluation of Banks' Capital Adequacy.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. EXPLANATIONS ON CREDIT RISK (continued)

Term distribution of risks with term structure

Current period (31.12.2023)	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over a year
Conditional and unconditional receivables from central governments and Central Banks	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	942.577	1.690.986	2.811.261	5.263.556	54.194.878
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	74.095.872	-	112.308	-	-
Conditional and unconditional receivables from corporates	-	-	-	-	-
Conditional and unconditional receivables from retail portfolios	24.295	46.449	68.054	63.913	7.837
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Other receivables	1.514.927	333.564	364.229	2.206.792	42.577.993
Grand Total	76.577.671	2.070.999	3.355.852	7.534.261	96.780.708

Prior Period (31.12.2022)	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over a year
Conditional and unconditional receivables from central governments and Central Banks	-	-	-	-	-
Conditional and unconditional receivables from regional or local governments	905.752	1.219.685	1.863.596	3.574.086	38.033.052
Conditional and unconditional receivables from administrative bodies and noncommercial enterprises	-	-	-	-	-
Conditional and unconditional receivables from multilateral development banks	-	-	-	-	-
Conditional and unconditional receivables from international organizations	-	-	-	-	-
Conditional and unconditional receivables from banks and brokerage houses	37.926.877	-	82.609	-	-
Conditional and unconditional receivables from corporates	-	-	-	-	-
Conditional and unconditional receivables from retail portfolios	8.674	16.105	23.395	30.602	12.602
Conditional and unconditional receivables secured by mortgages	-	-	-	-	-
Past due receivables	-	-	-	-	-
Receivables defined under high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-
Investments similar to collective investment funds	-	-	-	-	-
Equity securities	-	-	-	-	-
Other receivables	2.095.817	172.247	215.760	1.327.516	13.277.375
Grand Total	40.937.120	1.408.037	2.185.360	4.932.204	51.323.029

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Risk amounts according to risk weight

The total risk amount before and after credit risk mitigation corresponding to each risk weight defined in Annex-1 of the Regulation on Measurement and Evaluation of Banks' Capital Adequacy and the amounts deducted from equity are given below.

Current Period (31.12.2023)										
Risk Weight		0%	10%	20%	50%	75%	100%	150%	250%	Other risk weights Discounts on Shareholders' Equity
1	Amount Before Credit Risk Mitigation	218.372	-	76.116.750	-	-	129.609.334	94.548	-	-
2	Amount after Credit Risk Mitigation (*)	218.372	-	76.116.750	-	-	129.609.334	94.548	-	-

Prior Period (31.12.2022)										
Risk Weight		0%	10%	20%	50%	75%	100%	150%	250%	Other risk weights Discounts on Shareholders' Equity
1	Amount Before Credit Risk Mitigation	147.985	-	39.928.391	-	-	87.238.283	-	-	-
2	Amount after Credit Risk Mitigation (*)	147.985	-	39.928.391	-	-	87.238.283	-	-	-

(*) Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

Miscellaneous information regarding important sectors or counterparty type

Its fields of operations are defined in the Bank's governing law no. 6107 as "satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally-provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions". Within this framework, The Bank is not involved in banking activities oriented towards free market in institutional and commercial terms. The Bank, which consists mostly of project loans, is not profit-oriented and supports social projects of local governments without regard to credibility. In the event that the repayments of the loans provided by the bank cannot be made at the time of return, principal instalment amount that cannot be collected is added to balance principal amount and it is capitalized at the end of each month and extended to remained maturity so as to be redeemed. Uncollected interest installments are spread over the residual interest without interest accruing by adding it over the residual interest sum. Therefore, there is no default on loans extended by the Bank.

Information on value adjustments and change in loan provisions

Under the provision that the requirement to set aside provisions made in the Banking Law no 5411 is not applicable to İller Bankası A.Ş. as per Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., specific provisions set aside by the Bank pertain to the Bank's receivables other than those arising from lending transactions that are in litigation.

Exposures subject to countercyclical capital buffer

Within the scope of Regulation and sub-regulations on Capital Protection and Cyclical Capital Buffers published in the Official Gazette dated 5 November 2013 and numbered 28812, there are no receivables from the private sector considered in the calculation of the bank-specific cyclical capital buffer.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. EXPLANATION ON CURRENCY RISK

Currency risk expresses the possibility of loss that banks may be exposed to as a result of changes in foreign exchange rates due to foreign currency assets and liabilities. In order to ensure that the Bank maintains a foreign currency position in line with its own funds, the relations and balances between foreign currency assets and liabilities are provided in accordance with the provisions of the “Regulation on Calculation and Application of Foreign Currency Net General Position/Equity Standard Ratio by Banks on a Consolidated and Unconsolidated Basis”. The exchange rate risk regarding the foreign currency loans extended to the Municipalities from international institutions such as the World Bank, JICA, EIB and the Islamic Development Bank belongs to the municipalities that use the loans pursuant to the contracts. The exchange differences for the portion of these loans used by the Bank under the name of “Corporate Empowerment” belong to the Bank; Within the scope of TAS 21 (Effects of Currency Changes), the items in the asset and liability accounts at the end of the period are foreign currency denominated monetary assets over the TC Central Bank buying rate as of the end of the reporting period; Monetary liabilities in foreign currency are also evaluated at the TC Central Bank selling rate as of the end of the reporting period and foreign exchange Profit/Loss is calculated.

The primary goal of the currency risk policy is to keep Foreign Currency Net General Position/ Equity Standard Ratio within legal limits within the frame of the Bank’s financial standing, current economic developments and recent trends in the market, while observing profitability and productivity. The Bank calculates and reports RMD for its foreign currency position daily, Limits concerning foreign currency risk are set and monitored within the framework of the “Risk and Authority Limits Application Methods” approved by the Board of Directors.

The chart below shows the Turkish lira-value of the current exchange rates (foreign currency buying rates) publicly announced by the CBRT on the Bank’s balance sheet date and during the five days preceding it:

	1 USD Buying	1 USD Selling	1 EUR Buying	1 EUR Selling	100 JPY Buying	100 JPY Selling
Fx rate on 29.12.2023	29,4382	29,4913	32,5739	32,6326	20,7467	20,8841
<i>Before the balance sheet date:</i>						
Fx rate on 28.12.2023	29,3973	29,4502	32,6937	32,7526	20,8217	20,9596
Fx rate on 27.12.2023	29,3374	29,3903	32,4186	32,4770	20,5175	20,6533
Fx rate on 26.12.2023	29,2647	29,3174	32,2421	32,3002	20,5059	20,6417
Fx rate on 25.12.2023	29,2108	29,2634	32,1766	32,2346	20,4635	20,5991
Fx rate on 22.12.2023	29,1344	29,1869	32,0726	32,1304	20,4417	20,5771
	1 USD Buying	1 USD Selling	1 EUR Buying	1 EUR Selling	100 JPY Buying	100 JPY Selling
Simple arithmetic thirty-day average	29,0519	29,1043	31,7082	31,7653	20,1267	20,2600

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Current Period – 31.12.2023	EUR	USD	Other FC	Total
Assets				
Cash and Balances with The Central Bank of Türkiye	-	-	-	-
Banks	2.521.013	-	581.596	3.102.609
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Loans	14.392.140	-	12.396.002	26.788.142
Investments in Associates, Subsidiaries and Joint-Ventures (Net)	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-
Hedging derivative financial assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	147.870	-	2.927	150.797
Total Assets	17.061.023	-	12.980.525	30.041.548
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Funds Provided from Other Financial Institutions	16.832.307	-	13.024.358	29.856.665
Marketable securities issued	-	-	-	-
Miscellaneous Payables	51.226	-	-	51.226
Hedging derivative financial liabilities	-	-	-	-
Other Liabilities	-	22	-	22
Total Liabilities	16.883.533	22	13.024.358	29.907.913
Net On Balance Sheet Position	177.490	(22)	(43.833)	133.635
Net Off-Balance Sheet Position	-	-	-	-
Financial derivative assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans (*)	675.690	5.947	-	681.637

Prior Period (31.12.2022)				
Total Assets	8.083.537	-	7.106.524	15.190.061
Total Liabilities	8.059.635	65	7.154.837	15.214.537
Net On Balance Sheet Position	23.902	(65)	(48.313)	(24.476)
Net ‘Off-Balance Sheet’ Position				
Financial derivative assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
Non-Cash Loans (*)	390.485	19.216	-	409.701

* There is no effect on net off-balance sheet position.

Currency Risk Sensitivity

The chart below shows the Bank’s sensitivity to 10% changes in US Dollar, Euro, and other foreign currency exchange rates. The 10% margin used here also represents the estimated change in exchange rates, A negative value shows the loss that a 10% depreciation of the Turkish lira against the US Dollar, Euro or other foreign currencies would cause in the Bank’s pretax profit/loss or equity.

	31.12.2023		31.12.2022	
	Statement of Profit or Loss	Equity(*)	Statement of Profit or Loss	Equity(*)
USD	(2,2)	(2,2)	(6,5)	(6,5)
EUR	17.749,0	17.749,0	2.390,2	2.390,2
Other Currencies	(4.383,3)	(4.383,3)	(4.831,3)	(4.831,3)
Total	13.363,5	13.363,5	(2.447,6)	(2.447,6)

(*) Includes profit / loss effects excluding tax effect.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. EXPLANATIONS ON INTEREST RATE RISK

The interest rate risk refers to the probability that the Bank shall suffer loss due to its exposure to changes in interest rates regarding financial instruments. The interest rates are set by the Board of Directors, in consideration of the mission and vision of the bank as well as the prevailing conditions of the day, or by the Assets and Liabilities Committee, which sets the rates in any case at a level not less than the interest rates established by the Board of Directors. The interest rate risk caused by the banking accounts is calculated and monitored at the Bank, to see compliance with the limits established under the Risk Authority Limits Application Methods, as per the provisions of the “Regulation on the Assessment and Evaluation of Interest Rate Risk Caused by Banking Accounts Using the Standard Shock Method”. Furthermore, the assets and liabilities sensitive to interest rates are compared with reference to their maturity, and interest rate sensitive GAP analysis is applied.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)

Current Period – 31.12.2023	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Non-Interest Bearing (*)	Total
Assets							
Cash and Balances with The Central Bank of Türkiye	-	-	-	-	-	361	361
Banks	73.475.280	-	112.308	-	-	3.692.825	77.280.413
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-	-	4	4
Money Market Placements	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Loans	966.872	1.737.435	8.206.784	27.356.226	26.846.489	62.879	65.176.685
Financial assets measured at amortized cost	-	-	-	-	-	-	-
Other Assets	124.213	111.329	640.370	952.503	-	5.608.028	7.436.443
Total Assets	74.566.365	1.848.764	8.959.462	28.308.729	26.846.489	9.364.097	149.893.906
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds from interbank money market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	632.115	632.115
Marketable securities issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions (**)	264.921	625.874	3.312.746	9.813.070	22.128.487	52.834.972	88.980.070
Other Liabilities	5.735.905	1.769.448	152.909	-	-	52.623.459	60.281.721
Total Liabilities	6.000.826	2.395.322	3.465.655	9.813.070	22.128.487	106.090.546	149.893.906
Balance Sheet Long Position	68.565.539	-	5.493.807	18.495.659	4.718.002	-	97.273.007
Balance Sheet Short Position	-	(546.558)	-	-	-	(96.726.449)	(97.273.007)
Off-Balance Sheet Long Position	55.405	222.235	1.456.413	38.088.931	2.594.650	-	42.417.634
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	68.620.944	-324.323	6.950.220	56.584.590	7.312.652	(96.726.449)	42.417.634

(*) Accruals, deferred tax assets, fixed assets, other assets, equity total, provisions, other liabilities and tax liabilities are presented in “non-interest bearing” in the column in order to ensure that the total amount of asset and liability accounts are compatible with the balance sheet.

(**) Funds and discount impacts amounting to TL 7.808.072 provided by the shareholders of the Bank which are included in the funds in the balance sheet are shown in other liabilities line in the table.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)

Prior Period – 31.12.2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 years and over	Non-Interest Bearing (*)	Total
Assets							
Cash and Balances with The Central Bank of Türkiye	-	-	-	-	-	237	237
Banks	37.967.412	-	82.609	-	-	1.878.370	39.928.391
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-	-	5	5
Money Market Placements	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Loans	825.271	1.222.135	5.487.961	21.788.645	16.257.009	106.528	45.687.549
Financial assets measured at amortized cost	-	-	-	-	-	-	-
Other Assets	18.357	35.965	175.949	623.054	-	6.352.243	7.205.568
Total Assets	38.811.040	1.258.100	5.746.519	22.411.699	16.257.009	8.337.383	92.821.750
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds from interbank money market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	103.354	103.354
Marketable securities issued	-	-	-	-	-	-	-
Funds Provided from Other Financial Institutions (**)	316.019	668.825	3.085.298	8.467.300	11.030.448	26.831.173	50.399.063
Other Liabilities	3.404.109	1.000.539	236.667	-	-	37.678.018	42.319.333
Total Liabilities	3.720.128	1.669.364	3.321.965	8.467.300	11.030.448	64.612.545	92.821.750
Balance Sheet Long Position	35.090.912	(411.264)	2.424.554	13.944.399	5.226.561	-	56.275.162
Balance Sheet Short Position	-	-	-	-	-	(56.275.162)	(56.275.162)
Off-Balance Sheet Long Position	3.871	68.141	981.640	8.716.794	1.858.866	-	11.629.312
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	35.094.783	(343.123)	3.406.194	22.661.193	7.085.427	(56.275.162)	11.629.312

(*) Accruals, deferred tax asset, fixed assets, other assets, total equity, provisions, other liabilities, and tax liabilities are shown in the “non-interest bearing” column to ensure that the total amount of asset and liability accounts are compatible with the balance sheet.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. EXPLANATIONS ON INTEREST RATE RISK (continued)

Average interest rates applied to monetary financial instruments by the Bank (%)

Current Period - 31.12.2023	EUR	USD	JPY	TL
Assets				
Cash and Balances with The Central Bank of Türkiye	-	-	-	-
Banks	-	-	0,25	44,09
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Loans	6,03	-	1,33	21,49
Financial assets measured at amortized cost	-	-	-	-
Other Assets	-	-	-	2,15
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds Provided from Other Financial Institutions	5,13	-	0,83	30,62
Other Liabilities	-	-	-	32,53
Prior Period – 31.12.2022	EUR	USD	JPY	TL
Assets				
Cash and Balances with The Central Bank of Türkiye	-	-	-	-
Banks	-	-	0,25	15,07
Financial Assets at Fair Value Through Profit/Loss (Net)	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Loans	4,06	-	0,90	12,83
Financial assets measured at amortized cost	-	-	-	-
Other Assets	-	-	-	1,48
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from interbank money market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds Provided from Other Financial Institutions	3,11	-	0,47	14,65
Other Liabilities	-	-	-	13,89

V. EXPLANATIONS ON EQUITY STOCK POSITION RISK

Equity Investments (Current Period 31.12.2023)		Comparative		
		Balance Sheet Value	Fair Value	Market Value
1	Menkul Değerler*	4	4	4
	Borsada İşlem Gören	4	4	4
2	İştirakler	-	-	-
	Borsada İşlem Gören	-	-	-
3	Bağlı Ortaklıklar	-	-	-
	Borsada İşlem Gören	-	-	-
Equity Investments (Prior Period 31.12.2022)		Comparative		
		Balance Sheet Value	Fair Value	Market Value
1	Menkul Değerler*	5	5	5
	Borsada İşlem Gören	5	5	5
2	İştirakler	-	-	-
	Borsada İşlem Gören	-	-	-
3	Bağlı Ortaklıklar	-	-	-
	Borsada İşlem Gören	-	-	-

(*) The Bank's financial assets at fair value through profit or loss consist of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş. (Group A) in which the Bank has less than 10% shareholding and voting rights.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

Liquidity risk is defined as the risk of the Bank not being able to fulfill its payment obligations in a timely manner, as a result of the imbalance in the cash flows, due to not having enough cash or cash inflows to meet the cash outflows fully and on time. Problems such as refinancing, delays in collections and unexpected fund withdrawals are generally effective in banks' insufficiency of liquidity.

The Liquidity Risk at the Bank is managed in accordance with the Regulation on the Measurement and Evaluation of Liquidity Adequacy of Banks published in the Official Gazette No. 26333 dated 01.11.2006, the Regulation on the Calculation of Banks' Liquidity Coverage Ratio published in the Official Gazette No. 28948 dated 21.03.2014, the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Process of Banks published in the Official Gazette No. 29057 dated 11.07.2014 and the Guide on Liquidity Risk Management that entered into force with the BRSA decision numbered 6827 dated 31.03.2016; Risk Management Policy and Implementation Procedures, Risk and Authority Limits and Basel II standards are followed by forms prepared for Liquidity Risk management.

The Banking Department Treasury Management group, operating under the Banking Services Department, is responsible for liquidity management at the Bank. In addition, internal liquidity assessment is carried out daily and monthly by the Risk Management Department.

It is essential to place the excess liquidity in the Bank by considering alternative returns and to meet the liquidity need with the most cost-effective resources.

Financial resources of the Bank; Liquidity inflows consisting of interest income, loan principal and interest collections, capital collections obtained as a result of the evaluation of the legal shares transferred from the General Budget Tax Revenues to the Bank at the end of each month and distributed to local governments until the evening of the 10th day of the following month, loan disbursements, It monitors the liquidity outflows consisting of payments related to taxes and other legal liabilities and current payments with weekly, monthly and annual reports. The Bank meets its liquidity needs by obtaining funds from local governments, which are its partners, within the scope of paragraph 4 of Article 60 of the Banking Law, by using medium and long-term loans from interbank free money markets and other banks. The loans used by the bank from foreign banks are provided for municipal investments.

The Bank was exempted based on his written request to the decision of the Banking Regulation and Supervision Agency dated 25.09.2014 and numbered 6025 from the Stress Test and Internal Capital Adequacy Assessment Process ("ISEDES") reports, which the Bank is obliged to calculate and report to the BRSA as of the end of the year, pursuant to Articles 43 and 48 of the "Regulation on the Internal Systems of Banks and the Internal Capital Adequacy Assessment Process".

The Assets and Liabilities Committee was established with the decision of the Bank's Board of Directors dated 19.03.2014 and numbered 3/28. The duties of the committee; By evaluating the Bank's financial structure, portfolio, loan rates, developments in money and capital markets, and the developments in the Bank and other banks, the management of the Bank's assets and liabilities and determination of policies regarding fund movements in this context, and the management of the Bank's balance sheet. It is defined as the taking of decisions and the follow-up of the implementation of the decisions taken.

"Liquidity Risk Management Emergency Plan Procedure" in the Bank, with the decision of the Board of Directors dated 23.06.2016 and numbered 21/585, İller Bankası A.Ş. It has been put into practice as an annex to the Emergency Plan. The purpose of this procedure; In case the Bank experiences a possible liquidity shortage.

Ensuring timely diagnosis of possible crisis,

To determine the necessary strategies and procedures to manage risks,

In this context, to end the crisis at the lowest cost as soon as possible by taking the necessary measures,

To consider the interests of the partners providing funds to the bank in the actions to be taken.

In case of exceeding the early warning limits, the relevant units inform the Deputy General Managers they are affiliated with. After the Deputy General Managers inform the General Manager, the General Manager convenes the Assets and Liabilities Committee if deemed necessary. As a result of the Committee's evaluations, it may request from the relevant units to take the necessary measures regarding the issue.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Liquidity coverage ratio

Current Period 31.12.2023		Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				422	-
1	Total high-quality liquid assets (HQLA)	428	-	422	-
CASH OUTFLOWS					
2	Real person and retail deposits	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured funding other than real person and retail deposits	12.431.150	152.795	5.172.803	124.575
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Other unsecured debt	12.431.150	152.795	5.172.803	124.575
9	Secured funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Derivative exposures and collateral completion liabilities	-	-	-	-
12	Payables due to structured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other contractual funding obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet liabilities	55.660.803	45.428.263	4.701.958	3.269.667
16	TOTAL CASH OUTFLOWS			9.874.761	3.394.242
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Unsecured lending	39.606.830	107.662	38.219.849	53.092
19	Other cash inflows	-	-	-	-
20	TOTAL CASH INFLOWS	39.606.830	107.662	38.219.849	53.092
Upper Limit Applied Values					
21	TOTAL HQLA			422	-
22	TOTAL NET CASH OUTFLOWS			2.468.690	848.561
23	LIQUIDITY COVERAGE RATIO (%)			0,02	-

* Average of consolidated liquidity payment ratio calculated for the last three months by calculating the simple monthly arithmetic mean

The lowest highest and average Liquidity Cover Ratio in the last three months of 2023 are shown in the table below.

	Highest	Date	Lowest	Date	Average
TL+FC	0,03	06.10.2023	0,01	08.12.2023	0,02

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Liquidity coverage ratio

Prior Period 31.12.2022		Total unweighted value (*)		Total weighted value (*)	
		TL+FC	FC	TL+FC	FC
HIGH-QUALITY LIQUID ASSETS				191	-
1	Total high-quality liquid assets (HQLA)	191	-	191	-
CASH OUTFLOWS					
2	Real person and retail deposits	-	-	-	-
3	Stable deposits	-	-	-	-
4	Less stable deposits	-	-	-	-
5	Unsecured funding other than real person and retail deposits	7.413.063	361.428	3.170.204	349.550
6	Operational deposits	-	-	-	-
7	Non-operational deposits	-	-	-	-
8	Other unsecured debt	7.413.063	361.428	3.170.204	349.550
9	Secured funding			-	-
10	Other cash outflows of which:	-	-	-	-
11	Derivative exposures and collateral completion liabilities	-	-	-	-
12	Payables due to structured financial instruments	-	-	-	-
13	Payment commitments and other off-balance sheet commitments granted for debts to financial markets	-	-	-	-
14	Other contractual funding obligations	-	-	-	-
15	Other irrevocable or conditionally revocable off-balance sheet liabilities	30.732.240	19.650.670	2.864.348	1.624.821
16	TOTAL CASH OUTFLOWS			6.034.552	1.974.371
CASH INFLOWS					
17	Secured lending	-	-	-	-
18	Unsecured lending	21.764.999	61.582	21.225.216	30.791
19	Other cash inflows	-	-	-	-
20	TOTAL CASH INFLOWS	21.764.999	61.582	21.225.216	30.791
Upper Limit Applied Values					
21	TOTAL HQLA			191	-
22	TOTAL NET CASH OUTFLOWS			1.508.638	493.593
23	LIQUIDITY COVERAGE RATIO (%)			0,01	-

* Average of consolidated liquidity payment ratio calculated for the last three months by calculating the simple monthly arithmetic mean

The lowest highest and average Liquidity Cover Ratio in the last three months of 2022 are shown in the table below.

	Highest	Date	Lowest	Date	Average
TL+FC	0,02	23.12.2022	0,01	28.10.2022	0,01

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VI. EXPLANATIONS ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (continued)

a. Important factors affecting the outcome of the liquidity coverage ratio and the change of the items considered in this ratio

Banks’ Liquidity Coverage Ratio pursuant to paragraph 5 of Regulation 4 of article related to the calculation of the Banking Regulation and Supervision Board for the 12 December 2016 dated and 7123 numbered decision in accordance with the development and investment banks, consolidated and unconsolidated total, and foreign currency liquidity coverage ratio determined 0% until otherwise determined. but to continue reporting the said rates to the BRSA by ensuring that another rate can be determined for the said banks.

The important factors affecting the Bank’s liquidity coverage ratio are the miscellaneous debts followed in other unsecured debts, the funds obtained from foreign financing institutions followed in secured debts and made available to local governments, and the cash available in banks followed in unsecured receivables. The increase in bank assets affects the liquidity coverage ratio, especially with the use of foreign funds and the legal shares transferred to the Bank at the end of each month from the General Budget Tax Revenues and distributed to local governments until the evening of the 10th day of the following month.

b. Items establishing high quality liquidity assets

High quality liquidity assets of the banks are comprised of the following items for calculating the Liquidity Payment Ratio.

Cash and balances, accounts at the central banks form the Top-Quality Liquidity Assets.

c. Items forming the fund resources and their concentration within all the funds

The Bank does not receive deposits and operates under article 77 of the Banking Law numbered 5411. Bank only mediates the funds provided by the foreign financing organizations for local governments to use only.

In addition, the Communiqué Amending the General Communiqué on the Public Treasurer was published in the Official Gazette dated 28 February 2018 and numbered 30346, and article 5 of the communiqué is referred to as “(5) İller Bankası A.Ş. municipalities and special provincial administrations, which are their partners, can use their financial resources at İller Bankası A.Ş. Within the scope of this article, the Bank obtains funds from its partners, municipalities and special provincial administrations.

d. Information about the cash outflow caused by derivative transactions and transactions with the possibility of completion

The Bank which do not receive deposits and operates under article 77 of the Banking Law numbered 5411, has no derivative transactions.

e. Concentration limits regarding the fund resources and collateral based on the counterparties and the product:

Bank was exempted, as a response to the written request for exemption filed with BRSA, from the obligations regarding the Stress Testing and “Internal Capital Adequacy Evaluation Procedure (“ISEDES”))” reporting it has before the BRSA as per articles 43 and 48 of the Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures, applicable at the end of the year.

Loans, guaranteed, structured, etc. in the Bank. It is presented to the Senior Management in Risk Assessment Reports, which are prepared monthly, in terms of credit concentration, collateral, collateral, return and follow-up of credit risk.

f. Liquidity at risk and funding need on the basis of bank itself, its branch abroad and its consolidated partnerships when the operational and legal factors preventing the liquidity transfer are taken into consideration:

The Bank does not have branches abroad or consolidated partnership.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g. Information about other cash flow and cash outflow items thought to be related to liquidity profiles of banks, and which takes part in the calculation of liquidity payment ratio and not in the public disclosure template in the second paragraph:

All the items found in the liquidity payment ratio calculation are included in the calculation by being aggregated in the related table. Within this framework, there is no disclosure that took part in the calculation of the liquidity payment ratio and not in the public disclosure template.

Breakdown of assets and liabilities according to their outstanding maturities

Current Period End (31.12.2023)	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed(*)	Total
Assets								
Cash and Balances with the Central Bank of Türkiye	361	-	-	-	-	-	-	361
Banks	3.072.233	74.095.872	-	112.308	-	-	-	77.280.413
Financial Assets at Fair Value through Profit/Loss	-	-	-	-	-	-	4	4
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Loans	-	981.436	1.778.795	8.213.739	27.356.226	26.846.489	-	65.176.685
Financial assets measured at amortized cost	-	-	-	-	-	-	-	-
Other Assets	-	127.553	111.329	900.084	956.494	-	5.340.983	7.436.443
Total Assets	3.072.594	75.204.861	1.890.124	9.226.131	28.312.720	26.846.489	5.340.987	149.893.906
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds from Other Financial Institutions	-	42.979.909	705.874	3.712.746	19.453.054	22.128.487	-	88.980.070
Funds from interbank money market	-	-	-	-	-	-	-	-
Securities issued	-	-	-	-	-	-	-	-
Miscellaneous Payables	490.880	13.028	363	205	127.639	-	-	632.115
Other Liabilities	-	6.200.262	2.655.748	167.229	1.524.149	-	49.734.333	60.281.721
Total Liabilities	490.880	49.193.199	3.361.985	3.880.180	21.104.842	22.128.487	49.734.333	149.893.906
Liquidity deficit/surplus	2.581.714	26.011.662	(1.471.861)	5.345.951	7.207.878	4.718.002	(44.393.346)	-
Net Off-Balance Sheet Position	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	1.256.541	55.405	222.235	1.456.413	38.088.931	1.338.109	-	42.417.634
Prior Period (31.12.2022)								
Total Assets	1.878.607	38.902.953	1.271.755	5.906.475	22.411.699	16.257.009	6.193.252	92.821.750
Total Liabilities	11.042	24.178.892	2.170.695	3.603.271	15.929.777	11.030.448	35.897.625	92.821.750
Net Liquidity deficit	1.867.565	14.724.061	(898.940)	2.303.204	6.481.922	5.226.561	(29.704.373)	-
Net Off-Balance Sheet Position	-	-	-	-	-	-	-	-
Derivative financial assets	-	-	-	-	-	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-	-
Non-Cash Loans	431.035	3.871	68.141	981.640	8.716.794	1.427.831	-	11.629.312

(*) The accounts included here consist of balance sheet items such as fixed assets, equity stakes, goods on hand, prepaid expenses, nonperforming receivables and other asset accounts and equity items which are necessary for the conduct of banking activities and whose conversion to cash in a short time is not possible.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VII. EXPLANATIONS ON LEVERAGE RATIO

The table concerning to leverage ratio calculated in accordance with “Regulation About Measuring and Evaluating the Leverage Levels of Banks” published on 5 November 2013 dated and 28812 numbered Official Gazette is as below. The leverage ratio calculated based on the arithmetical average of the values of the Bank as of the end of the month in the last three months period as of the balance sheet date is 22,16% (31 December 2022: 25,84%).

The reason of the difference between current period and prior period leverage rates is resulted from the increase in loan commitments within off-balance sheet transactions.

		Current Period* (31.12.2023)	Prior Period* (31.12.2022)
On-balance sheet items			
1	On-balance sheet exposures (excluding derivatives and credit derivatives including collateral)	126.508.511	85.086.294
2	Asset deducted from core capital	-	-
3	The total amount of risk on-balance sheet exposures (1+2)	126.508.511	85.086.294
Derivative financial instruments and credit derivative exposures			
4	Replacement cost associated with derivative financial instruments and credit derivatives	-	-
5	The potential credit risk amount of derivative financial instruments and credit derivatives	-	-
6	The total risk amount of derivative financial instruments and credit derivatives (4+5)	-	-
Securities or commodity guaranteed financing transactions			
7	Risk amount of securities or commodity collateral financing transactions (excluding on balance sheet items)	-	-
8	Risk amount of exchange brokerage operations	-	-
9	The total risk amount of securities or commodity collateral financing transactions (7+8)	-	-
Off-balance sheet items			
10	Gross notional amount for off-balance sheet items	86.728.272	50.567.843
11	Adjustments for conversion to credit equivalent amounts	-	-
12	The total amount of risk for off-balance sheet items (10+11)	86.728.272	50.567.843
Capital and total exposures			
13	Core capital	47.173.329	34.892.316
14	Total risks (3+6+9+12)	213.236.783	135.654.137
Leverage ratio			
15	Leverage ratio	22,16	25,84

(*) Amounts in the table represent the average of the last three months of the related period.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

	Book Value		Fair Value	
	Current Period (31.12.2023)	Prior Period (31.12.2022)	Current Period (31.12.2023)	Prior Period (31.12.2022)
Financial Assets	142.457.102	85.615.945	142.457.102	85.615.945
Money Market Placements	-	-	-	-
Banks	77.280.413	39.928.391	77.280.413	39.928.391
Financial assets measured at fair value through other comprehensive income	4	5	4	5
Financial assets measured at amortized cost	-	-	-	-
Loans	65.176.685	45.687.549	65.176.685	45.687.549
Financial Liabilities	98.740.056	56.288.042	98.740.056	56.288.042
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds from Other Financial Institutions	96.788.143	55.040.378	96.788.143	55.040.378
Securities issued	-	-	-	-
Miscellaneous Payables	632.115	103.354	632.115	103.354
Other Liabilities	1.319.798	1.144.310	1.319.798	1.144.310

IX. EXPLANATIONS ON TRANSACTIONS MADE ON BEHALF OF OTHERS AND TRANSACTIONS BASED ON TRUST

The Bank does not provide purchase, sale, custody and consultancy services for these transactions on behalf of others. The Bank does not make fiduciary transaction contracts. However, the taxes of the Municipalities and Special Provincial Administrations within the scope of the “Law on the Collection of Public Claims” numbered 6183, the SGK, the Pension Fund and various institutions and the tax debts within the scope of the Law numbered 4811, and the “Metropolitan Municipality Law” numbered 5216 and the “Municipal Law” numbered 5393”, the debts within the scope of reconciliation are deducted from the shares of the Municipalities and Special Provincial Administrations distributed by the Bank in accordance with Article 7 of the Law No. 5779 and paid to the relevant institutions.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. EXPLANATIONS ON RISK MANAGEMENT

On 23 October 2015 published in the Official Gazette No. 29 511 “Banks will be made public on Risk Management Disclosures Statements” and related notes prepared in accordance with explanations are provided in this section.

1. The Bank’s risk management approach

Risk management in the bank is carried out in accordance with the provisions of the legislation issued by the Board of Directors; Considering the exceptions specified for Development and Investment Banks in the Banking Law No. 5411 and the exemptions in the Bank Law No. 6107, the Banking Law No. 5411, the regulations, communiqués, guides and other legislative provisions issued by the BRSA in order to enforce this law and the provisions of this legislation.

The risks that the Bank may incur as a result of its strategies and activities are determined by the strategies, policies, limits, and practices determined to monitor, control and, where necessary, change the risk / return structure of the Bank’s future cash flows, are monitored, and controlled by means of procedures. It establishes written policy and implementation procedures to manage all risks arising from the Bank’s operations. The Board of Directors or the relevant internal systems officer regularly assesses their adequacy and makes any necessary changes.

In this context, it is the basic principle to ensure that the risks to be taken are defined and manageable risks. In addition, it is possible to measure the current and future potential effects of the risks involved, as well as the risk measurement and reporting techniques. The Bank establishes written limits within the framework of Article 5 of the “Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process” issued by the BRSA for the risks arising from its activities and these limits are approved by the Board of Directors and are regularly audited.

Based on Bank’s written request, The Bank has been exempted from the (“ISEDES”) report which must be calculated and reported to the BRSA as of the end of the year in accordance with Articles 43 and 48 of “Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks”.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

1.a. Overview of RWA

		Risk Weighted Amount		Minimum capital requirement
		Current Period (31.12.2023)	Prior Period (31.12.2022)	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	144.974.505	95.223.961	11.597.960
2	Standardized approach (SA)	144.974.505	95.223.961	11.597.960
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	-	-	-
5	Standardized approach for counterparty credit risk (SACCR)	-	-	-
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal model's equity position in the banking account	-	-	-
8	Investments made in collective investment companies – look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SFA)	-	-	-
16	Market risk	-	-	-
17	Standardized approach (SA)	-	-	-
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	8.431.051	6.824.839	674.484
20	Basic Indicator Approach	8.431.051	6.824.839	674.484
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	153.405.556	102.048.800	12.272.444

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. EXPLANATIONS ON RISK MANAGEMENT (continued)

2. Links between financial statements and risk amounts

a. Differences between accounting consolidation and legal consolidation scope and matching

Current Period (31.12.2023)	Amount valued in accordance with TAS as reported in financial statements	Valued amount of the items in accordance with TAS				
		Subject to Credit Risk	Subject to Counterparty Risk	Securitization positions	Subject to Market Risk (*)	Not subject to Capital Liability or deducted from Capital
Assets						
Financial Assets (Net)	77.280.778	76.117.115	-	-	-	-
Cash and Cash Equivalents	77.280.774	76.117.111	-	-	-	-
Cash and Central Bank	361	361	-	-	-	-
Banks	77.280.413	76.116.750	-	-	-	-
Receivables from Money market	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	4	4	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
Loans (Net)	65.176.685	55.639.020	-	-	-	-
Loans	65.176.685	55.639.020	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-
Special Provisions (-)	-	-	-	-	-	-
Tangible Assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Partnership Investments	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Affiliates (net)	-	-	-	-	-	-
Jointly controlled entities (Joint ventures) (net)	-	-	-	-	-	-
Tangible fixed assets (net)	1.253.813	1.253.813	-	-	-	-
Intangible fixed assets (net)	26.363	26.363	-	-	-	-
Real estate for investment purpose (net)	3.673.156	3.673.156	-	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	203.187	203.187	-	-	-	-
Other Assets	2.279.924	2.221.616	-	-	-	-
Total Assets	149.893.906	139.134.270	-	-	-	-
Liabilities						
Deposit	-	-	-	-	-	-
Loans received	36.145.098	-	-	-	-	-
Debts to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Funds	60.643.045	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Leasing Liabilities	26.110	-	-	-	-	-
Provisions	1.093.065	-	-	-	-	-
Current Tax Liability	971.830	-	-	-	-	-
Liabilities for assets held for sale and discontinued	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Other Liabilities	1.951.913	-	-	-	-	-
Equity	49.062.845	-	-	-	-	-
Total Liabilities	149.893.906	-	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. EXPLANATIONS ON RISK MANAGEMENT (continued)

2. Links between financial statements and risk amounts

a. Differences between accounting consolidation and legal consolidation scope and matching

Prior Period (31.12.2022)	Amount valued in accordance with TAS as reported in financial statements	Valued amount of the items in accordance with TAS				
		Subject to Credit Risk	Subject to Counterparty Risk	Securitization positions	Subject to Market Risk (*)	Not subject to Capital Liability or deducted from Capital
Assets						
Financial Assets (Net)	39.928.633	39.928.633	-	-	-	-
Cash and Cash Equivalents	39.928.628	39.928.628	-	-	-	-
Cash and Central Bank	237	237	-	-	-	-
Banks	39.928.391	39.928.391	-	-	-	-
Receivables from Money market	-	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	5	5	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-
Financial assets measured at amortized cost	-	-	-	-	-	-
Derivative Financial Assets	-	-	-	-	-	-
Loans (Net)	45.687.549	45.687.549	-	-	-	-
Loans	45.687.549	45.687.549	-	-	-	-
Leasing receivables	-	-	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Non-Performing Loans	-	-	-	-	-	-
Special Provisions (-)	-	-	-	-	-	-
Tangible Assets held for sale and discontinued operations (net)	-	-	-	-	-	-
Partnership Investments	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-
Affiliates (net)	-	-	-	-	-	-
Jointly controlled entities (Joint ventures) (net)	-	-	-	-	-	-
Tangible fixed assets (net)	1.141.128	1.141.128	-	-	-	-
Intangible fixed assets (net)	24.537	24.537	-	-	-	-
Real estate for investment purpose (net)	3.393.729	3.393.729	-	-	-	-
Current Tax Asset	-	-	-	-	-	-
Deferred Tax Asset	133.906	133.906	-	-	-	-
Other Assets	2.512.268	2.512.268	-	-	-	-
Total Assets	92.821.750	92.821.750	-	-	-	-
Liabilities						
Deposit	-	-	-	-	-	-
Loans received	23.568.228	-	-	-	-	-
Debts to money markets	-	-	-	-	-	-
Securities Issued (Net)	-	-	-	-	-	-
Funds	31.472.150	-	-	-	-	-
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Factoring Liabilities	-	-	-	-	-	-
Leasing Liabilities	6.747	-	-	-	-	-
Provisions	742.315	-	-	-	-	-
Current Tax Liability	370.407	-	-	-	-	-
Liabilities for assets held for sale and discontinued	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-
Other Liabilities	1.247.664	-	-	-	-	-
Equity	35.414.239	-	-	-	-	-
Total Liabilities	92.821.750	-	-	-	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. Explanations on Risk Management (continued)

2. Links between financial statements and risk amounts (continued)

b. The main sources of the differences between the risk amounts and the amounts in the financial statements valued in accordance with TAS

Current Period (31.12.2023)		Total	Subject to Credit Risk	Securitization Positions	Subject to counterparty credit risk	Subject to Market Risk
1	Valued amounts of assets in accordance with TAS (as in template B1)	149.893.906	139.134.270			
2	Valued amounts of liabilities in accordance with TAS (as in template B1)	149.893.906	-	-	-	-
3	Total net amount	-	139.134.270	-	-	-
4	Off-balance sheet amounts	117.663.331	66.904.734	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the Institution	-	-	-	-	-
9	Risk Amounts	267.557.237	206.039.004	-	-	-

Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

Prior Period (31.12.2022)		Total	Subject to Credit Risk	Securitization Positions	Subject to counterparty credit risk	Subject to Market Risk
1	Valued amounts of assets in accordance with TAS (as in template B1)	92.821.750	92.821.750			
2	Valued amounts of liabilities in accordance with TAS (as in template B1)	92.821.750	-	-	-	-
3	Total net amount	-	92.821.750	-	-	-
4	Off-balance sheet amounts	57.356.506	34.492.909	-	-	-
5	Valuation differences	-	-	-	-	-
6	Differences arising from different netting rules (other than those set out in line 2)	-	-	-	-	-
7	Differences due to consideration of provisions	-	-	-	-	-
8	Differences arising from the applications of the Institution	-	-	-	-	-
9	Risk Amounts	150.178.256	127.314.659	-	-	-

Due to the loan guarantee structure, the Bank does not apply credit risk mitigation techniques.

c. Explanations on the differences between the amounts valued and the risk amounts in accordance with TAS

The difference between the amounts assessed in accordance with TAS and the risk amounts subject to Loan risk arises from intangible assets that are not subject to Loan risk and deferred tax assets. The difference between the off-balance sheet amounts and the risk amounts subject to Loan risk arises from the application of the Loan conversion ratios to off-balance sheet amounts in accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

3. Credit Risk Explanations

a. Issues to be disclosed to the public on credit risk

a.1. General qualitative information on loan risk

Credit risk is measured as described in the BRSA Regulation on Measurement and Assessment of Banks' Capital Adequacy dated 23 October 2015. This approach corresponds to the Simplified Standard Method in Basel II documents.

Similar to the Basel I method with the Simplified Standard Method, the values subject to credit risk are calculated by grouping the loans according to their collateral and by giving them different risk weights. Simplified standard method is used in the Bank, but since the Bank's customers are composed of local governments, different risk weights are not given, and all customers are evaluated at 100% risk weight.

In calculations it is essential to consider the guarantees Basel II has adopted as acceptable in the reduction of risk. There is no risk reducing effect of other guarantees. There are no guarantees that can be valued within the scope of Basel II criteria in the Bank. The Basel II standard method is used to calculate the bank's loan risk weighted asset amount, in which case transactions are carried out in accordance with the initiative of the national authority, the BRSA.

The risk, concentration, collateral, return and follow-up of the loans by the Risk Management Department, whether there is an excess of the limits determined according to the Bank's general loan policies, are subject to Article 45 of the Regulation on the Internal Systems of Banks and Internal Capital Adequacy Evaluation Process and the Bank Organization Risk Evaluation Reports prepared monthly in accordance with Article 23, in which the duties of the Risk Management Department are specified in the Duties and Authorization Directive, are submitted to the Board of Directors, the Senior Management and the units responsible for risk formation and monitoring. Particular attention is paid to credit concentration reporting, and this issue is monitored periodically by grouping loans according to different criteria. When necessary, the bank can take decisions based on these concentrations.

The authority to extend a loan in the bank belongs to the Board of Directors. The Board of Directors may delegate its authority to extend credit to the Credit Committee and/or the General Management. Written proposal of the General Directorate is sought in the opening of a loan or transfer of authority by the Board of Directors. The Board of Directors determines the credit policies and limits at the macro level, establishes the policies regarding credit opening, approval and other administrative principles.

Regarding all Local Authorities requesting a loan from the Bank, even if it varies according to the type and maturity of the loan requested, the Bank's authorized bodies decide whether to enter a loan relationship or not, according to the result obtained within the framework of the credit evaluation procedures and principles. The Board of Directors of the Bank is authorized to determine the credit risk limits, considering the counterparty risk. Credit transactions are carried out by the Board of Directors, the credit committee and/or the Head Office. The General Management may also use its authority to extend credit, through its other units or regional directorates. In determining the credit limit to be extended to a credit user, the Board of Directors may delegate its authority to extend a credit amounting to 10% of its own funds to the Credit Committee and 1% to the General Management.

Portfolio based returns of the loans provided, and their performances are monitored by the Risk Management Department. Risk management activities are carried out by the Risk Management Department, such as the introduction of new limits for the measurement of loan risk, monitoring, analysis and prevention of concentration.

In the context of loan risk measurement, information on the subjects to be monitored based on local government is aggregated and the concentration on the loans is followed by making the analysis suitable. Concentration analyzes are used by the Senior Management to decide on the structure of the loans to be given in the following periods. The objective of loan risk management is to optimize the risk adjusted income of the bank by managing the risks that the bank may be exposed to, within the appropriate parameters, in accordance with the relevant legislation. Credit risk management is not under the responsibility of a single department.

Regular audits and supervisions are carried out to ensure that loan processes are maintained in accordance with the bank's loan policies and procedures, that the loans are issued within the framework of the procedures and principles set by the board of directors, and that the terms, amounts and qualifications of the loan are accurately reported to senior management. Activities carried out by the units within the internal systems are used to identify weaknesses in loan risk management processes, policies and procedures and to identify transactions that are contrary to such limits, policies and procedures. As a result of the reviews, the matters identified are shared regularly with senior management and audit committee.

Board of Directors; loan risk management is ultimately the responsibility of the Board of Directors. This responsibility is to monitor the effectiveness of the loan risk management system, to determine loan risk management policies and implementation procedures by taking risk management strategies as a basis, to determine risk appetite, to assign risk limits, to ensure that credit risk management policy and implementation procedures are followed and adhered to, to ensure that risks are understood and adequately assessed before an action is entered, to participate in the process of designing, selecting, implementing and approving loan risk measurement models.

Audit Committee's duty on credit risk management to receive and evaluate the opinions and recommendations of the Senior Management regarding loan risk management systems, to evaluate whether there is any necessary infrastructure to manage the loan risk effectively and to take the necessary precautions.

General Manager is the highest authorized authority of the Bank after the Board of Directors among the lenders authorized by the Bank and approves the loan within the framework of the authorization of the Board of Directors in accordance with the provisions of the Bank Loan Policy.

The senior management is responsible for the implementation of the loan risk strategy and policy approved by the Board of Directors and the development of policies and procedures for the identification, measurement, monitoring and control of the loan risk.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. Explanations on Risk Management (continued)

a.1. General qualitative information on loan risk (continued)

The Risk Management Department is responsible for implementing the loan risk management policies approved by the Board of Directors in relation to loan risk; for identification, measurement and reporting of loan risk; for ensuring that these risks are coordinated among the various parts of the bank that are exposed to loan risk. A suitable environment is created for the processing of the loan function in a healthy and efficient manner. Adequate staff and software are provided, authorities, roles, limits are clearly defined, and necessary controls are established. Loan risk is measured, analyzed and reported periodically.

In order to determine the maximum exposure to a loan relationship, the loans are combined and monitored.

The country, sector, borrower / counterparty, product, concentration, risk group and individual based loan limits and loan limits specified in the loan policies are recorded in information systems; if these limits and boundaries are approached, information systems are provided to produce stimulus information and timely reporting of over rights is provided, including those relating to exceptional operations. Information systems are structured flexibly so that intra bank and legal reporting can be done at the desired level and speed. Manual practices are avoided as much as possible.

Audit of loan risk refers to the independent monitoring of the nature of the loans and the compliance of the loaning process with the Bank’s policy and implementation principles through legal regulations and the assessment of the adequacy of loans and other receivable provisions.

The credit risk control and evaluation process consist of the steps of the quality and trend of the loan portfolio, the effectiveness of the overall risk management and processes, whether timely action is made for retrograding loans, the management of the problematic loans, informing the Bank’s management and the Board of Directors and the measures to be taken.

The loaning process is monitored continuously by the loan allocation authority and bodies. In addition to the supervision of the loaning process, audits based on the Borrower Local Administration and Regional Directorate are also carried out in the Internal Audit System. The Risk Management Department monitors and evaluates the loan risk on a portfolio basis. Loan risk audit performed in the Internal Audit System is determined according to the annual audit plans determined by the Board of Directors.

a.2. Assets credit quality

Current Period (31.12.2023)		a	b	c	d
		Defaulted	Not defaulted	Provisions /amortization and impairment	Net Values (a+b-c)
		Gross carrying values of (according to TAS)			
1	Credits	-	65.176.685	-	65.176.685
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	117.663.331	-	117.663.331
4	Total	-	182.840.016	-	182.840.016

Prior Period (31.12.2022)		a	b	c	d
		Defaulted	Not defaulted	Provisions /amortization and impairment	Net Values (a+b-c)
		Gross carrying values of (according to TAS)			
1	Credits	-	45.687.549	-	45.687.549
2	Debt securities	-	-	-	-
3	Off-balance sheet exposures	-	57.356.506	-	57.356.506
4	Total	-	103.044.055	-	103.044.055

a.3. Changes in stock of defaulted loans and debt securities

Its fields of operations are defined in the Bank’s governing law no. 6107 as “satisfying the financing need of special provincial authorities, municipalities and their affiliated organizations and local administrative associations of which only these may be members; develop projects concerning locally provided common services for the people dwelling within the boundaries of such administrations; providing such administrations with consultancy services and assistance on urban projects of a technical nature and in the conduct of infrastructure and superstructure works and performing any and all development and investment banking functions”. Within this framework, the Bank is not involved in banking activities oriented towards free market in institutional and commercial terms. The Bank, which consists mostly of project loans, is not profit oriented and supports social projects of local governments without regard to credibility. In paragraph 5 of Article 13 of Banking Law No. 6107, it has been decided that the obligation to allocate provision for loans and other receivables will not apply to Bank. In the event that the repayments of the loans provided by the bank cannot be made at the time of return, principal instalment amount that cannot be collected is added to balance principal amount and it is capitalized at the end of each month and extended to remained maturity so as to be redeemed. Uncollected interest installments are spread over the residual interest without interest accruing by adding it over the residual interest sum. For this reason, the Bank does not have a default receivable due to the default in loans extended.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

a.4. Additional information on credit quality of assets

In accordance with Article 13, paragraph 5 of the Law No. 6107 “Law on İller Bankası A.Ş.,” “The provisions of the Banking Law No. 5411 regarding provisions are not applicable to the Bank”, the specific provisions set aside by the Bank belong to the receivables other than loan transactions that are in the process of litigation.

Breakdown of receivables by geographical regions*

	Current Period Total	Prior Period Total
Domestic	107.594.319	57.316.861
USA, Canada	-	-
EU Countries	-	-
OECD Countries	-	-
Other countries	-	-
Total	107.594.319	57.316.861

(*) The distribution of cash and non-cash loans according to geographical area is provided.

Sectoral distribution of receivables *

	Current Period Total	Prior Period Total
Agriculture	-	-
Farming and Livestock	-	-
Forestry	-	-
Fishery	-	-
Manufacturing	-	-
Mining and Quarrying	-	-
Manufacturing Industry	-	-
Electricity, Gas, Water	-	-
Construction	-	-
Services	-	-
Wholesale and Retail Trade	-	-
Hotel and Restaurant Services	-	-
Transportation and Communication	-	-
Financial Institutions	-	-
Real estate and lending service	-	-
Self-employment service	-	-
Education Services	-	-
Health and Social Services	-	-
Other	107.594.319	57.316.861
TOTAL	107.594.319	57.316.861

(*) Distribution of cash and non-cash loans by sectors is provided.

The loans extended by the Bank, the shares of local governments distributed by the Bank and some revenues of municipalities are given as collateral. The Bank collects its other receivables through legal means, and from time to time, considering the situation of the debtor and the expenses to be incurred for the collection, the General Assembly performs the cancellation process within the framework of the Bank Law.

b. Credit risk mitigation techniques

Drinking water, rent, terminal, parking lot, port and other operating income of the local governments that want to use credit in the current situation in the bank are taken as collateral and credit is provided for these guarantees. In this application, the bank borrows the local governments that use credits and makes payments to the contractor firms based on the project, and the revenues related to the guarantees are collected in an account and pledged by the pledge contract on the account.

This structure does not comply with the collateral types in the Basel II criteria, although the bank has a quality collateral structure. According to the legislation of the Bank, mortgage can be used as collateral. In practice, however, mortgage is not usually taken as a guarantee. If the counterparty credit risk reduction in the bank is utilized, the calculations will be verified to comply with the principles and procedures for credit risk mitigation before the acceptance of the collateral effect. The Bank does not apply credit risk mitigation techniques due to its loan collateral structure.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. Explanations on Risk Management (continued)

3. Credit Risk Explanations (continued)

c. Credit Risk if Standard Approach is Used

c.1. Qualitative explanations to be made about the rating grades used by banks when calculating the credit risk with the standard approach

The Bank does not have any credit rating transactions with its customers and local governments which are also partners.

c.2. Standard Approach Exposure to credit risk and credit risk mitigation effects

Current Period (31.12.2023)	Credit conversion rate and credit amount before credit risk mitigation		Credit conversion rate and credit amount after credit risk mitigation		Risk weighted amount and risk weighted amount density	
	On-balance Sheet Amount	Off-balance Sheet Amount	On-balance Sheet Amount	Off-balance Sheet Amount	RWA	RWA density
Claims on sovereigns and Central Banks	37	-	37	-	-	-
Claims on regional governments or local authorities	64.903.527	42.417.634	55.383.733	42.153.290	97.537.024	%100
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	76.659.821	-	75.496.158	-	15.099.232	%20
Claims on corporates	-	-	-	-	-	-
Claims on retails	210.548	-	210.548	-	257.822	%122,45
Claims secured by residential property	-	-	-	-	-	-
Claims secured by commercial property	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other receivables	8.119.973	67.578.298	8.043.794	24.751.444	32.080.428	%97,82
Total	149.893.906	109.995.932	139.134.270	66.904.734	144.974.506	%70,36

(*) All of these loans are extended to the Bank's personnel.

Prior Period (31.12.2022)	Credit conversion rate and credit amount before credit risk mitigation		Credit conversion rate and credit amount after credit risk mitigation		Risk weighted amount and risk weighted amount density	
	On-balance Sheet Amount	Off-balance Sheet Amount	On-balance Sheet Amount	Off-balance Sheet Amount	RWA	RWA density
Claims on sovereigns and Central Banks	32	-	32	-	-	-
Claims on regional governments or local authorities	45.489.643	11.629.312	45.489.643	11.629.312	57.118.955	%100
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-	-
Claims on international organizations	-	-	-	-	-	-
Claims on banks and intermediary institutions	39.851.264	-	39.851.264	-	7.970.253	%20
Claims on corporates	-	-	-	-	-	-
Claims on retails	91.378	-	91.378	-	91.378	%100
Claims secured by residential property	-	-	-	-	-	-
Claims secured by commercial property	-	-	-	-	-	-
Past due loans	-	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-	-
Secured by mortgages	-	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other receivables	7.389.433	45.727.194	7.389.433	22.863.597	30.043.375	%99,31
Total	92.821.750	57.356.506	92.821.750	34.492.909	95.223.961	%74,79

(*) All of these loans are extended to the Bank's personnel.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

c.3. Standard Approach: Receivables according to risk classes and risk weights

Current Period (31.12.2023)		a	b	c	d	e	f	g	h	i	j	k	Total risk amount (KDO) and KRA post)
Risk classifications/ Risk weight		0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Ot-hers	
1	Claims on central governments and Central Banks	37	-	-	-	-	-	-	-	-	-	-	37
2	Claims on regional governments or local authorities	-	-	-	-	-	-	-	97.537.024	-	-	-	97.537.024
3	Claims on administrative bodies and other noncommercial Undertakings	-	-	-	-	-	-	-	-	-	-	-	-
4	Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Claims on banks and intermediary institutions	-	-	75.496.158	-	-	-	-	-	-	-	-	75.496.158
7	Claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Claims on retails	-	-	-	-	-	-	-	116.000	94.548	-	-	210.548
9	Claims secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10	Claims secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11	Past due loans	-	-	-	-	-	-	-	-	-	-	-	-
12	Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-
15	Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
17	Equity securities	218.335	-	620.592	-	-	-	-	31.956.310	-	-	-	32.795.237
18	Total	218.372	-	76.116.750	-	-	-	-	129.609.334	94.548	-	-	206.039.004

Prior Period (31.12.2022)		a	b	c	d	e	f	g	h	i	j	k	Total risk amount (KDO) and KRA post)
Risk classifications/ Risk weight		0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Ot-hers	
1	Claims on central governments and Central Banks	32	-	-	-	-	-	-	-	-	-	-	32
2	Claims on regional governments or local authorities	-	-	-	-	-	-	-	57.118.955	-	-	-	57.118.955
3	Claims on administrative bodies and other noncommercial Undertakings	-	-	-	-	-	-	-	-	-	-	-	-
4	Claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Claims on international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Claims on banks and intermediary institutions	-	-	39.851.264	-	-	-	-	-	-	-	-	39.851.264
7	Claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-
8	Claims on retails	-	-	-	-	-	-	-	91.378	-	-	-	91.378
9	Claims secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10	Claims secured by commercial property	-	-	-	-	-	-	-	-	-	-	-	-
11	Past due loans	-	-	-	-	-	-	-	-	-	-	-	-
12	Higher risk categories decided by the Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-	-	-	-	-	-	-	-
15	Undertakings for collective investments in mutual funds	-	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	-	-	-	-	-	-	-	-	-	-	-	-
17	Equity securities	147.953	-	77.127	-	-	-	-	30.027.950	-	-	-	30.253.030
18	Total	147.985	-	39.928.391	-	-	-	-	87.238.283	-	-	-	127.314.659

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

X. Explanations on Risk Management (continued)

4. Explanations on Counterparty Credit Risk (CCR)

Within the scope of paragraph 8 of Article 4 of the Regulation on Measurement and Evaluation of Banks’ Capital Adequacy, the counterparties arising from the following transactions in the banking and trading accounts shall calculate the capital liability for the counterparty credit risk. The risk exposure calculation for counterparty credit risk for collateralized derivative financial instruments in trading accounts is the same for collateralized counterpart derivative instruments in banking accounts.

The risk exposure calculation for the counterparty loan risk for the repo transactions in the trading accounts is also made within the framework of the principles and procedures stated in the Communiqué on Loan Risk Reduction Techniques and the Annex-2 for the repurchase transactions in the banking accounts.

a) Derivative transactions,

b) Repo transactions,

c) Securities or commodity loan transactions,

d) Credit securities transactions,

e) Transactions with long clearing times.

The risk weights related to the transactions listed above in the banking accounts are considered in the same way for the transactions in the trading accounts. The capital obligation for the counterparty loan risk and counterparty loan risk is not calculated because the bank does not perform such transactions.

4.1. Credit derivatives

None.

4.2. Risks available to Central Counter Party

None..

5. Explanations on securitization positions

There are no issues to be disclosed to the public regarding securitization.

6. Explanations on market risk

Market risk includes the risks of loss that the Bank may be exposed to due to general market risk, exchange rate risk, specific risk, commodity risk, swap risk and counterparty credit risk in trading accounts. The amount subject to market risk at the Bank is calculated monthly using the Standard Method within the scope of legal reporting and is included in the total capital liability by taking into account the calculation of the Bank’s Capital Adequacy Standard Ratio. In addition, the Bank calculates the amount subject to market risk with the “Internal Model” within the framework of the provisions of the “Communiqué on Calculation of Market Risk with Risk Measurement Models and Evaluation of Risk Measurement Models” at its own discretion and the results are reported to the Senior Management by the Risk Management Department in monthly periods.

The Bank, which does not accept deposits, operates within the scope of article 77 of the Banking Law No. 5411, to use cash and non-cash loans and intermediary in insurance transactions in exchange for the shares to be transferred from the Bank to municipalities and special provincial administrations, whose banking function is capitalists, as a guarantee. and interest rates are determined by the Asset-Liability Committee provided that they do not fall below the interest rates set by the Board of Directors or the Board of Directors in accordance with the conditions of the day.

Market risk instruments are as follows.

Stocks

Government and private sector bonds and bills and other debt instruments

Repo / Reverse repo

Currency position

Derivative products specified in the Capital Market Law

Other capital market instruments Other accounts arising from banking accounts and for which interest rate risk is calculated.

Except for the foreign currency position, the Bank does not have the above mentioned instruments. According to the 22nd article of the “Regulation on Measurement and Evaluation of the Capital Adequacy of Banks”, if the net foreign currency position is below 2% of the equity, 0 will be taken; Since the bank’s net foreign currency position is below this ratio, capital requirement is not calculated for exchange rate risk.

In the calculations made with the Internal Method, the Value at Risk (VAR) estimations are made on a daily basis using Parametric, Monte Carlo and Historical Simulation Methods; Marginal and Incremental VaR calculations and advanced VaR analyzes are performed on a weekly basis, and backtesting is applied daily to test the reliability of the results of the models used. While the bank is exempt from the preparation and reporting of stress tests and scenario analyzes to the BRSA, it internally conducts stress tests and scenario analyzes for market risks. VaR based limits have been determined within the scope of “Risk and Authority Limits Implementation Procedures”, which was put into effect with the decision of the Board of Directors regarding market risk in the Bank.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

7. Explanations on operational risk

Amount subject to operational risk is calculated with the fundamental indicator method according to the Article 25 of the Regulation regarding the Measurement and Assessment of Capital Adequacy of Banks. It is calculated by deducting, the profit/loss from marketable securities recognized as financial assets measured at fair value through profit or loss ,extraordinary income, and amounts compensated from the insurance, from total of net amounts of annual gross income, interest income and non-interest income.

Current Period	31.12.2020	31.12.2021	31.12.2022	Total / Positive GI Number of Years	Ratio (%)	Total
Gross Income	3.407.064	4.487.220	5.595.397	4.496.560	15	674.484

Amount Subject to Operational Risk (Total x12.5)						8.431.050
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Prior Period	31.12.2019	31.12.2020	31.12.2021	Total / Positive GI Number of Years	Ratio (%)	Total
Gross Income	3.025.458	3.407.064	4.487.220	3.639.914	15	545.987

Amount Subject to Operational Risk (Total x12.5)						6.824.839
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8. Issues to be disclosed to the public regarding interest rate risk in banking accounts

Interest Rate Risk Arising from Banking Accounts is calculated and reported on a monthly basis within the scope of the Regulation on Measurement and Evaluation of the Interest Rate Risk Arising from Banking Accounts with Standard Shock Method.

Differences in economic value arising from fluctuations in interest rates in accordance with the related regulation

Current Period (31.12.2023)		Applied shock (+ / -x basis points)	Gains / Losses	Gains / Equity (Losses) / Equity
Currency unit				
1	TL	+500 / (400) baz puan	(1.331.408) / 1.203.393	(%2,71) / %12,45
2	EUR	+200 / (200) baz puan	247.999 / (338.487)	%0,51 / (%0,69)
3	USD	+200 / (200) baz puan	0 / 0	%0 / %0
Total (For Negative Shocks)			864.906	%1,76
Total (For Positive Shocks)			(1.083.409)	%(2,21)

Prior Period (31.12.2022)		Applied shock (+ / - x basis points)	Gains / Losses	Gains / Equity (Losses) / Equity
Currency unit				
1	TL	+500 / (400) baz puan	(3.402.182) / 3.640.323	(%9,61) / %10,28
2	EUR	+200 / (200) baz puan	153.049 / (210.112)	%0,43 / (%0,59)
3	USD	+200 / (200) baz puan	0 / 0	%0 / %0
Total (For Negative Shocks)			3.430.211	%9,69
Total (For Positive Shocks)			(3.249.133)	%(9,17)

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

5. SECTION

DISCLOSURES AND FOOTNOTES ON FINANCIAL STATEMENTS

I. EXPLANATIONS AND DISCLOSURES RELATED TO ASSETS

a. Cash and balances with Central Bank

a.1. Information on Cash and Balances with the Central Bank of Türkiye

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	324	-	205	-
Central Bank of Türkiye	37	-	32	-
Others	-	-	-	-
Total	361	-	237	-

a.1.1. Explanations on Required Reserves:

It is not subject to the Central Bank of the Republic of Türkiye Communiqué on Required Reserves No. 2005/1, since deposits are not accepted by the bank and fund collection is not carried out.

a.2. Balances with the Central Bank of Türkiye

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits	37	-	32	-
Unrestricted Time Deposits	-	-	-	-
Restricted Time Deposits	-	-	-	-
Total	37	-	32	-

b. Financial assets at fair value through profit or loss

b.1. Financial assets at fair value through profit or loss

The Bank’s financial assets, whose fair value difference is reflected in profit / loss, are composed of Emlak Konut Gayrimenkul Yatırım Ortaklığı A.Ş., whose share and voting rate is below 10% and has no significant control. As of 31 December 2023, its net value is TL 4.

b.2. Information about financial assets subject to repo transactions given as collateral/blocked

The Bank has no securities measured at fair value through profit or loss which are given as collateral / blocked or subject to repo transactions.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

c. Statement of positive differences on derivative financial assets at fair value through profit or loss

The bank has no derivative financial assets at fair value through profit or loss

d. Information on banks:

d.1. Banks account

	Current Period		Prior Period	
	TL	FC	TL	YP
Banks	74.177.804	3.102.609	38.006.434	1.921.957
Domestic banks	74.177.804	3.102.609	38.006.434	1.921.957
Foreign banks	-	-	-	-
Foreign head offices and branches	-	-	-	-
Other Financial Institutions	-	-	-	-
Total	74.177.804	3.102.609	38.006.434	1.921.957

e. Financial assets at fair value through other comprehensive income

e.1. Information on financial assets subject to repo transactions, given as collateral / blocked, at fair value through other comprehensive income

The Bank does not have financial assets subject to repo transactions, given as collateral / blocked, at fair value through other comprehensive income.

f. Information on financial assets at fair value through other comprehensive income

The Bank does not have financial assets at fair value through other comprehensive income.

g. Information on financial assets measured at amortized cost (Net)

g.1. Loans

g.1.1 Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period		Prior Period	
	TL	FC	TL	YP
Direct Loans Granted to Shareholders	64.966.137	42.417.634	45.596.171	11.629.312
Corporate Shareholders	64.966.137	42.417.634	45.596.171	11.629.312
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	210.548	-	91.378	-
Total	65.176.685	42.417.634	45.687.549	11.629.312

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g.1. Information on Loans (continued)

g.1.2. Information on Standard Loans and Closely Monitored Loans and Restructured Closely Monitored Loans

Current Period	Standard Loans	Loans Under Close Monitoring		
Cash Loans		Not Included in Restructured Loans	Restructured Loans	
			Changes in Conditions of Contract	Refinancing
Non-specialized Loans	210.548	-	-	-
Corporate Loans	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Commercial Loans	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	210.548	-	-	-
Specialized Loans	64.966.137	-	-	-
Other Receivables	-	-	-	-
Total	65.176.685	-	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring		
Cash Loans		Not Included in Restructured Loans	Restructured Loans	
			Changes in Conditions of Contract	Refinancing
Non-specialized Loans	91.378	-	-	-
Corporate Loans	-	-	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Commercial Loans	-	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	91.378	-	-	-
Specialized Loans	45.596.171	-	-	-
Other Receivables	-	-	-	-
Total	45.687.549	-	-	-

In accordance with paragraph 5 of the 13th article of Law No. 6107 on İller Bankası A.Ş., no provision is made for loans by the Bank. Due to the structure of the Bank’s loans, there is no loan whose payment schedule is extended.

The Bank has a standard loan with payment plan extension amounting to TL 16.449.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g.1.3. Information on distribution of cash loans according to maturity structure

Current Period	Standard Loans	Loans Under Close Monitoring	
		Not Restructured	Restructured
Short-Term Loans	303.962	-	-
Non-Specialized Loans	160.569	-	-
Specialized Loans	143.393	-	-
Medium and Long-Term Loans	64.872.723	-	-
Non-Specialized Loans	49.979	-	-
Specialized Loans	64.822.744	-	-

Prior Period	Standard Loans	Loans Under Close Monitoring	
		Not Restructured	Restructured
Short-Term Loans	135.775	-	-
Non-Specialized Loans	32.162	-	-
Specialized Loans	103.613	-	-
Medium and Long-Term Loans	45.551.774	-	-
Non-Specialized Loans	59.216	-	-
Specialized Loans	45.492.558	-	-

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g.1. Information on Loans (continued)

g.1.4. Information on consumer loans, personal credit cards, personnel loans and personnel credit cards

Current Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	160.569	49.979	210.548
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	160.569	49.979	210.548
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TP (Real Person)	-	-	-
Overdraft Account - FC (Real Person)	-	-	-
Total	160.569	49.979	210.548

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period	Short Term	Medium and Long Term	Total
Consumer Loans-TL	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	32.162	59.216	91.378
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	32.162	59.216	91.378
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Mortgage Loans	-	-	-
vehicle Loans	-	-	-
General Purpose Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TP (Real Person)	-	-	-
Overdraft Account - FC (Real Person)	-	-	-
Total	32.162	59.216	91.378

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g.1. Information on Loans (continued)

g.1.5. Installment-based commercial loans and corporate credit cards

There are no installment-based commercial loans or corporate credit cards.

g.1.6. Loan concentration according to counterparty

	Current Period	Prior Period
Public	64.966.137	45.596.171
Private (*)	210.548	91.378
Total	65.176.685	45.687.549

(*) Salary loans made available to bank personnel.

g.1.7. Domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	65.176.685	45.687.549
Foreign Loans	-	-
Total	65.176.685	45.687.549

g.1.8 Loans granted to subsidiaries and associates

None

g.1.9. Specific provisions for loans or default (Third Stage) provisions

No provision is made by the Bank for loans within the framework of the 5th paragraph of the 13th article of the “Law on İller Bankası A.Ş.” numbered 6107, “The provisions of the Banking Law numbered 5411 regarding provisions shall not apply to the Bank”.

g.1.10. Information on non-performing loans (Net)

g.1.0.i. Information on loans and other receivables included in non-performing loans, which are restructured or rescheduled:

There are no loans or other receivables included in non-performing loans, which are restructured or rescheduled by the Bank.

g.1.10.ii. Movement of total non-performing loans

None

g.1.10.iii. Non-performing loans arising from loans extended in foreign currency

None.

g.1.10.iv. Gross and net non-performing loans and receivables as per customer categories borrowers

g.1.11.-12.Explanations on the liquidation policy and write-off policies for the loans and other receivables in the nature of loss

Loans provided by the bank are given by the shares of the local governments distributed by the Bank and some of the municipalities as warranty. For the other receivables of the Bank, the proceeds from the legal remedies are applied, and from time to time, the General Assembly deletes within the framework of the Bank’s Law, taking into consideration the state of the debtor and the costs to be collected.

h. Financial assets at amortized cost

h.1. Information on net values and comparative, subject to repo transactions and given as collateral/blocked

The Bank has no investments which are the subject of repo transactions or which have been otherwise posted as guarantees or blocked

h.2. Information on government debt securities valued at amortized cost

There are no government debt securities valued at amortized cost.

h.3. Information on financial assets carried at amortized cost

There are no financial assets valued over their amortized cost.

h.4. The movements of financial assets valued over their amortized cost

The financial assets carried at amortized cost have no movement during the year.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

i. Information on subsidiaries (Net)

None

j. Information on associates (Net)

None

k. Information on Joint Ventures (Net)

None

I. Finance Lease receivables (Net)

The Bank has no finance lease transactions (December 31, 2022: TL 3.195).

m. Positive differences related to hedging derivative financial assets

None

n. Tangible assets (Net):

Current Period	Real estate	Real Estates with Right of Use	Securities with Right of Use	Tangible Fixed Assets Acquired through Leasing vehicles	vehicles	Other Tangible Fixed Assets	Total
Prior Period's End (31.12.2022)							
Cost	1.076.667	1.666	15.396	-	8.252	178.213	1.280.194
Accumulated Depreciation	(62.417)	(1.003)	(9.312)	-	(2.145)	(64.189)	(139.066)
Net Book Value	1.014.250	663	6.084	-	6.107	114.024	1.141.128

Current Period's End (31.12.2023)							
Cost at the Beginning of the Period	1.076.667	1.666	15.396	-	8.252	178.213	1.280.194
Acquired	245.905	2.916	28.760	-	1494	70.708	349.783
Disposed	(143.399)	(1.804)	(4.941)	-	-	(19.391)	(169.535)
Period End Cost	1.179.173	2.778	39.215	0	9.746	229.530	1.460.442

Accumulated Depreciation at the Beginning of the Period	62.417	1.003	9.312	0	2.145	64.189	139.066
Current Period Depreciation	38.009	2.446	6.174	-	1165	41.988	89.782
Disposal Depreciation	(16.959)	(1.793)	(1.259)	-	-	(2.208)	(22.219)
End of Period Accumulated Depreciation	83.467	1.656	14.227	0	3.310	103.969	206.629
Closing Net Book Value	1.095.706	1.122	24.988	0	6.436	125.561	1.253.813

Prior Period	Real estate	Real Estates with Right of Use	Securities with Right of Use	Tangible Fixed Assets Acquired through Leasing vehicles	vehicles	Other Tangible Fixed Assets	Total
Prior Period's End (31.12.2021)							
Cost	942.726	7.676	12.742	-	4.235	100.458	1.067.837
Accumulated Depreciation	(49.153)	(5.068)	(4.031)	-	(1.956)	(44.662)	(104.870)
Net Book Value	893.573	2.608	8.711	-	2.279	55.796	962.967

Current Period's End (31.12.2022)							
Cost at the Beginning of the Period	942.726	7.676	12.742	-	4.235	100.458	1.067.837
Acquired	1.035.285	1.788	6.283	-	4.776	94.170	1.142.302
Disposed	(901.344)	(7.798)	(3.629)	-	(759)	(16.415)	(929.945)
Period End Cost	1.076.667	1.666	15.396	-	8.252	178.213	1.280.194

Accumulated Depreciation at the Beginning of the Period	49.153	5.068	4.031	-	1.956	44.662	104.870
Current Period Depreciation	51.938	2.197	7.931	-	778	27.126	89.970
Disposal Depreciation	(38.674)	(6.262)	(2.650)	-	(589)	(7.599)	(55.774)
End of Period Accumulated Depreciation	62.417	1.003	9.312	-	2.145	64.189	139.066
Closing Net Book Value	1.014.250	663	6.084	-	6.107	114.024	1.141.128

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

o. Information on intangible fixed assets:

Current Period	
Prior Period's End (31.12.2022)	
Cost	43.184
Accumulated Depreciation	(18.647)
Net Book Value	24.537
Current Period's End (31.12.2023)	
Cost at the Beginning of the Period	
Acquired	43.184
Disposed	14.239
	(608)
Period End Cost	56.815
Accumulated Depreciation at the Beginning of the Period	
Current Period Depreciation	(18.647)
Disposal Depreciation	(11.817)
	12
End of Period Accumulated Depreciation	30.452
Closing Net Book Value	26.363

Prior Period's End (31.12.2021)	
Cost	14.678
Accumulated Depreciation	(11.931)
Net Book Value	2.747
Current Period's End (31.12.2022)	
Cost at the Beginning of the Period	
Acquired	14.678
Disposed	34.513
	(6.007)
Period End Cost	43.184
Accumulated Depreciation at the Beginning of the Period	
Current Period Depreciation	(11.931)
Disposal Depreciation	(7.191)
	475
End of Period Accumulated Depreciation	18.647
Closing Net Book Value	24.537

p. Information on investment property

As of December 31, 2023, the Bank has investment properties amounting to TL 3.673.156 (December 31, 2022: TL 3.393.729), all of which consist of land acquired in accordance with Article 3, paragraph 2, subparagraphs (h) and (i) of the Banking Law. As of December 31, 2023, the fair value of investment properties is TL 10.459.934 (December 31, 2022: TL 5.807.086).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

Prior Period	
Prior Period End (31.12.2022)	
Cost	3.393.729
Accumulated Depreciation	-
Provision for Impairment	-
Net Book Value	3.393.729
Current Period's End (31.12.2023)	
Cost at the Beginning of the Period	
Acquired	3.393.729
Disposed	1.345.152
	(1.065.725)
Period End Cost	3.673.156
Accumulated Depreciation at the Beginning of the Period	
Current Period Depreciation	-
Disposal Depreciation	-
End of Period Accumulated Depreciation	-
Provision for Impairment	-
Closing Net Book Value	3.673.156

Prior Period's End (31.12.2021)	
Cost	2.960.339
Accumulated Depreciation	(196)
Net Book Value	(24.597)
Current Period's End (31.12.2022)	2.935.546
Cost at the Beginning of the Period	
Acquired	2.960.339
Disposed	1.140.025
	(706.635)
Period End Cost	3.393.729
Accumulated Depreciation at the Beginning of the Period	
Current Period Depreciation	(196)
Disposal Depreciation	(6)
End of Period Accumulated Depreciation	202
Provision for Impairment	-
Closing Net Book Value	-

q. Information on deferred tax assets

Deductible temporary differences, financial losses, tax deductions and exemptions.

Deferred Tax Assets	Current Period	Prior Period
Reserves for Employee Entitlements	201.447	120.847
Other	10.108	19.986
Tax Procedure Law-TAS Depreciation Differences	(8.368)	(6.927)
Total	203.187	133.906

As of 31 December 2023, the Bank does not have any deferred tax asset calculated over tax deductions and exceptions. In addition, deferred tax assets amounting to TL 211.555 (31 December 2022: TL 140.833) and deferred tax liabilities amounting to TL 8.368 (31 December 2022: TL 6.927), which are calculated over the amounts to be taken into account in the financial profit/loss calculation in the following periods, which arise between the book value of the assets or liabilities in the balance sheet and the tax base value determined in accordance with the tax legislation, are netted and recorded as TL 203.187 (31 December 2022: TL 133.906).

r. Information on fixed assets held for sale and associated with discontinued operations

The Bank has no fixed assets held for sale or which are associated with discontinued operations.

s. Information on other assets

As at 31 December 2023 and 31 December 2022, other assets item of the balance sheet does not exceed 10% of total assets, except for the commitments shown in off-balance sheet accounts.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

II. EXPLANATION AND NOTES RELATED TO THE LIABILITIES

a. a. Information on the maturity structure of deposits

a.1.1. Information on maturity structure of deposits

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

a.1.2. Mevduat sigortası kapsamında bulunan ve mevduat sigortası limitini aşan tasarruf mevduatına ilişkin bilgiler

Banka, 5411 sayılı Bankacılık Kanunu’nun 77’nci maddesi çerçevesinde faaliyet göstermekte olup, mevduat kabul yetkisi bulunmayan kalkınma ve yatırım bankasıdır.

a.2. Information on the saving deposits of the bank with head office abroad, if the saving deposits in the branches of the bank located in Türkiye are under the guarantee of saving deposit insurance in that country abroad

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

a.4. Retail deposits not guaranteed by insurance

İller Bankası A.Ş. is a development and investment bank whose activities are governed by Article 77 of the Banking Law no 5411. The Bank is not authorized to accept deposits.

b. Information on derivative financial liabilities at fair value through profit or loss

Table of negative differences related to derivative financial liabilities at fair value through profit or loss

None.

c. Information on banks and other financial institutions

c.1. Banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Türkiye	-	-	-	-
Domestic Banks and Institutions	7.431.127	-	9.126.663	-
Foreign Banks, Institutions and Funds	-	28.713.971	-	14.441.565
Total	7.431.127	28.713.971	9.126.663	14.441.565

c.2. Maturity analysis of funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	-	-	-	-
Medium and Long-term	7.431.127	28.713.971	9.126.663	14.441.565
Total	7.431.127	28.713.971	9.126.663	14.441.565

(*) Medium and long-term loans obtained from foreign banks, institutions and funds were obtained from the World Bank within the scope of Municipal Services Project, Sustainable Cities Projects, FRIT II Municipal Services Development Project and Turkey Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER), The amounts disbursed to municipalities from JICA (Japan International Cooperation Agency) within the scope of the Network and Wastewater Treatment Plant Development Project and the Local Government Infrastructure Development Project, from the European Investment Bank (EIB) within the scope of the Environmental Loan, from the Islamic Development Bank within the scope of the Urban Transportation Project, and from AFD (French Development Agency) within the scope of the FRIT II Municipal Services Project.

c.3. Funds

	Current Period		Prior Period	
	TL	FC	TL	FC
Other (*)	59.500.351	1.142.694	30.700.992	771.158
Total	59.500.351	1.142.694	30.700.992	771.158

(*) Of the funds provided from other financial institutions amounting to TL 60,643,045, TL 42,714,988 of the funds transferred by the Ministry of Treasury and Finance in accordance with the Law No. 5779 on “Allocation of Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities”, TL 2,483,101 of the funds transferred to the Bank for Water and Sewerage Infrastructure Projects (SUKAP), TL 1.992,236 TL to the fund allocated from the Bank’s profits for the infrastructure and superstructure needs of municipalities and villages, 29,581 TL to the amount transferred to the Bank under the IPA Project, 919,690 TL to the amount transferred by the Disaster and Emergency Management Presidency, 16,259 TL to the amount of funds transferred to the Bank for urban infrastructure services, 80,770 TL to the fund transferred to the Bank for Solid Waste Program, 51,837 TL to the funds transferred to the Bank for the 100-Day Action Plan Bicycle and Green Walking Road project, TL 7,808,072 TL to the funds and rediscounts obtained from the Bank’s shareholders and securities, TL 331,639 TL to the funds transferred to the Bank for the KÖYDES Project, TL 2,603,588 TL to the funds transferred to the Bank by the Ministry of Environment, Urbanization and Climate Change for disaster, earthquake zone infrastructure and reserve area works, TL 462,460 TL belongs to the amount transferred within the scope of the protocol with the Ministry of National Defense, 176,491 TL belongs to the EIB Municipal Resilience Project-I MADAD Grant, 58,944 TL belongs to the grant funds provided by the World Bank within the scope of the Sustainable Cities Project and 556,769 TL belongs to the FRIT II Municipal Services Development Project, 350,490 TL belongs to the FRIT II grant of the French Development Agency and 6,130 TL belongs to other funds.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

d. If other liabilities exceed 10% of the balance sheet total, names and amounts of the accounts constituting at least 20% of grand totals

Other liabilities do not exceed 10% of the balance sheet total

e. Lease payables (Net)

Explanations on liabilities arising from financial leasing transactions

The Bank has no debts due to financial leasing transactions.

Explanations on liabilities arising from operating lease transactions

	Current Period		Previous Period	
	Gross	Net	Gross	Net
Less than 1 Year	20.615	17.102	7.251	5.726
Between 1-4 Years	15.575	9.008	1.491	1.021
More than 4 Years	-	-	-	-
Total	36.190	26.110	8.742	6.747

f. Information on derivative financial liabilities for hedging purposes

Table of negative differences for derivative financial liabilities for hedging purposes

None.

g. Information on Provisions

g.1. General provisions

Pursuant to Article 13 (5) of the Law No. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 do not apply to İller Bankası A.Ş.

g.2. Provisions for foreign exchange losses on foreign currency indexed loans and finance leases

Pursuant to Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 do not apply to İller Bankası A.Ş.

g.3. Special provisions for non-compensated and non-cash loans

Pursuant to Article 13 (5) of the Law no. 6107 governing İller Bankası A.Ş., the reserve requirements of the Banking Law No. 5411 does not apply to İller Bankası A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

g.4.1. Other provisions

There is a provision amounting to TL 388.000 related to the amounts foreseen to be distributed to the personnel in accordance with Article 30 of the Bank’s articles of association from the supervision income and insurance income from the consultancy services provided to local governments (December 31, 2022: TL 214.890).

As of 31 December 2023, there is a provision amounting to TL 33.577 for the litigation provisions of which the Bank’s litigation process continues (31 December 2022: TL 44.039).

g.4.2. Provisions for employee benefits

As of 31 December 2023, the Bank has set aside an employee rights provision amounting to TL 671.488 as retirement bonus for contracted personnel and severance pay for worker personnel within the framework of the provisions specified in the “Turkish Accounting Standard on Employee Benefits” (“TAS 19”) (31 December 2022: TL 483.386).

Movement of employee termination indemnity for the current and prior period

	Current Period	Prior Period
Opening balance, January 1	483.386	163.901
Period Expense	49.224	89.574
Payments Made	(40.943)	(12.596)
Actuarial loss/(gain)	179.821	242.507
Closing Balance, December 31	671.488	483.386

In accordance with the current labor law in Türkiye, the Bank is obliged to pay severance pay in the amount it deserves to the personnel who quit their job due to retirement or who are dismissed for reasons other than resignation and bad behavior. These compensations are equal to the 30-day gross wage for each year worked, based on the wage on the date of dismissal or dismissal. As of 31 December 2023 and 31 December 2022, the maximum severance pay is TL 23.489,83 (full TL) and TL 19.982,83 (full TL). Contract personnel working in the Bank under the Law No. 6107 are paid end-of-work compensation calculated within the framework of the procedures and principles regarding those employed within the scope of subparagraph (B) of the first paragraph of Article 4 of the Civil Servants Law.

In the financial statements dated 31 December 2023 and 31 December 2022, the Bank calculates the severance pay by discounting using the anticipated annual inflation and interest rates. The inflation and interest rate used are as follows:

	Current Period	Prior Period
Inflation Rate	%30,43	%10,00
Interest Rate	%33,50	%10,96

h. Tax liability

h.1. Information on current tax liability

	Current Period	Prior Period
Corporate Tax Payable	756.060	247.697
Income Tax Withholding	48.545	34.874
Securities Capital Income Tax	7.301	17.965
Real Estate Capital Income Tax	-	-
Banking Insurance Transaction Tax (BITT)	21.696	7.232
Foreign Exchange Transactions Tax	-	-
Value Added Tax Payable	72.658	39.206
Other	4.012	3.423
Total	910.272	350.397

h.2. Information on premiums

	Current Period	Prior Period
Social Security Premiums-Employees	22.704	7.149
Social Security Premiums-Employer	33.253	10.472
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fees and Provisions-Employees	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employees	1.623	512
Unemployment Insurance-Employer	3.246	1.023
Others	732	854
Total	61.558	20.010

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h.3. Deferred tax liability

The Bank has no deferred tax liabilities as of 31 December 2023 (see footnote V-I-n).

i. Explanations on property and equipment held for sale and related to discontinued operations and on payables regarding these assets

None.

j. Explanations on the number of subordinated debt instruments used by the Bank, maturity, interest rate, the creditor of the debt instrument and the option to convert into stock, if any, and information on subordinated loans

None.

k. Information on shareholders’ equity

k.1. Paid-in capital

	Current Period	Prior Period
Common Stock (*)	39.040.740	28.538.677
Preferred Stock	-	-

(*) Pursuant to the Bank’s governing statute, İller Bankası A.Ş.’s capital is not divided into shares and no share certificates have been issued.

k.2. Paid-in capital amount, explanation as to whether the registered share capital system is applied at the bank; if so the amount of registered share capital

The Bank is not subject to registered share capital system.

k.3. Information on share capital increases and their sources; other information on any increase in capital shares during the current period

No capital increase was made in the current period, and a capital collection of TL 10.502.063 was made during this period. TL 9.540.862 of this collection is the 2% deducted monthly from the total of the tax revenue shares to be distributed by the Ministry of Treasury and Finance and İller Bankası A.Ş. every month, according to the Law No. 5779 on “Authorization of Special Provincial Administrations and Municipalities from General Budget Tax Revenues”. It consists of 30% of the shares, TL 961.201 of this amount which is allocated from the profit of 2022, to be added to the capital in accordance with the Bank’s Law.

k.4. Information on the portion of capital reserves added to the capital in the current period

None.

k.5. Capital commitments in the last fiscal year and at the end of the following period, the general purpose of these commitments and projected resources required to meet these commitments

The Bank’s governing law does not permit it to enter into capital commitments. The Bank’s capital consists of the 2% monthly deductions made from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under the Law No. 5779 on Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities and capital shares set aside at the ratio of 30% from the Bank’s distributable profit.

k.6. The estimated effects of the predictions on the equity, taking into account the previous period indicators of the Bank’s income, profitability and liquidity, and the uncertainties in these indicators

The Bank has defined a lending and interest rate policy that can minimize the losses from which it may suffer. In accordance with the Bank’s establishment law, according to the Law No. 5779 on “Paying Shares from General Budget Tax Revenues to Special Provincial Administrations and Municipalities”, the Ministry of Treasury and Finance and the İller Bankası A.Ş. will be distributed every month with the capital collections at the rate of 2% per month over the total of the tax revenues shares. loan principal and interest collections, In case of liquidity insufficiency in the balance of the Bank’s income and expense balance, the funds collected from domestic banks, borrowing as needed and from shareholders in accordance with the provisions of the “Public Treasury General Communiqué”, provide the Bank’s cash inflows.

k.7. Information on the privileges given to shares representing the capital

The capital of the Bank is not represented by shares

k.8. Explanations on the securities value increase fund

The Bank does not have marketable securities value increase fund.

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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

III. EXPLANATIONS AND DISCLOSURES RELATED TO OFF-BALANCE SHEET ACCOUNTS

a. Explanation on liabilities in off-balance sheet accounts

a.1. Types and amounts of irrevocable loan commitments

Loans promised by the bank and to be extended to local governments in accordance with the guarantee and loan agreements signed with the World Bank on 26 December 2016 within the scope of the “Sustainable Cities Project” is TL 51.887, within the scope of “Sustainable Cities Project II”, loans promised by the bank and to be extended to local governments as per the guarantee and loan agreements signed on 16 May 2018 and additional loan agreements signed on 10 July 2019 is TL 16.770.209, as per the guarantee and loan agreement signed on 17 March 2021 within the scope of the European Union’s Financial Assistance Program for Refugees in Türkiye (FRIT-II), the loans committed by the bank and to be extended to local governments is TL 4.158.471 and within the scope of the Türkiye Earthquake, Flood and Fire Emergency Reconstruction Project (TEFWER), the loans promised by the bank as per the guarantee and loan agreement signed on 30.12.2022 and to be extended to local governments is TL 13.637.635, within the scope of the Public and Municipalities Renewable Energy Project (PUMREP), the loans committed by the Bank and to be extended to local governments in accordance with the loan agreement signed on September 20, 2023 amounting to TL 8.143.475 and within the scope of the Turkey Water Circularity and Efficiency Improvement Project (WCEIP), the loans committed by the Bank and to be extended to local governments in accordance with the loan agreement signed on September 20, 2023 amounting to TL 2.443.042, totaling TL 45.204.719 (December 31, 2022: TL 22.171.254).

The Japan International Cooperation Agency (“JICA”) and “Infrastructure of Local Governments”. within the scope of the “Development Project”, the loans promised by the bank in accordance with the guarantee and loan agreements signed on 15 May 2015 and entered into force on 14 August, 2015, and the loans to be extended to local governments is TL 611.765 and the loans provided under the “Local Governments Environmental Development / Development Project” (Phase II) in accordance with the guarantee and loan agreements signed in 20 August 2021, the loans committed by the bank and to be extended to local governments is TL 6.310.633 total of all is TL 6.922.398 (31 December 2022: TL 6.915.990).

The total of loans to be extended to Municipalities committed by the Bank in accordance with the guarantee and loan agreements signed on 28 June 2012 within the scope of “Urban Infrastructure Projects” with the European Investment Bank is TL 99.589 and within the scope of the “Urban Transport and Environment Loan”, the total of the loans to be extended to the Municipalities committed by the Bank in accordance with the guarantee protocol signed on 6 October 2015 is TL 3.715.465 a total of TL 3.815.054 (31 December 2022: TL 3.650.855).

Within the context of “Urban Transportation Projects” with the Islamic Development Bank, the total amount of credits to be used for the Municipalities that are committed to guarantee and loan agreements signed on 29 August, 2016 is TL 3.069.191 (31 December 2022: TL 2.069.630).

In accordance with the Loan Agreement signed with the French Development Agency on 6 December 2021 within the scope of the “Municipal Services Project”, the total amount of loans committed by the Bank and to be extended to local governments is TL 2.052.156 (31 December 2022: TL 1.255.899).

Within the scope of the “Strengthening the Resilience of Municipalities against Natural Disasters Project” of the Council of Europe Development Bank (CEB), the total amount of loans committed by the Bank and to be extended to local governments pursuant to the loan agreement signed with our Bank on December 21, 2023 is TL 6,514,780.

The total value of all lending underwritten by the Bank for municipalities’ infrastructure and superstructure services is TL 7.667.399 (31 December 2022: TL 9.663.566). The Bank’s total credit commitment exposure amounts to TL 75.245.697 (31 December 2022: TL 45.727.194).

a.2. The type and amount of probable losses and commitments resulting from off-balance sheet items, including those below

a.2.i. Guarantees, bank endorsements and acceptances, collaterals that qualify as financial guarantees, and non-cash loans including other letters of credit

As of the balance sheet date the Bank had no guarantees, bank endorsements or acceptances, or collaterals that qualify as financial guarantees or non-cash loans including other letters of credit.

a.2.ii. Performance bonds, bid bonds, sureties and similar transactions

As of the balance sheet date, the total value of letters of guarantee issued by the Bank amounted to TL 42.417.634 (31 December 2022: TL 11.629.312).

a.3.i. Non-cash loans

	Current Period	Prior Period
Non-Cash loans given against cash loan	42.417.631	11.629.309
With Original Maturity of 1 Year or Less Than 1 Year	1.734.053	1.053.652
With Original Maturity of More Than 1 Year	40.683.578	10.575.657
Other Non-Cash Loans	3	3
Total	42.417.634	11.629.312

a.3.ii. Information on sectoral risk concentrations of non-cash loans

There is no sectoral risk concentration in the non-cash loans account, and the Bank provides all its non-cash loans to local governments.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

a.3.iii. Non-cash loans classified under Group I and II

Current period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loan	41.735.997	681.637	-	-
Letters of Guarantee	41.735.997	681.637	-	-
Aval and Acceptance Credits	-	-	-	-
Letters of Credit	-	-	-	-
Turnovers	-	-	-	-
Our Purchase Guarantees in the Issuance of Securities	-	-	-	-
Factoring Guarantees	-	-	-	-
Other	-	-	-	-

Prior Period	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loan	11.219.611	409.701	-	-
Letters of Guarantee	11.219.611	409.701	-	-
Aval and Acceptance Credits	-	-	-	-
Letters of Credit	-	-	-	-
Turnovers	-	-	-	-
Our Purchase Guarantees in the Issuance of Securities	-	-	-	-
Factoring Guarantees	-	-	-	-
Other	-	-	-	-

b. Information on derivative financial instruments

None.

c. Explanations on credit derivatives and the risks they are exposed to

None.

d. Information on contingent liabilities and assets

As of 31 December 2023, the Bank has set aside a provision amounting to TL 33.577 for contingent liabilities that are highly probable, for lawsuits filed against and still pending. (31 December 2022: TL 44.039).

Although there are other lawsuits filed and pending against them, the probability of these lawsuits to result in negative results is not considered high and cash outflows are not expected regarding these lawsuits.

The Bank has no contingent assets.

In the current period, the amount of the Bank’s revocable commitments is TL 27.104.209 (31 December 2022: TL 14.518.704). The Bank has no contingent liabilities and assets.

e. Information on transactions carried out on behalf

The Bank does not provide purchase, sale, custody and consultancy services on behalf of others. However, the debts of Municipalities and Special Provincial Administrations to public institutions and their debts within the scope of reconciliation are deducted from the shares of these administrations distributed by the Bank and paid to the relevant institutions in accordance with Article 7 of the Law No. 5779.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF PROFIT OR LOSS

a. Interest Income:

a.1. Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term loans	21.315	-	10.948	-
Medium and long-term loans	4.433.532	220.321	3.175.891	75.728
Loans under follow-up	-	-	-	-
Premiums received from Resource Utilization Support Fund	-	-	-	-
Total	4.454.847	220.321	3.186.839	75.728

a.2. Information on Interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Türkiye	-	-	-	-
Domestic Banks	8.145.046	59.271	3.354.008	10.044
Foreign Banks	-	-	-	-
Foreign Head offices and Branches	-	-	-	-
Total	8.145.046	59.271	3.354.008	10.044

a.3. Information on Interest income received from marketable securities

None.

a.4. Interest income received from associates and subsidiaries

None.

b. Interest Expenses:

b.1. Information on Interest expenses related to funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	1.646.286	6.928	900.698	4.364
Central Bank of Türkiye	-	-	-	-
Domestic Banks	1.646.286	-	900.698	-
Foreign Banks	-	6.928	-	4.364
Foreign Head Offices and Branches	-	-	-	-
Other Institutions	-	1.417	-	1.042
Total	1.646.286	8.345	900.698	5.406

The Bank gave interest of TL 1.585.738 (31 December 2022: TL 711.492) to the short-term funds obtained from the local governments.

b.2. Interest expenses paid to associates and subsidiaries

None.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

b.3. Information on interest expenses on securities issued

None.

b.4. Maturity structure of the interest expense on deposits

None.

c. Explanations on dividend income

None.

d. Trading income/losses (Net)

	Current Period	Prior Period
Gains	4.957	5.011
Gains on capital market transactions	-	-
Gains on derivative financial instruments	-	-
Gains on foreign exchange transactions	4.957	5.011
Losses (-)	(29.937)	(19.553)
Losses on capital market transactions	-	-
Losses on derivative financial instruments	-	-
Losses on foreign exchange transactions	(29.937)	(19.553)
Total	(24.980)	(14.542)

e. Information on other operating income:

	Current Period	Prior Period
Income from Asset Sales	1.921.353	1.028.931
From the Sale of Subsidiaries and Affiliates	-	-
From the Sale of Securities	23	3
From the Sale of Real Estate	1.921.330	1.028.928
Leasing Income	2.257	2.301
Real Estate Lease Incomes	2.257	2.301
Operating Lease Income	-	-
Other ^(*)	556.041	408.642
Total	2.479.651	1.439.874

(*) The Bank's revenues from consultancy and control services provided to local governments amounting to TL 487.838 (31 December 2022: TL 315.000), guarantee and loan fees deposited on behalf of local governments in accordance with loan agreements with external financial institutions amounting to TL 17. 923 TL (December 31, 2022: 29.021 TL), TL 27.597 (December 31, 2022: 37.080 TL) from adjustments related to prior years' expenses, and other income amounting to TL 22.683 (December 31, 2022: TL 27.541).

f. Expected credit loss provisions of the Bank

In accordance with 5th paragraph of the 13th article of the Law No. 6107 on İller Bank A.Ş., the provisions of the Banking Law No. 5411 on expected loan loss provisions are not applicable to the Bank.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

IV. EXPLANATIONS AND DISCLOSURES RELATED TO STATEMENT OF PROFIT OR LOSS (continued)

g. Information on other operating expenses

	Current Period	Prior Period
Reserve for Employee Termination Benefits	49.224	89.574
Bank Pension Fund Deficit Provisions	-	-
Impairment Losses on Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	80.121	56.474
Impairment Losses on Intangible Assets	-	-
Impairment Losses on Goodwill	-	-
Amortization Expenses of Intangible Assets	11.817	7.191
Impairment Losses on Share of Participations Accounted for Using the Equity Method	-	-
Impairment Losses on Marketable Securities to be Disposed	-	-
Depreciation Expenses of Marketable Securities to be Disposed	-	-
Impairment Losses on Assets Held for Sale and Associated with Discontinued Operations	-	-
Other Operating Expenses	1.175.504	711.428
Repair and Maintenance Expenses	25.911	23.062
Cleaning Costs	172.894	90.923
Membership Expenses	332.876	190.204
Transportation vehicle Expenses	72.457	22.399
Service Procurement Expenses	239.646	109.563
Heating, Lighting and Water Costs	54.916	39.555
Small Fixtures Expenses	17.674	13.955
Computer Operating Expenses	23.055	29.966
Advertisement Expenses	3.370	7.271
Communication Expenses	5.266	3.545
Printing Paper and Office Supplies	6.417	5.025
Help and Donations	80.930	108.405
Other Expenses	140.092	67.555
Loss on Sale of Assets	-	-
Other (*)	1.981.323	224.738
Total	3.297.989	1.089.405

(*) Includes taxes, duties and funds amounting to TL 254.538 (December 31, 2022: TL 140.551), other expenses and losses amounting to TL 89.786 (December 31, 2022: TL 18.003), depreciation of property, plant and equipment under operating lease amounting to TL 0 (December 31, 2022: TL 5) and other provisions amounting to TL 1.636.999 (December 31, 2022: TL 66.179).

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

The Bank's total interest income amounting to TL 13.181.560 (December 31, 2022: TL 6.871.460), net fee and commission income amounting to TL 311.773 (December 31, 2022: TL 8.308), other operating income amounting to TL 2.479.651 (December 31, 2022: TL 1.439.874), trading profit/loss amounting to TL (24.980) (December 31, 2022: TL (14. 542) TL), interest expenses amounting to TL 3.395.895 (December 31, 2022: TL 1.680.770), personnel and other operating expenses amounting to TL 6.011.203 (December 31, 2022: TL 2.172.908), after deducting TL 6.540.906 (December 31, 2022: TL 4.451.422) profit from continuing operations. The Bank has no discontinued operations.

i. Information on tax provision for continuing and discontinued operations

Current tax provision related to continuing operations amounting to TL 2.413.638 (December 31, 2022: TL 1.089.980) has been calculated as provision for income taxes from continuing operations amounting to TL 2.413.638 (December 31, 2022: TL 1.089.980) after deducting net deferred tax income amounting to TL 3.210 (December 31, 2022: TL 30.544) from current tax provision amounting to TL 2.416.848 (December 31, 2022: TL 1.120.524).

Information on deferred tax income or expense arising from origination or reversal of temporary differences

Deferred Tax Income/Expense Resulting from Origination/Reversal of Temporary Differences	Current Period	Prior Period
From the origination of deductible temporary differences (+)	-	-
From the reversal of deductible temporary differences (-)	-	-
From the origination of taxable temporary differences (+)	32.531	47.846
From the reversal of taxable temporary differences (-)	(29.321)	(17.302)
Total	3.210	30.544

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j. Explanations on net profit/loss from continuing and discontinued operations

Profit before tax from continuing operations amounting to TL 6.540.906 (December 31, 2022: TL 4.451.422) less tax provision for continuing operations amounting to TL 2.413.638 (December 31, 2022: TL 1.089.980) is TL 4.127.268 (December 31, 2022: TL 3.361.442). The Bank has no discontinued operations.

k. Explanations on net profit and loss for the period

k.1. If disclosure of the nature, size and recurrence rate of income and expense items arising from ordinary banking transactions is necessary to understand the Bank's performance during the period, the nature and amount of these items are disclosed.

The Bank earned interest income amounting to TL 13.181.560 (December 31, 2022: TL 6.871.460), interest expense amounting to TL 3.395.895 (December 31, 2022: TL 1.680.770), net fee and commission income amounting to TL 311.773 (December 31, 2022: TL 8.308) due to ordinary banking activities.

k.2. The effect of a change in an estimation on financial statement items on profit/loss is stated in a way to cover those periods if it is probable that it will affect subsequent periods as well.

There is no change in the estimates made regarding the financial statement items.

k.3. Profit/loss of minority shares

None.

l. If the other items in the profit or loss statement exceed 10% of the total profit or loss statement, the sub-accounts that make up at least 20% of these items are shown:

The "Other operating income" item in Section Four, sub-paragraph d above and the "Other operating expenses" item in Section Four, sub-paragraph f above account for more than 10% of the income statement total. Information about these are provided in the same notes. In addition, there are no other items that exceed 10% of statement of profit or loss.

V. EXPLANATION AND NOTES RELATED TO THE STATEMENT OF CHANGES IN EQUITY

1. Information on capital

As per the Bank's governing Law No. 6107, the Bank's capital consists of 2% monthly deductions from the total shares of the tax revenues to be distributed every month by the Ministry of Finance and İller Bankası A.Ş. under Statute 5779 on "Allotments of General Budget Revenues to be Allocated to Special Provincial Authorities and Municipalities" dated 2 July 2008; out of the Bank's nominal capital of TL 45.000.000, as of 31 December 2023 TL 39.040.740 had been paid-in as of (31 December 2022: TL 28.538.677).

The Bank has made capital collections amounting to TL 10.502.063 (December 31, 2022: TL 5.990.914) in the current period, of which TL 9.540.862 (December 31, 2020: TL 5. 199.169 TL) and TL 961.201 of this amount consists of 30% of the profit of 2021 (December 31, 2022: TL 791.745) to be added to the capital in accordance with the Banking Law.

2. Capital Reserves

At the end of the reporting period, the Bank's capital reserves is TL 1.245.696; TL 876.514 of this amount consisted of inflation adjustment to paid-in capital and TL 369.182 consisted of revaluation difference on tangible assets.

3. Profit Reserves

After the addition of TL 1,954,442 transferred from the profit of 2022, TL 288,360 allocated from the profit of 2022 to be distributed to the Bank's personnel but not distributed as per the decision of the Board of Directors of the Bank, and TL 84,769 renewal fund to the profit reserves of TL 2,536,213 at the beginning of the period, a total profit reserve of TL 4,863,784 was reached at the end of the period.

4. Net Profit/Loss for the Period

In the current period, a period profit of TL 4.127.268 has been realized. TL 3.204.003 of the profit of 2022 was subject to profit distribution in the period.

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VI. EXPLANATION AND NOTES RELATED TO THE STATEMENT OF CASH FLOWS

1. Explanations on the “Other” and the “Effect of change in foreign exchange rates on cash and cash equivalents” items in the statement of cash flows

TL 1.322.205 decrease (31 December 2022: TL 811.765 decrease) in the “Other” item shown in operating profit prior to changes in the assets and liabilities related to the Bank’s business activities mainly consists of current expenditures (electricity, water, gas, maintenance and repairs, rent, advertising and announcements, stationery and office supplies, and membership fees paid to a variety of organizations).

“Increase / Decrease in Other Assets” amounting to TL 1.722.779 (December 31, 2022: TL 1.969.538 increase) included in the change in operating assets and liabilities consists of prepaid taxes, cash and cash equivalents, miscellaneous receivables and payables.

“Increase / Decrease in Other Liabilities” item, amounting to an increase of TL 27.082.051 (31 December 2022: TL 11.890.608 increase), which is included in the change in the assets and liabilities in the banking field of activity, is mainly consists of shares sent to the Bank in order to be distributed from the General Budget to the municipalities and special provincial administrations the following month and money to be transferred and the amounts to be paid to the contractors.

TL 9.540.863 (31 December 2022: TL 5.199.170) shown in “Net cash flow secured from financing activities” pertains to the cash capital receipts from financial activities, which İller Bankası A.Ş. collects within the framework of its governing law and which are not represented by shares.

The net effect of movements in foreign exchange rates on cash and cash equivalents increased by TL 858.578 as of 31 December 2023 (31 December 2022: TL 249.734 increase).

2. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
Cash	39.851.501	23.464.750
Cash in Vault	205	122
Central Bank of Türkiye	32	48
Banks	39.928.391	23.505.115
Rediscounts on Interest Income from Banks	(77.127)	(40.535)
Cash Equivalents	-	-
Interbank money market	-	-
Rediscounts on Interest Income from Receivables from Interbank Money Market	-	-
Bank Bonds	-	-
Interest Income Rediscounts on Bank Bonds	-	-
	39.851.501	23.464.750

3. Cash and cash equivalents at the end of the period

	Current Period	Prior Period
Cash	76.660.182	39.851.501
Cash in Vault	324	205
Central Bank of Türkiye	37	32
Banks	77.280.413	39.928.391
Rediscounts on Interest Income from Banks	(620.592)	(77.127)
Cash Equivalents	-	-
Interbank money market	-	-
Rediscounts on Interest Income from Receivables from Interbank Money Market	-	-
Bank Bonds	-	-
Interest Income Rediscounts on Bank Bonds	-	-
	76.660.182	39.851.501

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

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VII. EXPLANATIONS AND NOTES RELATED TO BANK’S RISK GROUP

a) Information on loans belonging to the Bank’s risk group

Current Period						
Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank's Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	-	-	45.596.171	11.629.312	340	-
Balance at the End of the Period	-	-	64.966.137	42.417.634	969	-
Interest and Commission Income	-	-	4.644.000	361.368	26	-

Prior Period						
Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank's Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Balance at the Beginning of the Period	-	-	33.897.377	4.452.853	157	-
Balance at the End of the Period	-	-	45.596.171	11.629.312	340	-
Interest and Commission Income	-	-	3.257.721	96.098	9	-

b) Information on deposits belonging to the Bank’s risk group

Risk Group of the Bank	Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		The Bank’s Direct and Indirect Shareholders		Included in the Risk Group Other Real and Legal Persons	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Deposits (*)						
Balance at the Beginning of the Period	-	-	4.641.315	3.450.775	-	-
Balance at the End of the Period	-	-	7.658.261	4.641.315	-	-
Interest Expense on Deposits	-	-	1.585.738	711.492	-	-

(*) These are the funds collected by the Bank from its partners within the scope of the Public Treasurer’s Communiqué.

c) Information on forward and option agreements and other similar agreements with the Bank’s risk group

None.

d) Information on remuneration paid to the Bank’s top management

Benefits provided to key management personnel for the period ended 31 December 2023 amounted to TL 9.290 (31 December 2022: TL 4.599).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFFSHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK

1. Information on the Bank’s domestic and foreign representatives

	Number	Number of Employees			
Domestic branch	19	2.859			
			Country		
Overseas Representations			1-		
			2-		
			3-		
				Total Assets	Legal Capital
Overseas Branch			1-		
			2-		
			3-		
Coastal Bank. Blg. branches			1-		
			2-		
			3-		

2. Explanations on the Bank’s opening and closing of branches or representative offices in Türkiye and abroad, and significant changes in its organization

None.

IX. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR / INDEPENDENT AUDIT FIRM

The Bank’s statement regarding the fees for services rendered by independent audit firms (VAT excluded) prepared by the POA pursuant to the Board Decision published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the POA letter dated 19 August 2021 are as follows:

	Current Period	Prior Period
Independent audit fee for the reporting period	870	1.529
	870	1.529

X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

In accordance with the decision of the Banking Regulation and Supervision Board dated January 11, 2024 and numbered 10825, banks and financial leasing, factoring, financing, savings financing and asset management companies are required to apply inflation accounting as of January 1, 2025.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

6. SECTION
INDEPENDENT AUDITORS’ REPORT

I. INFORMATION ON THE INDEPENDENT AUDITORS’ REPORT

The unconsolidated financial statements of the Bank as of 31 December 2023, have been audited by Rehber Bağımsız Denetim ve Yeminli Mali Müşavirlik A.Ş. and the independent auditor’s report dated 26 February 2024 is presented in the introduction.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.



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FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

İLLER BANKASI A.Ş

FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

As a result of 2023 activities, the Bank’s total assets increased by 61.49% from TL 92,821,750 thousand to TL 149,893,906 thousand. Among assets, banks ranked first with TL 77,280,413 thousand and 51.56% of total assets, while loans ranked second with TL 65,176,685 thousand and 43.48% of total assets. Property, plant and equipment, investment properties, tax assets and other assets amounted to TL 7,436,808 thousand, representing 4.96% of total assets.

The Bank’s liabilities consist of shareholders’ equity amounting to TL 49,062,845 thousand and 37.73%, and liabilities and liabilities amounting to TL 100,831,061 thousand and 62.27%. TL 42,714,988 thousand of the funds amounting to TL 60,643,045 thousand in the liabilities of the balance sheet are the shares transferred to the Bank from the General Budget in December 2023 to be transferred to Municipalities and Special Provincial Administrations on January 10, 2024 in accordance with Law No. 5779 on the allocation of shares from General Budget Tax Revenues to municipalities and special provincial administrations. TL 7,808,072 thousand belongs to the funds obtained from the Bank’s sharehol- ders pursuant to paragraph 5 added to article 5 of the communiqué with article 2 of the “Communiqué on the Amendment of the General Communiqué on Public Treasurership” published in the Official Gazette dated February 28, 2108 and numbered 30346, and the remaining TL 10,119,985 thousand belongs to the shares allocated from the Bank’s profit, funds transferred to the Bank by the central administration, rediscount amounts of the funds obtained from the Bank’s shareholders and grant funds obtained from foreign financial institutions.

TL 28,713,971 thousand of the TL 36,145,098 thousand in loans received belongs to loans obtained from foreign financial institutions and extended to local governments and TL 7,431,127 thousand belongs to loans obtained from domestic banks to provide liquidity. In the liabilities of the Bank, TL 971,830 thousand of Tax Liability belongs to corporate tax and other taxes payable in the current period, TL 1,093,065 thousand to Provisions, TL 1,978,023 thousand to Liabilities from Leasing Transactions and Other Liabilities.

Our Bank closed its operations in 2023 with a net profit of TL 4.127.268 thousand.

The Bank’s most important income item is interest income amounting to TL 13.181.560 thousand and non-interest income amounting to TL 2.884.783 thousand, of which the largest items are income from real estate sales, income sharing income from land sales, commissions received from non-cash loans and income from consultancy, audit and technical services.

The Bank’s expense items include interest expenses amounting to TL 3,395,895 thousand and non-interest expenses amounting to TL 8,543,180 thousand, of which TL 2,713,214 thousand is personnel expenses, TL 2,446,169 thousand is tax provision and deferred tax expense, TL 1,686,223 thousand is severance pay and other provisions, and the remaining TL 1,697,574 thousand is current expenses and other expenses.

Our Bank has high debt payment power with its strong equity structure. Our Bank’s capital adequacy ratio is 31,98% and it has a strong capital structure.

As of 31 December, 2023; Cash and Banks

Financial Assets (Net) **TL 77.280.778 Thousand**

The total of cash and cash equivalents is **TL 77.280.774 Thousand** and its distribution is shown below.

TL 74.177.804 Thousand in Domestic Banks,

TL 3.102.609 Thousand in Domestic Banks (FC),

TL 324 Thousand in the Central and Regional Directorates of our Bank

TL 37 thousand in the Central Bank of the Republic of Türkiye The

financial assets whose fair value differences are reflected to profit and loss are **TL 4 Thousand**.

It consists of Emlak Gayrimenkul Yatırım Ortaklığı AŞ, in which our bank participates in the percentage of capital participation at a rate of 0,000032152%. The shares of Emlak Gayrimenkul Yatırım Ortaklığı AŞ, whose total registered value is TL 120 thousand, are traded on the BIST and a provision of TL 116 thousand has been established. As of the end of the year, TL 4 thousands of net balance was provided in our balance sheet.

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FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

Financial Assets Measured at Amortized Cost (Net) TL 65.176.685 Thousand

LOANS

The year-end balance of the special loans extended to our Local Governments and non-specialized lo- ans extended to the Bank personnel is **TL 65.176.685 Thousand**, and the distribution is shown below.

SHORT TERM

TL 160.569 Thousand from Short-Term Specialization Loans
TL 143.393 Thousand from Other Short-Term Loans with Collateral

TL 303.962 Thousand

MEDIUM AND LONG-TERM

49.979 Bin TL Orta ve Uzun Vadeli İhtisas Dışı Kredilerden
38.084.541 Bin TL Orta ve Uzun Vadeli İhtisas Kredilerinden
26.788.142 Bin TL Orta ve Uzun Vadeli İhtisas Kredileri (YP)’nden
64.872.723 Bin TL

TANGIBLE, INTANGIBLE AND INVESTMENT ASSETS

These accounts are used for tracking all of İller Bankası real estates for its internal use as well as for investment purposes, in addition to furniture, furnishings, tools, equipment, vehicles, and licensed computer software. Information about the values of these assets, their depreciation and outstanding balances is presented in the chart below.

(Thousand TL)	Registered Active Value	Depreciations	Balance
Movables	201.348	69.431	131.917
Securities of Use	39.215	14.227	24.988
Real Estate	1.177.983	82.277	1.095.706
Real Estates to Use	2.788	1.656	1.122
Real Estate for Investment Purposes	3.673.156	-	3.673.156
Licensed Computer Software	44.653	18.290	26.363
Amortized Assets	51.200	51.200	-
Real Estate	1.190	1.190	-
Movables	37.848	37.848	-
Licensed Computer Software	12.162	12.162	-
Movables in Inventory	80	-	80
Total	5.190.413	237.081	4.953.332

Of the TL 1,177,983 thousand real estates in the table, TL 1,008,346 thousand belongs to buildings and social facilities, TL 60,113 thousand to land and TL 109,524 thousand to buildings under construction. For the year 2023, our real estates are insured for TL 3,285 thousand and our movables for TL 563 thousand.

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FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

FUNDS

In accordance with various laws, the amount of funds collected by the Bank and the funds obtained from the Bank’s partners and the year-end balance of the grant fund provided by the World Bank under the Sustainable Cities Project is **TL 60.643.045** Thousand; this amount,

51.692.279	Thousand TL	The funds allocated to the Bank
42.714.988	Thousand TL	Shares of municipalities and special provincial administrations that must be transferred until 10 January 2023,
2.603.588	Thousand TL	The amount transferred to the Bank by the Ministry of Environment, Urbanization and Climate Change within the scope of disaster, earthquake zone infrastructure and reserve area studies,
2.483.101	Thousand TL	The amount transferred to our Bank from the Ministry of Treasury and Finance within the scope of SUKAP project
1.992.236	Thousand TL	The amount set aside to be used as a grant in accordance with the Banking Law,
919.690	Thousand TL	To the amount transferred by the Disaster and Emergency Management Presidency
462.460	Thousand TL	The amount transferred within the scope of the Protocol on the Ministry of National Defense Allocated Immovables,
331.639	Thousand TL	To the amount transferred to our Bank within the scope of the KÖYDES project,
80.770	Thousand TL	Amount of Solid Waste Program (KAP),
51.837	Thousand TL	The amount transferred to our Bank within the scope of the 100-Day Action Plan Bicycle and Green Walkway project
29.581	Thousand TL	To the amount transferred to the Bank within the scope of the IPA Project
16.259	Thousand TL	Urban Infrastructure Services Amount transferred under Çevkoryön project,
6.130	Thousand TL	to other funds
1.142.694	Thousand TL	Grant funds provided from International Financial Institutions
556.769	Thousand TL	To the amount of grant funding from the World Bank under the FRIT II Project
350.490	Thousand TL	The French Development Agency to the grant fund provided under the FRIT II Project
176.491	Thousand TL	To the grant fund amount provided under the EIB Municipal Resilience Project-I MADAD,
58.944	Thousand TL	To the grant fund amount provided by the World Bank within the scope of the Sustainable Cities Project
7.808.072	Thousand TL	Funds provided by the Bank’s partners
7.433.907	Thousand TL	To the amount of funds provided by Municipalities and Provincial Private Administrations, which are the partners of the Bank
224.354	Thousand TL	To the borrower fund amount
149.811	Thousand TL	Interest and expense accruals,

PROVISIONS

This account showed a year-end balance of **TL 1.093.065 Thousand** consisting of;

671.488	Thousand TL	Reserves for Employee Entitlements,
388.000	Thousand TL	Provision and other provision amount for control fund revenues and insurance revenues obtained in 2023,
33.577	Thousand TL	litigation provisions.

CURRENT TAX LIABILITY

At the end of the year, the current tax liability is **TL 971.830 Thousand**.

756.060	Thousand TL	Payable Corporate Income Tax,
215.770	Thousand TL	Taxes, Dues, Fees and Premiums to be Paid

LIABILITIES FROM LEASING TRANSACTIONS (NET)

ease Liabilities (Net) with a year-end balance of **TL 26.110 thousand**;
TL 36.190 thousand belongs to the netting of Payables from Leasing Transactions and TL 10.080 thousand of Deferred Leasing Expenses.

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FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

OTHER LIABILITIES

This account showed a year-end balance of **TL 1.951.913 thousand** consisting of:

TL 632.115 Thousand Miscellaneous Liabilities

300.000	Thousand TL	Within the framework of the decision of the Board of Directors dated 18.05.2023 and numbered 35/1003 and the provisions of the protocol signed on 25.05.2023, the advance amount for the sale of the immovable registered in Ankara / Yenimahalle Orman Çiftliği Mahallesi, 13248 block 18 parcel, which is owned by our Bank, to the General Directorate of Türkiye Vakıflar Bankası T.A.O.
167.208	Thousand TL	Share amount to be transferred to the Ministry in Urban Regeneration Revenues calculated in accordance with Law No. 6306 and the Bank’s Articles of Association
66.905	Thousand TL	Definite and temporary cash guarantees,
50.523	Thousand TL	Amounts deposited to the external loan repayment accounts related to the loan repayments provided by the External Finance Institutions and to be paid in the following period and the remaining balance amount,
12.851	Thousand TL	Amounts sent by local governments as contributions for the facilities of local governments built by our Bank,
10.843	Thousand TL	Internal Insurance Fund,
9.348	Thousand TL	The amount of premium to be received from our Bank by Groupama AŞ, Türkiye Sigorta AŞ, Ankara Sigorta A.Ş and Bereket Sigorta A.Ş, of which we are agents,
5.053	Thousand TL	Amount belonging to the contractors share of revenue sharing works within the scope of Resource Development Activities,
4.796	Thousand TL	Other debts of our bank,
4.588	Thousand TL	The amount to be kept from the remuneration and sent to these administrations in accordance with the relevant communiqués of the Ministry of Finance and the Social Security Institution,

1.319.798 Thousand to Other Foreign Resources

1.057.590	Thousand TL	The amount belonging to the advance account of the lands in İstanbul Arnavutköy / Hadımköy, where the sales contract has been signed but the title deeds are not transferred,
130.240	Thousand TL	Amounts for progress payments to be made to contractors,
90.419	Thousand TL	The advance commission amount received from the letters of guarantee given to the municipalities,
14.320	Thousand TL	Amounts to be liquidated in the following year,
12.742	Thousand TL	Other debts belonging to our bank
10.703	Thousand TL	The amount of urban transformation projects,
2.026	Thousand TL	The amount of bonus provision for retired personnel,
1.778	Thousand TL	The amount of the execution collection,

CAPITAL

The portion of our bank’s nominal capital of **TL 45 Billion**, collected at the end of **2023**, is **TL 39.040.740 Thousand**.

32.111.207	Thousand TL	Held by Municipalities and subsidiaries of municipalities,
1.890.355	Thousand TL	Held by Special Provincial Administrations,
5.039.178	Thousand TL	Capital transfers from profits.

CAPITAL RESERVES

This account with an end-of-year balance of TL 1.245.696 thousand consists of Capital Reserves Arising Inflation Accounting, amounting to TL 876.514 thousand, and TL 369.182 thousand 50% of the earnings from the sale of real estate and subsidiary shares as per sub-para graph (e), article 5 of the Corporate Income Tax Law numbered 5520.

PROFIT RESERVES

The year-end balance of the legal reserves set aside from the Bank’s annual net profits in accordance with the Bank’s Articles of Association is TL 4,863,784 thousand, of which TL 1,117,449 thousand belongs to legal reserves, TL 3,661,566 thousand to statutory reserves and TL 84,769 thousand to amounts set aside in accordance with other legislation.

OTHER COMPREHENSIVE INCOME OR EXPENSES NOT TO BE RECLASSIFIED TO PROFIT OR LOSS

There is a net actuarial loss of TL 295.630 Thousand as a result of netting off the actuarial loss of TL 422.327 Thousand and deferred tax of TL 126.698 Thousand related to the provisions for severance pay and termination indemnity based on actuarial calculations within the framework of “Turkish Accounting Standard for Employee Benefits” (“TAS 19”).

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FINANCIAL SITUATION, PROFITABILITY AND INFORMATION ON SOLVENCY

REVENUES AND EXPENDITURES

The Bank’s revenues for 2023 amounted to TL 16.066.343 Thousand and its expenses were TL 11.939.075 Thousand and the profit after tax for the year 2023 was TL 4.127.268 Thousand.

COMPARISON OF REVENUES

The chart below shows İller Bankası revenues generated in 2023 in comparison to those in 2022.

Type of Revenues	2023	2022	DIFFERENCE
Interest Income	13.181.560	6.871.460	6.310.100
Interest from Loans	4.675.168	3.262.567	1.412.601
Interest from Banks	8.204.317	3.364.052	4.840.265
Other Interest Revenues	302.075	244.841	57.234
Fees and Commissions from Loans	2.884.423	1.592.750	1.291.673
Fees and Commissions on Loans	361.368	96.098	265.270
Banking Services Income	6.276	3.922	2.354
Deferred Tax Assets and Liabilities Income	32.531	47.846	(15.315)
Foreign Exchange Gains	4957	5.010	(53)
Profit Shares Received	-	-	-
Other Non-Interest Operating Income	2.479.651	1.439.874	1.039.777
Total	16.066.343	8.464.210	7.602.133

As the chart shows, the Bank’s revenues increased by 89,82% in 2023 on a year-to-year basis.

COMPARISON OF REVENUES

The chart below shows İller Bankası expenses incurred in 2023 in comparison to those in 2022.

Type of Expenses	2023	2022	DIFFERENCE
Interest Expenses	3.395.895	1.680.770	1.715.125
Interest Paid on Loans (FC)	1.654.631	906.104	748.527
Interest on money market transactions	-	-	-
Fund to Interest Expense	1.585.738	711.492	874.246
Rental Interest Expenses	2.081	1.317	764
Other Interest Expenses	153.445	61.857	91.588
Non-interest Expenses	8.543.180	3.421.998	5.121.182
Personnel Expenses	2.713.214	1.083.503	1.629.711
Taxes and Fees	254.538	140.551	113.987
Fees and Commissions Paid	55.871	91.712	(35.841)
Depreciation Costs	91.938	63.670	28.268
Foreign Exchange Losses	29.937	19.553	10.384
Severance Benefit Provisions	49.224	89.574	(40.350)
Other Provisions	1.636.999	66.179	1.570.820
Tax Reserves	2.416.848	1.120.524	1.296.324
Deferred Tax Asset-Liability Expenses	29.321	17.302	12.019
Other non-Interest Expenses	1.265.290	729.430	535.860
Total	11.939.075	5.102.768	6.836.307

Yukarıdaki tablonun tetkikinde görüldüğü gibi; giderlerimizde 2022 yılına göre %133,97’lik artış görülmektedir.

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RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

RISK MANAGEMENT POLICIES IMPLEMENTED PER RISK TYPE

Risk management in the Bank; Considering the exceptions specified for Development and Investment Banks in the Banking Law No. 5411 and the exemptions in the Bank Law No. 6107, the Banking Law No. 5411 is carried out in accordance with the provisions of the regulations, communiqués, guides and other legislation issued by the BRSA to implement this law, and the provisions of the internal legislation issued by the Bank’s Board of Directors based on the provisions of this legislation.

The risks the Bank may incur with reference to its strategies and operations are assessed, monitored and kept under control using strategies, policies, limits and application methods to monitor, control, and where necessary alter the risk/return structure entailed by future cash flows of the bank, as well as the characteristics and level of its activities on the basis of the risk structure. Written policies and application methods are established to manage all the risks caused by the Bank’s operations. The Board of Directors or relevant internal systems official shall regularly assess the adequacy of these, and shall effect necessary changes. Within the framework of establishing Risk Management Policies and Application Methods of the Bank, as a minimum, the strategies regarding the Bank’s operations, compatibility with the volume, nature, and complexity of its operations, the level of risk it may assume, risk monitoring and management capacity, past experience and performance, the level of expertise the directors of the units carrying out the operations command in the relevant field, and the obligations stipulated in the Banking Law and other applicable regulations shall be taken into consideration.

As a rule of thumb, any risk to be taken within the frame described above should be defined and manageable. In addition, current and potential future impacts of the risk exposure are measured to the extent allowed by risk measurement and reporting techniques. The Bank establishes written limits for quantifiable risks arising from its activities within the frame of Article 5 of the BRSA’s Regulation on Internal Systems of Banks, which limits are approved and regularly reviewed by the Board of Directors.

The Bank was exempted, as a response to the written request for exemption filed with BRSA from the obligations regarding the “Internal Capital Adequacy Evaluation Procedure (ISEDES)”preparation and submittal, it has before the BRSA as per article 43 and 48 of the “Regulation on the Internal Systems and Internal Capital Adequacy Assessment Procedures”.

CREDIT RISK

The Bank observes best practices within the frame of BRSA regulations and restrictions, and thus ensures management of credit risk in accordance with its volume, quality and complexity of its lending. As a rule of thumb, new products and services are evaluated with respect to credit risk. The Bank legally calculates the value at credit risk within the framework of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks issued by the BRSA. The credit risk is essentially managed so as to guarantee that it will remain above the minimum limit set for the legal capital adequacy standard ratio. The Bank submits reports on its credit risk exposure to the BRSA within the frame of applicable legislation. The Bank gets related units to monitor the credits and credit lines established.

MARKET RISK

Market risk includes the Bank’s exposure to general market risk, currency risk, specific risk, commodity risk, settlement risk and counterparty credit risk in trading accounts, and each of these risks is handled separately.

The amount subject to market risk in the Bank is calculated monthly using the Standard Method within the scope of statutory reporting and is taken into account in the calculation of the Bank’s Capital Adequacy Standard Ratio and included in the total capital requirement.

In the calculations made with the Internal Method, Value at Risk (RMD) estimates are made on a daily basis using Parametric, Monte Carlo and Historical Simulation Methods, Marginal and Incremental RMD calculations and advanced RMD analyses are made on a weekly basis and backtesting is performed on a daily basis to test the reliability of the results of the models used. The Bank has set RMD-based limits for market risk within the scope of the “Risk and Authorization Limits Implementation Procedures” put into effect with the decision of the Board of Directors.

INTEREST RATE RISK

Interest rate risk expresses the probability of loss that the Bank may be exposed to depending on the position of financial instruments due to the movements in interest rates. Local Governments are provided with fixed and variable interest loans by the Bank’s Board of Directors. In accordance with the provisions of the Regulation on Measuring the Interest Rate Risk Arising from Banking Accounts with the Standard Shock Method, the interest rate risk arising from the banking accounts is calculated and it is monitored whether it is within the limits determined in the Risk and Authority Limits Implementation Procedures. In addition, interest-sensitive assets and liabilities are compared according to their maturities, and interest-sensitive GAP analysis is performed.

CURRENCY RISK

The currency risk refers to the probability of suffering loss due to changes in exchange rates, with reference to the foreign currency assets and obligations the banks have. The Bank observes the provisions of the Regulation on the Calculation and Implementation of Foreign Currency Net General Position/Equity Standard Ratio by Bank son Consolidated and Non-consolidated Basis in maintaining the relation and balance among foreign currency assets and liabilities in order to secure a foreign currency position that is in line with its shareholders’ equity. Currency risk regarding the foreign currency loans extended by the World Bank and JICA to municipalities shall be borne by the municipalities, as per the agreements. Currency conversion losses/gains sustained on the portions of such lendings that are used by the Bank under the rubric of “Strengthening Institutional Capacity” are to be borne by the Bank. Asset and liability account items appearing at the ends of fiscal periods evaluated on the basis of the exchange rates announced by the Central Bank of Türkiye (CBRT) and the exchange rate P/L is calculated thereon.

The primary goal of the currency risk policy is to keep Foreign Currency Net General Position/ Equity Standard Ratio within legal limits within the frame of the Bank’s financial standing, current economic developments and recent trends in the market, while observing profitability and productivity. The Bank calculates and reports RMD for its foreign currency position on a daily basis. Limits concerning foreign currency risk are set and monitored within the framework of the “Risk and Authority Limits Application Methods” approved by the Board of Directors.

LIQUIDITY RISK

Liquidity risk is the risk that the maturity mismatch between the Bank’s assets and liabilities, increase in dull loans, problems in interest and principal collections, slow down in cash flow, decrease in profitability, increase in cash demand, and new cash inflows cannot meet their obligations due to reasons such as decrease in cash outflows. The structural problem, which is one of the main problems of the banking system, resulting from long-term loan utilization with short-term resources, is coupled with a financial crisis and liquidity risk is the most important risk factor. For this reason, the Bank’s assets and liabilities are evaluated in terms of their maturities and their proforma cash flows are determined. It is essential that liquidity surplus be covered by taking alternative returns into consideration, and that liquidity needs are met with the most cost effective resources.

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RISK MANAGEMENT

POLICIES IMPLEMENTED PER RISK TYPE

Pursuant to the 5th paragraph of Article 4 of the Regulation on Banks’ Liquidity Coverage Ratio Calculation, for development and investment banks in accordance with the Decision of the Banking Regulation and Supervision Agency dated 12 December 2016 and numbered 7123, it has been decided that the consolidated and unconsolidated total and foreign currency liquidity coverage ratios will be applied as 0% until the contrary is determined, but the said ratios will continue to be reported to the Agency in order to determine another ratio for the said banks. Within this framework, the Bank calculates the Liquidity Coverage Ratio. In accordance with the “Regulation on the Measurement and Evaluation of the Liquidity Adequacy of Banks”, the liquidity adequacy ratio is calculated by the Bank.

OPERATIONAL RISK

Operational risk refers to the possibility of loss resulting from inadequate or failed internal processes, people and systems or external events, including legal risk. Within the framework of BRSA regulations, the Bank manages operational risk in accordance with the volume, nature and complexity of its operations and recognizes that all operational activities and operational risk management are a process involving employees. While fulfilling its duties, authorities and responsibilities, it is essential for the Bank’s personnel to be aware of the operational risks and to evaluate their impacts, to take necessary measures to mitigate and / or prevent the risks, and to implement their activities in a conscious manner.

The Bank’s main objective is to identify, report and evaluate risks prior to the emergence of risks in operational risk management policies. Accordingly, the basic principle in operational risk management policy is to take measures to prevent the realization of the risk. The intensification of controls on every stage of all business processes determined in the Bank constitutes the most effective policy tool in operational risk management. The amount subject to Operational Risk is calculated on an annual basis using the in Basic Indicator Method ve and included in the Standard Ratio of the Capital Adequacy Ratio of the Bank.

MANAGEMENT OF INFORMATION SYSTEMS

The purpose of the Information Systems Risk Management Policy is to determine the principles to identify, assess, monitor, control, report, and manage the risks arising out of the use of information technologies, as well as the principles to constitute the basis of management of information systems used in the execution of the Bank’s operations. This policy aims to ensure effective management of information technologies, which is a critical element in maintaining the operations of the Bank, by considering the management of information systems as part of corporate management practices. The provisions of this policy shall apply for the management of the information systems of the Bank, and all elements containing these systems. In principle, the risks arising out of information technologies shall be taken into consideration within the framework of the Bank’s operational risk management. Considering that these risks may be factors in other risks arising out of the banking operations, it is elementary to maintain the assessment, close monitoring and supervision within the framework of integrated risk management for the Bank.

The Bank has established “IT Risk Management Procedure”, “IT Risk Management Policy” and processes prepared by the IT Department for the management of information systems; these procedures and processes are regularly reviewed to be renewed when necessary in line with changes in the relevant business area or technological developments. The Bank applies the Self-Assessment Methodology as a basis for determining IT risks.

In accordance with Article 4 of the Regulation on Risk Management Department and Article 46 of the “Guidelines on the Management of Operational Risk” published by the BRSA, the Bank’s information systems risk assessment is made in the “Operational Risk Monitoring Report” prepared every 6 months.

INFORMATION ON RATINGS

The bank does not offer banking services for the market, in enterprise and commercial settings. The majority of the credits extended by the bank are credits on projects. Article 13, paragraph 5 of the Bank’s Governing Law nr. 6107 states that the provision of article 7, sub-paragraph(b), article 17, paragraph one, and provisions regarding reserves and other safeguard provisions of law no 5411 shall not apply for the Bank.

In accordance with the special law and regulations governing the Bank, its portfolio structure is characterized by a low risk of default. Even though the Bank enjoys a robust collateral structure, the assets comprising the collateral for the credits extended do not fit into the collateral categories provided in Basel II criteria. Therefore, no rating process was applied regarding the credit benchmarks at the Bank.

RISK PROTECTION AND RISK MITIGATION POLICIES AND THEIR CONTINUOUS CONTROL OF ITS EFFECTIVENESS RELATED PROCESSES

In order to prevent the Bank from being significantly affected by adverse events that may occur during the execution of its activities, it is essential to limit the risk levels with limits compatible with the risk profile and risk tolerance.

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee, Head of Internal Systems Group and relevant Senior Executives and approved by the Board of Directors.

Risk limits are set in accordance with the level of risk that the Bank can take, its activities, the size and complexity of its products and services. The limits are regularly reviewed, adapted to changes in market conditions, the Bank’s strategy and risk appetite, and periodically monitored.

In order to calculate the minimum capital requirement, values exposed to credit risk, operational risk and market risk are calculated and capital adequacy ratio is calculated over these values. The Bank has no internal risk position and does not carry any internal hedging position.

AMENDMENTS TO THE ARTICLE AGREEMENT MADE IN 2023

No changes were made in the Bank’s Articles of Association in 2023.

İLLER BANKASI A.Ş

RISK MANAGEMENT

POLICIES IMPLEMENTED PER RISK TYPE

SUMMARY FINANCIAL INFORMATION FOR THE PERIOD 2019-2023

ASSETS	2019	2020	2021	2022	2023
Liquid Assets	5.706.116	14.380.050	23.505.286	39.928.633	77.280.778
Loans	28.414.386	29.588.230	33.947.835	45.687.549	65.176.685
Tangible And Intangible Fixed Assets	1.733.466	2.263.083	3.901.260	4.559.394	4.953.332
Other Assets	233.550	647.967	1.581.615	2.646.174	2.483.111
Total	36.087.518	46.879.330	62.935.996	92.821.750	149.893.906

LIABILITIES	2019	2020	2021	2022	2023
Received Credits	3.922.790	8.099.955	13.397.679	23.568.228	36.145.098
Funds	10.235.636	13.546.126	19.172.877	31.472.150	60.643.045
Reserves And Tax Obligations	333.850	402.526	606.883	1.112.722	2.064.895
Other Liabilities	640.110	698.846	1.377.084	1.254.411	1.978.023
Shareholders’ Equity	20.955.132	24.131.877	28.381.473	35.414.239	49.062.845
Total	36.087.518	46.879.330	62.935.996	92.821.750	149.893.906

PROFIT/LOSS	2019	2020	2021	2022	2023
Interest Revenues	3.460.661	3.559.376	5.317.473	6.871.460	13.181.560
Interest Expenses	544.787	283.239	957.005	1.680.770	3.395.895
Net Interest Revenues	2.915.874	3.276.137	4.360.468	5.190.690	9.785.665
Net Fee and Commission Revenues	35.271	33.085	12.956	8.308	311.773
Dividend Income	5	-	-	-	-
Foreign Currency Profits/Loses (Net)	(338)	508	(38.392)	(14.542)	(24.980)
Other Operating Incomes	224.162	289.060	506.013	1.439.874	2.479.651
Total Operating Incomes	3.174.974	3.598.760	4.841.045	6.624.330	12.552.109
Other Operating Expenses	892.132	939.154	1.278.399	2.172.908	6.011.203
Profits Before Tax	2.282.842	2.659.636	3.562.646	4.451.422	6.540.906
Tax Reserves	500.776	586.410	907.110	1.089.980	2.413.638
Net Profits/Loss For The Period	1.782.066	2.073.226	2.655.536	3.361.442	4.127.268

CONTACT INFORMATION



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