

*(Convenience Translation of Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish, See Section 3.1)*

# **Arap Türk Bankası Anonim Şirketi**

**Unconsolidated Financial Statements  
As of and For The Year Ended 31 December 2019  
With Auditors' Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

31 January 2020

*This report contains "Independent Auditors' Report"  
comprising 5 pages and; "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 109 pages.*



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Convenience Translation of the Independent Auditors' Report Originally Prepared and  
Issued in Turkish to English

To the General Assembly of Arap Türk Bankası Anonim Şirketi

**A) Report on the Audit of the Unconsolidated Financial Statements**

*Opinion*

We have audited the unconsolidated financial statements of Arap Türk Bankası A.Ş. ("the Bank") which comprise the unconsolidated balance sheet as at 31 December 2019 and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis For Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Arap Türk Bankası A.Ş. as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Board ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by ("BRSA") and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

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



### Key Audit Matters

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

#### *Impairment of loans measured at amortised cost*

The details of accounting policies and significant estimates and assumptions for impairment of loans measured at amortised cost are presented in Section III, No: VII of the unconsolidated financial statements.

| <b>Key audit matter</b>  | <b>How the matter is addressed in our audit</b>   |
|--|---|
| <p>As of 31 December 2019, loans measured at amortised cost comprise 35% of the Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The Bank applies the "expected credit loss model" which contains significant assumptions and estimates in determining the impairment of financial assets in accordance with the Regulation and Standards.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> <li>- significant increase in credit risk;</li> <li>- incorporating the forward looking macroeconomic information in calculation of credit risk; and</li> <li>- design and implementation of expected credit loss model.</li> </ul> <p>The determination of the impairment of loans measured at amortised cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> | <p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> <li>• We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists.</li> <li>• We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist.</li> <li>• We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables.</li> <li>• We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis.</li> <li>• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.</li> </ul> |



|  |   |
|--|---|
| <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions, the level of judgements and its complex structure as explained above.</p> | <ul style="list-style-type: none"><li>• We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</li><li>• We evaluated the qualitative and quantitative assessments which are used in determining the significant increase in credit risk.</li><li>• Additionally, we also evaluated the adequacy of the unconsolidated financial statements' disclosures related to impairment provisions.</li></ul> |
|--|---|

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

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

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

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



## *Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements*

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with TSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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



## B) Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

### Additional paragraph for convenience translation to English:

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of KPMG International Cooperative

Erdal Tirmak, SMMM  
Partner

31 January 2020  
İstanbul, Turkey



**ARAP TÜRK BANKASI A.Ş. UNCONSOLIDATED FINANCIAL REPORT  
AS OF 31 DECEMBER 2019**

**Address of the Bank's Headquarters :** Valikonağı Caddesi No:10, 34367 – ŞİŞLİ/İSTANBUL  
**Telephone and Fax Numbers :** Tel : 0 212 225 05 00 Faks: 0 212 225 05 26  
**Website of the Bank :** http://www.atbank.com.tr  
**E-mail address of the Bank :** corp@atbank.com.tr

The unconsolidated financial report as of and for the year ended 31 December 2019 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements for the year end period and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidances and in compliance with the financial records of our Bank and unless stated otherwise presented in **thousands of Turkish Lira**.



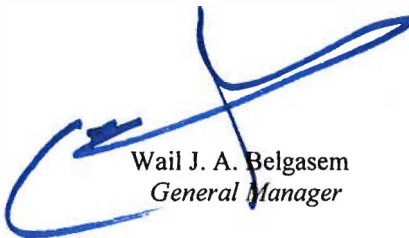
**Bilgehan Kuru**  
*Chairman of the Board of Directors*



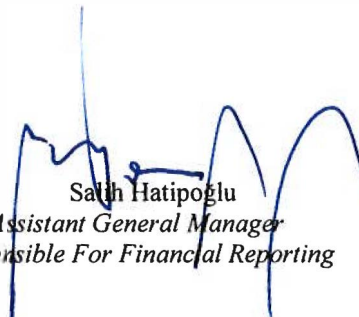
**Aflah Omar Magsi**  
*Member of The Board of Directors and The Audit Committee*



**Fatma Nur Çelikel**  
*Member of The Board of Directors and The Audit Committee*



**Wail J. A. Belgasem**  
*General Manager*



**Salih Hatipoğlu**  
*Assistant General Manager  
Responsible For Financial Reporting*



**F. Betül Yörel**  
*Manager*

Contact information of the personnel for addressing questions regarding this financial report

Name / Title: F. Betül Yörel / Manager

Phone No : 0 212 225 05 00

Fax No : 0 212 225 05 26

## **SECTION ONE**

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**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION ONE****GENERAL INFORMATION ABOUT THE BANK****I. BANK'S DATE OF ESTABLISHMENT, BEGINNING STATUTE, ITS HISTORY REGARDING CHANGES ON ITS STATUTE**

Arap Türk Bankası Anonim Şirketi ("the Bank") has been established in 1977 as a joint stock entity in accordance with an agreement signed on 11 August 1975 between the Republic of Turkey and the Libyan Arab Republic. The duration of the Bank is 50 years from the commencement of the Agreement. This period shall be renewable automatically unless agreed otherwise by an Extraordinary General Meeting held at least one year prior to expiration.

In accordance with the Articles of Association, the Board of Directors shall elect a Chairman among its Turkish members and a Deputy Chairman among its Arab members. The General Manager shall always be nominated by Libyan Foreign Bank assigned by the Board.

**II. BANK'S SHARE CAPITAL STRUCTURE, SHAREHOLDERS DIRECTLY OR INDIRECTLY, ALONE OR TOGETHER HOLDING THE MANAGEMENT AND CONTROL OF THE BANK, RELATED CHANGES WITHIN THE YEAR AND INFORMATION ABOUT THE BANK'S GROUP**

The Bank is a foreign bank status incorporated in Turkey. The main shareholder Libyan Foreign Bank is 100% owned by Central Bank of Libya. The main shareholder Libyan Foreign Bank has financial investments in various countries.

The shareholder's other qualified shares are Türkiye İş Bankası A.Ş. and T.C. Ziraat Bankası A.Ş.

As of 31 December 2019, the Bank's share capital at the balance sheet date as follows:

| <b>Current Period</b> |                      |   |
|-----------------------|----------------------|---|
| <b>Shareholders</b>   | <b>Share amounts</b> | <b>Share percentages <sup>(1)</sup></b> |
| Libyan Foreign Bank   | 274,426              | 62.37%                                  |
| T. İş Bankası A.Ş.    | 90,534               | 20.58%                                  |
| T.C. Ziraat Bankası   | 67,900               | 15.43%                                  |
| Kuwait Investment     | 7,140                | 1.62%                                   |
| <b>Total</b>          | <b>440,000</b>       | <b>100%</b>                             |

<sup>(1)</sup> Emek İnşaat ve İşletme A.Ş. has 0,0000014% share in the paid capital by TL 6.20 (full digit in TL) (31 December 2018: 0,0000014% share and TL 6.20 (full digit in TL)).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION ONE****GENERAL INFORMATION ABOUT THE BANK (Continued)****III. INFORMATION ABOUT THE BANK'S CHAIRMAN AND MEMBERS OF BOARD OF DIRECTORS, MEMBERS OF AUDIT COMMITTEE, GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS AND THEIR QUALIFICATIONS, RELATED CHANGES WITHIN THE YEAR AND THEIR SHARES AT THE BANK****Chairmen of the Board of Directors and Board Members**

| <b>Name and Surname</b> | <b>Job Title – Description</b>                       |
|-------------------------|--|
| Bilgehan Kuru           | Chairman of the Board of Directors                   |
| Wail J. A. Belgasem     | Member of the Board of Directors and General Manager |
| Fatma Nur Çetinel       | Member of the Board of Directors and Audit Committee |
| Aflah Omar Magsi        | Member of the Board of Directors and Audit Committee |
| Abdulahkim A. E. Khamag | Member of the Board of Directors                     |
| Volkan Kublay           | Member of the Board of Directors                     |
| Tülin İnhan             | Member of the Board of Directors                     |

**General Manager and Deputies**

| <b>Name and Surname</b>     | <b>Job Title – Description</b>   |
|-----------------------------|--|
| Wail J. A. Belgasem         | Member of the Board of Directors and General Manager                         |
| Salih Hatipoğlu             | Assistant General Manager - Financial Management and Planning Division       |
| Ahmed Fraj Abdullah Ferjani | Assistant General Manager - Information Technologies and Operations Division |
| Emel Güneş Atagün           | Assistant General Manager - Treasury & Economic Research Division            |

Members of the board and top level managers do not possess any share in the Bank.

**IV. INFORMATION ON PEOPLE AND ENTITIES WHO HAVE QUALIFIED SHARE IN THE BANK**

| <b>Name Surname/Entity Title</b> | <b>Share Amount</b> | <b>Share Percentage %</b> | <b>Paid-in Capital</b> | <b>Unpaid Capital</b> |
|----------------------------------|---------------------|---------------------------|------------------------|-----------------------|
| Libyan Foreign Bank              | 274,426             | 62.37                     | 274,426                | -                     |
| T. İş Bankası A.Ş.               | 90,534              | 20.58                     | 90,534                 | -                     |
| T.C. Ziraat Bankası A.Ş.         | 67,900              | 15.43                     | 67,900                 | -                     |

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK (Continued)**

**V. INFORMATION ABOUT THE SERVICES AND NATURE OF ACTIVITIES OF THE BANK**

The Bank was established to incorporate commercial activities among Turkey, Middle East and North African countries. The Bank is authorized to collect deposits and operates in corporate banking areas. The Bank has seven branches; three in Istanbul, one in Ankara, one in Kayseri, one in Konya and one in Gaziantep and has share participations in a subsidiary operating in financial leasing business.

**VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS**

There is no difference for the Bank between the consolidation process according to the Turkish Accounting Standards and the Communiqué of the Preparation of Consolidated Financial Statements of Banks in Turkey.

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

None.

## **SECTION TWO**

### **Unconsolidated Financial Statements**

- I. Balance Sheet-Assets
- II. Balance Sheet-Equity and Liabilities
- III. Off-balance sheet commitments
- IV. Statement of profit or loss
- V. Statement of profit or loss and other comprehensive income
- VI. Statement of changes in shareholders' equity
- VII. Statement of cash flows
- VIII. Statement of profit distribution

ARAP TÜRK BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AT 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

| ASSETS |   | Note | THOUSANDS OF TURKISH LIRA (TL) |           |           |                              |           |           |
|--------|---|------|--------------------------------|-----------|-----------|------------------------------|-----------|-----------|
|        |   |      | CURRENT PERIOD<br>(31/12/2019) |           |           | PRIOR PERIOD<br>(31/12/2018) |           |           |
|        |   |      | TL                             | FC        | TOTAL     | TL                           | FC        | TOTAL     |
| I.     | FINANCIAL ASSETS (NET)  |      | 541,497                        | 2,035,262 | 2,576,759 | 208,980                      | 3,163,782 | 3,372,762 |
| 1.1    | Cash and Cash Equivalents   | 1    | 538,193                        | 1,695,244 | 2,233,437 | 208,756                      | 2,774,914 | 2,983,670 |
| 1.1.1  | Cash and Balances with Central Bank   |      | 4,575                          | 561,989   | 566,564   | 8,555                        | 1,240,718 | 1,249,273 |
| 1.1.2  | Banks   | 3    | 476                            | 1,133,255 | 1,133,731 | 287                          | 1,534,196 | 1,534,483 |
| 1.1.3  | Money Markets   |      | 535,166                        | -         | 535,166   | 202,139                      | -         | 202,139   |
| 1.1.4  | Expected Credit Loss (-)  |      | 2,024                          | -         | 2,024     | 2,225                        | -         | 2,225     |
| 1.2    | Financial Assets Measured at Fair Value Through Profit or Loss                            | 2    | -                              | 94,252    | 94,252    | -                            | 282,166   | 282,166   |
| 1.2.1  | Government Securities   |      | -                              | 94,252    | 94,252    | -                            | 238,569   | 238,569   |
| 1.2.2  | Equity Securities   |      | -                              | -         | -         | -                            | -         | -         |
| 1.2.3  | Other Financial Assets  |      | -                              | -         | -         | -                            | 43,597    | 43,597    |
| 1.3    | Financial Assets Measured at Fair Value Through Other Comprehensive Income                | 4    | 3,304                          | 245,766   | 249,070   | 224                          | 106,702   | 106,926   |
| 1.3.1  | Government Securities   |      | 3,079                          | 104,587   | 107,666   | -                            | 15,970    | 15,970    |
| 1.3.2  | Equity Securities   |      | 225                            | 2,381     | 2,606     | 224                          | 2,112     | 2,336     |
| 1.3.3  | Other Financial Assets  |      | -                              | 138,798   | 138,798   | -                            | 88,620    | 88,620    |
| 1.4    | Derivative Financial Assets   | 2    | -                              | -         | -         | -                            | -         | -         |
| 1.4.1  | Derivative Financial Assets Measured at Fair Value Through Profit or Loss                 |      | -                              | -         | -         | -                            | -         | -         |
| 1.4.2  | Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income     |      | -                              | -         | -         | -                            | -         | -         |
| II.    | FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)   |      | 361,870                        | 1,750,911 | 2,112,781 | 532,550                      | 1,854,689 | 2,387,239 |
| 2.1    | LOANS (NET)   | 5    | 456,747                        | 1,273,496 | 1,730,243 | 616,694                      | 1,383,398 | 2,000,092 |
| 2.2    | Lease Receivables   | 10   | -                              | -         | -         | -                            | -         | -         |
| 2.3    | Factoring Receivables   |      | -                              | -         | -         | -                            | -         | -         |
| 2.4    | Other Financial Assets Measured at Amortised Cost   | 6    | 1,322                          | 477,415   | 478,737   | 13,032                       | 471,291   | 484,323   |
| 2.4.1  | Government Securities   |      | 1,322                          | 329,700   | 331,022   | 13,032                       | 320,830   | 333,862   |
| 2.4.2  | Other Financial Assets  |      | -                              | 147,715   | 147,715   | -                            | 150,461   | 150,461   |
| 2.5    | Expected Credit Loss (-)  |      | 96,199                         | -         | 96,199    | 97,176                       | -         | 97,176    |
| III.   | PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net) | 16   | 1,000                          | -         | 1,000     | 6                            | -         | 6         |
| 3.1    | Held for Sale Purpose   |      | 1,000                          | -         | 1,000     | 6                            | -         | 6         |
| 3.2    | Related to Discontinued Operations  |      | -                              | -         | -         | -                            | -         | -         |
| IV.    | EQUITY INVESTMENTS  |      | 108,205                        | -         | 108,205   | 95,708                       | -         | 95,708    |
| 4.1    | Associations (Net)  | 7    | -                              | -         | -         | -                            | -         | -         |
| 4.1.1  | Associates Accounted Based on Equity Method   |      | -                              | -         | -         | -                            | -         | -         |
| 4.1.2  | Unconsolidated Financial Subsidiaries   |      | -                              | -         | -         | -                            | -         | -         |
| 4.2    | Subsidiaries (Net)  | 8    | 108,205                        | -         | 108,205   | 95,708                       | -         | 95,708    |
| 4.2.1  | Unconsolidated Financial Subsidiaries   |      | 108,205                        | -         | 108,205   | 95,708                       | -         | 95,708    |
| 4.2.2  | Unconsolidated Non-Financial Subsidiaries   |      | -                              | -         | -         | -                            | -         | -         |
| 4.3    | JOINT VENTURES (Net)  | 9    | -                              | -         | -         | -                            | -         | -         |
| 4.3.1  | Joint Ventures Accounted Based on Equity Method   |      | -                              | -         | -         | -                            | -         | -         |
| 4.3.2  | Unconsolidated Joint Ventures   |      | -                              | -         | -         | -                            | -         | -         |
| V.     | PROPERTY AND EQUIPMENT (Net)  | 12   | 136,265                        | -         | 136,265   | 113,282                      | -         | 113,282   |
| VI.    | INTANGIBLE ASSETS (Net)   | 13   | 6,153                          | -         | 6,153     | 4,131                        | -         | 4,131     |
| 6.1    | Goodwill  |      | -                              | -         | -         | -                            | -         | -         |
| 6.2    | Other   |      | 6,153                          | -         | 6,153     | 4,131                        | -         | 4,131     |
| VII.   | INVESTMENT PROPERTY (Net)   | 14   | -                              | -         | -         | -                            | -         | -         |
| VIII.  | CURRENT TAX ASSET   | 15   | -                              | -         | -         | -                            | -         | -         |
| IX.    | DEFERRED TAX ASSET  | 15   | -                              | -         | -         | 940                          | -         | 940       |
| X.     | OTHER ASSETS  | 17   | 11,970                         | 4,861     | 16,831    | 16,048                       | 4,960     | 21,008    |
|        |   |      | -                              | -         | -         | -                            | -         | -         |
|        | TOTAL ASSETS  |      | 1,166,960                      | 3,791,034 | 4,957,994 | 971,645                      | 5,023,431 | 5,995,076 |

ARAP TÜRK BANKASI A.Ş.  
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AT 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

| LIABILITIES       |   | Note | THOUSANDS OF TURKISH LIRA (TL) |           |           |                              |           |           |
|-------------------|---|------|--------------------------------|-----------|-----------|------------------------------|-----------|-----------|
|                   |   |      | CURRENT PERIOD<br>(31/12/2019) |           |           | PRIOR PERIOD<br>(31/12/2018) |           |           |
|                   |   |      | TL                             | FC        | TOTAL     | TL                           | FC        | TOTAL     |
| I.                | DEPOSITS  | 1    | 49,534                         | 2,406,632 | 2,456,166 | 44,297                       | 4,356,237 | 4,400,534 |
| II.               | FUNDS BORROWED  | 3    | -                              | 1,353,190 | 1,353,190 | -                            | 634,524   | 634,524   |
| III.              | MONEY MARKETS   |      | -                              | -         | -         | -                            | -         | -         |
| IV.               | SECURITIES ISSUED (Net)   |      | -                              | -         | -         | -                            | -         | -         |
| 4.1               | Bills   |      | -                              | -         | -         | -                            | -         | -         |
| 4.2               | Asset Backed Securities   |      | -                              | -         | -         | -                            | -         | -         |
| 4.3               | Bonds   |      | -                              | -         | -         | -                            | -         | -         |
| V.                | FUNDS   |      | -                              | -         | -         | -                            | -         | -         |
| 5.1               | Borrower Funds  |      | -                              | -         | -         | -                            | -         | -         |
| 5.2               | Other   |      | -                              | -         | -         | -                            | -         | -         |
| VI.               | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS  |      | -                              | -         | -         | -                            | -         | -         |
| VII.              | DERIVATIVE FINANCIAL LIABILITIES  | 2    | -                              | -         | -         | -                            | -         | -         |
| 7.1               | Derivative Financial Liabilities at Fair Value Through Profit or Loss                             |      | -                              | -         | -         | -                            | -         | -         |
| 7.2               | Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income                 |      | -                              | -         | -         | -                            | -         | -         |
| VIII.             | FACTORING LIABILITES  |      | -                              | -         | -         | -                            | -         | -         |
| IX.               | LEASE LIABILITIES (Net)   | 5    | 1,040                          | 786       | 1,826     | -                            | -         | -         |
| X.                | PROVISIONS  | 7    | 55,008                         | 267       | 55,275    | 45,747                       | 461       | 46,208    |
| 10.1              | Restructuring Provisions  |      | -                              | -         | -         | -                            | -         | -         |
| 10.2              | Reserve for Employee Benefits   |      | 17,959                         | -         | 17,959    | 16,334                       | -         | 16,334    |
| 10.3              | Insurance Technical Provisions (Net)  |      | -                              | -         | -         | -                            | -         | -         |
| 10.4              | Other Provisions  |      | 37,049                         | 267       | 37,316    | 29,413                       | 461       | 29,874    |
| XI.               | CURRENT TAX LIABILITY   | 8    | 9,528                          | -         | 9,528     | 13,806                       | -         | 13,806    |
| XII.              | DEFERRED TAX LIABILITY  |      | 1,719                          | -         | 1,719     | -                            | -         | -         |
| XIII.             | LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) |      | -                              | -         | -         | -                            | -         | -         |
| 13.1              | Held for Sale Purpose   |      | -                              | -         | -         | -                            | -         | -         |
| 13.2              | Related to Discontinued Operations  |      | -                              | -         | -         | -                            | -         | -         |
| XIV.              | SUBORDINATED DEBT INSTRUMENTS   |      | -                              | -         | -         | -                            | -         | -         |
| 14.1              | Loans   |      | -                              | -         | -         | -                            | -         | -         |
| 14.2              | Other Debt Instruments  |      | -                              | -         | -         | -                            | -         | -         |
| XV.               | OTHER LIABILITIES   | 4    | 9,870                          | 17,503    | 27,373    | 15,340                       | 17,876    | 33,216    |
| XVI.              | SHAREHOLDERS' EQUITY  | 9    | 1,048,231                      | 4,686     | 1,052,917 | 866,288                      | 500       | 866,788   |
| 16.1              | Paid-in capital   |      | 440,000                        | -         | 440,000   | 440,000                      | -         | 440,000   |
| 16.2              | Capital Reserves  |      | -                              | -         | -         | -                            | -         | -         |
| 16.2.1            | Share Premium   |      | -                              | -         | -         | -                            | -         | -         |
| 16.2.2            | Share Cancellation Profits  |      | -                              | -         | -         | -                            | -         | -         |
| 16.2.3            | Other Capital Reserves  |      | -                              | -         | -         | -                            | -         | -         |
| 16.3              | Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss    |      | 94,382                         | -         | 94,382    | 79,247                       | -         | 79,247    |
| 16.4              | Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss        |      | 381                            | 4,686     | 5,067     | -                            | 500       | 500       |
| 16.5              | Profit Reserves   |      | 30,632                         | -         | 30,632    | 25,676                       | -         | 25,676    |
| 16.5.1            | Legal Reserves  |      | 30,632                         | -         | 30,632    | 25,676                       | -         | 25,676    |
| 16.5.2            | Status Reserves   |      | -                              | -         | -         | -                            | -         | -         |
| 16.5.3            | Extraordinary Reserves  |      | -                              | -         | -         | -                            | -         | -         |
| 16.5.4            | Other Profit Reserves   |      | -                              | -         | -         | -                            | -         | -         |
| 16.6              | Profit or (Loss)  |      | 482,836                        | -         | 482,836   | 321,365                      | -         | 321,365   |
| 16.6.1            | Prior Periods' Profit or (Loss)   |      | 316,409                        | -         | 316,409   | 220,387                      | -         | 220,387   |
| 16.6.2            | Current Period Profit or (Loss)   |      | 166,427                        | -         | 166,427   | 100,978                      | -         | 100,978   |
| 16.7              | Minority shares   |      | -                              | -         | -         | -                            | -         | -         |
| TOTAL LIABILITIES |   |      | 1,174,930                      | 3,783,064 | 4,957,994 | 985,478                      | 5,009,598 | 5,995,076 |

ARAP TÜRK BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS  
AT 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

|  |  | Note           | THOUSANDS OF TURKISH LIRA (TL) |                  |                  |                              |                  |                  |
|--|--|----------------|--------------------------------|------------------|------------------|------------------------------|------------------|------------------|
|  |  |                | CURRENT PERIOD<br>(31/12/2019) |                  |                  | PRIOR PERIOD<br>(31/12/2018) |                  |                  |
|  |  |                | TL                             | FC               | TOTAL            | TL                           | FC               | TOTAL            |
| <b>A.</b>  | <b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                  |                | <b>215,573</b>                 | <b>3,870,529</b> | <b>4,086,102</b> | <b>296,073</b>               | <b>3,752,847</b> | <b>4,048,920</b> |
| <b>I.</b>  | <b>GUARANTEES AND WARRANTIES</b>                                 | <b>1,2,3,4</b> | <b>207,270</b>                 | <b>3,860,951</b> | <b>4,068,221</b> | <b>289,028</b>               | <b>3,656,399</b> | <b>3,945,427</b> |
| 1.1.   | Letters of Guarantee   |                | 207,270                        | 2,948,876        | 3,156,146        | 289,028                      | 2,725,394        | 3,014,422        |
| 1.1.1.   | Guarantees Subject to State Tender Law                           |                | 7,415                          | -                | 7,415            | 150                          | -                | 150              |
| 1.1.2.   | Guarantees Given for Foreign Trade Operations                    |                | 1,150                          | 2,941,666        | 2,942,816        | 39,117                       | 2,689,341        | 2,728,458        |
| 1.1.3.   | Other Letters of Guarantee                                       |                | 198,705                        | 7,210            | 205,915          | 249,761                      | 36,053           | 285,814          |
| 1.2.   | Bank Acceptances   |                | -                              | -                | -                | -                            | -                | -                |
| 1.2.1.   | Import Letter of Acceptance                                      |                | -                              | -                | -                | -                            | -                | -                |
| 1.2.2.   | Other Bank Acceptances   |                | -                              | -                | -                | -                            | -                | -                |
| 1.3.   | Letters of Credit  |                | -                              | 450,008          | 450,008          | -                            | 503,629          | 503,629          |
| 1.3.1.   | Documentary Letters of Credit                                    |                | -                              | -                | -                | -                            | -                | -                |
| 1.3.2.   | Other Letters of Credit  |                | -                              | 450,008          | 450,008          | -                            | 503,629          | 503,629          |
| 1.4.   | Prefinancing Given as Guarantee                                  |                | -                              | -                | -                | -                            | -                | -                |
| 1.5.   | Endorsements   |                | -                              | -                | -                | -                            | -                | -                |
| 1.5.1.   | Endorsements to the Central Bank of the Republic of Turkey       |                | -                              | -                | -                | -                            | -                | -                |
| 1.5.2.   | Other Endorsements   |                | -                              | -                | -                | -                            | -                | -                |
| 1.6.   | Purchase Guarantees on Marketable Security Issuance              |                | -                              | -                | -                | -                            | -                | -                |
| 1.7.   | Factoring Guarantees   |                | -                              | -                | -                | -                            | -                | -                |
| 1.8.   | Other Guarantees   |                | -                              | 462,067          | 462,067          | -                            | 427,376          | 427,376          |
| 1.9.   | Other Collaterals  |                | -                              | -                | -                | -                            | -                | -                |
| <b>II.</b>                                       | <b>COMMITMENTS</b>   | <b>1</b>       | <b>8,303</b>                   | <b>9,578</b>     | <b>17,881</b>    | <b>7,045</b>                 | <b>96,448</b>    | <b>103,493</b>   |
| 2.1.   | Irrevocable Commitments  |                | 8,303                          | 9,578            | 17,881           | 7,045                        | 96,448           | 103,493          |
| 2.1.1.   | Asset Purchase and Sale Commitments                              |                | 7,993                          | 9,578            | 17,571           | 6,060                        | 6,028            | 12,088           |
| 2.1.2.   | Deposit Purchase and Sales Commitments                           |                | -                              | -                | -                | -                            | 90,420           | 90,420           |
| 2.1.3.   | Share Capital Commitments to Associates and Subsidiaries         |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.4.   | Loan Granting Commitments  |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.5.   | Securities Issue Brokerage Commitments                           |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.6.   | Commitments for Reserve Deposit Requirements                     |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.7.   | Commitments for Cheques  |                | 310                            | -                | 310              | 985                          | -                | 985              |
| 2.1.8.   | Tax and Fund Liabilities from Export Commitments                 |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.9.   | Commitments for Credit Card Limits                               |                | -                              | -                | -                | -                            | -                | -                |
| 2.1.10.  | Commitments for Credit Cards and Banking Services Promotions     |                | -                              | -                | -                | -                            | -                | -                |
| 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  |                | -                              | -                | -                | -                            | -                | -                |
| 2.2.1.   | Revocable Loan Granting Commitments                              |                | -                              | -                | -                | -                            | -                | -                |
| 2.2.2.   | Other Revocable Commitments                                      |                | -                              | -                | -                | -                            | -                | -                |
| <b>III.</b>                                      | <b>DERIVATIVE FINANCIAL INSTRUMENTS</b>                          | <b>5</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                    |                | -                              | -                | -                | -                            | -                | -                |
| 3.2  | Trading Transactions   |                | -                              | -                | -                | -                            | -                | -                |
| 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>B.</b>  | <b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>                    |                | <b>284,072</b>                 | <b>285,929</b>   | <b>570,001</b>   | <b>292,565</b>               | <b>346,098</b>   | <b>638,663</b>   |
| <b>IV.</b>                                       | <b>ITEMS HELD IN CUSTODY</b>                                     |                | <b>2,755</b>                   | -                | <b>2,755</b>     | <b>5,041</b>                 | <b>6,871</b>     | <b>11,912</b>    |
| 4.1.   | Customer Fund and Portfolio Balances                             |                | -                              | -                | -                | -                            | -                | -                |
| 4.2.   | Investment Securities Held in Custody                            |                | -                              | -                | -                | -                            | -                | -                |
| 4.3.   | Checks Received for Collection                                   |                | 2,755                          | -                | 2,755            | 5,041                        | 6,871            | 11,912           |
| 4.4.   | Commercial Notes Received for Collection                         |                | -                              | -                | -                | -                            | -                | -                |
| 4.5.   | Other Assets Received for Collection                             |                | -                              | -                | -                | -                            | -                | -                |
| 4.6.   | Assets Received for Public Offering                              |                | -                              | -                | -                | -                            | -                | -                |
| 4.7.   | Other Items Under Custody  |                | -                              | -                | -                | -                            | -                | -                |
| 4.8.   | Custodians   |                | -                              | -                | -                | -                            | -                | -                |
| <b>V.</b>  | <b>PLEDGES RECEIVED</b>  |                | <b>281,317</b>                 | <b>285,929</b>   | <b>567,246</b>   | <b>287,524</b>               | <b>339,227</b>   | <b>626,751</b>   |
| 5.1.   | Marketable Securities  |                | -                              | -                | -                | -                            | -                | -                |
| 5.2.   | Guarantee Notes  |                | 73,062                         | 137,029          | 210,091          | 92,062                       | 208,469          | 300,531          |
| 5.3.   | Commodity  |                | -                              | -                | -                | -                            | -                | -                |
| 5.4.   | Warranty   |                | -                              | -                | -                | -                            | -                | -                |
| 5.5.   | Immovable  |                | 20,059                         | 147,317          | 167,376          | 22,827                       | 130,470          | 153,297          |
| 5.6.   | Other Pledged Items  |                | 188,196                        | 1,583            | 189,779          | 172,635                      | 288              | 172,923          |
| 5.7.   | Pledged Items-Depository   |                | -                              | -                | -                | -                            | -                | -                |
| <b>VI.</b>                                       | <b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>            |                | -                              | -                | -                | -                            | -                | -                |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b> |  |                | <b>499,645</b>                 | <b>4,156,458</b> | <b>4,656,103</b> | <b>588,638</b>               | <b>4,098,945</b> | <b>4,687,583</b> |



**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

(Thousands of Turkish Lira ("TL"))

| STATEMENT OF PROFIT OR LOSS  |           | Note | THOUSANDS OF TURKISH LIRA (TL) |                         |
|--|-----------|------|--------------------------------|-------------------------|
|  |           |      | CURRENT PERIOD                 | PRIOR PERIOD            |
|  |           |      | (01/01/2019-31/12/2019)        | (01/01/2018-31/12/2018) |
| <b>I. INTEREST INCOME</b>  | <b>1</b>  |      | <b>306,728</b>                 | <b>309,789</b>          |
| 1.1 Interest on Loans  |           |      | 145,643                        | 186,664                 |
| 1.2 Interest on Reserve Requirements   |           |      | 6,266                          | 8,266                   |
| 1.3 Interest on Banks  |           |      | 16,900                         | 58,128                  |
| 1.4 Interest on Money Market Transactions                                      |           |      | 84,765                         | 18,662                  |
| 1.5 Interest on Marketable Securities Portfolio                                |           |      | 48,807                         | 38,065                  |
| 1.5.1 Fair Value Through Profit or Loss  |           |      | 14,239                         | 15,456                  |
| 1.5.2 Fair Value Through Other Comprehensive Income                            |           |      | 12,145                         | 4,686                   |
| 1.5.3 Measured at Amortised Cost   |           |      | 22,423                         | 17,923                  |
| 1.6 Financial Lease Income   |           |      | -                              | -                       |
| 1.7 Other Interest Income  |           |      | 4,347                          | 4                       |
| <b>II. INTEREST EXPENSE (-)</b>  | <b>2</b>  |      | <b>45,387</b>                  | <b>95,505</b>           |
| 2.1 Interest on Deposits   |           |      | 21,181                         | 73,973                  |
| 2.2 Interest on Funds Borrowed   |           |      | 23,835                         | 21,524                  |
| 2.3 Interest Expense on Money Market Transactions                              |           |      | -                              | 8                       |
| 2.4 Interest on Securities Issued  |           |      | -                              | -                       |
| 2.5 Measured at Amortised Expense  |           |      | 371                            | -                       |
| 2.6 Other Interest Expenses  |           |      | -                              | -                       |
| <b>III. NET INTEREST INCOME (I - II)</b>                                       |           |      | <b>261,341</b>                 | <b>214,284</b>          |
| <b>IV. NET FEES AND COMMISSIONS INCOME</b>                                     |           |      | <b>73,578</b>                  | <b>61,452</b>           |
| 4.1 Fees and Commissions Received  |           |      | 76,452                         | 62,819                  |
| 4.1.1 Non-cash Loans   |           |      | 37,201                         | 30,664                  |
| 4.1.2 Other  |           |      | 39,251                         | 32,155                  |
| 4.2 Fees and Commissions Paid  |           |      | 2,874                          | 1,367                   |
| 4.2.1 Non-cash Loans   |           |      | 7                              | 7                       |
| 4.2.2 Other  |           |      | 2,867                          | 1,360                   |
| <b>V. DIVIDEND INCOME</b>  | <b>3</b>  |      | <b>12,513</b>                  | <b>10,656</b>           |
| <b>VI. TRADING INCOME /(LOSS) (Net)</b>  | <b>4</b>  |      | <b>7,268</b>                   | <b>(9,717)</b>          |
| 6.1 Trading Gains / (Losses) on Securities                                     |           |      | -                              | (19,700)                |
| 6.2 Gains / (Losses) on Derivative Financial Transactions                      |           |      | -                              | (421)                   |
| 6.3 Foreign Exchange Gains / (Losses)  |           |      | 7,268                          | 10,404                  |
| <b>VII. OTHER OPERATING INCOME</b>   | <b>5</b>  |      | <b>5,702</b>                   | <b>10,581</b>           |
| <b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>                     |           |      | <b>360,402</b>                 | <b>287,256</b>          |
| <b>IX. EXPECTED CREDIT LOSS (-)</b>  | <b>6</b>  |      | <b>6,982</b>                   | <b>65,523</b>           |
| <b>X. OTHER PROVISION EXPENSE (-)</b>  | <b>7</b>  |      | <b>17,734</b>                  | <b>-</b>                |
| <b>XI. PERSONNEL EXPENSE (-)</b>   |           |      | <b>85,314</b>                  | <b>65,534</b>           |
| <b>XII. OTHER OPERATING EXPENSES (-)</b>                                       | <b>8</b>  |      | <b>40,247</b>                  | <b>30,175</b>           |
| <b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>                           |           |      | <b>210,125</b>                 | <b>126,024</b>          |
| <b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>                      |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED</b>         |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XVI. BASED ON EQUITY METHOD</b>   |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XVII. INCOME/(LOSS) ON NET MONETARY POSITION</b>                            |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XVIII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>    | <b>9</b>  |      | <b>210,125</b>                 | <b>126,024</b>          |
| <b>XIX. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>                         | <b>10</b> |      | <b>(43,698)</b>                | <b>(25,046)</b>         |
| 18.1 Current Tax Provision   |           |      | (45,171)                       | (26,895)                |
| 18.2 Deferred Tax Income Effect (+)  |           |      | 6,914                          | 12,695                  |
| 18.3 Deferred Tax Expense Effect (-)   |           |      | 8,387                          | 14,544                  |
| <b>XX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>     | <b>11</b> |      | <b>166,427</b>                 | <b>100,978</b>          |
| <b>XXI. INCOME FROM DISCONTINUED OPERATIONS</b>                                |           |      | <b>-</b>                       | <b>-</b>                |
| 20.1 Income from Non-current Assets Held for Sale                              |           |      | -                              | -                       |
| 20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures          |           |      | -                              | -                       |
| 20.3 Income from Other Discontinued Operations                                 |           |      | -                              | -                       |
| <b>XXII. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>                          |           |      | <b>-</b>                       | <b>-</b>                |
| 21.1 Expenses for Non-current Assets Held for Sale                             |           |      | -                              | -                       |
| 21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures            |           |      | -                              | -                       |
| 21.3 Expenses for Other Discontinued Operations                                |           |      | -                              | -                       |
| <b>XXIII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>     |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XXIV. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                     |           |      | <b>-</b>                       | <b>-</b>                |
| 23.1 Current Tax Provision   |           |      | -                              | -                       |
| 23.2 Deferred Tax Expense Effect (+)   |           |      | -                              | -                       |
| 23.3 Deferred Tax Income Effect (-)  |           |      | -                              | -                       |
| <b>XXV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)</b> |           |      | <b>-</b>                       | <b>-</b>                |
| <b>XXVI. NET PROFIT/(LOSS) (XVIII+XXIII)</b>                                   | <b>12</b> |      | <b>166,427</b>                 | <b>100,978</b>          |
| Earning/(Loss) per share (in TL full)  |           |      | 0.0038                         | 0.0023                  |

The accompanying explanations and notes form an integral part of these financial statements.

| <b>ARAP TÜRK BANKASI A.Ş.</b><br><b>UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER</b><br><b>COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019</b><br>(Thousands of Turkish Lira ("TL")) |                                |                         |
|---|--------------------------------|-------------------------|
|   | THOUSANDS OF TURKISH LIRA (TL) |                         |
|   | CURRENT PERIOD                 | PRIOR PERIOD            |
|   | (01/01/2019-31/12/2019)        | (01/01/2018-31/12/2018) |
| <b>I. CURRENT PERIOD PROFIT/LOSS</b>  | <b>166,427</b>                 | <b>100,978</b>          |
| <b>II. OTHER COMPREHENSIVE INCOME</b>   | <b>19,702</b>                  | <b>(3,821)</b>          |
| <b>2.1 Not Reclassified to Profit or Loss</b>   | <b>15,135</b>                  | <b>(4,414)</b>          |
| 2.1.1 Property and Equipment Revaluation Increase/Decrease  | 20,494                         | -                       |
| 2.1.2 Intangible Assets Revaluation Increase/Decrease   | -                              | -                       |
| 2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss  | (2,266)                        | (861)                   |
| 2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | -                              | -                       |
| 2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | (3,093)                        | (3,553)                 |
| <b>2.2 Reclassified to Profit or Loss</b>   | <b>4,567</b>                   | <b>593</b>              |
| 2.2.1 Foreign Currency Translation Differences  | -                              | -                       |
| Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other  |                                |                         |
| 2.2.2 Comprehensive Income  | 5,606                          | 619                     |
| 2.2.3 Cash Flow Hedge Income/Loss   | -                              | -                       |
| 2.2.4 Foreign Net Investment Hedge Income/Loss  | -                              | -                       |
| 2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses  | -                              | -                       |
| 2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss  | (1,039)                        | (26)                    |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>   | <b>186,129</b>                 | <b>97,157</b>           |

ARAP TÜRK BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

|  |   |  |  |  | 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 |   |  |   |                                     |                 |                                |                                  |                                       |                   |              |           |
|--|---|--|--|--|---|---------------|---|---|---|--|---|-------------------------------------|-----------------|--------------------------------|----------------------------------|---------------------------------------|-------------------|--------------|-----------|
| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY |   |  |  |  |   |               | Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss) |   | Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income | Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss) |   |                                     |                 |                                |                                  |                                       |                   |              |           |
|  |   |  |  |  | Paid-in capital   | Share premium | Share certificate cancel profits  | Other capital reserves  |   | Tangible and Intangible Assets Revaluation Reserve   | Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans | Exchange Differences on Translation | Profit reserves | Prior period net income/(loss) | Current period net income/(loss) | Total Equity Before Minority Interest | Minority Interest | Total Equity |           |
| PRIOR PERIOD<br>(31/12/2018)                 |   |  |  |  |   |               |   |   |   |  |   |                                     |                 |                                |                                  |                                       |                   |              |           |
| I.   | Balance at the beginning of the period            |  |  |  | 440,000   | -             | -   | -   |   | 86,476   | (2,815)   | -                                   | -               | 21,662                         | 159,889                          | 80,268                                | 785,384           | -            | 785,384   |
| II.  | Adjustment in accordance with TMS 8               |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | 6,244                            | -                                     | 6,247             | -            | 6,247     |
| 2.1  | Effect of adjustment                              |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| 2.2  | Effect of changes in accounting policies          |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| III.   | New balance (I+II)                                |  |  |  | 440,000   | -             | -   | -   |   | 86,476   | (2,815)   | -                                   | -               | -                              | 6,244                            | -                                     | 6,247             | -            | 6,247     |
| IV.  | Total comprehensive income (loss)                 |  |  |  | --  | -             | -   | -   |   | (3,725)  | (689)   | -                                   | -               | 21,662                         | 166,133                          | 80,268                                | 791,631           | -            | 791,631   |
| V.   | Capital increase in cash                          |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | 100,978                               | 97,157            | -            | 97,157    |
| VI.  | Capital increase through internal reserves        |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| VII.   | Issued capital inflation adjustment difference    |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| VIII.  | Convertible bonds                                 |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| IX.  | Subordinated debt                                 |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| X.   | Increase (decrease) through other changes, equity |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
| XI.  | Profit distribution                               |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | 4,014                          | 54,254                           | (80,268)                              | (22,000)          | -            | (22,000)  |
| 11.1   | Dividends distributed                             |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | (22,000)                         | -                                     | (22,000)          | -            | (22,000)  |
| 11.2   | Transfers to legal reserves                       |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | 4,014                          | 76,254                           | (80,268)                              | -                 | -            | -         |
| 11.3   | Other   |  |  |  | --  | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
|  | Balances (III+IV+.....+X+XI)                      |  |  |  | 440,000   | -             | -   | -   |   | 82,751   | (3,504)   | -                                   | -               | 25,676                         | 220,387                          | 100,978                               | 866,788           | -            | 866,788   |
| CURRENT PERIOD<br>(31/12/2019)               |   |  |  |  |   |               |   |   |   |  |   |                                     |                 |                                |                                  |                                       |                   |              |           |
| I.   | Balance at the beginning of the period            |  |  |  | 440,000   | -             | -   | -   |   | 82,751   | (3,504)   | -                                   | -               | 25,676                         | 220,387                          | 100,978                               | 866,788           | -            | 866,788   |
| II.  | Adjustment in accordance with TMS 8               |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| 2.1  | Effect of adjustment                              |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| 2.2  | Effect of changes in accounting policies          |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| III.   | New balance (I+II)                                |  |  |  | 440,000   | -             | -   | -   |   | 82,751   | (3,504)   | -                                   | -               | 25,676                         | 220,387                          | 100,978                               | 866,788           | -            | 866,788   |
| IV.  | Total comprehensive income (loss)                 |  |  |  | -   | -             | -   | -   |   | 16,948   | (1,813)   | -                                   | -               | --                             | -                                | 166,427                               | 186,129           | -            | 186,129   |
| V.   | Capital increase in cash                          |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| VI.  | Capital increase through internal reserves        |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| VII.   | Issued capital inflation adjustment difference    |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| VIII.  | Convertible bonds                                 |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| IX.  | Subordinated debt                                 |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| X.   | Increase (decrease) through other changes, equity |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| XI.  | Profit distribution                               |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | 4,956                          | 96,022                           | (100,978)                             | -                 | -            | -         |
| 11.1   | Dividends distributed                             |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | --                             | -                                | -                                     | -                 | -            | -         |
| 11.2   | Transfers to legal reserves                       |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | 4,956                          | 96,022                           | (100,978)                             | -                 | -            | -         |
| 11.3   | Other   |  |  |  | -   | -             | -   | -   |   | -  | -   | -                                   | -               | -                              | -                                | -                                     | -                 | -            | -         |
|  | Balances (III+IV+.....+X+XI)                      |  |  |  | 440,000   | -             | -   | -   |   | 99,699   | (5,317)   | -                                   | --              | 30,632                         | 316,409                          | 166,427                               | 1,052,917         | -            | 1,052,917 |

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD YEAR 31 DECEMBER 2019**

(Thousands of Turkish Lira ("TL"))

|   | Note     | THOUSANDS OF TURKISH LIRA (TL)            |   |
|---|----------|---|---|
|   |          | CURRENT PERIOD<br>(01/01/2019-31/12/2019) | PRIOR PERIOD<br>(01/01/2018-31/12/2018) |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |          |   |   |
| <b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>            |          | <b>155,903</b>                            | <b>102,225</b>                          |
| 1.1.1 Interest Received   |          | 309,489                                   | 306,752                                 |
| 1.1.2 Interest Paid   |          | (36,405)                                  | (87,860)                                |
| 1.1.3 Dividend Received   |          | 16  | -                                       |
| 1.1.4 Fees and Commissions Received   |          | 76,452                                    | 62,819                                  |
| 1.1.5 Other Income  |          | 20,412                                    | 13,697                                  |
| 1.1.6 Collections from Previously Written-off Loans and Other Receivables                 |          | 1,488                                     | 784                                     |
| 1.1.7 Payments to Personnel and Service Suppliers   |          | (103,109)                                 | (81,296)                                |
| 1.1.8 Taxes Paid  |          | (45,317)                                  | (26,584)                                |
| 1.1.9 Other   | <b>1</b> | (67,123)                                  | (86,087)                                |
| <b>1.2 Changes in Operating Assets and Liabilities</b>                                    |          | <b>(701,007)</b>                          | <b>975,266</b>                          |
| 1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss      |          | 144,963                                   | 42,884                                  |
| 1.2.2 Net (increase) / decrease in due from banks and other financial institutions        |          | -   | 210,485                                 |
| 1.2.3 Net (increase) / decrease in loans  |          | 289,668                                   | 30,097                                  |
| 1.2.4 Net (increase) / decrease in other assets   |          | 664                                       | (10,572)                                |
| 1.2.5 Net increase / (decrease) in bank deposits  | <b>1</b> | (2,121,406)                               | 125,890                                 |
| 1.2.6 Net increase / (decrease) in other deposits   |          | 50,456                                    | 438,745                                 |
| 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   |          | 701,412                                   | 112,690                                 |
| 1.2.9 Net increase / (decrease) in payables   |          | -   | -                                       |
| 1.2.10 Net increase / (decrease) in other liabilities                                     | <b>1</b> | 233,236                                   | 25,047                                  |
| <b>I. Net Cash Provided from Banking Operations</b>                                       |          | <b>(545,104)</b>                          | <b>1,077,491</b>                        |
| <b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>   |          |   |   |
| <b>II. Net Cash Provided from Investing Activities</b>                                    |          | <b>(61,411)</b>                           | <b>(61,815)</b>                         |
| 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   |          | (26,181)                                  | (5,005)                                 |
| 2.4 Disposals of property and equipment   |          | 13  | 524                                     |
| 2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income         |          | (186,766)                                 | (119,806)                               |
| 2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income             |          | 99,323                                    | 58,370                                  |
| 2.7 Purchase of Financial Assets Measured at Amortised Cost                               |          | (145,427)                                 | (190,541)                               |
| 2.8 Sale of Financial Assets Measured at Amortised Cost                                   |          | 199,599                                   | 195,890                                 |
| 2.9 Other   |          | (1,972)                                   | (1,247)                                 |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |          |   |   |
| <b>III. Net Cash Provided from Financing Activities</b>                                   |          | <b>(290)</b>                              | <b>(22,000)</b>                         |
| 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 Instruments   |          | -   | -                                       |
| 3.4 Dividends Paid  |          | -   | (22,000)                                |
| 3.5 Payments for Finance Leases   |          | (290)                                     | -                                       |
| 3.6 Other   |          | -   | -                                       |
| <b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>         | <b>1</b> | <b>61,431</b>                             | <b>58,153</b>                           |
| <b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>               | <b>1</b> | <b>(545,374)</b>                          | <b>1,051,829</b>                        |
| <b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>                       | <b>1</b> | <b>2,473,727</b>                          | <b>1,421,898</b>                        |
| <b>VII. Cash and Cash Equivalents at the End of the Period</b>                            | <b>1</b> | <b>1,928,353</b>                          | <b>2,473,727</b>                        |

The accompanying explanations and notes form an integral part of these financial statements.

**ARAP TÜRK BANKASI A.Ş.**  
**STATEMENT OF PROFIT DISTRIBUTION**  
**FOR THE PERIOD ENDED 31 DECEMBER 2019**

(Thousands of Turkish Lira)

|             |   | AUDITED                        | AUDITED                          |
|-------------|---|--------------------------------|----------------------------------|
|             |   | CURRENT PERIOD<br>(31/12/2019) | PRIOR PERIOD<br>(31/12/2018) (1) |
| <b>I.</b>   | <b>DISTRIBUTION OF CURRENT YEAR INCOME (1)</b>                  |                                |                                  |
| 1.1         | CURRENT YEAR INCOME   | <b>210,125</b>                 | <b>126,02</b>                    |
| 1.2         | TAXES AND DUTIES PAYABLE  | (43,698)                       | (25,041)                         |
| 1.2.1       | Corporate Tax (Income tax)                                      | (45,171)                       | (26,891)                         |
| 1.2.2       | Income withholding tax  | -                              | -                                |
| 1.2.3       | Other taxes and duties  | 1,473                          | 1,841                            |
| <b>A.</b>   | <b>NET INCOME FOR THE YEAR (1.1-1.2)</b>                        | <b>166,427</b>                 | <b>100,97</b>                    |
| 1.3         | PRIOR YEARS LOSSES (-)(1)                                       | -                              | -                                |
| 1.4         | FIRST LEGAL RESERVES (-)  | -                              | 4,951                            |
| 1.5         | OTHER STATUTORY RESERVES (-)                                    | -                              | -                                |
| <b>B.</b>   | <b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]</b> | <b>166,427</b>                 | <b>96,02</b>                     |
| 1.6         | FIRST DIVIDEND TO SHAREHOLDERS (-)                              | -                              | -                                |
| 1.6.1       | To owners of ordinary shares                                    | -                              | -                                |
| 1.6.2       | To owners of preferred shares                                   | -                              | -                                |
| 1.6.3       | To owners of preferred shares (preemptive rights)               | -                              | -                                |
| 1.6.4       | To profit sharing bonds   | -                              | -                                |
| 1.6.5       | To holders of profit and loss sharing certificates              | -                              | -                                |
| 1.7         | DIVIDENDS TO PERSONNEL (-)                                      | -                              | -                                |
| 1.8         | DIVIDENDS TO BOARD OF DIRECTORS (-)                             | -                              | -                                |
| 1.9         | SECOND DIVIDEND TO SHAREHOLDERS (-)                             | -                              | -                                |
| 1.9.1       | To owners of ordinary shares                                    | -                              | -                                |
| 1.9.2       | To owners of preferred shares                                   | -                              | -                                |
| 1.9.3       | To owners of preferred shares (preemptive rights)               | -                              | -                                |
| 1.9.4       | To profit sharing bonds   | -                              | -                                |
| 1.9.5       | To holders of profit and loss sharing certificates              | -                              | -                                |
| 1.10        | SECOND LEGAL RESERVES (-)                                       | -                              | -                                |
| 1.11        | STATUTORY RESERVES (-)  | -                              | -                                |
| 1.12        | GENERAL RESERVES  | -                              | -                                |
| 1.13        | OTHER RESERVES  | -                              | -                                |
| 1.14        | SPECIAL FUNDS   | -                              | -                                |
| <b>II.</b>  | <b>DISTRIBUTION OF RESERVES</b>                                 |                                |                                  |
| 2.1         | APPROPRIATED RESERVES   | -                              | -                                |
| 2.2         | SECOND LEGAL RESERVES (-)                                       | -                              | -                                |
| 2.3         | DIVIDENDS TO SHAREHOLDERS (-)                                   | -                              | -                                |
| 2.3.1       | To owners of ordinary shares                                    | -                              | -                                |
| 2.3.2       | To owners of preferred shares                                   | -                              | -                                |
| 2.3.3       | To owners of preferred shares (preemptive rights)               | -                              | -                                |
| 2.3.4       | To profit sharing bonds   | -                              | -                                |
| 2.3.5       | To holders of profit and loss sharing certificates              | -                              | -                                |
| 2.4         | DIVIDENDS TO PERSONNEL (-)                                      | -                              | -                                |
| 2.5         | DIVIDENDS TO BOARD OF DIRECTORS (-)                             | -                              | -                                |
| <b>III.</b> | <b>EARNINGS PER SHARE</b>                                       |                                |                                  |
| 3.1         | TO OWNERS OF ORDINARY SHARES                                    | 0.0038                         | 0.002                            |
| 3.2         | TO OWNERS OF ORDINARY SHARES (%)                                | 0.38                           | 0.2                              |
| 3.3         | TO OWNERS OF PRIVILEGED SHARES                                  | -                              | -                                |
| 3.4         | TO OWNERS OF PRIVILEGED SHARES (%)                              | -                              | -                                |
| <b>IV.</b>  | <b>DIVIDEND PER SHARE</b>                                       |                                |                                  |
| 4.1         | TO OWNERS OF ORDINARY SHARES                                    | -                              | -                                |
| 4.2         | TO OWNERS OF ORDINARY SHARES (%)                                | -                              | -                                |
| 4.3         | TO OWNERS OF PRIVILEGED SHARES                                  | -                              | -                                |
| 4.4         | TO OWNERS OF PRIVILEGED SHARES ( % )                            | -                              | -                                |

(1) The profit distribution table for the previous period has been rearranged accordingly and finalized with the decision of the General Assembly after the publishing of the independent audited financial statements dated 31 December 2018.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS FOR 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 Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards and Turkish Financial Reporting Standards (“TFRS”) and related appendices and interpretations (referred as “Turkish Accounting Standards” or “TAS”) put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”) (all referred as “Reporting Standards”).

The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012, and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

Unconsolidated financial statements other than financial assets and liabilities that are presented with fair values, are prepared in thousands of Turkish Lira and with cost value approach.

The preparation of financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgements and estimates are explained in related notes.

For a correct perception of the financial statements, the accounting policies and valuation principles are explained between in Notes No. II and XXIII.

**CHANGES IN ACCOUNTING POLICIES**

The Bank has started to apply TFRS 16 Leases standard (“TFRS 16”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying unconsolidated financial statements starting from 1 January 2019.

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same. This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**II. INFORMATION ON STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

The Bank's core business operation is banking activities including corporate banking, commercial banking, retail banking and security transactions (treasury transactions) together with international banking services. The Bank uses financial instruments intensively because of the nature of the Bank. The main funding resources are deposits, borrowing and equity and these resources are invested in qualified financial assets. The Bank follows the utilization of resources and the risk and return for the investments in various financial assets through an effective asset and liability management strategy.

The transactions in foreign currency are recorded in accordance with "TAS 21 - Effects of Exchange Rate Changes" Related gain and loss occurred due to the changes in exchange rates resulted by the foreign currency transactions are translated into Turkish Lira over the effective exchange rate prevailing at the date of the transaction and is recorded accordingly.

At the end of the related periods, foreign currency assets and liability balances outstanding are translated into Turkish Lira over the Bank's exchange rates prevailing at the balance sheet date and the resulting exchange rate differences are accounted as foreign exchange gains and losses.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with "TAS 27 - Individual Financial Statements" in the unconsolidated financial statements. Subsidiaries are recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

**IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss".

Derivatives are initially recorded at their purchase costs including the transaction costs. The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

The derivative transactions are measured at fair value subsequent to initial recognition and if the fair value of a derivative financial instrument is positive, it is disclosed under trading derivative financial assets and if the fair value difference is negative, it is disclosed under trading derivative financial liabilities.

Gains and losses arising from a change in fair value of trading derivatives after the re measurement are accounted in the income statement. The fair value of the derivative financial instruments is calculated using quoted market prices by using discounted cash flows model.



**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**V. INFORMATION ON INTEREST INCOME AND EXPENSE**

Interest income and expense are recognized according to the effective interest method based on accrual basis. Effective interest rate is the rate that discounts the expected cash flows of financial assets or liabilities during their lifetimes to their carrying values. Effective interest rate is calculated when a financial asset or a liability is initially recorded and is not modified thereafter.

The computation of effective interest rate comprises discounts and premiums, fees and commissions paid or received and transaction costs. Transaction costs are additional costs that are directly related to the acquisition, issuance or disposal of financial assets or liabilities.

**VI. INFORMATION ON FEES AND COMMISSION**

Fees and commission received and paid are recognized according to either accrual basis of accounting or effective interest method depending on nature of fees and commission; incomes derived from agreements and asset purchases for third parties are recognized as income when realized.

**VII. INFORMATION ON FINANCIAL ASSETS**

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss".

Derivatives are initially recorded at their purchase costs including the transaction costs. The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts.

The derivative transactions are measured at fair value subsequent to initial recognition and if the fair value of a derivative financial instrument is positive, it is disclosed under trading derivative financial assets and if the fair value difference is negative, it is disclosed under trading derivative financial liabilities.

Gains and losses arising from a change in fair value of trading derivatives after the re measurement are accounted in the income statement. The fair value of the derivative financial instruments is calculated using quoted market prices by using discounted cash flows model.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**a. 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 income statement.

Government bonds and treasury bills included in Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value Through Other Comprehensive Income portfolios traded in BIST are carried at weighted average exchange rates of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at other valuation models. All gains and losses arising from these valuations are reflected in the income statement.

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

Subsequent amendments to the values of investments in equity instruments are not reflected in the income statement except for the dividend.

At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**b. Financial Assets at Fair Value Through Other Comprehensive Income (Continued)**

The subsequent measurement of financial assets at fair value through other comprehensive income is based on fair value. However, securities that do not have a quoted market price in an active market, the fair value for the floating rate securities is measured at the amortized cost using the most probable effective interest method; for fixed interest securities, fair value pricing models or discounted cash flow techniques are used.

**c. 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 income statement.

**d. Loans**

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

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

Bank's loans are recorded under the "Measured at Amortized Cost" account.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**e. Impairment For Expected Loss**

The Bank recognizes an Impairment For Expected Loss for financial assets measured at amortized cost and at fair value through other comprehensive income.

The Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The impairment for expected loss estimate is unbiased, weighted by probabilities and includes supportable information about estimates of past events, current conditions and future economic conditions.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- 1) Probability-weighted and neutral amount determined by taking into account possible outcomes,
- 2) Time value of money,
- 3) Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

The expected 12 monthly loss values are part of the life expectancy loss calculation (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months).

The main theme of the expected credit loss model can reflect the deterioration of the quality of financial instruments or the general view of recovery. The amount of expected credit loss, known as loss allowance or allowance, depends on the degree of credit deterioration. There are two measurements according to the general approach:

12-Month Expected Loss (1st Stage) is valid for all assets unless there is a significant deterioration in the quality of the loan.

Lifetime Expected Loss (2nd and 3rd Stage) is applied when a significant increase in credit risk occurs.

The following parameters are used in the calculation of expected credit loss;

Probability of Default: It denotes the possibility of default of the loan in the related term. The Bank's internal ratings are used in the calculation of the probability of default.

Loss in case of default: refers to the expected loss rate from the loan in case of default

Default Amount: refers to the risk balance for cash loans and the risk balance calculated by using the credit conversion rate for non-cash loans.

*Individual Evaluation*

A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected EIR (Effective Interest Rate) value and discounted cash flows. When cash flows are estimated, the following conditions are taken into account.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**e. Impairment For Expected Loss (Continued)**

- a) All contractual terms of the financial intermediary during the expected lifetime of the financial instrument.
- b) Cash flows from collateral sales

*Definition of Default*

The debtor can be considered as the Stage 3 under conditions where the debtor fails to pay his obligations regardless of past due and the guarantees the debtor has.

These conditions have stated below;

- 1) Degradation in financial structure of the opposite party and economic conditions.
- 2) The decision taken for bankruptcy or concordatum registration.
- 3) To have a loan classified as standard receivable by restructuring while monitored as non-performing loan and to have a past due more than 30 days of principal and/or interest payment delayed within the 1 year monitoring period or to have a loan restructured once more during this monitoring period.
- 4) To have past due over 30 days or reconstruction of loans after passing from Stage 3 to Stage 2.

*Significant increase in credit risk definition (criterias and explanations)*

The classification criteria were revised in accordance with the new rules issued by the BRSA. These revisions are designated as the First Group (Standard loans), the Second Group (loans under close monitoring), the Third Group (loans with limited collection), the Fourth Group (loans in suspicious cases where the loss is expected) and the fifth group (Losses).

In this context, in the criteria applied for the loans classified in the first Group; the issue of future payment issues is not expected and the credit worthiness of the borrower of the loan has not weakened. In accordance with TFRS 9, loans subject to 12-month credit impairment are classified under the First Group (Stage 1).

The criteria applied for the credits classified in the Stage 2 are; unfavourable developments in debt payment or cash flows of debtors are observed or anticipated, problems arises in principal and / or interest payments in accordance with the terms of the loan agreement and the credit risk of the borrower is considerably increased. In accordance with TFRS 9, loans classified in the Stage 2 are subject to the provision of an expected lifetime loan loss provision.

The conditions for the loans classified in the stage 2 are stated below;

1. Past due more than 30 days,
2. The subject of in-bank restructuring,
3. Bankruptcy / concordatum registration
4. High level negative investigation
5. Restructured loan risk records

Loans classified as third, fourth and fifth groups are considered as non-performing loans. In accordance with TFRS 9, these loans, which are subject to a lifetime impairment application, are classified under the Stage 3.

The relevant Staging criteria and default definitions are set out in accordance with TFRS 9 regulation and specified in the monitoring policies.

Under the contractual cash flows, the cash flows from the sale of the collateral and the cash flows from the credit are also taken into account.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**e. Impairment For Expected Loss (Continued)**

In accordance with TFRS 9, probability-weighted scenarios are taken into account over the expected life of the financial instrument in order to estimate the expected losses. The assessment consists of an assessment of the possible outcomes, including the amount and timing of cash flows for certain outputs and the identification of possible scenarios that indicate the estimated likelihood of that outcome.

**VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**IX. INFORMATION ON SALE AND REPURCHASE AGREEMENTS AND LENDING OF FINANCIAL ASSETS**

Repurchase ("repo") and resale ("reverse repo") agreements of financial assets are followed at the balance sheet accounts. Financial assets which are sold to customers under repurchase agreements are categorized according to initial classification and are measured in accordance with the accounting policy of the related portfolio.

Funds obtained under repurchase agreements are accounted under funds provided under repurchase agreements in liability accounts. The interest expense accruals are calculated by means of internal rate of return method over the difference resulting from repurchase and sale prices for the relevant period.

Securities subject to repurchase ("reverse repo") agreements are reflected under receivables from reverse repurchase agreements. The difference between the purchase and resell price which is related with the period is computed with the effective interest rate method for accrued interest income.

As of the balance sheet date, there is no security lending transactions.

**X. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS**

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

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. To have a high possibility of sale, a plan should have been made for the sale of the asset (or the asset group to be disposed) and an active program should have been started by the management, aiming to complete the plan and determine the buyers. The amount in the securities portfolio of the bank is very low. In addition, the asset should be actively marketed at a price that is consistent with the true value.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**X. INFORMATION ON ASSETS HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS AND EXPLANATIONS ON LIABILITIES RELATED WITH THESE ASSETS (Continued)**

A discontinued operation is a part of an entity which is classified as to be disposed or held for sale. The results related to discontinuing operations are presented separately in the income statement. The Bank does not have any discontinued operations.

**XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS**

There is no goodwill in the accompanying financial statements related to the acquisition of a subsidiary. The Bank's intangible assets consist of software.

Intangible assets are initially recorded at their costs in compliance with the "TAS 38 - Intangible Assets".

The costs of the intangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The intangible assets purchased after this date are recorded at their historical costs. The intangible assets are amortized based on straight line amortization. The useful life of software is determined as 3-15 years.

If there is objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

**XII. INFORMATION ON TANGIBLE ASSETS**

The costs of the tangible assets purchased before 31 December 2004 are restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. In subsequent periods no inflation adjustment is made for tangible assets, and costs which are restated as of 31 December 2004 are considered as their historical costs. Tangible assets purchased after 1 January 2005 are recorded at their historical costs after foreign exchange differences and financial expenses are deducted if any.

While the Bank is using the cost model under the TAS 16 "Property, Plant and Equipment" for the valuation of the property under tangible assets, the current year has been changed to the revaluation model in the valuation of the property in use. The property value in the appraisal report prepared by the appraisal company and the net book value the positive difference is monitored in equity accounts.

Gains and losses arising from the disposal of the tangible assets are calculated as the difference between the net book value and the net sales price and recognized in the income statement of the period.



**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XII. INFORMATION ON TANGIBLE ASSETS (Continued)**

Maintenance and repair costs incurred for tangible assets are recorded as expense. Expenditures incurred that extend the useful life and service capacity of the assets are capitalized.

The depreciation rates used approximate the rates of the useful life of the tangible assets are as follows:

| <b>Tangible Assets</b>                  | <b>Estimated Useful Life<br/>(Years)</b> | <b>Depreciation Rate (%)</b> |
|---|--|------------------------------|
| Buildings                               | 37-44                                    | 2-3                          |
| Motor vehicles                          | 5  | 20                           |
| Office equipment, furniture and fixture | 3-50                                     | 2-33                         |

There are no changes in the accounting estimates that are expected to have an impact in the current or subsequent periods.

At each reporting date, the Bank evaluates whether there is objective evidence of impairment on its assets. If there is an objective evidence of impairment, the asset's recoverable amount is estimated in accordance with the "TAS 36 - Impairment of Assets" and if the recoverable amount is less than the carrying value of the related asset, a provision for impairment loss is made.

**XIII. INFORMATION ON LEASING ACTIVITIES***Finance leasing activities as the lessor*

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented as "Finance Lease Payables" account in the financial statements. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

If there is impairment in the value of the assets obtained through financial lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through financial lease is calculated in the same manner as tangible assets.

Interest and exchange rate expenses related to financial leasing are recognized in the income statement. The Bank does not provide financial leasing services as a lessor.

*Operational leases*

Transactions regarding operational lease agreements are accounted on an accrual basis in accordance with the terms of the related contracts.

Lease payments made under operational leases are recognized in the income statement over the lease term in equal installments.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions and contingent liabilities are provided for in accordance with the "TAS 37 - Provisions, Contingent Liabilities and Contingent Assets", except for the general and specific provisions set aside for the loans and other receivables.

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

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate the amount of the obligation can be made.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

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

**XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS**

*Reserve for other benefits to employees*

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2019 is TL 6,379.86 (full TL) (31 December 2018: TL 5,434.42 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves.

The vacation pay obligation is calculated on the cumulative sum of the number of unused leave days that are deducted from the legally granted leave each year.

*Other benefits to employees*

The Bank has provided provision for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with the updated TAS 19 in the accompanying unconsolidated financial statements.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. INFORMATION ON TAX APPLICATIONS**

**Corporate tax**

As per the regulation of Law numbered 7061 on "The Amendments of Certain Taxes and Laws and Other Acts" published in the official gazette numbered 30261 on 5 December 2017, the rate for corporate income tax is set to be 22% for fiscal years 2018, 2019, 2020 whereas the rate was 20% effective from 1 January 2016 previously. Also the council of ministers is authorized to reduce the 22% rate to a rate as low as 20%.

The corporate tax rate is 22% Corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%.

In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred according to Turkish Tax Legislation. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of 25th of the fourth month following the close of the accounting period to which they relate. Tax declarations and related accounting entries can be investigated by tax authorities for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The liabilities of subsidiaries, founding shares and preferential rights of the institutions, which have been legally borrowed or owed to the SDIF due to the bank borrowing and their possessors and mortgage holders, all of the profits from the sale of the proceeds from the transfer to the bank or from this Fund that are used in the liquidation of these debts and 75% of the gains from the sale of the securities in such a manner so obtained by the banks are exempted from the corporation tax until 5 December 2017.

75% of the profits arising from the sale of founders' shares, usufruct shares and preferential rights that the institutions hold for at least two full years in the assets, the immovables they own in the same period as the participation shares; is exempted from the corporation tax as long as it is kept in a special fund account until the end of the fifth year following the year in which the sale is made and collected until the end of the second calendar year until 5 December 2017. On the other side, according to the regulation of 7061 numbered "Law on Amendments to Certain Tax Laws and Other Certain Other Laws", the tax exemption rate mentioned above is: As of 5 December 2017, 50% is applied for the gains derived from the sale of immovables and 75% for gains derived from the sale of the others.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. INFORMATION ON TAX APPLICATIONS (Continued)**

**Deferred taxes**

The Bank calculates and accounts deferred tax assets and liabilities in accordance with the “TAS 12 - Income Taxes” and BRSA’s explanations; deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances used for taxation purposes except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the statement of income, then the related tax effects are also recognized in the statement of income. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

The net amount of deferred tax receivables and deferred tax payables is shown on the financial tables.

**Transfer Pricing**

In Turkey, the transfer pricing provisions has been stated under the Article 13 of Corporate Tax Law with the heading of disguised profit distribution via transfer pricing. “The General Communiqué on Disguised Profit Distribution via Transfer Pricing”, dated 18 November 2007 sets details about implementation.

If the companies enter into transactions concerning to the sale or the purchase of the goods or services with the related parties by setting the prices or amounts which are not in line with the arm’s length principle, related profits will be treated as having been wholly or partially distributed in a disguised way via transfer pricing. This kind of disguised profit distribution via transfer pricing cannot be deducted from tax base in accordance with corporate tax.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. ADDITIONAL INFORMATION ON BORROWINGS**

The Bank accounts for its borrowing instruments in accordance with TFRS 9 "Financial Instruments" standard and evaluates all its financial liabilities with the "effective interest rate method" in subsequent periods. There are no borrowings required to apply the hedging techniques in respect of the accounting and valuation methods of borrowing instruments and liabilities that represent borrowing.

The Bank did not issue any stocks convertible into bonds.

The Bank does not have borrowing instruments issued by itself.

**XVIII. INFORMATION ON SHARE ISSUANCES**

The Bank has not issued any share in the current year.

**XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES**

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

There are no acceptances presented as liabilities against any assets.

**XX. INFORMATION ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Bank as of 31 December 2019 and 31 December 2018.

**XXI. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values. Cash equivalents and balances regarding banks are valued by the period end counter foreign currency buying rate of the Bank.

For the purposes of the cash flow statement, "Cash" includes cash, effectives, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XXII. INFORMATION ON SEGMENT REPORTING**

Operating segment is the unit that operates in only one product or service of the Bank or the group of products or services which are related each other and differs from other units from the point of risk and profit. Operating segments are presented in the footnote XI of Fourth Section.

**XXIII. OTHER DISCLOSURES****Profit reserves and profit distribution**

Retained earnings other than legal reserves are available for distribution, subject to legal reserve requirement referred to below.

The legal reserves are comprised of first and second reserves, in accordance with the Turkish Commercial Code ("TCC"). The first legal reserve is appropriated out of the profits at the rate of 5% until the total reserve reaches a maximum of 20% of the Bank's paid in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of the 5% of the Company's share capital; however holding companies are not subject to this application. First and second legal reserves can only be used to compensate accumulated losses and cannot be used for profit distribution unless they exceed 50% of paid-in capital.

**Related parties**

In accompanying financial statements, shareholders, key management personnel and board members together with their families and companies controlled by or affiliated by them associated and jointly controlled entities are considered as Related Parties in compliance with "TAS 24 - Related Party Disclosures".

**Classifications**

Within the scope of TFRS 16 The effects of classification and correction on 1 January 2019 are given in the table below.

|                       | <b>Note</b> | <b>31 December<br/>2018</b> | <b>Impact of TFRS<br/>16 Transition</b> | <b>1 January<br/>2019</b> |
|-----------------------|-------------|-----------------------------|---|---------------------------|
| Tangible Assets (Net) | (1)         | 113,282                     | 4,034                                   | 117,316                   |
| Other Assets (Net)    | -           | 21,008                      | -                                       | 21,008                    |
| Lease Payables (Net)  | (1),(2)     | -                           | 4,034                                   | 4,034                     |

<sup>(1)</sup> In accordance with TFRS 16 a lease liability and a right-of-use asset amounting to TL 4,034 thousands are recognised as of 1 January 2019 for leases previously classified as an operating lease applying TAS 17.

<sup>(2)</sup> As of 1 January 2019, the weighted average of the alternative borrowing interest rates applied to TL and USD lease liabilities presented in the consolidated statement of financial position are 22% and 1.5% respectively

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK****I. INFORMATION ON SHAREHOLDER'S EQUITY****Information about Total Capital (Current Period)**

|   | Amount           | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|---|------------------|---|
| <b>TIER II CAPITAL</b>  | <b>1,052,917</b> |   |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 440,000          |   |
| Share issue premiums  | -                |   |
| Reserves  | 30,632           |   |
| Gains recognized in equity as per TAS   | 99,449           |   |
| Profit  | 482,836          |   |
| Current Period Profit   | 166,427          |   |
| Prior Period Profit   | 316,409          |   |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period  | -                |   |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>1,052,917</b> |   |
| <b>Deductions from Common Equity Tier 1 Capital</b>   | <b>6,450</b>     |   |
| 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   | 297              |   |
| Goodwill (net of related tax liability)   | -                |   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 6,153            | 6,153   |
| 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   | -                |   |
| 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 equity items 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 | -                |   |
| 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   | -                |   |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital                                   | -                |   |
| Excess amount arising from mortgage servicing rights  | -                |   |
| 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   | -                |   |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>6,450</b>     |   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>1,046,467</b> |   |



## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

|  | Amount    | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|--|-----------|---|
| <b>ADDITIONAL TIER I CAPITAL</b>   |           |   |
| 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  | -         |   |
| <b>Deductions from Additional Tier I Capital</b>   |           |   |
| 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  | -         |   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>   |           |   |
| 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 (-)   | -         |   |
| <b>Total Deductions From Additional Tier I Capital</b>   | -         |   |
| <b>Total Additional Tier I Capital</b>   | -         |   |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>   | 1,046,467 |   |
| <b>TIER II CAPITAL</b>   |           |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA  | -         |   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  | -         |   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)  | 35,653    |   |
| <b>Tier II Capital Before Deductions</b>   | 35,653    |   |
| <b>Deductions From Tier II Capital</b>   |           |   |
| Direct and indirect investments of the Bank on its own Tier II Capital (-)   | -         |   |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.   | -         |   |
| Portion of the total of net long positions of 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 (-)  | -         |   |
| <b>Total Deductions from Tier II Capital</b>   | -         |   |
| <b>Total Tier II Capital</b>   | 35,653    |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>   | 1,082,120 |   |
| <b>Deductions from Total Capital</b>   |           |   |
| <b>Total Capital</b>   | 1,082,120 |   |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law   | -         |   |
| Net Book Values of Movables and Immovable 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 (-)  | -         |   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |           |   |
| 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 (-) | -         |   |

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

|  | Amount           | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|--|------------------|---|
| 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 (-) | -                |   |
| <b>TOTAL CAPITAL</b>   | <b>1,082,120</b> |   |
| Total Capital  | 1,082,120        |   |
| Total risk weighted amounts  | 5,026,481        |   |
| <b>Capital Adequacy Ratios</b>   |                  |   |
| Core Capital Adequacy Ratio (%)  | 20.82            |   |
| Tier 1 Capital Adequacy Ratio (%)  | 20.82            |   |
| Capital Adequacy Ratio (%)   | 21.53            |   |
| <b>BUFFERS</b>   |                  |   |
| Total buffer requirement   | 2.673            |   |
| Capital conservation buffer requirement (%)  | 2.500            |   |
| Bank specific counter-cyclical buffer requirement (%)  | 0.173            |   |
| 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  | 16,32            |   |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>   | -                |   |
| 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   | -                |   |
| Amount arising from deferred tax assets based on temporary differences   | -                |   |
| Limits related to provisions considered in Tier II calculation   | -                |   |
| <b>Limits related to provisions considered in Tier II calculation</b>  |                  |   |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 35,653           |   |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 35,653           |   |
| 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   | -                |   |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>   |                  |   |
| 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   | -                |   |

<sup>(1)</sup> The amounts of items in accordance with transition provisions

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

##### Information about Total Capital (Prior Period)

|   | Amount         | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|---|----------------|---|
| <b>TIER II CAPITAL</b>  | <b>862,150</b> |   |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 440,500        |   |
| Share issue premiums  | -              |   |
| Reserves  | 25,676         |   |
| Gains recognized in equity as per TAS   | 79,247         |   |
| Profit  | 321,365        |   |
| Current Period Profit   | 100,978        |   |
| Prior Period Profit   | 220,387        |   |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period  | -              |   |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>866,788</b> |   |
| <b>Deductions from Common Equity Tier 1 Capital</b>   | <b>4,638</b>   |   |
| 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   | 507            |   |
| Goodwill (net of related tax liability)   | -              |   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 4,131          | 4,131   |
| 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   | -              |   |
| 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 equity items 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 | -              |   |
| 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   | -              |   |
| Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital                                   | -              |   |
| Excess amount arising from mortgage servicing rights  | -              |   |
| 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   | -              |   |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>4,638</b>   |   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>862,150</b> |   |

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

|  | Amount  | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|--|---------|---|
| <b>ADDITIONAL TIER I CAPITAL</b>   |         |   |
| 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  | -       |   |
| <b>Deductions from Additional Tier I Capital</b>   |         |   |
| 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  | -       |   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>   |         |   |
| 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 (-)   | -       |   |
| <b>Total Deductions From Additional Tier I Capital</b>   | -       |   |
| <b>Total Additional Tier I Capital</b>   | -       |   |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>   | 862,150 |   |
| <b>TIER II CAPITAL</b>   |         |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA  | -       |   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)  | -       |   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)  | 29,573  |   |
| <b>Tier II Capital Before Deductions</b>   | 29,573  |   |
| <b>Deductions From Tier II Capital</b>   |         |   |
| Direct and indirect investments of the Bank on its own Tier II Capital (-)   | -       |   |
| Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.   | -       |   |
| Portion of the total of net long positions of 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 (-)  | -       |   |
| <b>Total Deductions from Tier II Capital</b>   | -       |   |
| <b>Total Tier II Capital</b>   | 29,573  |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>   | 891,723 |   |
| <b>Deductions from Total Capital</b>   | 891,723 |   |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law   | -       |   |
| Net Book Values of Movables and Immovable 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 (-)  | -       |   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  | -       |   |
| 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 (-) | -       |   |

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

|  | Amount         | Amounts related to treatment before 1/1/2014 <sup>(1)</sup> |
|--|----------------|---|
| 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 (-) | -              |   |
| <b>TOTAL CAPITAL</b>   | <b>891,723</b> |   |
| Total Capital  | 891,723        |   |
| Total risk weighted amounts  | 4,961,395      |   |
| <b>Capital Adequacy Ratios</b>   |                |   |
| Core Capital Adequacy Ratio (%)  | 17.38          |   |
| Tier 1 Capital Adequacy Ratio (%)  | 17.38          |   |
| Capital Adequacy Ratio (%)   | 17.97          |   |
| <b>BUFFERS</b>   |                |   |
| Total buffer requirement   | 2.034          |   |
| Capital conservation buffer requirement (%)  | 1.875          |   |
| Bank specific counter-cyclical buffer requirement (%)  | 0.159          |   |
| 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  | 12.88          |   |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>   | -              |   |
| 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   | -              |   |
| Amount arising from deferred tax assets based on temporary differences   | -              |   |
| Limits related to provisions considered in Tier II calculation   | -              |   |
| <b>Limits related to provisions considered in Tier II calculation</b>  |                |   |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 29,573         |   |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 29,573         |   |
| 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   | -              |   |
| <b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>   |                |   |
| 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   | -              |   |

(2) The amounts of items in accordance with transition provisions

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

The Bank's internal capital requirements within the scope of the internal capital adequacy assessment process in order to evaluate the adequacy of the approach in terms of current and future activities

The Bank has procedures and reports under the name of internal capital assessment process. In order to assess the capital adequacy of the 2019, the Bank analyse the legal ratios and budget expectations to qualitative them for the effect on the legal capital adequacy and economic capital of the Bank. With these procedures and reports the Bank covers all risk in capital adequacy requirements.

**Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity**

None.

**Necessary Explanations in order to Reach an Agreement Between the Statement of Shareholders's Equity and Balance-Sheet Amounts**

| Current Period<br>31 December 2019  | Balance sheet<br>value | Amount of<br>adjustment | Value at capital<br>report |
|---|------------------------|-------------------------|----------------------------|
| Paid-in capital   | 440,000                | -                       | 440,000                    |
| Other Capital Reserves  | -                      | -                       | -                          |
| Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures                            | -                      | -                       | -                          |
| Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-) | -                      | -                       | -                          |
| Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss  | 94,382                 | -                       | 94,382                     |
| Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss  | 5,067                  | -                       | 5,067                      |
| Profit Reserves   | 30,632                 | -                       | 30,632                     |
| Profit or Loss  | 482,836                | -                       | 482,836                    |
| Prior Periods' Profit/Loss  | 316,409                | -                       | 316,409                    |
| Current Period Net Profit/Loss  | 166,427                | -                       | 166,427                    |
| Deductions from Common Equity Tier 1 Capital (*)  | -                      | 6,450                   | (6,450)                    |
| <b>Common Equity Tier 1 capital</b>   | -                      | -                       | <b>1,046,467</b>           |
| Tier 1 capital  | -                      | -                       | <b>1,046,467</b>           |
| Provisions  | -                      | (35,653)                | 35,653                     |
| <b>Tier 2 capital (**)</b>  | -                      | (35,653)                | 35,653                     |
| Shareholders' Equity Adjustments (***)  | -                      | -                       | -                          |
| <b>Total Shareholders' Equity</b>   | <b>1,052,917</b>       | <b>(29,203)</b>         | <b>1,082,120</b>           |

(\*) The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.

(\*\*) The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.

(\*\*\*) The regulations cover Shareholders' Equity adjustments within the framework of paragraphs 9-8-ç.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**II. INFORMATION ON CREDIT RISK**

**1. For Credit Risk Analysis;**

***Information on risk concentrations by debtors or group of debtors or geographical regions and sectors, basis for risk limits and the frequency of risk appraisals***

For credit risk analysis, cash and non-cash loans granted to a debtor or debtors’ group is subject to a risk classification in proportion to the Bank’s shareholders’ equity. In addition the geographical regions and sectoral distribution is investigated periodically and distributions are revised according to the market conditions. The general and other periodical limits of a firm are renewed every year and the extending of loans throughout the day is made with the mentioned limits.

***Information on determination and distribution of risk limits for daily transactions, monitoring of risk concentrations related to off-balance sheet items per customer and dealer basis***

Limit assignments, controls over loan granting process, marketing strategies, matters related to the daily operations and pay-back process are determined in the Bank’s credit procedures. Issues related to the daily based transactions (especially extending of cash loans) are managed in coordination with Credits Division, Risk Management Department, Treasury, Financial Institutions Division and Central Operations Departments

***Information on periodical analysis of creditworthiness of loans and other receivables per legislation, inspection of account vouchers taken against new loans, if not inspected, the reasons for it, credit limit renewals, collaterals against loans and other receivables***

Loans and other receivables are being followed periodically as per the “Regulation on the Principals and Procedures classification of the Loans and Provisions shall be set aside by Banks and to the Provisions to be set aside”.

Financial statements of the debtors are examined as per the regulation, loan limits are being updated in parallel to the economic conditions under the authorization of the Credit Evaluation Committee and the Top Management. The Bank obtains sufficient guarantees for the loans and the other receivables. Firms that the Bank works with credit is composed of the top level firms of Turkey, therefore most of the collaterals taken are “firm signature or guarantee”. Beside from this third party guarantees, furthermore mortgage, other bank guarantees, cash blockage, customer or personal checks are also obtained. The guarantees obtained are in parallel with the market conditions and other banks collateral conditions.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## II. INFORMATION ON CREDIT RISK (Continued)

## 1. For Credit Risk Analysis;

The table below shows the distribution of corporate and commercial loans grades in respect of weight as of 31 December 2019:

| Grade <sup>(1),(2)</sup> | Description                       | Current Period | Prior Period |
|--------------------------|-----------------------------------|----------------|--------------|
|                          |                                   | Weight         |              |
| AA+                      | Maximum Reliability and Qualified | 1%             | -            |
| AA                       | Maximum Reliability               | 2%             | 3%           |
| AA-                      | Maximum Reliability               | 10%            | 6%           |
| A+                       | Very Good Firm                    | 11%            | 10%          |
| A                        | Very Good Firm                    | 17%            | 16%          |
| A-                       | Very Good Firm                    | 15%            | 22%          |
| BBB+                     | Reliable and Qualified            | 13%            | 14%          |
| BBB                      | Reliable and Qualified            | 13%            | 11%          |
| BBB-                     | Reliable and Qualified            | 11%            | 9%           |
| BB+                      | Low Reliably and risky            | 9%             | 6%           |
| BB                       | Low Reliably and risky            | 2%             | 1%           |
| BB-                      | Low Reliably and risky            | 1%             | 1%           |
| B                        | Weak                              | -              | 1%           |

(1) The above distribution does not include customers, personal loans and loans granted to banks.

(2) Although the grade scale of the bank is composed of 22 grades, the grade items that do not have any loan amounts in both years are not shown in the table.

***Accounting applications, the definition of non-performing and impaired elements***

"Regulation on procedures and Principles concerning classifications of Loans and Provisions" under Article 4, Third, Fourth and Fifth classified in groups of all receivables, accrued interest and similar charges interest on the principal amount owed whether or not additional or refinance, regardless of whether or not the non-performing loans are considered impaired.

Although there are probable repayment, interest due to various reasons justify the collection of principal or interest payments, more than thirty days from the maturity date or dates to be paid late, but without the condition of the third group delay time required for classification as non-performing receivables are defined.

***Value adjustments and provisions methods and approaches***

As of 1 January 2018, loss allowance for expected credit losses is recognised on financial assets and loans measured at amortised cost, financial assets measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit or loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with "Procedures and Principles regarding Classification of Loans and Allowances Allocated for Such Loans" which came into force starting from 1 January 2018. The expected credit loss estimate is neutral, weighted according to probabilities, and includes information that can be supported about past events, current circumstances and forecasts for future economic conditions.



**ARAP TÜRK BANKASI A.Ş.**  
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated. )

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**II. INFORMATION ON CREDIT RISK (Continued)**

**1. For Credit Risk Analysis;**

*Credit risk is the risk reduction effects without taking into consideration the total amount of exposures after offsetting transactions with the related risks are differentiated according to the different risk classes and the types of the average amount for the period*

| Risk Classifications   | Current Period   |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  |                  | Average          |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|  | January          | February         | March            | April            | May              | June             | July             | August           | September        | October          | November         | December         |                  |
| Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks             | 1,331,455        | 1,583,697        | 1,587,004        | 1,579,007        | 1,623,709        | 1,583,885        | 1,491,050        | 1,585,432        | 1,524,673        | 1,473,166        | 1,331,455        | 1,583,697        | 1,587,004        |
| Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities          | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks                      | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Contingent and Non-Contingent Receivables from International Organizations                         | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries                  | 3,194,048        | 2,731,278        | 2,554,924        | 3,011,310        | 2,765,619        | 2,494,990        | 2,735,587        | 2,603,407        | 2,588,125        | 2,840,480        | 3,194,048        | 2,731,278        | 2,554,924        |
| Contingent and Non-Contingent Corporate Receivables  | 1,800,761        | 1,830,947        | 1,846,820        | 1,971,886        | 2,018,977        | 1,978,299        | 1,794,294        | 1,487,935        | 1,696,214        | 1,669,691        | 1,800,761        | 1,830,947        | 1,846,820        |
| Contingent and Non-Contingent Retail Receivables   | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Contingent and Non-Contingent Receivables Secured by Property                                      | 27,495           | 21,050           | 21,450           | 21,450           | 21,450           | 21,450           | 21,450           | 21,450           | 21,450           | 21,450           | 27,495           | 21,050           | 21,450           |
| Past Due Loans   | 2,442            | 2,468            | 2,498            | 2,524            | 2,557            | 2,703            | 1,786            | 1,883            | 1,906            | 1,928            | 2,442            | 2,468            | 2,498            |
| Higher-Risk Receivables Defined by BRSA  | 273,953          | 254,916          | 239,147          | 232,617          | 199,534          | 116,002          | 216,517          | 202,185          | 218,334          | 250,255          | 273,953          | 254,916          | 239,147          |
| Marketable Securities Collateralized Mortgages   | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Securitization Exposures   | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Short-Term Receivables from Banks and Corporate  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Undertakings for Collective Investments in Mutual Funds  | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                | -                |
| Other Receivables  | 264,084          | 270,864          | 274,894          | 270,474          | 278,959          | 264,565          | 275,041          | 279,602          | 283,895          | 292,556          | 264,084          | 270,864          | 274,894          |
| <b>Total exposure to risks</b>   | <b>6,894,238</b> | <b>6,695,220</b> | <b>6,526,737</b> | <b>7,089,268</b> | <b>6,910,805</b> | <b>6,461,894</b> | <b>6,535,725</b> | <b>6,181,894</b> | <b>6,334,597</b> | <b>6,549,526</b> | <b>6,894,238</b> | <b>6,695,220</b> | <b>6,526,737</b> |

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**III. INFORMATION ON CREDIT RISK (Continued)**

**2. Information on the control limits of the Bank for forward transactions, options and similar contracts, management of credit risk for these instruments together with the potential risks arising from market conditions**

The Bank evaluates and manages credit risks that are generated from forward transactions and similar contracts together with potential risks in the market.

**3. Information on whether the Bank decreases the risk by liquidating its forward transactions, options and similar contracts in case of facing a significant credit risk or not**

The Bank tries to mitigate the total risk if it's exposed to huge amount of risk over the forward transactions.

**4. For Credit Risk Analysis;**

*Information on whether the indemnified non-cash loans are evaluated as having the same risk weight with non-performing loans or not*

Indemnified non-cash loans are evaluated as having the same risk weight with cash loans which are collected upon maturity. These loans are classified according to their commitments and are recorded under the follow-up accounts.

*Information on whether the loans that are structured and rescheduled are included in a new rating group as determined by the Bank's risk management system, other than the follow-up plan defined in the banking regulations or not; whether new precautions are taken for these methods or not; whether the Bank's risk management accepts long term commitments as having more risk than short term commitments which results in a diversification of risk or not*

The Bank acts in frame of the related regulations for the loans that are structured and rescheduled. On the other hand, while doing risk evaluation of the loans and commitments, maturity issue is also taken into consideration.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**II. INFORMATION ON CREDIT RISK (Continued)**

**5. For Credit Risk Analysis;**

*Evaluation of the significance of country specific risk if the banks have foreign operations and credit transactions in a few countries or these operations are coordinated with a few financial entities*

The Bank has no banking activities abroad on the branch level. However in the loan lending processes to the foreign based firms, the economic conditions of the country and the financial structure of the company in question is taken into consideration.

*Evaluation of the Bank's competitive credit risk being an active participant of the international banking transactions market*

The Bank has significant relationship with the North Africa and Middle East Region within the international trade transactions. However in the volume of the banking transactions the Bank defines its credit risk concentration as limited from these regions.

**6. For Credit Risk Analysis;**

*The share of the top 100 and 200 cash loan customers in total loan cash loans portfolio*

The share of the top 100 and 200 cash loan customers comprises 99.98% and 100% of the total cash loans portfolio of the Bank respectively.

*The share of the top 100 and 200 non-cash loan customers in total loan non-cash loans portfolio*

The share of the top 100 and 200 non-cash loan customers comprises 99.74% and 100% of the total non-cash loans portfolio of the Bank respectively.

*The share of the total cash and non-cash loan balance of the top 100 and 200 loan customers in total assets and off-balance sheet items*

The Bank's total cash and non-cash loans from its top 100 and 200 loan customers comprise 89.20% and 90.79% of the total assets and off-balance sheet items.

**7. The first and second stage provision amount provided by the Bank for credit risk**

The first and second stage provision amount provided by the Bank for Stage 1 and Stage 2 credit risk is TL 10,700 (31 December 2018: TL 6,770).

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**II. INFORMATION ON CREDIT RISK (Continued)**
**8. Geographical distribution of risk amounts decomposed as part of significant risk groups. <sup>(1)</sup>**

| <b>Current Period</b>                                       | <b>Central Governments and Central Banks</b> | <b>Banks and Financial Intermediaries</b> | <b>Corporate Receivables</b> | <b>Receivables Secured by Residential Property</b> | <b>Past due loans<sup>(4)</sup></b> | <b>Higher-Risk Receivables Defined by BRSA</b> | <b>Other receivables</b> | <b>Total</b>     |
|---|--|---|------------------------------|--|-------------------------------------|--|--------------------------|------------------|
| Domestic  | 880,831                                      | 3,260,254                                 | 1,665,513                    | 21,450   | 1,973                               | 8,085  | 201,401                  | 6,039,507        |
| European Union Countries                                    | -  | 69,587                                    | -                            | -  | -                                   | -  | -                        | 69,587           |
| OECD Countries <sup>(2)</sup>                               | -  | 2,538                                     | -                            | -  | -                                   | -  | -                        | 2,538            |
| Off-Shore Banking Regions                                   | -  | -   | -                            | -  | -                                   | -  | -                        | -                |
| USA, Canada   | -  | 1,322                                     | -                            | -  | -                                   | -  | -                        | 1,322            |
| Other Countries   | -  | 125,141                                   | 13                           | -  | -                                   | 387,296  | -                        | 512,450          |
| Associates, subsidiaries and jointly controlled partnership | -  | -   | -                            | -  | -                                   | -  | 108,205                  | 108,205          |
| Unallocated Assets/Liabilities <sup>(3)</sup>               | -  | -   | -                            | -  | -                                   | -  | -                        | -                |
| <b>Total</b>  | <b>880,831</b>                               | <b>3,458,842</b>                          | <b>1,665,526</b>             | <b>21,450</b>                                      | <b>1,973</b>                        | <b>395,381</b>                                 | <b>309,606</b>           | <b>6,733,609</b> |

| <b>Prior Period</b>   | <b>Central Governments and Central Banks</b> | <b>Banks and Financial Intermediaries</b> | <b>Corporate Receivables</b> | <b>Receivables Secured by Residential Property</b> | <b>Past due loans<sup>(4)</sup></b> | <b>Higher-Risk Receivables Defined by BRSA</b> | <b>Other receivables</b> | <b>Total</b>     |
|---|--|---|------------------------------|--|-------------------------------------|--|--------------------------|------------------|
| Domestic  | 1,562,769                                    | 3,935,828                                 | 1,859,573                    | 27,414   | 2,279                               | 7,048  | 158,706                  | 7,553,617        |
| European Union Countries                                    | -  | 35,137                                    | -                            | -  | -                                   | -  | -                        | 35,137           |
| OECD Countries <sup>(2)</sup>                               | -  | 2,607                                     | -                            | -  | -                                   | -  | -                        | 2,607            |
| Off-Shore Banking Regions                                   | -  | -   | -                            | -  | -                                   | -  | -                        | -                |
| USA, Canada   | -  | 2,421                                     | -                            | -  | -                                   | -  | -                        | 2,421            |
| Other Countries   | -  | 103,406                                   | 404                          | -  | -                                   | 153,217  | -                        | 257,027          |
| Associates, subsidiaries and jointly controlled partnership | -  | -   | -                            | -  | -                                   | -  | 95,708                   | 95,708           |
| Unallocated Assets/Liabilities <sup>(3)</sup>               | -  | -   | -                            | -  | -                                   | -  | -                        | -                |
| <b>Total</b>  | <b>1,562,769</b>                             | <b>4,079,399</b>                          | <b>1,859,977</b>             | <b>27,414</b>                                      | <b>2,279</b>                        | <b>160,265</b>                                 | <b>254,414</b>           | <b>7,946,517</b> |

<sup>(1)</sup> Regulation on Measurement and Assessment of Capital Adequacy of Banks in the risk classes are taken into consideration.

<sup>(2)</sup> OECD Countries excluding European countries, USA and Canada

<sup>(3)</sup> Assets and liabilities that cannot be allocated on a consistent basis

<sup>(4)</sup> Net value of non performing loans

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**II. INFORMATION ON CREDIT RISK**
**9. Risk profile according to sectors and counterparties <sup>(1)</sup>**

|                                      | Central<br>Governments<br>and Central<br>Banks | Banks and<br>Financial<br>Intermediaries | Corporate<br>Receivables | Receivables<br>Secured by<br>Residential<br>Property | Past due<br>loans | Higher-Risk<br>Receivables<br>Defined by<br>BRSA | Other<br>Receivables | TL             | FC               | Total            |
|--------------------------------------|--|--|--------------------------|--|-------------------|--|----------------------|----------------|------------------|------------------|
| <b>Agricultural</b>                  | -  | -  | <b>69,055</b>            | -  | -                 | -  | -                    | <b>1,135</b>   | <b>67,920</b>    | <b>69,055</b>    |
| Farming and Stockbreeding            | -  | -  | 69,055                   | -  | -                 | -  | -                    | 1,135          | 67,920           | 69,055           |
| Forestry                             | -  | -  | -                        | -  | -                 | -  | -                    | -              | -                | -                |
| Fishing                              | -  | -  | -                        | -  | -                 | -  | -                    | -              | -                | -                |
| <b>Manufacturing</b>                 | -  | -  | <b>749,819</b>           | -  | -                 | -  | -                    | <b>105,564</b> | <b>644,255</b>   | <b>749,819</b>   |
| Mining                               | -  | -  | 25,568                   | -  | -                 | -  | -                    | 17,955         | 7,613            | 25,568           |
| Production                           | -  | -  | 724,251                  | -  | -                 | -  | -                    | 87,609         | 636,642          | 724,251          |
| Electric, gas and water              | -  | -  | -                        | -  | -                 | -  | -                    | -              | -                | -                |
| <b>Construction</b>                  | -  | -  | <b>789,382</b>           | <b>21,450</b>  | <b>1,973</b>      | <b>8,085</b>                                     | -                    | <b>128,445</b> | <b>692,445</b>   | <b>820,890</b>   |
| <b>Services</b>                      | <b>880,831</b>                                 | <b>3,458,842</b>                         | <b>56,138</b>            | -  | -                 | <b>387,296</b>                                   | -                    | <b>303,982</b> | <b>4,479,125</b> | <b>4,783,107</b> |
| Wholesale and retail trade           | -  | -  | 22,373                   | -  | -                 | -  | -                    | 21,365         | 1,008            | 22,373           |
| Hotel, food and beverage services    | -  | -  | 4                        | -  | -                 | -  | -                    | 4              | -                | 4                |
| Transportation and telecommunication | -  | -  | 33,659                   | -  | -                 | -  | -                    | 1,253          | 32,406           | 33,659           |
| Financial institutions               | 880,831  | 3,458,842                                | -                        | -  | -                 | 387,296  | -                    | 281,341        | 4,445,628        | 4,726,969        |
| Real estate and Leasing services     | -  | -  | -                        | -  | -                 | -  | -                    | -              | -                | -                |
| "Self-employment" type Services      | -  | -  | -                        | -  | -                 | -  | -                    | -              | -                | -                |
| Education services                   | -  | -  | 19                       | -  | -                 | -  | -                    | 19             | -                | 19               |
| Health and social services           | -  | -  | 83                       | -  | -                 | -  | -                    | -              | 83               | 83               |
| <b>Other</b>                         | -  | -  | <b>1,132</b>             | -  | -                 | -  | <b>309,606</b>       | <b>288,587</b> | <b>22,151</b>    | <b>310,738</b>   |
| <b>Total</b>                         | <b>880,831</b>                                 | <b>3,458,842</b>                         | <b>1,665,526</b>         | <b>21,450</b>  | <b>1,973</b>      | <b>395,381</b>                                   | <b>309,606</b>       | <b>827,713</b> | <b>5,905,896</b> | <b>6,733,609</b> |

<sup>(1)</sup> Regulation on Measurement and Assessment of Capital Adequacy of Banks in the risk classes are taken into consideration.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## II. INFORMATION ON CREDIT RISK (Continued)

## 10. Presentation of maturity risk bearing based on their outstanding maturities

| Risk Classifications <sup>(2)</sup>  | Payment Term <sup>(1)</sup> |                |                  |                |                  |
|--|-----------------------------|----------------|------------------|----------------|------------------|
|  | 1 Month                     | 1-3 Month      | 3-6 Month        | 6-12 Month     | 1 Year and Over  |
| Contingent and Non-Contingent Receivables from Central Governments and Central Banks               | -                           | 1,321          | 143,930          | -              | 137,768          |
| Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities          | -                           | -              | -                | -              | -                |
| Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises | -                           | -              | -                | -              | -                |
| Contingent and Non-Contingent Receivables from Multilateral Development Banks                      | -                           | -              | -                | -              | -                |
| Contingent and Non-Contingent Receivables from International Organizations                         | -                           | -              | -                | -              | -                |
| Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries                  | 1,800,211                   | 270,851        | 533,344          | 252,742        | 1,076,378        |
| Contingent and Non-Contingent Corporate Receivables  | 265,742                     | 169,134        | 550,838          | 198,504        | 480,085          |
| Contingent and Non-Contingent Retail Receivables   | -                           | -              | -                | -              | -                |
| Contingent and Non-Contingent Receivables Secured by Residential Property                          | -                           | -              | 1,450            | 20,000         | -                |
| Past Due Loans   | -                           | -              | -                | -              | -                |
| Higher-Risk Receivables Defined by BRSA  | 32,591                      | 105,089        | 6,831            | 247,131        | -                |
| Marketable Securities Collateralized Mortgages   | -                           | -              | -                | -              | -                |
| Securitization Exposures   | -                           | -              | -                | -              | -                |
| Short-Term Receivables from Banks and Corporate  | -                           | -              | -                | -              | -                |
| Undertakings for Collective Investments in Mutual Funds  | -                           | -              | -                | -              | -                |
| Other Receivables  | -                           | -              | -                | -              | -                |
| <b>Total</b>   | <b>2,098,544</b>            | <b>546,395</b> | <b>1,236,393</b> | <b>718,377</b> | <b>1,694,231</b> |

(1) Items that cannot be distributed are not included.

(2) It represents the total risk amount before credit risk reduction and after conversion to credit.

## 11. Information on risk classes

***Assigned credit rating agencies and export credit agencies changed the names and the reasons for these organizations***

The international credit rating agency Islamic International Rating Agency and the risk classification issued by the OECD are used for receivables from central governments and central banks. The rating agency note is not used for domestic resident customers.

***With the export credit agency of a credit rating agency assigned to each risk classes are used***

The risk classes of the Islamic International Rating Agency are used for central government / central bank receivables and for resident customers abroad. The OECD published country risk classification is used for those with no rating

The Bank does not use credit rating for the domestic resident customers and banks.

***The absence of the credit rating of trading for items that are not included in the calculation, instead of the credit rating of the issuer, or if there is for export of these items that are available for information on the process of using credit ratings***

For the short term receivables that has been issued by banks and financial intermediaries that has not any short term rating, risk weight of the issuer is used in the context of related regulation.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## II. INFORMATION ON CREDIT RISK (Continued)

*Assigned to each grade credit rating agencies and export credit agency ratings of the Regulation on Measurement and Assessment of Capital Adequacy of Banks to which of the credit quality of the stages*

| Credit Quality Level                    | Islamic International Rating Agency |   |    |    |     |     |     |     |  |
|---|-------------------------------------|---|----|----|-----|-----|-----|-----|--|
| 1                                       | Between AAA and AA-                 |   |    |    |     |     |     |     |  |
| 2                                       | Between A+ and A-                   |   |    |    |     |     |     |     |  |
| 3                                       | Between BBB+ and BBB-               |   |    |    |     |     |     |     |  |
| 4                                       | Between BB+ and BB-                 |   |    |    |     |     |     |     |  |
| 5                                       | Between B+ and B-                   |   |    |    |     |     |     |     |  |
| 6                                       | Between CCC+ and below              |   |    |    |     |     |     |     |  |
|   |                                     |   |    |    |     |     |     |     |  |
| OECD Country Risk Classification Credit |                                     |   |    |    |     |     |     |     |  |
| Quality Levels                          | 0                                   | 1 | 2  | 3  | 4   | 5   | 6   | 7   |  |
| Risk weight (%)                         | 0                                   | 0 | 20 | 50 | 100 | 100 | 100 | 150 |  |

*Risk weight of the total amount of risk before and after credit risk mitigation and equity deducted amounts*

## Risk amount based on weight of risks

| Risk weights           | Before credit risk mitigation | After credit risk mitigation |
|------------------------|-------------------------------|------------------------------|
| 0%                     | 567,886                       | 567,886                      |
| 10%                    | -                             | -                            |
| 20%                    | 601,307                       | 69,500                       |
| 35%                    | -                             | -                            |
| 50%                    | 3,553,164                     | 3,553,164                    |
| 75%                    | -                             | -                            |
| 100%                   | 2,145,706                     | 2,145,706                    |
| 150%                   | 397,354                       | 397,354                      |
| 200%                   | -                             | -                            |
| 1250%                  | -                             | -                            |
| Deductible form Equity | 7,450                         | 7,450                        |

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## II. INFORMATION ON CREDIT RISK (Continued)

## 12. Sector or counterparty type, individually impaired loans and non-performing loan amounts, value adjustments and provisions during the period information on value adjustments and provisions

## Miscellaneous information based on important sectors

| Important Sectors                    | Credits                                       |                     | Provisions                    |
|--------------------------------------|---|---------------------|-------------------------------|
|                                      | Significant increase in credit risk (Stage 2) | Defaulted (Stage 3) | Expected Credit Loss (TFRS 9) |
| <b>Agricultural</b>                  | -   | 20,658              | 20,658                        |
| Farming and Stockbreeding            | -   | 20,658              | 20,658                        |
| Forestry                             | -   | -                   | -                             |
| Fishing                              | -   | -                   | -                             |
| <b>Manufacturing</b>                 | -   | 39,362              | 39,362                        |
| Mining                               | -   | -                   | -                             |
| Production                           | -   | 39,362              | 39,362                        |
| Electric, gas and water              | -   | -                   | -                             |
| <b>Construction</b>                  | -   | 22,308              | 20,335                        |
| <b>Services</b>                      | -   | 3,864               | 3,864                         |
| Wholesale and retail trade           | -   | -                   | -                             |
| Hotel, food and beverage services    | -   | -                   | -                             |
| Transportation and telecommunication | -   | -                   | -                             |
| Financial institutions               | -   | 3,864               | 3,864                         |
| Real estate and Leasing services     | -   | -                   | -                             |
| "Self-employment" type Services      | -   | -                   | -                             |
| Education services                   | -   | -                   | -                             |
| Health and social services           | -   | -                   | -                             |
| <b>Other</b>                         | -   | -                   | -                             |

(1) General Loan Loss provision for cash loans were distributed in value adjustments section.

## 13. Value adjustments and provisions on the exchange of credit information

|   | Opening Balance | The amount of provision during the period | Reversal of provision | Other adjustments <sup>(1)</sup> | Closing Balance |
|---|-----------------|---|-----------------------|----------------------------------|-----------------|
| <b>Stage 3 Provisions</b>               | 85,343          | 3,786                                     | 4,910                 | -                                | 84,219          |
| <b>Stage 1 &amp; Stage 2 Provisions</b> | 6,770           | 7,251                                     | 3,321                 | -                                | 10,700          |

(1) According to set exchange rate differences, business combinations, acquisitions transactions and disposals of subsidiaries.



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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****II. INFORMATION ON CREDIT RISK (Continued)****14. Other information on credit risk****Sectoral concentrations for cash loans**

|                                 | Current Period |               |                  |               | Prior Period   |               |                  |               |
|---------------------------------|----------------|---------------|------------------|---------------|----------------|---------------|------------------|---------------|
|                                 | TL             | (%)           | FC               | (%)           | TL             | (%)           | FC               | (%)           |
| <b>Agricultural</b>             | <b>20,658</b>  | <b>4.52</b>   | -                | -             | <b>27,018</b>  | <b>4.38</b>   | -                | -             |
| Farming and stockbreeding       | 20,658         | 4.52          | -                | -             | 27,018         | 4.38          | -                | -             |
| Forestry                        | -              | -             | -                | -             | -              | -             | -                | -             |
| Fishing                         | -              | -             | -                | -             | -              | -             | -                | -             |
| <b>Manufacturing</b>            | <b>120,022</b> | <b>26.28</b>  | <b>41,299</b>    | <b>3.24</b>   | <b>233,837</b> | <b>37.92</b>  | <b>236,385</b>   | <b>17.09</b>  |
| Mining                          | 10,020         | 2.19          | 7,612            | 0.60          | -              | -             | -                | -             |
| Production                      | 110,002        | 24.08         | 33,687           | 2.65          | 233,837        | 37.92         | 236,385          | 17.09         |
| Electric, gas and water         | -              | -             | -                | -             | -              | -             | -                | -             |
| <b>Construction</b>             | <b>127,724</b> | <b>27.96</b>  | <b>319,826</b>   | <b>25.11</b>  | <b>118,631</b> | <b>19.24</b>  | <b>268,601</b>   | <b>19.42</b>  |
| <b>Services</b>                 | <b>187,269</b> | <b>41.00</b>  | <b>890,339</b>   | <b>69.91</b>  | <b>236,168</b> | <b>38.30</b>  | <b>878,412</b>   | <b>63.50</b>  |
| Wholesale and retail trade      | 21,242         | 4.65          | -                | -             | 912            | 0.15          | 1,465            | 0.11          |
| Hotel, food and beverage        | -              | -             | -                | -             | -              | -             | -                | -             |
| Services                        | -              | -             | -                | -             | -              | -             | -                | -             |
| Transportation and              | -              | -             | -                | -             | -              | -             | -                | -             |
| Telecommunication               | 1,253          | 0.27          | -                | -             | -              | -             | -                | -             |
| Financial institutions          | 164,774        | 36.08         | 785,249          | 61.66         | 228,441        | 37.04         | 876,947          | 63.39         |
| Real estate and Leasing         | -              | -             | 105,090          | 8.25          | -              | -             | -                | -             |
| Services                        | -              | -             | -                | -             | -              | -             | -                | -             |
| "Self-employment" type Services | -              | -             | -                | -             | -              | -             | -                | -             |
| Education services              | -              | -             | -                | -             | -              | -             | -                | -             |
| Health and social services      | -              | -             | -                | -             | 6,815          | 1.11          | -                | -             |
| <b>Other</b>                    | <b>1,074</b>   | <b>0.24</b>   | <b>22,032</b>    | <b>1.73</b>   | <b>1,040</b>   | <b>0.17</b>   | -                | -             |
| <b>Total</b>                    | <b>456,747</b> | <b>100.00</b> | <b>1,273,496</b> | <b>100.00</b> | <b>616,694</b> | <b>100.00</b> | <b>1,383,398</b> | <b>100.00</b> |

**Sectoral and regional concentration of impaired loans and receivables**

| <b>Sectoral</b>                             | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Farming and Stockbreeding                   | 20,658                | 20,640              |
| Manufacturing                               | 39,362                | 43,084              |
| Construction                                | 22,308                | 23,798              |
| Financial institutions                      | 3,864                 | 3,864               |
| Hotel and Restaurant Services               | -                     | -                   |
| Wholesale and retail trade                  | -                     | -                   |
| <b>Total impaired loans and receivables</b> | <b>86,192</b>         | <b>91,386</b>       |

| <b>Regional</b>                             | <b>Current Period</b> | <b>Prior Period</b> |
|---|-----------------------|---------------------|
| Turkey                                      | 82,328                | 87,522              |
| Libya                                       | 3,764                 | 3,764               |
| Algeria                                     | 100                   | 100                 |
| <b>Total impaired loans and receivables</b> | <b>86,192</b>         | <b>91,386</b>       |

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****II. INFORMATION ON CREDIT RISK (Continued)****Past due but not impaired loans and receivables**

None.

**III. INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK**

**Whether the Bank is exposed to foreign exchange risk, whether the effects of this situation are estimated, and whether the board of directors of the Bank sets limits for positions that are monitored daily**

The Bank complies with net general position-shareholder's equity limits. The Bank has the possibility to borrow a significant amount of foreign currency.

Within the context of the market risk management work of the Risk Management Department, the Bank's Exchange rate risk is calculated and analyzed taking different dimensions of the issue in consideration. The Exchange rate risk is measured according to market risk calculated using the Standard Method and is included in the capital adequacy ratio. For testing effects of the unexpected exchange rate fluctuations on the Bank monthly basis stress test analysis are done. In addition, by classifying the changes in risk factors different scenario analysis are done based on different exchange rate expectations. The sensitivity of assets, liabilities and off-balance sheets against exchange rate are measured by an analysis on a monthly basis.

**The magnitude of hedging foreign currency debt instruments and net foreign currency investments by using hedging derivatives**

The Bank does not have any financial derivatives used for hedging.

**Foreign exchange risk management policy**

Transactions are being hedged according to the Central Bank of Turkey's basket of currencies instantly. Manageable and measurable risks are taken in the scope of the regulatory limits.

**Foreign exchange buying rates of the last five business days before the balance sheet date as publicly announced by the Bank, are as follows**

| <b>Date</b>      | <b>US Dollars</b> | <b>Euro</b> |
|------------------|-------------------|-------------|
| 24 December 2019 | TL 5.9291         | TL 6.5714   |
| 25 December 2019 | TL 5.9364         | TL 6.5773   |
| 26 December 2019 | TL 5.9293         | TL 6.5755   |
| 27 December 2019 | TL 5.9302         | TL 6.5759   |
| 30 December 2019 | TL 5.9370         | TL 6.6117   |
| 31 December 2019 | TL 5.9402         | TL 6.6506   |

**The basic arithmetical average of the bank's foreign exchange bid rate for the last thirty days**

The basic arithmetical average of the Bank's foreign exchange bid rate for December 2019 is TL 5.8371 for USD, TL 6.4799 for EURO.

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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****III. INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK (Continued)****Information on Currency Risk**

| <b>Current Period</b>   | <b>Euro</b>      | <b>USD<br/>Dollars</b> | <b>Other</b>  | <b>Total</b>     |
|---|------------------|------------------------|---------------|------------------|
| <b>Assets</b>   |                  |                        |               |                  |
| Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey | 293,323          | 267,717                | 949           | 561,989          |
| Banks   | 419,507          | 704,892                | 8,856         | 1,133,255        |
| Financial Assets Measured at Fair Value through Profit or Loss  | 94,252           | -                      | -             | 94,252           |
| Interbank Money Market Placements   | -                | -                      | -             | -                |
| Financial Assets Measured at Fair Value through Other Comprehensive Income  | 110,985          | 134,781                | -             | 245,766          |
| Loans <sup>(1)</sup>  | 1,045,129        | 228,367                | -             | 1,273,496        |
| Investments in Subsidiaries and Associates  | -                | -                      | -             | -                |
| Financial Assets Measured at Amortised Cost   | 286,926          | 190,489                | -             | 477,415          |
| Financial Derivative held for Hedging (Assets)  | -                | -                      | -             | -                |
| Tangible Assets   | -                | -                      | -             | -                |
| Intangible Assets   | -                | -                      | -             | -                |
| Other Assets  | 2,560            | 2,301                  | -             | 4,861            |
| <b>Total Assets <sup>(1)</sup></b>  | <b>2,252,682</b> | <b>1,528,547</b>       | <b>9,805</b>  | <b>3,791,034</b> |
| <b>Liabilities</b>  |                  |                        |               |                  |
| Bank Deposits   | 847,388          | 442,004                | 1,779         | 1,291,171        |
| Foreign Currency Deposits   | 548,530          | 558,810                | 8,121         | 1,115,461        |
| Money Market Borrowings   | -                | -                      | -             | -                |
| Funds Borrowed from Other Financial Institutions  | 835,223          | 517,967                | -             | 1,353,190        |
| Marketable Securities Issued  | -                | -                      | -             | -                |
| Miscellaneous Payables  | -                | -                      | -             | -                |
| Financial Derivatives held for Hedging (Liabilities)  | -                | -                      | -             | -                |
| Other Liabilities   | 11,857           | 6,323                  | 376           | 18,556           |
| <b>Total Liabilities</b>  | <b>2,242,998</b> | <b>1,525,104</b>       | <b>10,276</b> | <b>3,778,378</b> |
| <b>Net Balance Sheet Position</b>   | <b>9,684</b>     | <b>3,443</b>           | <b>(471)</b>  | <b>12,656</b>    |
| <b>Net Off Balance Sheet Position</b>   | <b>(8,779)</b>   | <b>799</b>             | <b>-</b>      | <b>(7,980)</b>   |
| Financial Derivatives (Assets)  | -                | 799                    | -             | 799              |
| Financial Derivatives (Liabilities)   | (8,779)          | -                      | -             | (8,779)          |
| Non-Cash Loans  | 1,486,014        | 1,567,267              | 807,670       | 3,860,951        |
| <b>Prior Period</b>   |                  |                        |               |                  |
| Total Assets  | 2,398,354        | 2,620,091              | 10,006        | 5,028,451        |
| Total Liabilities   | 2,390,264        | 2,610,082              | 8,752         | 5,009,098        |
| Balance Sheet Position, net   | 8,090            | 10,009                 | 1,254         | 19,353           |
| Off Balance Sheet Position, net   | (6,028)          | -                      | -             | (6,028)          |
| Financial Derivatives (Assets)  | -                | -                      | -             | -                |
| Financial Derivatives (Liabilities)   | (6,028)          | -                      | -             | (6,028)          |
| Non-cash Loans  | 1,216,077        | 1,704,738              | 735,584       | 3,656,399        |

<sup>(1)</sup> In accordance with the provisions of the "Regulation on the Calculation and Application of Foreign Currency Net General Position / Equity Standard Ratio in Banks' Consolidated and Non-Consolidated Basis"; Equity has not been taken into consideration in calculating the risk of exchange rate amounting to TL 4,686.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## III. INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK (Continued)

## Exposed currency risk

The possible increases or decreases in the shareholders' equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 31 December 2019 and 31 December 2018 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10 percent appreciation of TL;

|                  | Current Period   |                                     | Prior Period     |                                     |
|------------------|------------------|-------------------------------------|------------------|-------------------------------------|
|                  | Income Statement | Shareholders' Equity <sup>(1)</sup> | Income Statement | Shareholders' Equity <sup>(1)</sup> |
| Euro             | (91)             | (91)                                | (206)            | (206)                               |
| US Dollar        | (424)            | (424)                               | (1,001)          | (1,001)                             |
| Other Currencies | 47               | 47                                  | (125)            | (125)                               |
| <b>Total</b>     | <b>(468)</b>     | <b>(468)</b>                        | <b>(1,332)</b>   | <b>(1,332)</b>                      |

<sup>(1)</sup> The effect on shareholders' equity also includes the effect on the profit/loss.

Assuming 10 percent depreciation of TL;

|                  | Current Period   |                                     | Prior Period     |                                     |
|------------------|------------------|-------------------------------------|------------------|-------------------------------------|
|                  | Income Statement | Shareholders' Equity <sup>(1)</sup> | Income Statement | Shareholders' Equity <sup>(1)</sup> |
| Euro             | 91               | 91                                  | 206              | 206                                 |
| US Dollar        | 424              | 424                                 | 1,001            | 1,001                               |
| Other Currencies | (47)             | (47)                                | 125              | 125                                 |
| <b>Total</b>     | <b>468</b>       | <b>468</b>                          | <b>1,332</b>     | <b>1,332</b>                        |

<sup>(1)</sup> The effect on shareholders' equity also includes the effect on the profit/loss.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**IV. INFORMATION ON INTEREST RATE RISK**

**Interest rate sensitivity of the assets, liabilities and off-balance sheet items**

Within the context of the market risk management of the Risk Management Department, the Bank’s interest rate risk is calculated and analyzed taking different dimensions of the issue in consideration. The interest rate risk is measured according to market risk calculated using the standard method and is included in the capital adequacy ratio. To test the effect of the interest rate fluctuations on the Bank monthly based stress test analysis are done.

In addition, by classifying the changes in risk factors different scenario analysis are done based on different interest rate expectations. The sensitivity of assets, liabilities and off-balance sheets against interest rate are measured by an analysis on a monthly basis.

**The expected effects of the fluctuations of market interest rates on the Bank’s financial position and cash flows, the expectations for interest income, and the limits the board of directors has established on daily interest rates**

The Board of Directors has determined limits for the amount exposed to market risk/ shareholder’s equity, to be maximum 45% for the early warning limit, 50% for limit maximum, and maximum 55% for limit exception in order to follow interest rate risk, exchange rate risk and equity price risk.

**The precautions taken for the interest rate risk the Bank was exposed to during the current year and their expected effects on net income and shareholders’ equity in the future periods**

Although the increase in interest rates have a limited negative effect on the Bank’s financial position the Bank’s Equity structure is able to confront the negative effects of possible fluctuations in the interest rates.

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**IV. INFORMATION ON INTEREST RATE RISK (Continued)**
**Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items**
*Based on re-pricing dates*

| Current Period  | Up to 1<br>Month | 1-3<br>Months   | 3-12<br>Months   | 1-5<br>Years   | 5 Years<br>and Over | Non-Interest<br>Bearing | Total            |
|---|------------------|-----------------|------------------|----------------|---------------------|-------------------------|------------------|
| <b>Assets</b>   |                  |                 |                  |                |                     |                         |                  |
| Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey | -                | -               | -                | -              | -                   | 566,564                 | 566,564          |
| Banks   | 1,133,731        | -               | -                | -              | -                   | -                       | 1,133,731        |
| Financial assets at fair value through Profit or Loss   | -                | -               | 94,252           | -              | -                   | -                       | 94,252           |
| Interbank Money Market Placements   | 535,166          | -               | -                | -              | -                   | -                       | 535,166          |
| Financial Assets at Fair Value Through Other Comprehensive Income   | 9,077            | 5,518           | 87,147           | 144,723        | -                   | 2,605                   | 249,070          |
| Loans   | 407,128          | 184,573         | 576,461          | 475,889        | -                   | 86,192                  | 1,730,243        |
| Financial Assets Measured at Amortized Cost   | 8,965            | 33,508          | 196,342          | 211,036        | 28,886              | -                       | 478,737          |
| Other assets <sup>(1)</sup>   | -                | -               | -                | -              | -                   | 170,231                 | 170,231          |
| <b>Total assets</b>   | <b>2,094,067</b> | <b>223,599</b>  | <b>954,202</b>   | <b>831,648</b> | <b>28,886</b>       | <b>825,592</b>          | <b>4,957,994</b> |
| <b>Liabilities</b>  |                  |                 |                  |                |                     |                         |                  |
| Bank deposits   | 1,027,216        | 59,608          | 187,265          | 17,844         | -                   | -                       | 1,291,933        |
| Other deposits  | 123,973          | 22,803          | 8,508            | 83             | -                   | 1,008,866               | 1,164,233        |
| Money market borrowings   | -                | -               | -                | -              | -                   | -                       | -                |
| Miscellaneous payables  | -                | -               | -                | -              | -                   | -                       | -                |
| Marketable securities issued  | -                | -               | -                | -              | -                   | -                       | -                |
| Funds Borrowed From Other Fin. Ins.   | -                | 154,854         | 865,731          | 332,605        | -                   | -                       | 1,353,190        |
| Other liabilities <sup>(2)</sup>  | -                | 94              | 69               | 464            | 1,124               | 1,146,812               | 1,148,638        |
| <b>Total liabilities</b>  | <b>1,151,264</b> | <b>237,359</b>  | <b>1,061,573</b> | <b>350,996</b> | <b>1,124</b>        | <b>2,155,678</b>        | <b>4,957,994</b> |
| Long Position in the Balance Sheet  | 942,803          | -               | -                | 480,652        | 27,762              | -                       | 1,451,217        |
| Short Position in the Balance Sheet   | -                | (13,760)        | (107,371)        | -              | -                   | (1,330,086)             | (1,451,217)      |
| Long Position in the Off-balance Sheet  | -                | -               | -                | -              | -                   | -                       | -                |
| Short Position in the Off-balance Sheet   | -                | -               | -                | -              | -                   | -                       | -                |
| <b>Total Position</b>   | <b>942,803</b>   | <b>(13,760)</b> | <b>(107,371)</b> | <b>480,652</b> | <b>27,762</b>       | <b>(1,330,086)</b>      | <b>-</b>         |

<sup>(1)</sup> Other Assets: The amount of TL 170,231 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 136,265, Subsidiaries amounting to TL 108,205, Net Expected Credit Loss amounting to TL 98,223, Intangible Assets amounting to TL 6,153, Assets Available for Sale amounting to TL 1,000 and Other Assets amounting to TL 16,831.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,146,812 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,052,917, Provisions amounting to TL 55,275, Current Tax Liability amounting to TL 9,528, Deferred Tax Liabilities amounting to TL 1,719 and other Non-Interest Bearing amounting to TL 27,373.

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**IV. INFORMATION ON INTEREST RATE RISK (Continued)**

| Prior Period  | Up to 1<br>Month | 1-3<br>Months    | 3-12<br>Months   | 1-5<br>Years   | 5 Years<br>and Over | Non-Interest<br>Bearing | Total            |
|---|------------------|------------------|------------------|----------------|---------------------|-------------------------|------------------|
| <b>Assets</b>   |                  |                  |                  |                |                     |                         |                  |
| Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey | 689,684          | -                | -                | -              | -                   | 559,589                 | 1,249,273        |
| Banks   | 1,534,483        | -                | -                | -              | -                   | -                       | 1,534,483        |
| Financial assets at fair value through Profit or Loss   | -                | 37,763           | 158,036          | 86,367         | -                   | -                       | 282,166          |
| Interbank Money Market Placements   | 202,139          | -                | -                | -              | -                   | -                       | 202,139          |
| Financial assets available-for-sale   | -                | -                | -                | 22,867         | -                   | 84,059                  | 106,926          |
| Loans   | 1,161,470        | 193,523          | 335,299          | 218,414        | -                   | 91,386                  | 2,000,092        |
| Investment securities held-to-maturity  | 335              | 40,789           | 149,637          | 267,979        | 25,583              | -                       | 484,323          |
| Other assets <sup>(1) (3)</sup>   | -                | -                | -                | -              | -                   | 135,674                 | 135,674          |
| <b>Total assets</b>   | <b>3,588,111</b> | <b>272,075</b>   | <b>642,972</b>   | <b>595,627</b> | <b>25,583</b>       | <b>870,708</b>          | <b>5,995,076</b> |
| <b>Liabilities</b>  |                  |                  |                  |                |                     |                         |                  |
| Bank deposits   | 2,047,241        | 531,639          | 707,940          | -              | -                   | -                       | 3,286,820        |
| Other deposits  | 27,516           | 15,129           | 6,862            | 74             | -                   | 1,064,133               | 1,113,714        |
| Money market borrowings   | -                | -                | -                | -              | -                   | -                       | -                |
| Miscellaneous payables  | -                | -                | -                | -              | -                   | -                       | -                |
| Marketable securities issued  | -                | -                | -                | -              | -                   | -                       | -                |
| Funds Borrowed From Other Fin. Ins.   | 291,878          | -                | 342,646          | -              | -                   | -                       | 634,524          |
| Other liabilities <sup>(2)</sup>  | -                | -                | -                | -              | -                   | 960,018                 | 960,018          |
| <b>Total liabilities</b>  | <b>2,366,635</b> | <b>546,768</b>   | <b>1,057,448</b> | <b>74</b>      | <b>-</b>            | <b>2,024,151</b>        | <b>5,995,076</b> |
| Long Position in the Balance Sheet  | 1,221,476        | -                | -                | 595,553        | 25,583              | -                       | 1,842,612        |
| Short Position in the Balance Sheet   | -                | (274,693)        | (414,476)        | -              | -                   | (1,153,443)             | (1,842,612)      |
| Long Position in the Off-balance Sheet  | -                | -                | -                | -              | -                   | -                       | -                |
| Short Position in the Off-balance Sheet   | -                | -                | -                | -              | -                   | -                       | -                |
| <b>Total Position</b>   | <b>1,221,476</b> | <b>(274,693)</b> | <b>(414,476)</b> | <b>595,553</b> | <b>25,583</b>       | <b>(1,153,443)</b>      | <b>-</b>         |

<sup>(1)</sup> Other Assets: The amount of TL 135,674 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 113,282, Subsidiaries amounting to TL 95,708, Net Expected Credit Loss amounting to TL 99,401, Intangible Assets amounting to TL 4,131, Deferred Tax Asset amounting to TL 940, Assets Available for Sale amounting to TL 6 and Other Assets amounting to TL 21,008.

<sup>(2)</sup> Other Liabilities: The amount of TL 960,018 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 866,788, Provisions amounting to TL 46,208, Current Tax Liability amounting to TL 13,806 and other Non-Interest Bearing amounting to TL 33,216.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## IV. INFORMATION ON INTEREST RATE RISK (Continued)

## Average interest rates applied to monetary financial instruments (%)

| Current Period  | EURO | USD  | TL    |
|---|------|------|-------|
| <b>Assets</b>   |      |      |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey. | -    | 1.83 | 12.21 |
| Banks   | 0.01 | 1.69 | -     |
| Financial assets at fair value through profit or loss   | 2.52 | -    | -     |
| Money Market Placements   | -    | -    | 11.34 |
| Financial Assets at Fair Value Through Other Comprehensive Income   | 3.38 | 6.91 | 25.08 |
| Loans   | 3.74 | 6.19 | 14.52 |
| Financial Assets Measured at Amortized Cost   | 2.84 | 7.40 | 21.46 |
| <b>Liabilities</b>  |      |      |       |
| Interbank deposits  | 0.75 | 2.41 | -     |
| Other deposits  | 0.34 | 1.81 | 10.34 |
| Money market borrowings   | -    | -    | -     |
| Miscellaneous payables  | -    | -    | -     |
| Marketable securities issued  | -    | -    | -     |
| Funds borrowed from other financial institutions  | 0.81 | 4.07 | -     |
| Prior Period  | EURO | USD  | TL    |
| <b>Assets</b>   |      |      |       |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey. | -    | 1.62 | 7.16  |
| Banks   | 1.25 | 2.99 | -     |
| Financial assets at fair value through profit or loss   | 2.30 | 3.95 | -     |
| Money Market Placements   | -    | -    | 25.15 |
| Financial assets available-for-sale   | 6.42 | 6.87 | -     |
| Loans   | 4.55 | 5.86 | 27.44 |
| Investment securities held-to-maturity  | 2.79 | 6.99 | 20.48 |
| <b>Liabilities</b>  |      |      |       |
| Interbank deposits  | 1.14 | 4.62 | -     |
| Other deposits  | 0.99 | 2.66 | 18.08 |
| Money market borrowings   | -    | -    | -     |
| Miscellaneous payables  | -    | -    | -     |
| Marketable securities issued  | -    | -    | -     |
| Funds borrowed from other financial institutions  | 1.32 | 4.44 | -     |



**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**V. INFORMATION ON STOCK POSITION RISK**

**Equity investment risk due from banking book**

The Bank does not have equity investment risk due to subsidiary and securities issued capital which classified banking accounts are not traded on the stock exchange.

***Information on booking value, fair value and market value of equity investments***

None.

***Information on equity investments realized gains or losses, revaluation increases and unrealized gains or losses and these amounts including capital contribution.***

None.

***Breakdown of the amount of capital requirements on investments in related stock exchange basis, depending on the Credit Risk Standard Method or the capital requirement calculation method which bank has chosen out of allowed methods stated in the Communique Regarding Calculation of Credit Risk Amount on Internal Rating Based Approach.***

None.

**VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

**Information on liquidity risk management regarding risk capacity of the Bank, responsibilities and structure of the liquidity risk management, reporting of the liquidity risk in the Bank, the way that sharing liquidity risk strategy, policy and implementations with the board of directors and job fields.**

Evaluation of capacity of liquidity risk position of the Bank depends on current liquidity position, current and estimated asset quality, current and future income capacity, historical funding needs, estimated funding needs and decreasing funding needs or analysis of decrease in additional funding choices. One or more actions below are done to find funds in order to maintain liquidity needs.

- Disposal of the liquid assets
- Maintain increasing short term debts and/or additional short term time deposit and deposit like assets
- Decrease in moveable long term assets
- Increase in long term liabilities
- Increase in equity funds

Responsibility of the management of general liquidity belongs to Top Level Management, Treasury Department or Asset/Liability Committee (“ALCO”) which is consisting of Risk Management executives. Appropriate controls and balances are maintained in every condition.

Analysis of effects of various stress scenarios on the liquidity position and establishment of limits are crucial in order to establish effective liquidity risk management. Limits are determined according to the size of the Bank, complexity of transactions and suitability of the financial conditions.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

One of the important components of liquidity management is management information system which is created to offer information about the liquidity position of the Bank to the Board of Directors, top level management and related appropriate personnel at the right time. Strong management information system is an integral part of the reliable decision making process of the liquidity.

One of the important aspects of liquidity management is making assumptions on prospective funding needs. Although final cash inflows and outflows can be easily calculated or estimated, the Bank also makes short-term and long-term assumptions. Another important consideration is that the Parent Bank's reputation plays an important role in reaching the funds it needs in a reasonable amount of time.

Management also has an emergency plan to be implemented in the absence of accurate projections. An effective emergency planning consists of identifying minimum and maximum liquidity needs and weighting alternatives that will be used to meet these needs.

**The degree of centralization of liquidity management and funding strategy and information about the functioning between the Bank and its shareholders**

The Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Bank's largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. On the other hand, funds received from the Bank's risk group have a 53% share in liabilities.

**Information on the Bank's funding strategy including the policies regarding diversification of funding sources and periods**

The Bank obtains its fund sources mainly from the parent Libyan Foreign Bank and its subsidiaries. These Funds are reliable sources which are ongoing for many years with renewing terms and expected to continue thereafter.

**Currencies constituting minimum five percent of the Bank's total liabilities**

A large portion of the Bank's liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 36% of these funds are USD and 64% are Euro.

**Information regarding to the liquidity risk mitigation techniques used**

The Bank's liquidity risk mitigation techniques are retention of high-quality liquid assets on hand, provide maturity match between assets and liabilities and having the option to obtain funds from different banks in its risk groups.

**Information regarding to the usage of Stress Tests**

Stress tests are applied by changing the percentage of the parameters regarding to the liquidity ratio calculation. Subjected components, particularly high-quality liquid assets, including cash inflows and cash outflows are increased and decreased at various rates to measure the effects on the calculation. The test results provide guidance on liquidity management.

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****General information on the emergency and contingency plan of Liquidity**

The Liquidity Emergency Action Plan prepared by the Bank's ALCO was presented to the Board of Directors and approved by Council Decision No. CRC / 316-A/6/18 at 5 October 2018.

Decisions on the plan;

- Bank-specific crisis and general market crisis has been described,
- The decision of proportional and structural changes of assets and liabilities in the balance sheet is delegated to ALCO,
- Agreed that the Liquidity Dashboard which includes available and accessible liquidity sources of the Bank, asset sales, loan repayments and liquidity usage submitted periodically to ALCO by the Treasury Department.
- Within the framework of an effective liquidity risk management of the Treasury Department, where necessary, acting jointly with other business units to avoid concentration of funding sources, following different funding options and current trends and reporting on costs is expressed,
- If necessary, making changes in the Emergency Action Plan and update it according to market conditions and balance sheet structure is delegated to ALCO.

**Liquidity coverage ratio**

In accordance with the "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948, dated 21 March 2014, liquidity coverage ratio is calculated which disclosed to the public in the following format. The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

The weekly calculated lowest and highest values of unconsolidated foreign currency and total liquidity coverage ratio by weeks are as follows:

|                | <b>Week</b>       | <b>FC</b> | <b>Week</b>       | <b>FC+TL</b> |
|----------------|-------------------|-----------|-------------------|--------------|
| <b>Lowest</b>  | 2 December 2019   | 125       | 28 October 2019   | 164          |
| <b>Highest</b> | 30 September 2019 | 323       | 30 September 2019 | 412          |

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average is as following

| Current Period                         | Consideration Ratio Not Applied |                  | Consideration Ratio Applied |                  |
|--|---------------------------------|------------------|-----------------------------|------------------|
|  | Total Value <sup>(1)</sup>      |                  | Total Value <sup>(1)</sup>  |                  |
|  | TL+FC                           | FC               | TL+FC                       | FC               |
| <b>HIGH QUALITY LIQUID</b>             |                                 |                  |                             |                  |
| 1 High quality liquid assets           | 2,467,170                       | 1,921,542        | 2,075,871                   | 1,530,243        |
| <b>CASH OUTFLOWS</b>                   |                                 |                  |                             |                  |
| 2 Real person deposits and retail      | 447,958                         | 413,177          | 43,106                      | 41,318           |
| 3 Stable deposit                       | 33,786                          | -                | 1,689                       | -                |
| 4 Deposit with low stability           | 414,172                         | 413,177          | 41,417                      | 41,318           |
| 5 Unsecured debts except real          | 2,135,443                       | 2,020,115        | 1,780,669                   | 1,670,716        |
| 6 Operational deposit                  | -                               | -                | -                           | -                |
| 7 Non-operating deposits               | 2,009,117                       | 1,994,742        | 1,654,343                   | 1,645,343        |
| 8 Other unsecured debts                | 126,326                         | 25,373           | 126,326                     | 25,373           |
| 9 Secured debts                        | -                               | -                | -                           | -                |
| 10 Other cash outflows                 | -                               | -                | -                           | -                |
| 11 Derivative liabilities and margin   | -                               | -                | -                           | -                |
| 12 Debt from structured financial      | -                               | -                | -                           | -                |
| 13 Other off-balance sheet liabilities | -                               | -                | -                           | -                |
| 14 Revocable off-balance sheet         | -                               | -                | -                           | -                |
| 15 Other irrevocable or provisory      | 3,967,177                       | 3,715,665        | 253,077                     | 196,253          |
| <b>16 TOTAL CASH OUTFLOW</b>           | <b>6,550,578</b>                | <b>6,148,957</b> | <b>2,076,852</b>            | <b>1,908,287</b> |
| <b>CASH INFLOWS</b>                    |                                 |                  |                             |                  |
| 17 Secured receivables                 | -                               | -                | -                           | -                |
| 18 Unsecured claims                    | 1,193,355                       | 955,004          | 1,058,282                   | 918,972          |
| 19 Other cash inflows                  | 12,959                          | 12,959           | 12,959                      | 12,959           |
| <b>20 TOTAL CASH INFLOWS</b>           | <b>1,206,314</b>                | <b>967,963</b>   | <b>1,071,241</b>            | <b>931,931</b>   |
| <b>Upper limit applied amounts</b>     |                                 |                  |                             |                  |
| <b>21 TOTAL HQLA STOCK</b>             |                                 |                  | <b>2,075,871</b>            | <b>1,530,243</b> |
| <b>22 TOTAL NET CASH</b>               |                                 |                  | <b>1,009,726</b>            | <b>979,032</b>   |
| <b>23 LIQUIDITY COVERAGE</b>           |                                 |                  | <b>205.59</b>               | <b>156.30</b>    |

<sup>(1)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

| Prior Period   | Consideration Ratio Not Applied Total Value <sup>(1)</sup> |                  | Consideration Ratio Applied Total Value <sup>(1)</sup> |                  |
|--|--|------------------|--|------------------|
|  | TL+FC  | FC               | TC+FC  | FC               |
| <b>HIGH QUALITY LIQUID ASSETS</b>  |  |                  |  |                  |
| 1 High quality liquid assets   | 2,506,972  | 2,154,676        | 1,991,718  | 1,639,422        |
| <b>CASH OUTFLOWS</b>   |  |                  |  |                  |
| 2 Real person deposits and retail deposits   | 403,939  | 369,123          | 39,535   | 36,912           |
| 3 Stable deposit   | 17,180   | -                | 859  | -                |
| 4 Deposit with low stability   | 386,759  | 369,123          | 38,676   | 36,912           |
| 5 Unsecured debts except real person deposits and retail deposits  | 3,274,971  | 3,204,029        | 2,952,857  | 2,886,229        |
| 6 Operational deposit  | -  | -                | -  | -                |
| 7 Non-operating deposits   | 3,189,835  | 3,181,731        | 2,867,721  | 2,863,931        |
| 8 Other unsecured debts  | 85,136   | 22,298           | 85,136   | 22,298           |
| 9 Secured debts  | -  | -                | -  | -                |
| 10 Other cash outflows   | -  | -                | -  | -                |
| 11 Derivative liabilities and margin obligations   | -  | -                | -  | -                |
| 12 Debt from structured financial instruments  | -  | -                | -  | -                |
| 13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets                 | -  | -                | -  | -                |
| 14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations | -  | -                | -  | -                |
| 15 Other irrevocable or provisory revocable off-balance sheet liabilities  | 4,102,692  | 3,803,374        | 259,460  | 201,383          |
| <b>16 TOTAL CASH OUTFLOW</b>   | <b>7,781,602</b>   | <b>7,376,526</b> | <b>3,251,852</b>                                       | <b>3,124,524</b> |
| <b>CASH INFLOWS</b>  |  |                  |  |                  |
| 17 Secured receivables   | -  | -                | -  | -                |
| 18 Unsecured claims  | 2,394,031  | 2,003,995        | 2,169,206  | 1,903,933        |
| 19 Other cash inflows  | 13,782   | 13,782           | 13,782   | 13,782           |
| <b>20 TOTAL CASH INFLOWS</b>   | <b>2,407,813</b>   | <b>2,017,777</b> | <b>2,182,988</b>                                       | <b>1,917,715</b> |
| Upper limit applied amounts  |  |                  |  |                  |
| <b>21 TOTAL HQLA STOCK</b>   |  |                  | <b>1,991,718</b>                                       | <b>1,639,422</b> |
| <b>22 TOTAL NET CASH OUTFLOWS</b>  |  |                  | <b>1,095,390</b>                                       | <b>1,219,192</b> |
| <b>23 LIQUIDITY COVERAGE RATIO (%)</b>   |  |                  | <b>181.83</b>  | <b>134.47</b>    |

<sup>(1)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

**Important factors affecting the liquidity coverage ratio results and the change over time of those items taken into account while calculating this ratio**

High-quality liquid assets and cash outflows are one of the most important factors affecting the calculation of the liquidity coverage ratio for banks. A major portion of high-quality liquid assets of the Bank are consisted of treasury bills and free deposits held in CBRT. High-quality liquid assets been on the rise throughout the year had a positive effect on the calculation of liquidity coverage ratio.

**Sections High-quality liquid assets comprised of**

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 47% of high-quality liquid assets of the Bank, while 52% comprised of debt instruments issued by the Treasury.

**Sections Funding sources comprised of and their densities within all funds**

A significant part of the funding sources are comprised of deposits received. 50% of the total liabilities are deposits received. 53% of these deposits are deposits obtained from banks.

**Information on cash outflows arising from derivative transactions and transactions that are subject to collateralization**

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. 31 December 2019, the bank has no derivative transactions. Therefore, there is no net cash outflow arising from derivative transactions.

**Counterparty and product-based funding sources and concentration limits on collaterals**

A significant part of the funding sources are comprised of deposits received. 50% of the liability is deposits and 53% of these deposits are from banks. All of these liabilities are warrantless.

**Funding needs in terms of the Bank itself, foreign branches and consolidated subsidiaries taking into account operational and legal factors that inhibits the Bank's liquidity transfer and liquidity risk exposure**

The Bank obtains funds essentially from main shareholder Libyan Foreign Bank and its subsidiaries. These reliable and ongoing funds are renewed at different maturities and expected to continue for many years.

**Other cash inflows and outflows that are included in liquidity coverage calculation but not included in the public disclosure template in the second paragraph and considered to be related with the Bank's liquidity profile**

*None.*

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**VI. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**
**Presentation of assets and liabilities based on their outstanding maturities**

| Current Period  | Demand             | Up to 1 Month    | 1-3 Months       | 3-12 Months      | 1-5 Years      | 5 Year and Over | Unallocated      | Total            |
|---|--------------------|------------------|------------------|------------------|----------------|-----------------|------------------|------------------|
| <b>Assets</b>   |                    |                  |                  |                  |                |                 |                  |                  |
| Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances | 20,001             | 546,563          | -                | -                | -              | -               | -                | 566,564          |
| Banks   | 59,875             | 1,073,856        | -                | -                | -              | -               | -                | 1,133,731        |
| Financial Assets at Fair Value through Profit or Loss   | -                  | -                | -                | 94,252           | -              | -               | -                | 94,252           |
| Money Market Placements   | -                  | 535,166          | -                | -                | -              | -               | -                | 535,166          |
| Financial assets available-for-sale   | -                  | -                | 13,377           | 88,366           | 144,722        | -               | 2,605            | 249,070          |
| Loans   | -                  | 407,127          | 174,763          | 586,272          | 475,889        | -               | 86,192           | 1,730,243        |
| Investment securities held-to-maturity  | -                  | -                | 42,114           | 196,701          | 211,036        | 28,886          | -                | 478,737          |
| Other assets <sup>(1)</sup>   | -                  | -                | -                | -                | -              | -               | 170,231          | 170,231          |
| <b>Total Assets</b>   | <b>79,876</b>      | <b>2,562,712</b> | <b>230,254</b>   | <b>965,591</b>   | <b>831,647</b> | <b>28,886</b>   | <b>259,028</b>   | <b>4,957,994</b> |
| <b>Liabilities</b>  |                    |                  |                  |                  |                |                 |                  |                  |
| Interbank Deposits  | 633,227            | 393,989          | 59,608           | 187,265          | 17,844         | -               | -                | 1,291,933        |
| Other Deposits  | 1,008,866          | 123,973          | 22,802           | 8,509            | 83             | -               | -                | 1,164,233        |
| Funds provided from other financial institutions  | -                  | -                | -                | -                | -              | -               | -                | -                |
| Money market borrowings   | -                  | -                | -                | -                | -              | -               | -                | -                |
| Marketable securities issued  | -                  | -                | -                | -                | -              | -               | -                | -                |
| Miscellaneous payables  | -                  | -                | 154,854          | 865,731          | 332,605        | -               | -                | 1,353,190        |
| Other liabilities <sup>(2)</sup>  | -                  | 75               | 94               | 69               | 464            | 1,124           | 1,146,812        | 1,148,638        |
| <b>Total Liabilities</b>  | <b>1,642,093</b>   | <b>518,037</b>   | <b>237,358</b>   | <b>1,061,574</b> | <b>350,996</b> | <b>1,124</b>    | <b>1,146,812</b> | <b>4,957,994</b> |
| <b>Net Liquidity Gap</b>  | <b>(1,562,217)</b> | <b>2,044,675</b> | <b>(7,104)</b>   | <b>(95,983)</b>  | <b>480,651</b> | <b>27,762</b>   | <b>(887,784)</b> | <b>-</b>         |
| <b>Prior Period</b>   |                    |                  |                  |                  |                |                 |                  |                  |
| Total Assets  | 48,907             | 4,098,793        | 205,997          | 731,919          | 572,758        | 25,583          | 311,119          | 5,995,076        |
| Total Liabilities   | 1,804,463          | 1,626,308        | 546,768          | 1,057,445        | 74             | -               | 960,018          | 5,995,076        |
| <b>Net Liquidity Gap</b>  | <b>(1,755,556)</b> | <b>2,472,485</b> | <b>(340,771)</b> | <b>(325,526)</b> | <b>572,684</b> | <b>25,583</b>   | <b>(648,899)</b> | <b>-</b>         |

<sup>(1)</sup> Other Assets: The amount of TL 170,231 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 136,265, Subsidiaries amounting to TL 108,205, Net Expected Credit Loss amounting to TL 98,223, Intangible Assets amounting to TL 6,153, Assets Available for Sale amounting to TL 1,000 and Other Assets amounting to TL 16,831.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,146,812 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,052,917, Provisions amounting to TL 55,275, Current Tax Liability amounting to TL 9,528, Deferred Tax Liability amounting of TL 1,719 and other Non-Interest Bearing amounting to TL 27,373.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VII. EXPLANATIONS ON LEVERAGE RATIO

## Leverage Ratio

Explanations on leverage ratio is calculated in accordance with the "Regulation on Equity of Banks" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette numbered 28812, dated 5 November 2013.

**Information on subjects that causes difference in leverage ratio between current and prior periods:**

The main difference between the current and prior period are capital and total risk amount. Additionally, Bank has no significant change in portfolio.

## Leverage ratio disclosure as follows

| Balance sheet assets  | Current Period <sup>(1)</sup> | Prior Period <sup>(1)</sup> |
|---|-------------------------------|-----------------------------|
| 1 Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties) | 4,765,304                     | 5,887,486                   |
| 2 (Assets deducted from main capital)   | (5,149)                       | (4,017)                     |
| 3 Total risk amount of the balance sheet assets ( Sum of 1st and 2nd rows)  | 4,760,155                     | 5,883,469                   |
| <b>Derivative financial instruments and credit derivatives</b>  |                               |                             |
| 4 Replacement cost of derivative financial instruments and credit derivatives                                     | -                             | -                           |
| 5 Potential credit risk amount of derivative financial instruments and credit derivatives                         | -                             | -                           |
| 6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)          | -                             | -                           |
| <b>Security or secured financing transactions</b>   |                               |                             |
| 7 Risk amount of security or secured financing transactions (Except balance sheet)                                | 40,456                        | 17,583                      |
| 8 Risk amount due to intermediated transactions   | -                             | -                           |
| 9 Total risk amount of security or secured financing transactions ( Sum of 7th and 8th rows)                      | 40,456                        | 17,583                      |
| <b>Off-balance sheet transactions</b>   |                               |                             |
| 10 Gross nominal amount of off-balance sheet transactions   | 3,986,307                     | 3,976,604                   |
| 11 (Adjustment amount resulting from multiplying by credit conversion rates)                                      | -                             | -                           |
| 12 Risk amount of the off-balance sheet transactions ( Sum of 10th and 11th rows)                                 | 3,986,307                     | 3,976,604                   |
| <b>Equity and total risk</b>  |                               |                             |
| 13 Main capital   | 1,033,259                     | 853,591                     |
| 14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)   | 8,786,918                     | 9,877,656                   |
| <b>Leverage ratio</b>   |                               |                             |
| 15 Leverage ratio   | %11.77                        | %8.66                       |

<sup>(1)</sup> Amounts in the table are obtained on the basis of three-month weighted average.



## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of the held to maturity financial assets; in case of situations where market price or fair value cannot be determined; is calculated over the quoted market prices of other investment securities that are of the same interest, maturity and similar in other clauses.

The estimated fair value of the demand deposit represents the amount to be paid at the moment of demand. Placements of changing rates and the fair value of the overnight deposit equal to their book values. The fair value of the fixed yield deposit is calculated over the cash flows discounted using the market interest rates implicated on similar borrowing and other payables.

The estimated fair value of the loans is calculated over the cash flows discounted using the market interest rates implicated on the constant interest loans. The carrying values of floating-rate loans are deemed a reasonable proxy for their fair values.

In the table below; fair values and book values of some of the financial assets and liabilities are presented. The book value of the assets and liabilities is the total of the cost and accumulated interest accruals.

|  | Carrying Value   |                  | Fair Value       |                  |
|--|------------------|------------------|------------------|------------------|
|  | Current Period   | Prior Period     | Current Period   | Prior Period     |
| <b>Financial Assets</b>  | <b>5,081,824</b> | <b>5,938,156</b> | <b>5,024,471</b> | <b>5,752,897</b> |
| Banks  | 1,795,331        | 2,783,756        | 1,795,331        | 2,783,756        |
| Money market receivables   | 535,166          | 202,139          | 535,166          | 202,139          |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income | 249,070          | 106,926          | 249,070          | 106,926          |
| Financial Assets Measured at Amortised Cost                                | 478,737          | 484,323          | 545,028          | 493,607          |
| Loans  | 1,730,243        | 2,000,092        | 1,612,519        | 1,867,315        |
| Leasing Receivables  | 293,277          | 360,920          | 287,357          | 299,154          |
| <b>Financial Liabilities</b>   | <b>4,104,693</b> | <b>5,340,303</b> | <b>4,104,693</b> | <b>5,305,015</b> |
| Banks Deposits   | 1,995,337        | 3,286,826        | 1,995,337        | 3,286,826        |
| Other Deposits   | 460,584          | 1,113,708        | 460,584          | 1,113,708        |
| Funds provided from other financial institutions                           | 1,611,843        | 939,769          | 1,611,843        | 904,481          |
| Money market borrowings  | -                | -                | -                | -                |
| Marketable securities issued   | -                | -                | -                | -                |
| Miscellaneous payables   | 36,929           |                  | 36,929           |                  |

**Fair value hierarchy**

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

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

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

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

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)

| Current Period   | Level 1        | Level 2        | Level 3        | Total        |
|--|----------------|----------------|----------------|--------------|
| <b>Financial Assets</b>  |                |                |                |              |
| Financial assets measured at fair value through Profit or Loss             | 94,252         | -              | -              | 94,252       |
| <i>Public sector debt securities</i>                                       | 94,252         | -              | -              | 94,252       |
| <i>Equity Securities</i>   | -              | -              | -              | -            |
| <i>Other financial assets</i>  | -              | -              | -              | -            |
| Financial Assets Measured at Fair Value Through Other Comprehensive Income | 246,464        | -              | 2,606          | 249,070      |
| <i>Public sector debt securities</i>                                       | 107,666        | -              | -              | 107,666      |
| <i>Equity Securities</i>   | -              | -              | 2,606          | 2,606        |
| <i>Other financial assets</i>  | 138,798        | -              | -              | 138,798      |
| <b>Prior Period</b>  | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b> |
| <b>Financial Assets</b>  |                |                |                |              |
| Financial assets at fair value through Profit or Loss                      | 282,166        | -              | -              | 282,166      |
| <i>Public sector debt securities</i>                                       | 238,569        | -              | -              | 238,569      |
| <i>Equity Securities</i>   | -              | -              | -              | -            |
| <i>Other financial assets</i>  | 43,597         | -              | -              | 43,597       |
| Financial assets available for sale  | 104,590        | -              | 2,336          | 106,926      |
| <i>Public sector debt securities</i>                                       | 15,970         | -              | -              | 15,970       |
| <i>Equity Securities</i>   | -              | -              | 2,336          | 2,336        |
| <i>Other financial assets</i>  | 88,620         | -              | -              | 88,620       |

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

|                                   | Current Period | Prior Period |
|-----------------------------------|----------------|--------------|
| Balances at beginning of period   | 2,336          | 1,758        |
| Purchases during the period       | -              | -            |
| Disposals through sale/redemption | -              | -            |
| Valuation effect                  | 270            | 578          |
| Transfers                         | -              | -            |
| <b>Balances at end of period</b>  | <b>2,606</b>   | <b>2,336</b> |

## IX. ACTIVITIES CARRIED OUT ON BEHALF OF AND ACCOUNT OF THIRD PARTIES, ACTIVITIES BASED ON ASSURANCE

**Information on whether Bank carries out trading, custody, consulting, management services for third parties**

The Bank does not carry out any other trading, custody, management and consulting services on behalf and account of others.

**Information on trust transactions with other financial institutions or direct financial services given within the context of trust transactions to other financial institutions and possible affects of such transactions on Bank's financial situation**

The Bank does not have transactions based on trust.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**X. INFORMATION ON RISK MANAGEMENT**

**Main sources of differences between risk amounts and amounts in financial statements which are evaluated in accordance with TAS**

Risk Management process of the Bank passes through various stages; such as, defining, measuring, analyzing and pursuing risks, risk management policies and enactment of implementation principles and their realization, reporting, researching, conformity and auditing, within the frame of principles jointly fixed by the bank's Risk Management Department, Audit Committee and High Level Management and approved by the Board of Directors.

The risk policy of the Bank is set out on the below mentioned principles.

- To be selective in risk taking.
- To define, measure, analyze and manage risks effectively.
- To secure the balance between the risk and return.
- To have adequate capital to cover existing and possible future risks.
- To have sound collaterals covering the existing and possible risks, and to follow up closely the sufficiency of the collaterals.
- To secure the appropriateness of risks to the defined limits.
- To keep under control the appropriateness of all kinds of operations to the approved policies and procedures.
- To supply the harmonization of the operations with the laws and regulations.
- To establish corporate risk culture within the Bank.
- To set out an effective reporting line and inform related management authorities on time to eliminate any kind of discrepancy.

The Bank defines, measures, analyzes and manages the risks involved in its operations and defines its risk management policies and application procedures on base of main risk categories on consolidated basis.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## X. INFORMATION ON RISK MANAGEMENT (Continued)

## Overview of Risk Weighted Amount (Current Period)

|    |   | Risk Weighted Amount |                  | Minimum capital Requirement |
|----|---|----------------------|------------------|-----------------------------|
|    |   | Current Period       | Prior Period     | Current Period              |
| 1  | Credit risk (excluding counterparty credit risk) (CCR)                                | 4,531,546            | 4,453,898        | 362,524                     |
| 2  | Standardised approach (SA)  | 4,531,546            | 4,453,898        | 362,524                     |
| 3  | Internal rating-based (IRB) approach  | -                    | -                | -                           |
| 4  | Counterparty credit risk  | 672                  | -                | 53                          |
| 5  | Standardised approach for counterparty credit risk (SA-CCR)                           | 672                  | -                | 53                          |
| 6  | Internal model method (IMM)   | -                    | -                | -                           |
| 7  | Basic risk weight approach to internal models equity position in the banking account  | -                    | -                | -                           |
| 8  | Investments made in collective investment companies – look-through approach           | -                    | -                | -                           |
| 9  | Investments made in collective investment companies – mandate-based approach          | -                    | -                | -                           |
| 10 | Investments made in collective investment companies - 12.50% weighted risk approach   | -                    | -                | -                           |
| 11 | Settlement risk   | -                    | -                | -                           |
| 12 | Securitization positions in banking accounts  | -                    | -                | -                           |
| 13 | IRB ratings-based approach (RBA)  | -                    | -                | -                           |
| 14 | IRB Supervisory Formula Approach (SFA)  | -                    | -                | -                           |
| 15 | SA/simplified supervisory formula approach (SSFA)                                     | -                    | -                | -                           |
| 16 | Market risk   | 68,700               | 158,037          | 5,496                       |
| 17 | Standardised approach (SA)  | 68,700               | 158,037          | 5,496                       |
| 18 | Internal model approaches (IMM)   | -                    | -                | -                           |
| 19 | Operational Risk  | 425,563              | 349,450          | 34,045                      |
| 20 | Basic Indicator Approach  | 425,563              | 349,450          | 34,045                      |
| 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 | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>5,026,481</b>     | <b>4,961,385</b> | <b>402,118</b>              |

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**X. INFORMATION ON RISK MANAGEMENT (Continued)**

**General qualitative information on credit risk**

The objective of the credit risk management is to maximize the risk-adjusted return of the bank by managing the risks in appropriate parameters that the bank may face. The credit risk management covers all types of credits and transactions and also considers the relationship of the credit risks with other risk types.

The widest and most visible sources of the credit risk are the loans extended by the Bank; however, there are also some other factors depending on the activities of the Bank. These stand on both banking books and accounts of on balance sheet and off balance sheet items. From day to day, banks face more credit risks not related to loans; for example different financial instruments like interbank transactions, acceptances, trade finance, foreign exchange transactions, swap transactions, bonds, options, futures, guarantees and commitments.

Effective applications related to the credit risk management cover especially the following fields;  
Clear definition of the responsibilities in credit risk management process,

- Effective functioning of the lending policy,
- Understanding the basic characteristics of credit risk,
- Making all related personnel aware of the credit risk management policies,
- Keeping appropriate credit risk measurement, review and follow-up functions,
- Setting limits for credit risk, periodically reviewing the limits and effectively controlling the risk-limit position,
- Analyzing the risk structure of a new instrument before using it,
- Having sufficient management reporting system,
- Providing sufficient audit and control function on credit risk,
- Separating credit utilization and marketing function,
- Evaluating credit risk on solo and consolidated basis.

Beside the standard credit risk in credit activities, also the risks related to the economic conditions in the country of the borrower should be considered.

Effective loan extension is based on the determination of a reliable and well-defined lending criterion. For the effective credit risk management, it is essential to have sufficient information that will enable the detailed evaluation of the real risk profile of the credit applicant.

The Bank's credit risk amount is calculated by standard approach.

**Additional explanations about the credit quality of assets**

*None.*

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## X. INFORMATION ON RISK MANAGEMENT (Continued)

## Changes in stock of defaulted loans and debt securities

|          |  |               |
|----------|--|---------------|
| 1        | Defaulted loans and debt securities at end of the previous reporting period          | 91,385        |
| 2        | Loans and debt securities that have defaulted since the last reporting period        | 25            |
| 3        | Returned to non-defaulted status   | (1,488)       |
| 4        | Amounts written off  | (3,730)       |
| 5        | Other changes  | -             |
| <b>6</b> | <b>Defaulted loans and debt securities at end of the reporting period(1+2-3-4±5)</b> | <b>86,192</b> |

## Qualitative requirements for public disclosure regarding credit risk mitigation techniques

The Bank applies credit risk mitigation based on the comprehensive method for Credit Risk Mitigation Techniques. Financial collaterals are the credit risk mitigation technique which affects the credit risk amount of the Bank. Deposits with blockage constitutes financial collaterals.

## Credit risk mitigation techniques – overview

|                      | Exposures<br>unsecured:<br>carrying<br>amount | Exposures<br>secured by<br>collateral | Exposures<br>secured by<br>collateral,<br>of which:<br>secured<br>amount | Exposures<br>secured by<br>financial<br>guarantees | Exposures<br>secured by<br>financial<br>guarantees, of<br>which: secured<br>amount | Exposures<br>secured by<br>credit<br>derivatives | Exposures<br>secured by<br>credit<br>derivatives,<br>of which:<br>secured<br>amount |
|----------------------|---|---------------------------------------|--|--|--|--|---|
| 1 Loans              | 8,260,762                                     | -                                     | -  | 551,849  | 531,807  | -  | -   |
| 2 Debt Securities    | 478,736                                       | -                                     | -  | -  | -  | -  | -   |
| <b>3 Total</b>       | <b>8,739,498</b>                              | -                                     | -  | <b>551,849</b>                                     | <b>531,807</b>   | -  | -   |
| 4 Of which defaulted | 86,192  | -                                     | -  | -  | -  | -  | -   |

## Qualitative disclosures regarding ratings which the Bank uses in the calculation of credit risk by standard approach.

Bank credit risk of the counterparty when calculating the standard approach to Turkey built Banks and Agent for the risks of the Corporation Islamic International Rating Agency of the country of its rating, while for those that are built outside of Turkey the bank's Islamic International Rating Agency rating of about if any; if not, the country of residence uses the OECD rating. Counterparty Turkey Central Government and / or the risks that the Central Bank uses the Islamic International Rating Agency notes Turkey.

## Operational Risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 24 of "Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks". As of 31 December 2019 the amount subject to operational risk is TL 425,563 (31 December 2018: TL 349,450).

| Current Period                         | 2 PP<br>Total | 1 PP<br>Total | CP<br>Total | Total/No. of<br>years of<br>positive gross | Rate<br>(%) | Total   |
|--|---------------|---------------|-------------|--|-------------|---------|
| Gross income                           | 188,942       | 213,259       | 278,701     | 226,967                                    | 15          | 34,045  |
| Value at operational risk (Total*12.5) |               |               |             |  |             | 425,563 |
| Prior Period                           | 2 PP<br>Total | 1 PP<br>Total | CP<br>Total | Total/No. of<br>years of<br>positive gross | Rate<br>(%) | Total   |
| Gross income                           | 156,924       | 188,942       | 213,259     | 186,375                                    | 15          | 27,956  |
| Value at operational risk (Total*12.5) |               |               |             |  |             | 349,450 |

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)****Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects**

| Asset classes  | Exposures before CCF and CRM |                          | Exposures post-CCF and CRM |                          | RWA and RWA density |             |
|--|------------------------------|--------------------------|----------------------------|--------------------------|---------------------|-------------|
|  | On-balance sheet amount      | Off-balance sheet amount | On-balance sheet amount    | Off-balance sheet amount | RWA                 | RWA density |
| 1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks             | 880,831                      | -                        | 880,831                    | -                        | 164,851             | % 19        |
| 2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities          | -                            | -                        | -                          | -                        | -                   | -           |
| 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 Financial Intermediaries                  | 2,780,609                    | 2,244,400                | 2,248,801                  | 1,210,041                | 1,791,512           | % 52        |
| 7 Contingent and Non-Contingent Corporate Receivables  | 676,142                      | 1,384,983                | 676,142                    | 989,385                  | 1,665,526           | % 100       |
| 8 Contingent and Non-Contingent Retail Receivables   | -                            | -                        | -                          | -                        | -                   | -           |
| 9 Secured by residential property  | -                            | -                        | -                          | -                        | -                   | -           |
| 10 Secured by commercial real estate   | -                            | 41,450                   | -                          | 21,450                   | 21,450              | % 100       |
| 11 Past Due Loans  | 1,973                        | -                        | 1,973                      | -                        | 2,960               | % 150       |
| 12 Higher-Risk Receivables Defined by BRSA   | 4,501                        | 415,003                  | 4,501                      | 390,880                  | 593,071             | % 150       |
| 13 Marketable Securities Collateralized Mortgages  | -                            | -                        | -                          | -                        | -                   | -           |
| 14 Short-Term Receivables from Banks and Corporate   | -                            | -                        | -                          | -                        | -                   | -           |
| 15 Undertakings for Collective Investments in Mutual Funds   | -                            | -                        | -                          | -                        | -                   | -           |
| 16 Other Receivables   | 309,606                      | -                        | 309,606                    | -                        | 292,849             | % 95        |
| 17 Equity Investments  | -                            | -                        | -                          | -                        | -                   | -           |
| <b>18 Total</b>  | <b>4,653,662</b>             | <b>4,085,836</b>         | <b>4,121,854</b>           | <b>2,611,756</b>         | <b>4,532,219</b>    | <b>% 67</b> |

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**X. INFORMATION ON RISK MANAGEMENT (Continued)**
**Standardised approach – exposures by asset classes and risk weights**

| Asset Classes/ Risk Weight |  | 0%             | 10%      | 20%           | 35%      | 50%              | 75%      | 100%             | 150%           | 200%     | Others   | Total credit exposures amount (post CCF and post-CRM) |
|----------------------------|--|----------------|----------|---------------|----------|------------------|----------|------------------|----------------|----------|----------|---|
| 1                          | Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks             | 551,129        | -        | -             | -        | 329,702          | -        | -                | -              | -        | -        | 880,831   |
| 2                          | Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities          | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 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 Financial Intermediaries                  | -              | -        | 69,500        | -        | 3,223,461        | -        | 165,881          | -              | -        | -        | 3,458,842   |
| 7                          | Contingent and Non-Contingent Corporate Receivables  | -              | -        | -             | -        | -                | -        | 1,665,526        | -              | -        | -        | 1,665,526   |
| 8                          | Contingent and Non-Contingent Retail Receivables   | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 9                          | Secured by residential property  | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 10                         | Secured by commercial real estate  | -              | -        | -             | -        | -                | -        | 21,450           | -              | -        | -        | 21,450  |
| 11                         | Past Due Loans   | -              | -        | -             | -        | -                | -        | -                | 1,973          | -        | -        | 1,973   |
| 12                         | Higher-Risk Receivables Defined by BRSA  | -              | -        | -             | -        | -                | -        | -                | 395,381        | -        | -        | 395,381   |
| 13                         | Marketable Securities Collateralized Mortgages   | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 14                         | Short-Term Receivables from Banks and Corporate  | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 15                         | Undertakings for Collective Investments in Mutual Funds  | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 16                         | Equity Investments   | -              | -        | -             | -        | -                | -        | -                | -              | -        | -        | -   |
| 17                         | Other Receivables  | 16,757         | -        | -             | -        | -                | -        | 292,849          | -              | -        | -        | 309,606   |
| 18                         | <b>Total</b>   | <b>567,886</b> | <b>-</b> | <b>69,500</b> | <b>-</b> | <b>3,553,163</b> | <b>-</b> | <b>2,145,706</b> | <b>397,354</b> | <b>-</b> | <b>-</b> | <b>6,733,609</b>                                      |

**Qualitative disclosures related to IRB models**

None.

**IRB - Credit risk exposures by portfolio and PD range**

None.

**IRB – Effect on RWA of credit derivatives used as CRM techniques**

None.

**RWA flow statements of credit risk exposures under IRB**

None.

**IRB – Backtesting of probability of default (PD) per portfolio**

None.

**IRB (specialised lending and equities under the simple risk weight method)**

None.



**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**X. INFORMATION ON RISK MANAGEMENT (Continued)**

**Qualitative disclosure related to counterparty credit risk**

The counterparty risk arises from non-performance of the trading partners. The non-performance may arise from counterparty's refusal/inability to perform due to adverse price movements or from external constraints that were not anticipated by the principal.

Counterparty Credit Risk is an important risk that causes a credit risk for the banks carrying out money and capital market transactions. The subject transactions are listed as follows;

- Derivative Financial Instruments,
- Repo Transactions,
- Securities and Commodities Borrowing Transactions,
- Transactions with long clearing period,
- Margin Trading Transactions

Some properties of CCR and credit risk are provided below with a comparison.

- Loan risk is unilateral, only the lender is exposed to the risk. CCR is bilateral and both parties may incur a loss depending to the market value of the transaction.
- For the credit risk, the risk amount of the lender is always positive. In CCR, the position value caused by the transaction might be positive or negative. The party having the positive position value during the period to the maturity date is the party exposed to the risk.
- In any credit transaction, the loan's principal amount is lent, and collected on the maturity date together with interest. In the transactions subject to CCR, it is possible to offset the receivables mutually according to the agreement made and to pay the remaining amount.

While the exposed risk can be easily measured in loan risk, this amount in CCR depends to the value of the asset subject to transaction, value of guarantee and market values and can only be estimated.

The Bank's counterparty credit risk amount is calculated by standard approach.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## X. INFORMATION ON RISK MANAGEMENT (Continued)

## Counterparty Credit Risk (CCR) approach analysis

|  | Replacement<br>cost | Potential<br>future<br>exposure | EEPE(Effective<br>Expected<br>Positive<br>Exposure) | Alpha used for<br>computing<br>regulatory<br>EAD | EAD post-<br>CRM | RWA |
|--|---------------------|---------------------------------|---|--|------------------|-----|
| Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                     |                                 |   |  | 3,359            | 672 |
| Total  |                     |                                 |   |  |                  | 672 |

## Credit valuation adjustment (CVA) capital charge

None

## Standardised approach - Risk approach analysis for CCR

| Risk Sınıfları/ Risk Ağırlığı  | %0 | %10 | %20   | %35 | %50 | %75 | %100 | %150 | %200 | Other | Total<br>credit<br>exposure |
|--|----|-----|-------|-----|-----|-----|------|------|------|-------|-----------------------------|
| 1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks             | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities          | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 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 Financial Intermediaries                  | -  | -   | 3,359 | -   | -   | -   | -    | -    | -    | -     | 672                         |
| 7 Contingent and Non-Contingent Corporate Receivables  | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 8 Contingent and Non-Contingent Retail Receivables   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 9 Secured by residential property  | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 10 Secured by commercial real estate   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 11 Past Due Loans  | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 12 Higher-Risk Receivables Defined by BRSA   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 13 Marketable Securities Collateralized Mortgages  | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 14 Short-Term Receivables from Banks and Corporate   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 15 Undertakings for Collective Investments in Mutual Funds   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 16 Equity Investments  | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 17 Other Receivables   | -  | -   | -     | -   | -   | -   | -    | -    | -    | -     | -                           |
| 18 Total   | -  | -   | 3,359 | -   | -   | -   | -    | -    | -    | -     | 672                         |

## IRB – CCR exposures to central counterparties and PD scale

None

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## X. INFORMATION ON RISK MANAGEMENT (Continued)

## Composition of collateral for CCR exposure

|                            | Derivative Collaterals |            |                   |            | Variable Transaction Collaterals |                   |
|----------------------------|------------------------|------------|-------------------|------------|----------------------------------|-------------------|
|                            | Received Collaterals   |            | Collaterals Given |            | Received Collaterals             | Collaterals Given |
|                            | Reserved               | Unreserved | Reserved          | Unreserved |                                  |                   |
| Government Bonds- Domestic | -                      | -          | -                 | -          | 531,807                          | -                 |
| <b>Total</b>               | -                      | -          | -                 | -          | <b>531,807</b>                   | -                 |

## Credit derivatives exposures

None.

## RWA flow statements of CCR exposures under Internal Model Method (IMM)

None.

## Quantitative disclosure - description of a bank's securitisation exposures

None.

## Securitisation exposures in the banking book

None.

## Securitisation exposures in the trading book

None.

## Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as sponsor

None.

## Securitisation exposures in the banking book and associated capital requirements – bank acting as investor

None.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**X. INFORMATION ON RISK MANAGEMENT (Continued)**

**Qualitative requirements for public disclosure regarding market risk**

The purpose of market risk management is to maximize the risk adjusted return of the Bank by effectively managing the market risk of the bank by using suitable parameters in compliance with the size of the Bank.

The market risk management consists of interest rate, foreign Exchange and liquidity risks and takes into consideration the relations of these risks with other risks. The Bank does not have commodity and stock exchange portfolio. Therefore, the Bank is not exposed to commodity and equity position risk.

The market risk management of the Bank is based on below mentioned principles.

- Clear definition of the responsibilities in market risk management process,
- Effective determination, functioning and monitoring of the treasury policy,
- Having standards for valuing positions and measuring performance,
- Understanding the basic characteristics of the risks in market risk category,
- Making all related personnel aware of the market risk management policies,
- Keeping appropriate market risk measurement, review and follow-up functions,
- Setting limits for market risk, periodically reviewing the limits and effectively monitoring the risk-limit position,
- Analyzing the risk structure of a new instrument before using it,
- Having contingency planning for crisis situations,
- Having effective management reporting system,
- Providing strong audit and control function on market risk,
- Separating Treasury Front Office and Treasury Back Office function,
- Evaluating market risk on solo and consolidated basis.
- Sound market risk management involves the application of four basic elements in the management of assets, liabilities and off-balance-sheet instruments:
  - Appropriate board and high-level management oversight;
  - Adequate risk management policies and procedures;
  - Appropriate risk measurement, monitoring and control functions; and
  - Comprehensive internal controls and independent audits.

The specific manner in which a bank applies these elements in managing its market risk will depend upon the complexity and nature of its holdings and activities as well as on the level of market risk exposure.

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)**

The market risk is managed in the Bank on portfolio level. In order to control the market risk exposure, the limits are used.

It is believed that having sufficient and correct information on a right time in a well-designed format is important for effective market risk management. The Board of Directors, High Level Management and ALCO should receive sufficient information on time to make decision about the treasury strategy of the Bank.

The Risk Management Department reviews the market risk level of the Bank periodically.

The market risk structure of the Bank and the harmony of the operations with the approved policies and limits are monitored and controlled by the internal audit and internal control functions of the Bank.

For the effective management of market risks, it is important to understand the basic characteristics of interest rate, foreign exchange and liquidity risks.

The Bank's market risk amount is calculated by standard approach.

**Qualitative disclosures for banks using the Internal Models Approach (IMA)**

*None.*

**Standardised approach**

|   | RWA           |
|---|---------------|
| <b>Outright products</b>                    |               |
| 1 Interest rate risk (general and specific) | 62,313        |
| 2 Equity risk (general and specific)        | -             |
| 3 Foreign exchange risk                     | 6,387         |
| 4 Commodity risk                            | -             |
| <b>Options</b>                              |               |
| 5 Simplified approach                       | -             |
| 6 Delta-plus method                         | -             |
| 7 Scenario approach                         | -             |
| 8 Securitisation                            | -             |
| <b>9 Total</b>                              | <b>68,700</b> |

**RWA flow statements of market risk exposures under an IMA**

*None.*

**IMA values for trading portfolios**

*None.*

**Comparison of VaR estimates with gains/losses**

*None.*

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## X. INFORMATION ON RISK MANAGEMENT (Continued)

**Nature of interest rate risk resulting from banking book, major assumptions on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk**

The interest sensitivity of assets, liabilities and off balance-sheet items are evaluated regularly at the Asset-Liability Committee meetings considering also the market developments.

The measurement process of interest rate risk resulting from the banking book, is designed and managed by the Bank on a bank-only basis to include the interest rate positions defined as banking book by the Bank and to consider the relevant repricing and maturity data.

The present value and the net interest income are calculated over the cash flows of the sensitive assets and liability items by using the yield curves constructed by using the market interest rates.

The interest rate risk resulting from the banking book is measured legally as per the "Regulation on Measurement and Evaluation of Interest Rate Risk Resulting from the Banking Book as per Standard Shock Method" published in the Official Gazette no.28034 dated 23 August 2011, and the legal limit as per this measurement is monitored and reported monthly. The capital level is maintained considering the interest rate risk resulting from the banking book.

The interest rate risk on the interest-rate-sensitive financial instruments of the trading portfolio is evaluated as part of the market risk.

**Economic value differences resulted from interest rate instabilities calculated on a bank-only basis according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method****Current Period**

| Type of Currency                  | Shocks Applied<br>(+/- x basis points) | Gains/<br>Losses | Gains/Equity<br>Losses/Equity |
|-----------------------------------|--|------------------|-------------------------------|
| 1 TRY                             | 500                                    | (974)            | (0.09%)                       |
|                                   | (400)                                  | 812              | 0.08%                         |
| 2 EURO                            | 200                                    | 15,061           | 1.39%                         |
|                                   | (200)                                  | (15,705)         | (1.45%)                       |
| 3 USD                             | 200                                    | 5,543            | 0.51%                         |
|                                   | (200)                                  | (5,729)          | (0.53%)                       |
| <b>Total (of negative shocks)</b> |  | <b>19,630</b>    | <b>1.81%</b>                  |
| <b>Total (of positive shocks)</b> |  | <b>(20,622)</b>  | <b>(1.91%)</b>                |

**Prior Period**

| Type of currency                  | Shocks Applied<br>(+/- x basis points) | Gains/<br>Losses | Gains/Equity<br>Losses/Equity |
|-----------------------------------|--|------------------|-------------------------------|
| 1 TRY                             | 500                                    | (935)            | (0.10%)                       |
|                                   | (400)                                  | 790              | 0.09%                         |
| 2 EURO                            | 200                                    | 7,173            | 0.80%                         |
|                                   | (200)                                  | (7,380)          | (0.83%)                       |
| 3 USD                             | 200                                    | 3,944            | 0.44%                         |
|                                   | (200)                                  | (4,040)          | (0.45%)                       |
| <b>Total (of negative shocks)</b> |  | <b>10,182</b>    | <b>1.14%</b>                  |
| <b>Total (of positive shocks)</b> |  | <b>(10,634)</b>  | <b>(1.19%)</b>                |

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## XI. INFORMATION ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Bank has operations in corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Information on operational segments on 31 December 2019 and 31 December 2018 are presented in the table below:

| <b>Current Period</b>             | <b>Retail Banking</b> | <b>Corporate and Commercial Banking</b> | <b>Treasury</b> | <b>Unallocated</b> | <b>Total Operations</b> |
|-----------------------------------|-----------------------|---|-----------------|--------------------|-------------------------|
| Interest Income (Net)             | (2,192)               | 141,798                                 | 121,735         | -                  | 261,341                 |
| Commission Income (Net)           | -                     | 73,578                                  | -               | -                  | 73,578                  |
| Unallocated Income/Expenses (Net) | -                     | -                                       | -               | (137,292)          | (137,292)               |
| <b>Operating Income</b>           | <b>(2,192)</b>        | <b>215,376</b>                          | <b>121,735</b>  | <b>(137,292)</b>   | <b>197,627</b>          |
| <b>Income from Subsidiaries</b>   | <b>-</b>              | <b>-</b>                                | <b>-</b>        | <b>12,498</b>      | <b>12,498</b>           |
| Income before tax                 | -                     | -                                       | -               | 210,125            | 210,125                 |
| <b>Tax Provision</b>              | <b>-</b>              | <b>-</b>                                | <b>-</b>        | <b>(43,698)</b>    | <b>(43,698)</b>         |
| <b>Net Profit for the period</b>  |                       |   |                 | <b>166,427</b>     | <b>166,427</b>          |

| <b>Current Period</b>       | <b>Retail Banking</b> | <b>Corporate and Commercial Banking</b> | <b>Treasury</b>  | <b>Unallocated</b> | <b>Total Operations</b> |
|-----------------------------|-----------------------|---|------------------|--------------------|-------------------------|
| Segment Assets              | 1,074                 | 107,685                                 | 3,421,390        | -                  | 3,530,149               |
| Associates and Subsidiaries | -                     | -                                       | -                | -                  | -                       |
| Unallocated assets          | -                     | -                                       | -                | 1,427,845          | 1,427,845               |
| <b>Total Assets</b>         | <b>1,074</b>          | <b>107,685</b>                          | <b>3,421,390</b> | <b>1,427,845</b>   | <b>4,957,994</b>        |
| Segment Liabilities         | 464,664               | 700,981                                 | 2,643,711        | -                  | 3,809,356               |
| Unallocated Liabilities     | -                     | -                                       | -                | 95,721             | 95,721                  |
| Equity                      | -                     | -                                       | -                | 1,052,917          | 1,052,917               |
| <b>Total Liabilities</b>    | <b>464,664</b>        | <b>700,981</b>                          | <b>2,643,711</b> | <b>1,148,638</b>   | <b>4,957,994</b>        |

| <b>Prior Period</b>               | <b>Retail Banking</b> | <b>Corporate and Commercial Banking</b> | <b>Treasury</b> | <b>Unallocated</b> | <b>Total Operations</b> |
|-----------------------------------|-----------------------|---|-----------------|--------------------|-------------------------|
| Interest Income (Net)             | (2,061)               | 183,179                                 | 33,166          | -                  | 214,284                 |
| Commission Income (Net)           | -                     | 61,452                                  | -               | -                  | 61,452                  |
| Unallocated Income/Expenses (Net) | -                     | -                                       | -               | (160,210)          | (160,210)               |
| <b>Operating Income</b>           | <b>(2,061)</b>        | <b>244,631</b>                          | <b>33,166</b>   | <b>(160,210)</b>   | <b>115,526</b>          |
| <b>Income from Subsidiaries</b>   | <b>-</b>              | <b>-</b>                                | <b>-</b>        | <b>10,498</b>      | <b>10,498</b>           |
| Income before tax                 | -                     | -                                       | -               | 126,024            | 126,024                 |
| <b>Tax Provision</b>              | <b>-</b>              | <b>-</b>                                | <b>-</b>        | <b>(25,046)</b>    | <b>(25,046)</b>         |
| <b>Net Profit for the period</b>  |                       |   |                 | <b>100,978</b>     | <b>100,978</b>          |

| <b>Prior Period</b>         | <b>Retail Banking</b> | <b>Corporate and Commercial Banking</b> | <b>Treasury</b>  | <b>Unallocated</b> | <b>Total Operations</b> |
|-----------------------------|-----------------------|---|------------------|--------------------|-------------------------|
| Segment Assets              | 1,040                 | 1,474,088                               | 4,268,843        | -                  | 5,743,971               |
| Associates and Subsidiaries | -                     | -                                       | -                | 95,708             | 95,708                  |
| Unallocated assets          | -                     | -                                       | -                | 155,397            | 155,397                 |
| <b>Total Assets</b>         | <b>1,040</b>          | <b>1,474,088</b>                        | <b>4,268,843</b> | <b>251,105</b>     | <b>5,995,076</b>        |
| Segment Liabilities         | 359,268               | 757,889                                 | 3,917,901        | -                  | 5,035,058               |
| Unallocated Liabilities     | -                     | -                                       | -                | 93,230             | 93,230                  |
| Equity                      | -                     | -                                       | -                | 866,788            | 866,788                 |
| <b>Total Liabilities</b>    | <b>359,268</b>        | <b>757,889</b>                          | <b>3,917,901</b> | <b>960,018</b>     | <b>5,995,076</b>        |

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS****1. Information on cash equivalents and Central Bank of Turkey****Information on cash equivalents**

|                        | <b>Current Period</b> |                | <b>Prior Period</b> |                  |
|------------------------|-----------------------|----------------|---------------------|------------------|
|                        | <b>TL</b>             | <b>FC</b>      | <b>TL</b>           | <b>FC</b>        |
| Cash/Effective         | 1,330                 | 15,426         | 1,809               | 18,555           |
| Central Bank of Turkey | 3,245                 | 546,563        | 6,746               | 1,222,163        |
| Other                  | -                     | -              | -                   | -                |
| <b>Total</b>           | <b>4,575</b>          | <b>561,989</b> | <b>8,555</b>        | <b>1,240,718</b> |

**Information related to the account of Central Bank of Turkey**

|   | <b>Current Period</b> |                | <b>Prior Period</b> |                  |
|---|-----------------------|----------------|---------------------|------------------|
|   | <b>TL</b>             | <b>FC</b>      | <b>TL</b>           | <b>FC</b>        |
| Unrestricted Demand Deposits <sup>(1)</sup> | 3,245                 | -              | 6,746               | -                |
| Unrestricted Time Deposits                  | -                     | 239,743        | -                   | 711,682          |
| Restricted Time Deposits                    | -                     | -              | -                   | -                |
| Reserve Deposits                            | -                     | 306,820        | -                   | 510,481          |
| <b>Total</b>                                | <b>3,245</b>          | <b>546,563</b> | <b>6,746</b>        | <b>1,222,163</b> |

<sup>(1)</sup> General reserve amount requirements maintained at CBRT

**Information on Reserve Deposits**

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency at the rates of between 1% and 7% (31 December 2018: rates between %1.5 and %8), and for USD or EUR at the rates of 5% and 21% (31 December 2018: rates %4 and %20) respectively according to their maturities as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

**2. Information on financial assets at fair value through profit or loss**

As of the current period, there are no financial assets that are given as collateral/blocked from financial assets at fair value through profit or loss and are subject to repo transactions (31 December 2018: None).

**Positive differences related to trading derivative financial assets;**

None.



**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****3. Information on banks**

|                                    | Current Period |                  | Prior Period |                  |
|------------------------------------|----------------|------------------|--------------|------------------|
|                                    | TL             | FC               | TL           | FC               |
| <b>Banks</b>                       |                |                  |              |                  |
| Domestic banks                     | 476            | 1,079,064        | 287          | 1,512,582        |
| Foreign banks                      | -              | 54,191           | -            | 21,614           |
| Overseas Headquarters and Branches | -              | -                | -            | -                |
| <b>Total</b>                       | <b>476</b>     | <b>1,133,255</b> | <b>287</b>   | <b>1,534,196</b> |

|                               | Free Amount    |               | Restricted Amount |              |
|-------------------------------|----------------|---------------|-------------------|--------------|
|                               | Current Period | Prior Period  | Current Period    | Prior Period |
| EU Countries                  | 44,902         | 12,763        | -                 | -            |
| USA, Canada                   | 1,322          | 2,421         | -                 | -            |
| OECD Countries <sup>(1)</sup> | -              | -             | -                 | -            |
| Off-shore Banking Regions     | -              | -             | -                 | -            |
| Other                         | 7,967          | 6,430         | -                 | -            |
| <b>Total</b>                  | <b>54,191</b>  | <b>21,614</b> | <b>-</b>          | <b>-</b>     |

<sup>(1)</sup> OECD member countries excluding USA, Canada and EU member countries**Information on Expected Loss Provisions**

| Current Period                   | Stage 1      | Stage 2  | Stage 3  | Total        |
|----------------------------------|--------------|----------|----------|--------------|
| Balances at Beginning of Period  | 2,225        | -        | -        | 2,225        |
| Additions during the Period (+)  | 2,002        | -        | -        | 2,002        |
| Disposal (-)                     | (2,203)      | -        | -        | (2,203)      |
| Transfer to Stage1               | -            | -        | -        | -            |
| Transfer to Stage 2              | -            | -        | -        | -            |
| Transfer to Stage 3              | -            | -        | -        | -            |
| Write-offs (-)                   | -            | -        | -        | -            |
| <b>Balances at End of Period</b> | <b>2,024</b> | <b>-</b> | <b>-</b> | <b>2,024</b> |

| Prior Period                     | Stage 1      | Stage 2  | Stage 3  | Total        |
|----------------------------------|--------------|----------|----------|--------------|
| Balances at Beginning of Period  | 1,135        | -        | -        | 1,135        |
| Additions during the Period (+)  | 1,090        | -        | -        | 1,090        |
| Disposal (-)                     | -            | -        | -        | -            |
| Transfer to Stage1               | -            | -        | -        | -            |
| Transfer to Stage 2              | -            | -        | -        | -            |
| Transfer to Stage 3              | -            | -        | -        | -            |
| Write-offs (-)                   | -            | -        | -        | -            |
| <b>Balances at End of Period</b> | <b>2,225</b> | <b>-</b> | <b>-</b> | <b>2,225</b> |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 4. Information on financial assets at fair value through other comprehensive income

*Information on transaction of repo and collateral/blocked financial assets (Net)*

As of 31 December 2019, the Bank does not have any financial assets at fair value through other comprehensive income that are subject to repo transactions.

As of 31 December 2019, the Bank has TL 2.566 of financial assets at fair value through other comprehensive income, which are given as collateral / blocked from assets (31 December 2018: None).

*Major types of financial assets at fair value through other comprehensive income*

Financial assets at fair value through other comprehensive income are composed of shares that are not quoted in the stock market and certificates of rent.

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

|                                 | Current period | Prior period   |
|---------------------------------|----------------|----------------|
| <b>Debt Securities</b>          | <b>247,566</b> | <b>105,070</b> |
| Quoted in stock exchange        | 247,566        | 105,070        |
| Not quoted in stock exchange    | -              | -              |
| <b>Share Certificates</b>       | <b>2,606</b>   | <b>2,336</b>   |
| Quoted in stock Exchange        | -              | -              |
| Not quoted in stock Exchange    | 2,606          | 2,336          |
| <b>Impairment provision (-)</b> | <b>1,102</b>   | <b>480</b>     |
| <b>Total</b>                    | <b>249,070</b> | <b>106,926</b> |

## 5. Information on Loans

*Information on all types of loans and advances given to shareholders and employees of the Bank*

|   | Current period |               | Prior Period |               |
|---|----------------|---------------|--------------|---------------|
|   | Cash           | Non- Cash     | Cash         | Non-Cash      |
| <b>Direct Loans Granted to Shareholders</b>   | <b>59,486</b>  | <b>11,700</b> | <b>1,395</b> | <b>26,049</b> |
| Corporate Shareholders                        | 59,486         | 11,700        | 1,395        | 26,049        |
| Individual Shareholders                       | -              | -             | -            | -             |
| <b>Indirect Loans Granted to Shareholders</b> | <b>-</b>       | <b>-</b>      | <b>-</b>     | <b>-</b>      |
| <b>Loans Granted to the Bank's personnel</b>  | <b>1,074</b>   | <b>106</b>    | <b>1,040</b> | <b>-</b>      |
| <b>Total</b>                                  | <b>60,560</b>  | <b>11,806</b> | <b>2,435</b> | <b>26,049</b> |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 5. Information on Loans (Continued)

Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled

| Cash Loans                      | Standard Loans   | Loans Under Close Monitoring                         |                                   |                          |
|---------------------------------|------------------|--|-----------------------------------|--------------------------|
|                                 |                  | Not Under the Scope of Restructuring or Rescheduling | Loans with revised contract terms | Restructured Refinancing |
| <b>Non-Specialized Loans</b>    | <b>1,644,051</b> | -  | -                                 | -                        |
| Commercial Loans                | -                | -  | -                                 | -                        |
| Export Loans                    | 52,843           | -  | -                                 | -                        |
| Import Loans                    | -                | -  | -                                 | -                        |
| Loans Given to Financial Sector | 946,159          | -  | -                                 | -                        |
| Consumer Loans                  | 1,074            | -  | -                                 | -                        |
| Credit Cards                    | -                | -  | -                                 | -                        |
| Other                           | 643,975          | -  | -                                 | -                        |
| <b>Specialized Lending</b>      | <b>-</b>         | -  | -                                 | -                        |
| <b>Other Receivables</b>        | <b>86,192</b>    | -  | -                                 | -                        |
| <b>Total</b>                    | <b>1,730,243</b> | -  | -                                 | -                        |

Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled

|                                     | Standard Loans | Loans Under Close Monitoring |
|-------------------------------------|----------------|------------------------------|
| 12-Month expected credit losses     | 10,700         | -                            |
| Significant increase in credit risk | -              | -                            |

| Cash Loans                        | Standard Loans   | Loans Under Close Monitoring |              |
|-----------------------------------|------------------|------------------------------|--------------|
|                                   |                  | Not Restructured             | Restructured |
| <b>Short Term Loans</b>           | <b>1,169,556</b> | -                            | -            |
| <b>Medium and Long Term Loans</b> | <b>560,687</b>   | -                            | -            |
| <b>Total</b>                      | <b>1,730,243</b> | -                            | -            |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Current Period) (Continued)

## 5. Information on Loans (Continued)

*Information on consumer loans, credit cards and loans given to employees*

|   | Short Term | Middle and Long Term | Total        |
|---|------------|----------------------|--------------|
| <b>Consumer Loans-TL</b>                          | -          | -                    | -            |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | -          | -                    | -            |
| Other   | -          | -                    | -            |
| <b>Consumer Loans-Indexed to FC</b>               | -          | -                    | -            |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | -          | -                    | -            |
| Other   | -          | -                    | -            |
| <b>Consumer Loans-Indexed to FC</b>               | -          | -                    | -            |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | -          | -                    | -            |
| Other   | -          | -                    | -            |
| <b>Individual Credit Cards-TL</b>                 | -          | -                    | -            |
| Installment                                       | -          | -                    | -            |
| Non-Installment                                   | -          | -                    | -            |
| <b>Individual Credit Cards-FC</b>                 | -          | -                    | -            |
| Installment                                       | -          | -                    | -            |
| Non-Installment                                   | -          | -                    | -            |
| <b>Personnel Loans- TL</b>                        | 207        | 867                  | 1,074        |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | 207        | 867                  | 1,074        |
| Other   | -          | -                    | -            |
| <b>Personnel Loans- Indexed to FC</b>             | -          | -                    | -            |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | -          | -                    | -            |
| Other   | -          | -                    | -            |
| <b>Personnel Loans-FC</b>                         | -          | -                    | -            |
| Real estate loans                                 | -          | -                    | -            |
| Automotive loans                                  | -          | -                    | -            |
| Consumer loans                                    | -          | -                    | -            |
| Other   | -          | -                    | -            |
| <b>Personnel Credit Cards-TL</b>                  | -          | -                    | -            |
| Installment                                       | -          | -                    | -            |
| Non-Installment                                   | -          | -                    | -            |
| <b>Personnel Credit Cards-FC</b>                  | -          | -                    | -            |
| Installment                                       | -          | -                    | -            |
| Non-Installment                                   | -          | -                    | -            |
| <b>Deposits with Credit Limit-TL (Individual)</b> | -          | -                    | -            |
| <b>Deposits with Credit Limit-FC (Individual)</b> | -          | -                    | -            |
| <b>Total</b>                                      | <b>207</b> | <b>867</b>           | <b>1,074</b> |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 5. Information on Loans (Continued)

## Information on installment commercial loans and commercial credit cards

|  | Short-Term | Medium and Long-Term | Total |
|--|------------|----------------------|-------|
| <b>Commercial Installment Loans-TL</b>             | -          | 1,141                | 1,141 |
| Business Loans                                     | -          | -                    | -     |
| Vehicle Loans                                      | -          | -                    | -     |
| Consumer Loans                                     | -          | 1,141                | 1,141 |
| Other  | -          | -                    | -     |
| <b>Commercial Installment Loans- Indexed to FC</b> | -          | -                    | -     |
| Business Loans                                     | -          | -                    | -     |
| Vehicle Loans                                      | -          | -                    | -     |
| Consumer Loans                                     | -          | -                    | -     |
| Other  | -          | -                    | -     |
| <b>Commercial Installment Loans - FC</b>           | -          | -                    | -     |
| Business Loans                                     | -          | -                    | -     |
| Vehicle Loans                                      | -          | -                    | -     |
| Consumer Loans                                     | -          | -                    | -     |
| Other  | -          | -                    | -     |
| <b>Corporate Credit Cards-TL</b>                   | -          | -                    | -     |
| With Installment                                   | -          | -                    | -     |
| Without Installment                                | -          | -                    | -     |
| <b>Corporate Credit Cards-FC</b>                   | -          | -                    | -     |
| With Installment                                   | -          | -                    | -     |
| Without Installment                                | -          | -                    | -     |
| <b>Overdraft Account-TL (Legal Entity)</b>         | -          | -                    | -     |
| <b>Overdraft Account-FC (Legal Entity)</b>         | -          | -                    | -     |
| <b>Total</b>                                       | -          | 1,141                | 1,141 |

*Allocation of loans according to customer type*

|              | Current Period   | Prior Period     |
|--------------|------------------|------------------|
| Public       | -                | -                |
| Private      | 1,730,243        | 2,000,092        |
| <b>Total</b> | <b>1,730,243</b> | <b>2,000,092</b> |

*Allocation of domestic and foreign loans*

|                | Current Period   | Prior Period     |
|----------------|------------------|------------------|
| Domestic loans | 1,708,210        | 1,995,801        |
| Foreign loans  | 22,033           | 4,291            |
| <b>Total</b>   | <b>1,730,243</b> | <b>2,000,092</b> |

*Loans granted to subsidiaries and associates*

None.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 5. Information on Loans (Continued)

*Specific provisions for loans*

| Specific provisions                              | Current Period | Prior Period  |
|--|----------------|---------------|
| Loans and receivables with limited collectibles  | -              | -             |
| Loans and receivables with doubtful collectibles | -              | -             |
| Uncollectible loans and receivables              | 84,219         | 89,106        |
| <b>Total</b>                                     | <b>84,219</b>  | <b>89,106</b> |

## Information related to non-performing loans

*Information on restructured loans of non-performing loans*

None.

*Information on movement of total non-performing loans*

|   | III. Group<br>Loans and<br>receivables with<br>limited<br>collectibles | IV. Group<br>Loans and<br>receivables with<br>doubtful<br>collectibles | V. Group<br>Uncollectible<br>loans and<br>receivables |
|---|--|--|---|
| <b>Balances at Beginning of Period</b>                        | -  | -  | <b>91,385</b>   |
| Additions (+)   | -  | -  | 25  |
| Transfers from other categories of<br>nonperforming loans (+) | -  | -  | -   |
| Transfers to other categories of nonperforming<br>loans (-)   | -  | -  | -   |
| Collections (-)   | -  | -  | 1,488   |
| Write-offs (-)  | -  | -  | <b>3,730</b>  |
| Institutional and commercial credits                          | -  | -  | 3,730   |
| Individual credits  | -  | -  | -   |
| Credit cards  | -  | -  | -   |
| Others  | -  | -  | -   |
| <b>Balances at End of the Period</b>                          | -  | -  | <b>86,192</b>   |
| Specific provisions (-)                                       | -  | -  | 84,219  |
| <b>Net Balance on Balance Sheet</b>                           | -  | -  | <b>1,973</b>  |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 5. Information on Loans (Continued)

*Information on foreign currency non-performing loans*

There are non-performing loan receivables in foreign currency amounting TL 26,712 which is followed in Turkish Lira accounts. (31 December 2018: TL 26,514)

*Information on gross and net loans under follow-up according to the borrowers*

|  | III. Group<br>Loans and receivables<br>with limited<br>collectability | IV. Group<br>Loans and receivables<br>with doubtful<br>collectability | V. Group<br>Non-performing<br>loans<br>and receivables |
|--|---|---|--|
| <b>Current Period (Net)</b>                              | -   | -   | <b>1,973</b>   |
| Loans granted to real persons and legal entities (Gross) | -   | -   | 86,092   |
| Specific provisions (-)                                  | -   | -   | 84,119   |
| Loans granted to real persons and legal entities (Net)   | -   | -   | 1,973  |
| Banks (Gross) <sup>(1)</sup>                             | -   | -   | 100  |
| Specific provisions (-)                                  | -   | -   | 100  |
| Banks (Net)  | -   | -   | -  |
| Other Loans and receivables (Gross)                      | -   | -   | -  |
| Specific provisions (-)                                  | -   | -   | -  |
| Other Loans and receivables (Net)                        | -   | -   | -  |
| <b>Prior Period (Net)</b>                                | -   | -   | <b>2,279</b>   |
| Loans granted to real persons and legal entities (Gross) | -   | -   | 87,522   |
| Specific provisions (-)                                  | -   | -   | 85,243   |
| Loans granted to real persons and legal entities (Net)   | -   | -   | 2,279  |
| Banks (Gross) <sup>(1)</sup>                             | -   | -   | 100  |
| Specific provisions (-)                                  | -   | -   | 100  |
| Banks (Net)  | -   | -   | -  |
| Other Loans and receivables (Gross)                      | -   | -   | -  |
| <sup>(2)</sup>   | -   | -   | -  |
| Specific provisions (-)                                  | -   | -   | -  |
| Other Loans and receivables (Net)                        | -   | -   | -  |

<sup>(1)</sup> Contains Foreign Banks.

<sup>(2)</sup> Financial assets was classified after IFRS 9.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 5. Information on Loans (Continued)

*Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9*

None.

*Collection policy on loans determined as loss and other receivables*

Loans determined as loans and other receivables are collected via legal follow-up and conversion of guarantees to cash.

*Information on write-off policy*

The bank is in the effort to provide collections from loans under legal follow-up under the leadership of Corporate & Commercial Credits Monitor and Follow-up Department and Legal & Legislation Services Department and other related departments. However the absence of reasonable collection ability in any condition and manner regarding the recovery of the mentioned loans determined as loss in which the bank monitors by allocating %100 provision under 5<sup>th</sup> group (3<sup>rd</sup> group in TFRS) in accordance with TFRS 9 and the "Regulation on Procedures and Principles Concerning Classification of Loans and Provision" are written-off by presenting to Board of Directors' approval upon gathering the opinion of Legal and Legislation Services Department and by obtaining approvals from Corporate and Commercial Credits Monitor & Follow-up Department.

The write-off of the uncollectible receivables is an accounting policy, it does not result in the right to waive.

Within the scope of TFRS 9, the Bank has written off loans amounting to TL 3,730, and its effect on NPL ratio is 0.22%.

**Information on Expected Loss Provisions**

| Current Period                   | Stage 1       | Stage 2  | Stage 3       | Total         |
|----------------------------------|---------------|----------|---------------|---------------|
| Balances at Beginning of Period  | 6,770         | -        | 89,106        | 95,876        |
| Additions during the Period      | 7,251         | -        | 22            | 7,273         |
| Disposal                         | (3,321)       | -        | (1,179)       | (4,500)       |
| Transfer to Stage1               | -             | -        | -             | -             |
| Transfer to Stage 2              | -             | -        | -             | -             |
| Transfer to Stage 3              | -             | -        | -             | -             |
| Write-offs                       | -             | -        | (3,730)       | (3,730)       |
| <b>Balances at End of Period</b> | <b>10,700</b> | <b>-</b> | <b>84,219</b> | <b>94,919</b> |

| Prior Period                     | Stage 1      | Stage 2  | Stage 3       | Total         |
|----------------------------------|--------------|----------|---------------|---------------|
| Balances at Beginning of Period  | 8,787        | 7,141    | 31,164        | 47,092        |
| Additions during the Period      | -            | -        | 59,066        | 59,066        |
| Disposal                         | (2,017)      | -        | (1,124)       | (3,141)       |
| Transfer to Stage1               | -            | -        | -             | -             |
| Transfer to Stage 2              | -            | -        | -             | -             |
| Transfer to Stage 3              | -            | (7,141)  | -             | (7,141)       |
| Write-offs                       | -            | -        | -             | -             |
| <b>Balances at End of Period</b> | <b>6,770</b> | <b>-</b> | <b>89,106</b> | <b>95,876</b> |



## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 6. Information on financial assets measured at amortised cost

*Information on transaction of repo and collateral/blocked financial assets (Net)*

As of 31 December 2019, the Bank does not have marketable securities subjected to repurchase transactions on financial assets measured at amortised cost.

As of 31 December 2019, the Bank does not have securities amounting which are collateralized / blocked from held to maturity financial assets.

*Information on government financial assets measured at amortised cost*

|                    | Current Period |                | Prior Period  |                |
|--------------------|----------------|----------------|---------------|----------------|
|                    | TL             | FC             | TL            | FC             |
| Government bonds   | 1,322          | 329,700        | 13,032        | 320,830        |
| Treasury Bonds     | -              | -              | -             | -              |
| Other Public Bonds | -              | 147,715        | -             | 150,461        |
| <b>Total</b>       | <b>1,322</b>   | <b>477,415</b> | <b>13,032</b> | <b>471,291</b> |

*Information on financial assets valued at their amortized cost*

|                               | Current Period | Prior Period   |
|-------------------------------|----------------|----------------|
| <b>Debt Instruments</b>       | <b>478,737</b> | <b>484,323</b> |
| Quoted at stock exchange      | 478,737        | 484,323        |
| Not-quoted at stock exchange  | -              | -              |
| Impairment loss provision (-) | -              | -              |
| <b>Total</b>                  | <b>478,737</b> | <b>484,323</b> |

*Movement of financial assets measured at amortised cost*

|  | Current Period | Prior Period   |
|--|----------------|----------------|
| Balances at the beginning of the period                | 484,323        | 388,760        |
| Foreign currency gains / losses on monetary assets     | 48,586         | 100,912        |
| Purchases during the period                            | 145,427        | 190,541        |
| Disposals through sales and redemptions <sup>(1)</sup> | (199,599)      | (195,890)      |
| Impairment loss provision                              | -              | -              |
| <b>Period end balance</b>                              | <b>478,737</b> | <b>484,323</b> |

<sup>(1)</sup> In the current period redemption amounting to TL 199,599 has been realized from the portfolio (31 December 2018: 195,890 TL).

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 6. Information on financial assets measured at amortised cost (Continued)

## Expected credit loss for loans

| Current Period                   | Stage 1      | Stage 2  | Stage 3  | Total        |
|----------------------------------|--------------|----------|----------|--------------|
| Balances at Beginning of Period  | 1,300        | -        | -        | 1,300        |
| Additions during the Period      | 624          | -        | -        | 624          |
| Disposal (-)                     | (644)        | -        | -        | (644)        |
| Transfer to Stage1               | -            | -        | -        | -            |
| Transfer to Stage 2              | -            | -        | -        | -            |
| Transfer to Stage 3              | -            | -        | -        | -            |
| Write-offs (-)                   | -            | -        | -        | -            |
| <b>Balances at End of Period</b> | <b>1,280</b> | <b>-</b> | <b>-</b> | <b>1,280</b> |

| Prior Period                     | Stage 1      | Stage 2  | Stage 3  | Total        |
|----------------------------------|--------------|----------|----------|--------------|
| Balances at Beginning of Period  | 260          | -        | -        | 260          |
| Additions during the Period (+)  | 1,453        | -        | -        | 1,453        |
| Disposal (-)                     | (413)        | -        | -        | (413)        |
| Transfer to Stage1               | -            | -        | -        | -            |
| Transfer to Stage 2              | -            | -        | -        | -            |
| Transfer to Stage 3              | -            | -        | -        | -            |
| Write-offs (-)                   | -            | -        | -        | -            |
| <b>Balances at End of Period</b> | <b>1,300</b> | <b>-</b> | <b>-</b> | <b>1,300</b> |

## 7. Information on associates

The Bank does not have an associate.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 8. Information on subsidiaries (Net)

*Information on unconsolidated subsidiaries*

The Bank does not have an unconsolidated subsidiary.

*Information on subsidiaries*

| Information on Shareholder's Equity for<br>A&T Finansal Kiralama A.Ş. |                |                |
|---|----------------|----------------|
|   | Current Period | Prior Period   |
| <b>CORE CAPITAL</b>   |                |                |
| Paid in Capital   | 108,000        | 95,500         |
| Capital Reserves  | 228            | 228            |
| Legal Reserves  | 4,643          | 3,772          |
| Extraordinary Reserves – Legal Reserve per General Legislation        | 1              | 1              |
| Profit / Loss   | 10,107         | 12,893         |
| <i>Net Profit</i>   | 10,580         | 12,763         |
| <i>Prior Period Profit/Loss <sup>(2)</sup></i>                        | (473)          | 130            |
| Intangible Assets (-)   | 197            | 133            |
| <b>Total Core Capital</b>   | <b>122,782</b> | <b>112,261</b> |
| <b>SUPPLEMENTARY CAPITAL</b>  | -              | -              |
| <b>CAPITAL</b>  | <b>122,782</b> | <b>112,261</b> |
| <b>DEDUCTION FROM CAPITAL</b>   | -              | -              |
| <b>NET AVAILABLE CAPITAL <sup>(1)</sup></b>                           | <b>122,782</b> | <b>112,261</b> |

<sup>(1)</sup> There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 122,782.

<sup>(2)</sup> As decided in the Annual General Meeting which is held on 28 March 2019, it has been decided to allocate a legal reserve of 871 TL from the previous year's profit of TL 12,500.

There is no internal capital adequacy assessment approach for the subsidiary. There is no additional requirements in terms of the capital of the subsidiary.

*Summary information on basic features of equity items*

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been transferred with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been transferred from distributable profit in accordance with the third clause of first and second paragraph of 519 and 521 articles of Turkish Commercial Code no. 6102.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)***Summary information on basic features of equity items (Continued)*

| Description |                         | Address (City/Country) | Bank's share percentage-<br>If different voting<br>percentage (%) | Bank's risk<br>group share<br>percentage (%) |
|-------------|-------------------------|------------------------|---|--|
| 1           | A&TFinansalKiralamaA.Ş. | İstanbul               | 99.98   | 99.98  |

| Total Assets | Shareholders<br>Equity | Total<br>Fixed<br>Assets | Interest<br>Income | Income from<br>marketable<br>securities portfolio | Current Year<br>Profit / Loss | Prior Year<br>Profit/Loss | Fair<br>value <sup>(1)</sup> |
|--------------|------------------------|--------------------------|--------------------|---|-------------------------------|---------------------------|------------------------------|
| 400,125      | 128,261                | 10,720                   | 40,034             | -   | 10,580                        | (473)                     | -                            |

<sup>(1)</sup> The related subsidiary has no fair value as of 31 December 2019.*Movement related to subsidiaries*

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| <b>Balance at the Beginning of the Period</b>                | <b>95,708</b>  | <b>85,210</b> |
| <b>Movements during the Period</b>                           | <b>12,497</b>  | <b>10,498</b> |
| Purchases  | -              | -             |
| Bonus Shares Received  | 12,497         | 10,498        |
| Dividends from Current Year Profit                           | -              | -             |
| Sales  | -              | -             |
| Revaluation Increase, Effect of Inflation and F/X Difference | -              | -             |
| Impairment Provision   | -              | -             |
| <b>Balance at the End of the Period</b>                      | <b>108,205</b> | <b>95,708</b> |
| <b>Capital Commitments</b>                                   | <b>-</b>       | <b>-</b>      |
| <b>Share Percentage at the end of Period (%)</b>             | <b>99.98</b>   | <b>99.98</b>  |

*Valuation of investments in subsidiaries*

The method used for the accounting of the subsidiaries in the consolidated financial statements is explained in Section Three.Sectoral Information on the subsidiaries.

*Sectoral Information on the subsidiaries*

| Subsidiaries        | Current Period | Prior Period |
|---------------------|----------------|--------------|
| Banks               | -              | -            |
| Insurance Companies | -              | -            |
| Factoring Companies | -              | -            |
| Leasing Companies   | 108,205        | 95,708       |
| Finance Companies   | -              | -            |
| Other Affiliates    | -              | -            |

*Quoted Subsidiaries*

There is no subsidiaries quoted at stock exchange of the bank.

**9. Information on joint ventures**

The Bank has no joint ventures.

**10. Information on Financial Lease Receivables (Net)**

The Bank has no financial lease operation.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 11. Information on financial derivatives for hedging

The Bank has no financial derivatives for hedging.

## 12. Information on tangible assets

| Current Period   | Real Estates   | Leased<br>Tangible Assets | Vehicles    | Other<br>Tangible<br>Assets | Total           |
|--|----------------|---------------------------|-------------|-----------------------------|-----------------|
| <b>Balance at the End of the Prior Period-<br/>31 December 2018</b>      |                |                           |             |                             |                 |
| Cost   | 110,380        | 3,956                     | 71          | 13,213                      | 127,620         |
| Accumulated Depreciation (-)   | (248)          | (3,956)                   | (69)        | (10,065)                    | (14,338)        |
| <b>Net Book Value</b>  | <b>110,132</b> | <b>-</b>                  | <b>2</b>    | <b>3,148</b>                | <b>113,282</b>  |
| <b>Balance at the End of the Current Period –<br/>31 December 2019</b>   |                |                           |             |                             |                 |
| <b>Net Book Value at the Beginning of the Current Period</b>             | <b>110,380</b> | <b>3,956</b>              | <b>71</b>   | <b>13,212</b>               | <b>127,619</b>  |
| Additions  | -              | -                         | -           | 1,843                       | 1,843           |
| Disposals (-)  | -              | -                         | -           | (13)                        | (13)            |
| Revaluation Surplus  | 23,219         | -                         | -           | -                           | 23,219          |
| <b>Cost at the End</b>   | <b>133,599</b> | <b>3,956</b>              | <b>71</b>   | <b>15,042</b>               | <b>152,668</b>  |
| Accumulated Depreciation (-)   | (248)          | (3,956)                   | (69)        | (10,065)                    | (14,338)        |
| Depreciation Expense (-)   | (51)           | -                         | -           | (2,958)                     | (3,009)         |
| Depreciation of Disposals (-)  | -              | -                         | -           | 944                         | 944             |
| <b>Accumulated Depreciation at the<br/>End of the Current Period (-)</b> | <b>(299)</b>   | <b>(3,956)</b>            | <b>(69)</b> | <b>(12,079)</b>             | <b>(16,403)</b> |
| <b>Net Book Value at the End of the Current Period</b>                   | <b>133,300</b> | <b>-</b>                  | <b>2</b>    | <b>2,963</b>                | <b>136,265</b>  |

| Prior Period   | Real Estates   | Leased<br>Tangible Assets | Vehicles    | Other<br>Tangible<br>Assets | Total           |
|--|----------------|---------------------------|-------------|-----------------------------|-----------------|
| <b>Balance at the End of the Prior Period-<br/>31 December 2017</b>      |                |                           |             |                             |                 |
| Cost   | 110,202        | 3,956                     | 71          | 12,554                      | 126,783         |
| Accumulated Depreciation (-)   | (107)          | (3,956)                   | (69)        | (10,012)                    | (14,144)        |
| <b>Net Book Value</b>  | <b>110,095</b> | <b>-</b>                  | <b>2</b>    | <b>2,542</b>                | <b>112,639</b>  |
| <b>Balance at the End of the Current Period –<br/>31 December 2018</b>   |                |                           |             |                             |                 |
| <b>Net Book Value at the Beginning of the Current Period</b>             | <b>110,202</b> | <b>3,956</b>              | <b>71</b>   | <b>12,554</b>               | <b>126,783</b>  |
| Additions  | 178            | -                         | -           | 1,857                       | 2,035           |
| Disposals (-)  | -              | -                         | -           | (1,199)                     | (1,199)         |
| Reveluation Surplus  | -              | -                         | -           | -                           | -               |
| Impairment(-)  | -              | -                         | -           | -                           | -               |
| <b>Cost at the End</b>   | <b>110,380</b> | <b>3,956</b>              | <b>71</b>   | <b>13,212</b>               | <b>127,619</b>  |
| Accumulated Depreciation (-)   | (107)          | (3,956)                   | (69)        | (10,012)                    | (14,144)        |
| Depreciation Expense (-)   | (141)          | -                         | -           | (1,247)                     | (1,388)         |
| Depreciation of Disposals (-)  | -              | -                         | -           | 1,195                       | 1,195           |
| <b>Accumulated Depreciation at the<br/>End of the Current Period (-)</b> | <b>(248)</b>   | <b>(3,956)</b>            | <b>(69)</b> | <b>(10,064)</b>             | <b>(14,337)</b> |
| <b>Net Book Value at the End of the Current Period</b>                   | <b>110,132</b> | <b>-</b>                  | <b>2</b>    | <b>3,148</b>                | <b>113,282</b>  |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)

## 13. Information on intangible assets

|  | Current Period  | Prior Period    |
|--|-----------------|-----------------|
| <b>Balance at the End of the Prior Period</b>                |                 |                 |
| Cost   | 15,886          | 13,174          |
| Accumulated Depreciation (-)                                 | (11,755)        | (10,608)        |
| <b>Net Book Value</b>  | <b>4,131</b>    | <b>2,566</b>    |
| <b>Balance at the End of the Current Period</b>              |                 |                 |
| <b>Net Book Value at the Beginning of the Current Period</b> | <b>15,886</b>   | <b>13,174</b>   |
| Additions  | 3,992           | 2,968           |
| Disposals (-)  | -               | -               |
| Impairment(-)  | -               | -               |
| <b>Cost at the Beginning of the current period</b>           | <b>19,878</b>   | <b>16,142</b>   |
| Accumulated Depreciation (-)                                 | (11,755)        | (10,608)        |
| Amortization and amortization expense of disposals(-)        | (1,970)         | (1,403)         |
| Impairment Depreciation(-)                                   | -               | -               |
| <b>Accumulated Amortization at end of the current period</b> | <b>(13,725)</b> | <b>(12,011)</b> |
| <b>Net Book Value</b>  | <b>6,153</b>    | <b>4,131</b>    |

## 14. Information on investment property

The Bank has no investment property.

## 15. Information on tax assets

As of 31 December 2019, there is no current tax asset.

*Information on deferred tax asset*

As of 31 December 2019, there is no deferred tax asset.

## 16. Information about fixed assets held for sale

|                                    | Current Period | Prior Period |
|------------------------------------|----------------|--------------|
| Cost                               | 17             | 17           |
| Impairment (-)                     | 11             | 11           |
| Accumulated Depreciation (-)       | -              | -            |
| <b>Prior Period Net Book Value</b> | <b>6</b>       | <b>6</b>     |
| Opening Balance                    | 17             | 17           |
| Additions                          | 987            | -            |
| Disposals (-)                      | 4              | 4            |
| Accumulated Provision (-)          | -              | 7            |
| Provision Expense (-)              | -              | -            |
| Accumulated Amortization (-)       | -              | -            |
| Depreciation of disposals          | -              | -            |
| Amortization                       | -              | -            |
| Depreciation Expenses (-)          | -              | 6            |
| <b>Closing Net Book Value</b>      | <b>1,000</b>   | <b>17</b>    |

## 17. Information on other assets

Other assets is amounting to TL 16,831 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2018: TL 21,008).

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FIVE**
**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES**
**1. Information on maturity profile of deposits**

| <b>Current Period</b>            | <b>Demand</b>    | <b>7 Days Notice</b> | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-6 Months</b> | <b>6 Months-1 Year</b> | <b>1 Year and over</b> | <b>Accumulating Deposit Accounts</b> | <b>Total</b>     |
|----------------------------------|------------------|----------------------|----------------------|-------------------|-------------------|------------------------|------------------------|--------------------------------------|------------------|
| <b>Saving Deposits</b>           | 31,451           |                      | 2,319                | 4,004             | 2,177             | -                      | -                      | -                                    | 39,951           |
| <b>Foreign Currency Deposits</b> | 968,755          |                      | 5,032                | 111,442           | 21,316            | 4,929                  | 3,987                  | -                                    | 1,115,461        |
| Residents in Turkey              | 343,527          |                      | 5,032                | 91,802            | 6,825             | 718                    | 274                    | -                                    | 448,178          |
| Residents Abroad                 | 625,228          |                      | -                    | 19,640            | 14,491            | 4,211                  | 3,713                  | -                                    | 667,283          |
| <b>Public Sector Deposits</b>    | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Commercial Deposits</b>       | 4,886            |                      | -                    | 161               | -                 | -                      | -                      | -                                    | 5,047            |
| <b>Other Ins. Deposits</b>       | 3,774            |                      | -                    | -                 | -                 | -                      | -                      | -                                    | 3,774            |
| <b>Precious Metal Deposits</b>   | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Bank Deposits</b>             | 633,227          |                      | 114,072              | 66,516            | 192,872           | 243,559                | 41,687                 | -                                    | 1,291,933        |
| Central Bank                     | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Domestic Banks                   | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Foreign Banks                    | 633,227          |                      | 114,072              | 66,516            | 192,872           | 243,559                | 41,687                 | -                                    | 1,291,933        |
| Special Financial Inst.          | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Other                            | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Total</b>                     | <b>1,642,093</b> |                      | <b>121,423</b>       | <b>182,123</b>    | <b>216,365</b>    | <b>248,488</b>         | <b>45,674</b>          | <b>-</b>                             | <b>2,456,166</b> |

| <b>Prior Period</b>              | <b>Demand</b>    | <b>7 Days Notice</b> | <b>Up to 1 Month</b> | <b>1-3 Months</b> | <b>3-6 Months</b> | <b>6 Months-1 Year</b> | <b>1 Year and over</b> | <b>Accumulating Deposit Accounts</b> | <b>Total</b>     |
|----------------------------------|------------------|----------------------|----------------------|-------------------|-------------------|------------------------|------------------------|--------------------------------------|------------------|
| <b>Saving Deposits</b>           | 27,623           |                      | 2,053                | 2,452             | 2,144             | -                      | -                      | -                                    | 34,272           |
| <b>Foreign Currency Deposits</b> | 1,027,875        |                      | 227                  | 22,188            | 10,396            | 4,134                  | 5,521                  | -                                    | 1,070,341        |
| Residents in Turkey              | 644,783          |                      | 227                  | 7,222             | 3,053             | 243                    | 239                    | -                                    | 655,767          |
| Residents Abroad                 | 383,092          |                      | -                    | 14,966            | 7,343             | 3,891                  | 5,282                  | -                                    | 414,574          |
| <b>Public Sector Deposits</b>    | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Commercial Deposits</b>       | 7,170            |                      | 312                  | 152               | -                 | -                      | -                      | -                                    | 7,634            |
| <b>Other Ins. Deposits</b>       | 1,467            |                      | -                    | -                 | -                 | -                      | -                      | -                                    | 1,467            |
| <b>Precious Metal Deposits</b>   | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Bank Deposits</b>             | 740,328          |                      | 51,857               | 162,982           | 1,107,205         | 894,668                | 329,780                | -                                    | 3,286,820        |
| Central Bank                     | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Domestic Banks                   | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Foreign Banks                    | 740,328          |                      | 51,857               | 162,982           | 1,107,205         | 894,668                | 329,780                | -                                    | 3,286,820        |
| Special Financial Inst.          | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| Other                            | -                |                      | -                    | -                 | -                 | -                      | -                      | -                                    | -                |
| <b>Total</b>                     | <b>1,804,463</b> |                      | <b>54,449</b>        | <b>187,774</b>    | <b>1,119,745</b>  | <b>898,802</b>         | <b>335,301</b>         | <b>-</b>                             | <b>4,400,534</b> |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

## 1. Information on maturity profile of deposits

*Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit*

|  | Covered by<br>Deposit Insurance Fund |                | Not covered by<br>Deposit Insurance Fund |                |
|--|--------------------------------------|----------------|--|----------------|
|  | Current Period                       | Prior Period   | Current Period                           | Prior Period   |
| Saving Deposits  | 10,618                               | 15,171         | 29,333                                   | 19,101         |
| Foreign Currency Saving Deposits                               | 143,790                              | 99,395         | 280,923                                  | 225,601        |
| Other Saving Deposits  | -                                    | -              | -  | -              |
| Foreign Branches' Deposits Under<br>Foreign Insurance Coverage | -                                    | -              | -  | -              |
| Off-Shore Deposits Under Foreign<br>Insurance Coverage         | -                                    | -              | -  | -              |
| <b>Total</b>   | <b>154,408</b>                       | <b>114,566</b> | <b>310,256</b>                           | <b>244,702</b> |

*Saving deposits not covered by deposit insurance*

The Bank does not have any branches in foreign and off-shore banking areas. Real persons who are not covered by the Savings Deposit Insurance Fund do not have special current and participation accounts.

*The deposits that are covered in foreign branches of the Bank's that headquarters located in abroad*

The Parent Bank's headquarter is located in Turkey.

*Amounts not covered by deposit insurance*

Individual deposits not covered by deposit insurance

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Deposits and Other Accounts held at Foreign Branches  | -              | -            |
| Deposits and Other Accounts held by Shareholders and their Relatives  | -              | -            |
| Deposits and Other Accounts of the Chairman and<br>Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their<br>Relatives | 3,508          | 3,922        |
| Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the<br>Turkish Criminal Code no. 5237 dated 26 December 2004  | -              | -            |
| Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey   | -              | -            |
| <b>Total</b>  | <b>3,508</b>   | <b>3,922</b> |



## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

## 2. Information on financial derivatives through profit or loss

## Negative differences table on derivative financial assets

None.

## 3. Information on Funds Borrowed

|  | Current Period |                  | Prior Period |                |
|--|----------------|------------------|--------------|----------------|
|  | TL             | FC               | TL           | FC             |
| Central Bank of Turkey                     | -              | -                | -            | -              |
| From Domestic Banks and Institutions       | -              | 3,347            | -            | 4,555          |
| From Foreign Banks, Institutions and Funds | -              | 1,349,843        | -            | 629,969        |
| <b>Total</b>                               | <b>-</b>       | <b>1,353,190</b> | <b>-</b>     | <b>634,524</b> |

*Presentation of funds borrowed based on maturity profile*

|              | Current Period |                  | Prior Period |                |
|--------------|----------------|------------------|--------------|----------------|
|              | TL             | FC               | TL           | FC             |
| Short-Term   | -              | 335,968          | -            | 296,512        |
| Long-Term    | -              | 1,017,222        | -            | 338,012        |
| <b>Total</b> | <b>-</b>       | <b>1,353,190</b> | <b>-</b>     | <b>634,524</b> |

*Additional explanation related to the concentrations of the Bank's major liabilities on the basis of concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed*

62% of the Bank's liabilities consist of deposits.

## 4. Information on other foreign resources

Other liabilities is amounting to TL 27,373 and this amount does not exceed 10% of total the balance sheet (31 December 2018: 33,216).

## 5. Information on financial lease obligations

|                     | Current Period |              | Prior period |          |
|---------------------|----------------|--------------|--------------|----------|
|                     | Gross          | Net          | Gross        | Net      |
| Less than 1 Year    | 637            | 610          | -            | -        |
| Between 1-4 Years   | 1,320          | 932          | -            | -        |
| Longer than 4 Years | 352            | 284          | -            | -        |
| <b>Total</b>        | <b>2,309</b>   | <b>1,826</b> | <b>-</b>     | <b>-</b> |

## 6. Information on liabilities arised from financial derivative transactions for hedging purposes

None.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

## 7. Information on provisions

*Reserve for employee termination benefits*

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability of the Bank is the amount as at 31 December 2019 is TL 11,242. (31 December 2018 : 8,153 TL) In addition to this, the unused vacation provision and other employee benefits amount as at 31 December 2019 is TL 6,717. (31 December 2018 : 8,181 TL)

**Information on other provisions**

As of 31 December 2019, the free provision for possible risks for the Bank is TL 15,000 (31 December 2018: TL 10,000).

*In the case of the other provisions, exceeds the 10% of the total provisions, those accounts and balances.*

|                                    | Current Period | Prior Period  |
|------------------------------------|----------------|---------------|
| Free provisions for possible risks | 15,000         | 10,000        |
| Provisions for non-cash loans      | 21,685         | 19,453        |
| Provisions for law suits           | 631            | 421           |
| <b>Total</b>                       | <b>37,316</b>  | <b>29,874</b> |

## 8. Information on tax payables

*Information on current tax liability*

As of 31 December, 2019, the Bank's corporate tax payable is TL 5,639 after offsetting prepaid corporate tax.

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Corporate Taxes Payable                     | 5,639          | 10,235        |
| Banking Insurance Transaction tax (BITT)    | 588            | 1,116         |
| Taxation on Securities Income               | 270            | 176           |
| Value Added Tax Payable                     | 119            | 62            |
| Value Added Tax Payable (Limited tax payer) | 27             | -             |
| Foreign exchange transaction tax            | -              | -             |
| Taxation on real estate income              | 18             | 17            |
| Other                                       | 1,731          | 1,333         |
| <b>Total</b>                                | <b>8,392</b>   | <b>12,939</b> |

*Information on premium payables*

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Social Security Premiums-Employee                   | 422            | 322          |
| Social Security Premiums-Employer                   | 624            | 476          |
| Bank Pension Fund Premium-Employees                 | -              | -            |
| Bank Pension Fund Premium-Employer                  | -              | -            |
| Pension Fund Membership Fee and Provisions-Employee | -              | -            |
| Pension Fund Membership Fee and Provisions-Employer | -              | -            |
| Unemployment Insurance-Employee                     | 30             | 23           |
| Unemployment Insurance-Employer                     | 60             | 46           |
| Others  | -              | -            |
| <b>Total</b>  | <b>1,136</b>   | <b>867</b>   |

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

## 8. Information on tax payables (Continued)

*Information on deferred tax liability*

As of December 31, 2019, the Bank calculated net deferred tax asset of TL 1,719 by netting off deferred tax asset of TL 14,963 and deferred tax liability of TL 16,682 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

Detailed information on net deferred tax assets is as follows:

|                                     | Current Period                    |                                  | Prior Period                      |                                  |
|-------------------------------------|-----------------------------------|----------------------------------|-----------------------------------|----------------------------------|
|                                     | Accumulated temporary differences | Deferred tax asset/<br>Liability | Accumulated temporary differences | Deferred tax asset/<br>Liability |
| Provisions for employee rights      | 17,959                            | 3,693                            | 16,334                            | 3,357                            |
| Unearned revenues                   | 6,605                             | 1,453                            | 5,714                             | 1,257                            |
| Interest rediscounts                | 5,942                             | 1,307                            | 7,118                             | 1,566                            |
| Provision                           | 37,033                            | 8,147                            | 30,071                            | 6,616                            |
| Other                               | 1,650                             | 363                              | 426                               | 91                               |
| <b>Deferred tax asset</b>           | <b>69,189</b>                     | <b>14,963</b>                    | <b>59,663</b>                     | <b>12,887</b>                    |
| Tangible assets revaluation surplus | 114,622                           | 14,923                           | 94,128                            | 11,376                           |
| Other                               | 8,160                             | 1,759                            | 2,739                             | 571                              |
| <b>Deferred tax liability</b>       | <b>122,782</b>                    | <b>16,682</b>                    | <b>96,867</b>                     | <b>11,947</b>                    |
| <b>Deferred tax asset (net)</b>     |                                   | <b>(1,719)</b>                   |                                   | <b>940</b>                       |

Movement of deferred tax:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Opening balance                                   | 940            | (4,201)      |
| TFRS 9 adjustment                                 | -              | 6,871        |
| Deferred tax income/(expense)(Net)                | 1,473          | 1,849        |
| Deferred tax accounted under shareholder's equity | (4,132)        | (3,579)      |
| <b>Net Deferred Tax Asset</b>                     | <b>(1,719)</b> | <b>940</b>   |

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****8. Information on tax payables (Continued)***Information on liabilities of fixed asset held for sale and discontinued operations*

The Bank has no liability related to assets held for sale and discontinued operations.

*Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that loan was borrowed from, and conversation option, if any*

The Banks has no subordinated loans.

**9. Information on Shareholders' Equity***Presentation of Paid-in Capital*

|                 | <b>Current Period</b> | <b>Prior Period</b> |
|-----------------|-----------------------|---------------------|
| Common Stock    | 440,000               | 440,000             |
| Preferred Stock | -                     | -                   |

*Paid-in capital amount, explanation as to whether the registered share capital system is applicable at bank; if so the amount of registered share capital*

Registered share capital system is not implemented in the Bank.

*Information on share capital increases and their sources; other information on any increase in capital shares during the current period*

None.

*Information on share capital increases from capital reserves*

None.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

## 9. Information on Shareholders' Equity (Continued)

*Capital commitments for current financial year and following period, general purpose of these commitments and estimated resources necessary for these commitments*

No capital commitments have been made to current financial year and following period.

*The impacts of the foresights, which are prospects according to Bank's prior periods income, profitability, and liquidity indicators and uncertainty, to shareholders' equity*

None.

*Explanations on dividend distribution*

None.

*Information on the privileges given to stocks representing the capital*

The share capital can be increased or decreased one or more times. Such an increase may be accomplished through the transfer of monies from the reserves to the capital account and the issuance of "bonus" shares in consequence thereof.

Every shareholder shall have the preferential (pre-emptive) right to subscribe for a proportion of new shares corresponding to the number of shares held by him and such right may be exercised within a period of thirty days from the date of receipt by each shareholder of an invitation to the shareholders to that effect. Such invitation shall be made by registered mail to the address contained in the share register.

These preferential (pre-emptive) rights may only be assigned by approval of the Board of Directors upon the favorable vote of 80% of the members, present or represented.

New shares may not be issued at a price less than the nominal value of the original shares issued.

Fractional shares shall be allocated by the Board of Directors.

The Bank may not finance the acquisition of its own shares whether directly or indirectly.

Arabian shareholders are treated under the same legislation with Turkish citizens. This includes the free transfer of distributed other revenues, guarantees, shares, dividends. And in a similar manner Arabian shareholders are benefited and protected by law No.6224, Foreign Capital Incentive Law.

*Gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income*

|   | Current Period |              | Prior Period |            |
|---|----------------|--------------|--------------|------------|
|   | TL             | FC           | TL           | FC         |
| Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures) | -              | -            | -            | -          |
| Valuation Differences   | 381            | 4,686        | -            | 500        |
| Exchange Rate Differences   | -              | -            | -            | -          |
| <b>Total</b>  | <b>381</b>     | <b>4,686</b> | <b>-</b>     | <b>500</b> |

*Information on legal reserve*

In the current period, TL 5,827 has been transferred from previous years' profits to legal reserves. (31 December 2018: TL 4.013).

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS

## 1. Information on contingent liabilities in the off-balance sheets

*Type and amount of irrevocable commitments*

The Bank has TL 17,881 as irrevocable commitments. (31 December 2018: TL 103,493).

*Type and amount of possible losses from off-balance sheet items*

As of the balance sheet date, the Bank has allocated the provision amounting TL 267 over total non-cash loans. (31 December 2018: TL 461).

*Guarantees, bills of exchange and acceptances and other letters of credit which can be counted as financial collateral*

The total amount of non-cash loans including guarantees, bills of exchange and acceptances and sureties on letters of credits and other guarantees is TL 912,075. (31 December 2018: TL 931,005).

*Final guarantees, temporary guarantees, commitments and similar transactions*

The total amount of the Bank's guarantee letters is TL 3,156,146. (31 December 2018: TL 3,014,422).

## 2. Total amount of Non-cash loans

|   | Current Period   |  | Prior Period     |  |
|---|------------------|--|------------------|--|
| Non-Cash Loans granted for Cash Loan Assurance        | 645,997          |  | 682,208          |  |
| Less Than or Equal to One Year with Original Maturity | 394,120          |  | 431,605          |  |
| More Than One Year with Original Maturity             | 251,877          |  | 250,603          |  |
| Other Non-Cash Loans                                  | 3,422,224        |  | 3,263,219        |  |
| <b>Total</b>  | <b>4,068,221</b> |  | <b>3,945,427</b> |  |

## 3. Information on sectoral risk concentrations of non-cash loans

|                                      | Current Period |              |                  |              | Prior Period   |              |                  |              |
|--------------------------------------|----------------|--------------|------------------|--------------|----------------|--------------|------------------|--------------|
|                                      | TL             | %            | FC               | %            | TL             | %            | FC               | %            |
| <b>Agricultural</b>                  | <b>1,135</b>   | <b>0.55</b>  | <b>67,920</b>    | <b>1.76</b>  | <b>11</b>      | <b>-</b>     | <b>78,287</b>    | <b>2.14</b>  |
| Farming and Raising livestock        | 1,135          | 0.55         | 67,920           | 1.76         | 11             | -            | 78,287           | 2.14         |
| Forestry                             | -              | -            | -                | -            | -              | -            | -                | -            |
| Fishing                              | -              | -            | -                | -            | -              | -            | -                | -            |
| <b>Manufacturing</b>                 | <b>49,694</b>  | <b>23.98</b> | <b>514,000</b>   | <b>13.31</b> | <b>73,487</b>  | <b>25.43</b> | <b>544,985</b>   | <b>14.91</b> |
| Mining                               | 15,870         | 7.66         | -                | -            | 19,655         | 6.80         | 72,337           | 1.98         |
| Production                           | 33,824         | 16.32        | 514,000          | 13.31        | 53,832         | 18.63        | 472,648          | 12.93        |
| Electric, gas and water              | -              | -            | -                | -            | -              | -            | -                | -            |
| <b>Construction</b>                  | <b>42,111</b>  | <b>20.32</b> | <b>731,943</b>   | <b>18.96</b> | <b>106,104</b> | <b>36.71</b> | <b>731,126</b>   | <b>20.00</b> |
| <b>Services</b>                      | <b>114,330</b> | <b>55.16</b> | <b>2,546,982</b> | <b>65.96</b> | <b>109,426</b> | <b>37.85</b> | <b>2,302,001</b> | <b>62.96</b> |
| Wholesale and Retail Trade           | 245            | 0.12         | 2,014            | 0.05         | 245            | 0.08         | 2,026            | 0.06         |
| Hotel, Food and Beverage Services    | 7              | -            | -                | -            | 7              | -            | 914              | 0.02         |
| Transportation and Telecommunication | -              | -            | 33,179           | 0.86         | -              | -            | 3,195            | 0.09         |
| Financial Institutions               | 114,040        | 55.02        | 2,511,623        | 65.05        | 109,136        | 37.76        | 2,295,716        | 62.79        |
| Real Estate and Renting Services     | -              | -            | -                | -            | -              | -            | -                | -            |
| Self-Employment Services             | -              | -            | -                | -            | -              | -            | -                | -            |
| Education Services                   | 38             | 0.02         | -                | -            | 38             | 0.01         | -                | -            |
| Health and Social Services           | -              | -            | 166              | -            | -              | -            | 150              | -            |
| <b>Other</b>                         | <b>-</b>       | <b>-</b>     | <b>106</b>       | <b>-</b>     | <b>-</b>       | <b>-</b>     | <b>-</b>         | <b>-</b>     |
| <b>Total</b>                         | <b>207,270</b> | <b>100</b>   | <b>3,860,951</b> | <b>100</b>   | <b>289,028</b> | <b>100</b>   | <b>3,656,399</b> | <b>100</b>   |

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS (Continued)****4. Information on non-cash loans classified as I and II group loans**

|                                     | <b>Group I</b> |                  | <b>Group II</b> |           |
|-------------------------------------|----------------|------------------|-----------------|-----------|
|                                     | <b>TL</b>      | <b>FC</b>        | <b>TL</b>       | <b>FC</b> |
| Letters of guarantee                | 207,025        | 2,932,439        | 245             | -         |
| Bank acceptances                    | -              | -                | -               | -         |
| Letters of credit                   | -              | 450,008          | -               | -         |
| Endorsements                        | -              | -                | -               | -         |
| Underwriting commitments            | -              | -                | -               | -         |
| Factoring commitments               | -              | -                | -               | -         |
| Other commitments and contingencies | -              | 462,067          | -               | -         |
| <b>Non-Cash Loans</b>               | <b>207,025</b> | <b>3,844,514</b> | <b>245</b>      | <b>-</b>  |

**5. Information on derivative transactions**

The Bank does not have any derivative contracts.

**6. Information on credit derivatives and related imposed risks**

The Bank does not have any credit derivate contract.

**7. Information on contingent liabilities and assets**

The Bank has no provided of provision for the disputed legal cases filed by various persons and institutions, high probability of occurrence and requiring cash outflow. The amount is shown under the Other Provisions Section Five Note II-7. Although there are other ongoing lawsuits that against the Bank, do not expect high possibility of against result and cash outflows related to these cases.

**8. Services supplied on behalf of others**

The Bank does not provide custody services on behalf of its customers.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS (Continued)

## 9. Information on Expected Loss Provisions

| <b>Current Period</b>            | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
|----------------------------------|----------------|----------------|----------------|---------------|
| Balances at Beginning of Period  | 18,991         | 1              | 461            | 19,453        |
| Additions during the Period      | 7,636          | -              | -              | 7,636         |
| Disposal                         | (5,209)        | (1)            | (194)          | (5,404)       |
| Transfer to Stage1               | -              | -              | -              | -             |
| Transfer to Stage 2              | -              | -              | -              | -             |
| Transfer to Stage 3              | -              | -              | -              | -             |
| Write-offs                       | -              | -              | -              | -             |
| <b>Balances at End of Period</b> | <b>21,418</b>  | <b>-</b>       | <b>267</b>     | <b>21,685</b> |

| <b>Prior Period</b>              | <b>Stage 1</b> | <b>Stage 2</b> | <b>Stage 3</b> | <b>Total</b>  |
|----------------------------------|----------------|----------------|----------------|---------------|
| Balances at Beginning of Period  | 13,773         | -              | 492            | 14,265        |
| Additions during the Period      | 7,743          | 1              | -              | 7,744         |
| Disposal                         | (2,525)        | -              | (31)           | (2,556)       |
| Transfer to Stage1               | -              | -              | -              | -             |
| Transfer to Stage 2              | -              | -              | -              | -             |
| Transfer to Stage 3              | -              | -              | -              | -             |
| Write-offs                       | -              | -              | -              | -             |
| <b>Balances at End of Period</b> | <b>18,991</b>  | <b>1</b>       | <b>461</b>     | <b>19,453</b> |



## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME

## 1. Information on interest income

*Information on interest income received from loans*

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | TL             | FC            | TL             | FC            |
| Interest Received from Loans <sup>(1)</sup>              |                |               |                |               |
| Short- Term Loans  | 96,779         | 21,690        | 120,712        | 15,575        |
| Medium and Long- Term Loans                              | 1,145          | 26,029        | 646            | 49,731        |
| Interest Received From Non-Performing Loans              | -              | -             | -              | -             |
| Premiums Received From Resource Utilization Support Fund | -              | -             | -              | -             |
| <b>Total</b>   | <b>97,924</b>  | <b>47,719</b> | <b>121,358</b> | <b>65,306</b> |

<sup>(1)</sup> It contains fee and commission income related to cash loans.

*Information on interest income received from banks*

|                                    | Current Period |               | Prior Period |               |
|------------------------------------|----------------|---------------|--------------|---------------|
|                                    | TL             | FC            | TL           | FC            |
| Central Bank of Turkey             | -              | -             | -            | -             |
| From Domestic Banks                | 1,403          | 13,710        | 8,569        | 49,155        |
| From Foreign Banks                 | -              | 1,787         | -            | 404           |
| Overseas Headquarters and Branches | -              | -             | -            | -             |
| <b>Total</b>                       | <b>1,403</b>   | <b>15,497</b> | <b>8,569</b> | <b>49,559</b> |

*Information on interest income on marketable securities*

|   | Current Period |               | Prior Period |               |
|---|----------------|---------------|--------------|---------------|
|   | TL             | FC            | TL           | FC            |
| Financial Assets at Fair Value Through Profit or Loss             | -              | 14,239        | -            | 15,456        |
| Financial Assets at Fair Value Through Other Comprehensive Income | 436            | 11,709        | 22           | 4,664         |
| Financial Assets Measured at Amortised Cost                       | 1,282          | 21,141        | 3,267        | 14,656        |
| <b>Total</b>  | <b>1,718</b>   | <b>47,089</b> | <b>3,289</b> | <b>34,776</b> |

*Information on interest income received from associates and subsidiaries*

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Interest income received from associates and subsidiaries | -              | 29           |

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)****2. Interest Expense***Information on interest paid for funds borrowed*

|                                    | Current Period |               | Prior Period |               |
|------------------------------------|----------------|---------------|--------------|---------------|
|                                    | TL             | FC            | TL           | FC            |
| <b>Banks</b>                       | -              | <b>23,835</b> | <b>49</b>    | <b>21,475</b> |
| Central Bank                       | -              | -             | -            | -             |
| Domestic Banks                     | -              | 171           | 49           | 52            |
| Foreign Banks                      | -              | 23,664        | -            | 21,423        |
| Overseas Headquarters and Branches | -              | -             | -            | -             |
| <b>Total</b>                       | -              | <b>23,835</b> | <b>49</b>    | <b>21,475</b> |

*Information on interest expense paid to subsidiaries and associates*

None.

*Information on interest expense given on securities issued*

None.

*Maturity structure of the interest expense on deposits*

| Current Period                    | Time Deposit   |               |                |                |              |                  | Cumulative Deposit | Total         |
|-----------------------------------|----------------|---------------|----------------|----------------|--------------|------------------|--------------------|---------------|
|                                   | Demand Deposit | Up to 1 Month | Up to 3 Months | Up to 6 Months | Up to 1 Year | More than 1 Year |                    |               |
| <b>Turkish Lira</b>               |                |               |                |                |              |                  |                    |               |
| Bank deposits                     | -              | 106           | -              | -              | -            | -                | -                  | 106           |
| Saving deposits                   | -              | 218           | 279            | 381            | 4            | 294              | -                  | 1,176         |
| Public sector deposits            | -              | -             | -              | -              | -            | -                | -                  | -             |
| Commercial deposits               | -              | 96            | 16             | 7              | -            | -                | -                  | 119           |
| Other deposits                    | -              | -             | -              | -              | -            | -                | -                  | -             |
| Deposits with 7 days notification | -              | -             | -              | -              | -            | -                | -                  | -             |
| <b>Total</b>                      | -              | <b>420</b>    | <b>295</b>     | <b>388</b>     | <b>4</b>     | <b>294</b>       | -                  | <b>1,401</b>  |
| <b>Foreign Currency</b>           |                |               |                |                |              |                  |                    |               |
| Foreign currency deposits         | -              | 11            | 1,408          | 341            | 113          | 132              | -                  | 2,005         |
| Interbank deposits                | 325            | 3,022         | 1,762          | 5,110          | 6,452        | 1,104            | -                  | 17,775        |
| Deposits with 7 days notification | -              | -             | -              | -              | -            | -                | -                  | -             |
| Precious metal deposits           | -              | -             | -              | -              | -            | -                | -                  | -             |
| <b>Total</b>                      | <b>325</b>     | <b>3,033</b>  | <b>3,170</b>   | <b>5,451</b>   | <b>6,565</b> | <b>1,236</b>     | -                  | <b>19,780</b> |
| <b>Grand Total</b>                | <b>325</b>     | <b>3,453</b>  | <b>3,465</b>   | <b>5,839</b>   | <b>6,569</b> | <b>1,530</b>     | -                  | <b>21,181</b> |

**3. Explanations on dividend income**

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Financial assets at fair value through profit or loss             | -              | -             |
| Financial assets measured at amortized cost                       | -              | -             |
| Financial assets at fair value through other comprehensive income | 15             | 158           |
| Other <sup>(1)</sup>  | 12,498         | 10,498        |
| <b>Total</b>  | <b>12,513</b>  | <b>10,656</b> |

<sup>(1)</sup> It represents the dividends received by the Bank from its subsidiary.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)

## 4. Information on trading gain/loss

|   | Current Period      | Prior Period        |
|---|---------------------|---------------------|
| <b>Gain</b>                                 | <b>22,616,850</b>   | <b>32,592,607</b>   |
| Gain from money market transactions         | -                   | -                   |
| Gain from financial derivative transactions | -                   | 249                 |
| Gain from exchange transactions             | 22,616,850          | 32,592,358          |
| <b>Loss (-)</b>                             | <b>(22,609,582)</b> | <b>(32,602,324)</b> |
| Loss from money market transactions         | -                   | (19,700)            |
| Loss from financial derivative transactions | -                   | (670)               |
| Loss from exchange transactions             | (22,609,582)        | (32,581,954)        |
| <b>Net Trading Gain/Loss</b>                | <b>7,268</b>        | <b>(9,717)</b>      |

## 5. Information on income from other operations

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| From Reversal of Provisions of Prior Year | 1,433          | 8,507         |
| From Communication Income                 | 4,203          | 1,872         |
| Gain on sales of assets                   | -              | 48            |
| Other Income                              | 66             | 154           |
| <b>Total</b>                              | <b>5,702</b>   | <b>10,581</b> |

## 6. Information on impairment in loans

|  | Current Period | Prior Period  |
|--|----------------|---------------|
| Expected Credit Loss Provisions                            | 6,982          | 65,103        |
| 12 month expected credit loss (stage 1)                    | 6,957          | 5,981         |
| Significant increase in credit risk (stage 2)              | -              | -             |
| Non-performing loans (stage 3)                             | 25             | 59,122        |
| Marketable Securities Impairment Expense                   | -              | -             |
| Financial Assets at Fair Value through Profit or Loss      | -              | -             |
| Financial Assets at Fair Value Through Other Comprehensive | -              | -             |
| Income   | -              | -             |
| Subsidiaries, Associates and Entities under Common Control | -              | -             |
| Provision Expenses for Impairment                          | -              | -             |
| Associates   | -              | -             |
| Subsidiaries   | -              | -             |
| Joint Ventures   | -              | -             |
| Other  | -              | 420           |
| <b>Total</b>   | <b>6,982</b>   | <b>65,523</b> |

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2019**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)****7. Information on Other Provision Expenses**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Securities Depreciation Expenses       | 12,522                | -                   |
| Free Provision                         | 5,000                 | -                   |
| Provision for Lawsuits and Court Cases | 212                   | -                   |
| <b>Total</b>                           | <b>17,734</b>         | <b>-</b>            |

**8. Information on other operating expense**

|  | <b>Current Period</b> | <b>Prior Period</b> |
|--|-----------------------|---------------------|
| Employee Termination Benefits Expense  | 1,327                 | 761                 |
| Tangible Fixed Asset Impairment Expense  | -                     | -                   |
| Amortization Expenses of Tangible Assets   | 3,009                 | 1,388               |
| Intangible Fixed Asset Impairment Expense  | -                     | -                   |
| <i>Goodwill Impairment Expense</i>   | -                     | -                   |
| Amortization Expenses of Intangible Assets   | 1,971                 | 1,404               |
| Shareholders Equity Procedure Applied Equity Interest Impairment Expense             | -                     | -                   |
| Disposable Fixed Asset Impairment Expense  | -                     | -                   |
| Amortization Expense of Assets Held for Resale                                       | -                     | -                   |
| Impairment Expense related to Fixed Assets held for sale and discontinued operations | -                     | -                   |
| Other Operating Expenses   | 18,150                | 16,175              |
| <i>Operating Lease Expenses</i>  | 57                    | 1,408               |
| <i>Maintenance Expenses</i>  | 5,904                 | 4,487               |
| <i>Advertisement Expenses</i>  | 206                   | 202                 |
| <i>Other Expenses</i>  | 11,983                | 10,078              |
| Losses from sales of Assets  | 15                    | 3                   |
| Other  | 15,775                | 10,444              |
| <b>Total</b>   | <b>40,247</b>         | <b>30,175</b>       |

**9. Information on profit/loss before taxes including profit/loss from discontinued operations**

The pre-tax income amount from continued operations is TL 210,125 (31 December 2018: TL 126,024).

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)

## 10. Information on tax provision related to continued operations and discontinued operations

*Current period taxation benefit or charge and deferred tax benefit or charge*

As of 31 December 2019, current taxation expense is TL 45,171 (31 December 2018: TL 26,895) and the net impact of deferred tax income is TL 1,473. (31 December 2018: TL 1,849)

*Deferred tax charge arising from origination or reversal of temporary differences*

The Bank has TL 1,473 as deferred tax income arising from origination of temporary differences. (31 December 2018: TL 1,849)

*Deferred tax charge/income represented in the income statement within the context of temporary difference, financial loss and tax reduction.*

The Bank has TL 1,473 as deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions. (31 December 2018: TL 1,849, deferred tax income).

## 11. Information on net profit or loss of the period including profit/loss from continued and discontinued operations

Current period profit from continued operations is TL 166,427. (31 December 2018: TL 100,978).

## 12. Information on net profit or loss of the period

*Information on nature, dimension and frequency rate of income and expense accounts resulting from ordinary banking transactions if they are necessary for explaining the Bank's current period performance*

None.

*Information on the profit or loss effect of a change in an estimation related to financial statements and future period effect of the change in this estimation*

There is no change in accounting estimation related to consolidated financial statements.

## 13. Information on 20% of other accounts in income statement, if other accounts exceed 10% of total income statement.

Other accounts which exceed the 10% of the income statement, other than other operating income and other operating expense, amounting to TL 39,251 consist of transfer commissions, letter of credit commissions and other.

|                              | Current Period | Prior Period  |
|------------------------------|----------------|---------------|
| Letter of Credit Commissions | 27,590         | 23,749        |
| Transfer Commissions         | 10,853         | 7,283         |
| Other                        | 808            | 1123          |
| <b>Total</b>                 | <b>39,251</b>  | <b>32,155</b> |

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**1. Changes due to revaluation of financial assets available-for-sale**

In the current period, there is TL 4,567 (31 December 2018: TL 593) net increase in value of assets available –for-sale.

**2. Increases due to cash flow hedges**

None.

**3. Confirmation on exchange rate differences between beginning and ending**

None.

**4. Information on issuance of common stock**

*Rights, priorities and restrictions for all classes of capital shares, including dividend distribution and recall of capital*

None.

**5. Information on dividend**

*Dividend amounts declared subsequent to the balance sheet date but before the issuance of the financial statement*

None.

*Net profit per share proposed to be distributed after the balance sheet date*

None.

**6. Amounts transferred to reserves**

In the current period, amount of TL 4,956 have been transferred to legal reserves (31 December 2018: TL 4,014).

**7. Information on other capital increment accounts at the equity movement table**

*Information on inflation restatement differences of shareholders equity accounts*

In BRSA's Circular on 28 April 2005 and in accordance with the decision dated 21 April 2005 and numbered 1623. Due to the fact that the majority of the criteria's confirming the existence of a hyperinflationary economy are not valid anymore. The inflation accounting had been ceased beginning from 1 January 2005.

*Explanations about the Share Capital increase*

There are no capital reserves due to inflation accounting, which is followed in the "Paid capital inflation difference correction" account is added to the capital according to the subjected circular.

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## VI. INFORMATION AND FOOTNOTES RELATED TO CASH FLOWS STATEMENT

## 1. Information on cash and cash equivalent assets

*Balances that form the cash and cash equivalent assets, and the accounting policy used in the formation of these balances*

Subject to the preparation of cash flows statements "Cash" refers to cash in vault, cash in transit, bank cheques purchased and demand deposits in banks including Central Bank of Turkey; "Cash equivalents" refers to money market placements of original maturity less than three months and time deposits at banks, and investments in financial securities.

*Information on cash and cash equivalents at the beginning of the period*

|                           | 31 December 2018 | 31 December 2017 |
|---------------------------|------------------|------------------|
| Cash                      | 20,364           | 14,353           |
| Cash and cash equivalents | 2,453,363        | 1,407,545        |
| <b>Total</b>              | <b>2,473,727</b> | <b>1,421,898</b> |

*Information on cash and cash equivalents at the end of the period*

|                           | 31 December 2019 | 31 December 2018 |
|---------------------------|------------------|------------------|
| Cash                      | 16,756           | 20,364           |
| Cash and cash equivalents | 1,911,597        | 2,453,363        |
| <b>Total</b>              | <b>1,928,353</b> | <b>2,473,727</b> |

The TL (67,123) in the "Other" account that is under the "Operational Profit Before Operations of Banking on Assets and Liabilities" account is comprised of other operating income excluding collections from non performing loans, other operating expense excluding personnel expenses and exchange gain/loss. (31 December 2018: (86,087) TL)

The "Net increase/decrease in other assets" account under the "Changes in assets and liabilities subject to banking activities" amounting to TL 664 is composed of changes in fixed assets, associates, tax assets and other assets. (31 December 2018: (10,572) TL)

The "Net increase/decrease in other debts" account under the "Changes in assets and liabilities subject to banking activities" amounting to TL 233,236 is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable. (31 December 2018: 25,047 TL)

"Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents" is computed by TL 61,431 which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira. (31 December 2018: 58,153 TL)

## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

## VII. INFORMATION ON THE BANK'S RISK GROUP

## 1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period

*Information on the loans of the Bank's risk group*

| Current Period   |   |          |   |          |                                |          |
|--|---|----------|---|----------|--------------------------------|----------|
| Bank's Risk Group <sup>(1)</sup>                       | Associates, Subsidiaries and Joint Ventures |          | Bank's Direct and Indirect Shareholders |          | Other Components in Risk Group |          |
|  | Cash  | Non-cash | Cash                                    | Non-Cash | Cash                           | Non-cash |
| <b>Loans and Other Receivables</b>                     |   |          |   |          |                                |          |
| Balance at the beginning of the period                 | -   | 606      | 1,395                                   | 26,049   | 431,005                        | 247,752  |
| Balance at the end of the period                       | -   | 564      | 59,486                                  | 11,700   | -                              | 88,731   |
| Interest and Commission Income received <sup>(2)</sup> | -   | -        | -                                       | -        | 2,783                          | -        |

<sup>(1)</sup> Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank's Act.

<sup>(2)</sup> Loans given to the Bank's direct and indirect shareholders are composed of forfeiting and letter of credit transactions which the interest and commission income are obtained not from the risk group but from the exporting firms.

| Prior Period                            |   |          |   |          |                                |          |
|---|---|----------|---|----------|--------------------------------|----------|
| Bank's Risk Group <sup>(1)</sup>        | Associates, Subsidiaries and Joint Ventures |          | Bank's Direct and Indirect Shareholders |          | Other Components in Risk Group |          |
|   | Cash  | Non-cash | Cash                                    | Non-Cash | Cash                           | Non-cash |
| <b>Loans and Other Receivables</b>      |   |          |   |          |                                |          |
| Balance at the beginning of the period  | -   | 1,316    | -                                       | 41,801   | 78,129                         | 98,157   |
| Balance at the end of the period        | -   | 606      | 1,395                                   | 26,049   | 431,005                        | 247,752  |
| Interest and Commission Income received | 29  | -        | -                                       | -        | 3,315                          | -        |

<sup>(1)</sup> Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank's Act.

<sup>(2)</sup> Loans given to the Bank's direct and indirect shareholders are composed of forfeiting and letter of credit transactions which the interest and commission income are obtained not from the risk group but from the exporting firms.

The Bank has a loan amounting to TL 671,182 (31 December 2018: TL 624,181) from the risk group. There was an interest expense of TL 23,501 in the current period related to the loans used (31 December 2018: TL 19,462).

*Information on deposits of the Bank's risk group*

| Bank's Risk Group <sup>(1)</sup>       | Associates, Subsidiaries and Joint Ventures |              | Bank's Direct and Indirect Shareholders |              | Other Components in Risk Group |              |
|--|---|--------------|---|--------------|--------------------------------|--------------|
|  | Current Period                              | Prior Period | Current Period                          | Prior Period | Current Period                 | Prior Period |
| <b>Deposits</b>                        |   |              |   |              |                                |              |
| Balance at the beginning of the period | 334   | 115          | 2,038,148                               | 2,250,314    | 658,394                        | 394,038      |
| Balance at the end of the period       | 245   | 334          | 1,688                                   | 2,038,148    | 777,686                        | 658,394      |
| Interest expense on deposits           | -   | -            | 16,030                                  | 58,948       | 17,916                         | 4,980        |

<sup>(1)</sup> Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank's Act.

*Information on forward transactions, options and other contracts related to Bank's risk group*

None.

*Information on benefits provided for top level management:*

As of 31 December 2019, TL 20,245 has been paid to the top level management of the Bank as salaries and fringe benefit (31 December 2018: TL 12,340).



**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****VIII. DOMESTIC, FOREIGN AND OFF SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES****1. Information on Bank's domestic branches, foreign branches and representatives**

|                               | <b>Number of<br/>branches</b> | <b>Number of<br/>employees</b> |                |                     |                      |
|-------------------------------|-------------------------------|--------------------------------|----------------|---------------------|----------------------|
| Domestic Branch               | 7                             | 274                            |                |                     |                      |
|                               |                               |                                | <b>Country</b> |                     |                      |
| Foreign representative office | -                             | -                              | -              |                     |                      |
|                               |                               |                                |                | <b>Total assets</b> | <b>Legal capital</b> |
| Foreign branch                | -                             | -                              | -              | -                   | -                    |
| Offshore branches             | -                             | -                              | -              | -                   | -                    |

**2. Bank open or close branches or representative offices in the country and abroad, information on significant changes in the organization**

None.

**IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SIX**

**INDEPENDENT AUDITOR’S REPORT**

**I. INFORMATION ON INDEPENDENT AUDITOR’S REPORT**

As of 31 December 2019, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative) and Independent Auditor’s Report is presented preceding the financial statements. The independent audit report dated 31 January 2020 is presented before the unconsolidated financial statements.

**II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.