

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

# **Arap Türk Bankası Anonim Şirketi**

**Consolidated Financial Statements  
As of and For The Year Ended 31 December 2021  
With Auditors' Report**  
*(Convenience Translation of Consolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

17 February 2022

*This report contains "Independent Auditors' Report"  
comprising 5 pages and; "Consolidated Financial  
Statements and Related Disclosures and  
Footnotes" comprising 118 pages.*



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

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

To the Shareholders' of Arap Türk Bankası Anonim Şirketi

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

*Opinion*

We have audited the consolidated financial statements of Arap Türk Bankası A.Ş. ("the Bank") and its consolidated financial subsidiary (together will be referred as "the Group") which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arap Türk Bankası A.Ş. and its consolidated financial subsidiary as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006, and other regulations on accounting records of Banks, circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

*Basis for Opinion*

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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the POA's Code of Ethics for Independent Auditors (including Independence Standards) ("Code of Ethics") together with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

*Impairment of loans measured at amortised cost and lease receivables ("loans")*

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 consolidated financial statements.

<i>Key audit matter</i>	<i>How the matter is addressed in our audit</i>
<p>As of 31 December 2021, loans measured at amortised cost comprise 31% of the Group's total consolidated assets.</p> <p>The Group 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 Group applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Group management annually.</p> <p>The significant assumptions and estimates of the Group's management are as follows:</p> <ul style="list-style-type: none"> <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 the (i) 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 Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the</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 Group's impairment accounting policy compared with the Regulation and Standard.</li> <li>• We evaluated the Group's business 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 the impact of COVID 19 on prospective information and macroeconomic variables.</li> <li>• We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis including the impact of COVID-19 on the assumptions and estimates.</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> <li>• We assessed the macroeconomic models including the effects of COVID-19, that are</li> </ul>



<p>fair value of the collateral provided for credit transactions.</p> <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. The completeness and accuracy of data sets in the model are also considered 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 including the impact of COVID-19, the level of judgements and its complex structure as explained above.</p>	<p>used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method.</p> <ul style="list-style-type: none"><li>• We evaluated the qualitative and quantitative assessments, including the effects of COVID-19, which are used in determining the significant increase in credit risk.</li><li>• We evaluated the adequacy of the consolidated financial statements disclosures related to impairment provisions.</li></ul>
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*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

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

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

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



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

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- Sufficient and appropriate audit evidence is obtained on financial information relating to businesses or operating segments within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and conduct of the group audit. We are also solely responsible for the audit opinion we give.

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 consolidated 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 2021 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated 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 consolidated financial statements and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkınak, SMMM  
Partner

17 February 2022  
İstanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED FINANCIAL REPORT  
AS OF 31 DECEMBER 2021**

**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

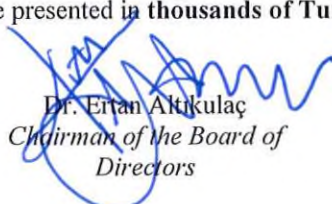
The consolidated financial report as of and for the year period ended 31 December 2021 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public” by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

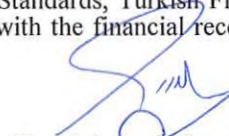
The subsidiaries, associates and jointly controlled companies included in the consolidated financial report are as follows:

	Subsidiaries	Associates	Jointly Controlled Companies
I	A&T Finansal Kiralama A.Ş.	-	-

The consolidated 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**.




Dr. Ertan Altıkulaç  
*Chairman of the Board of Directors*



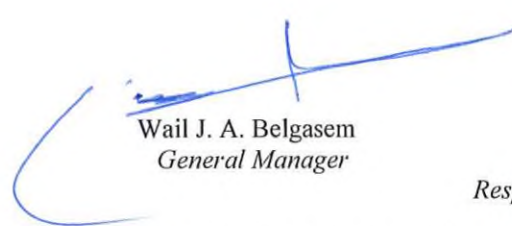
Dr. Mohamed Masoud A. Aldrogi  
*Member of The Board of Directors and Chairman of The Audit Committee*



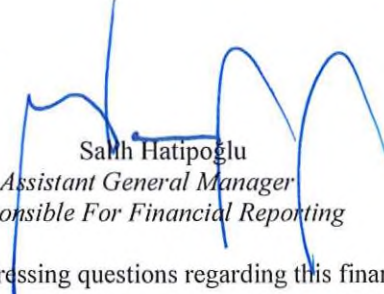
Aflah Omar Magsi  
*Deputy Chairman of The Board of Directors and The Member of The Audit Committee*



Dr. Sinan Şahin  
*Member of The Board of Directors and The Audit Committee*



Wail J. A. Belgasem  
*General Manager*



Sami 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 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

#### SECTION ONE

##### GENERAL INFORMATION ABOUT THE PARENT BANK

#### I. THE PARENT BANK’S DATE OF ESTABLISHMENT, BEGINNING STATUTE, ITS HISTORY REGARDING CHANGES ON ITS STATUTE

Arap Türk Bankası Anonim Şirketi (“the Bank” or “the Parent 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. THE PARENT 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 Parent 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 2021, the Parent Bank’s share capital at the balance sheet date as follows:

Shareholders	Current Period	
	Share amounts	Share percentages <sup>(1)</sup>
Libyan Foreign Bank	274,426	62.37%
T. İş Bankası A.Ş.	90,534	20.58%
T.C. Ziraat Bankası A.Ş.	67,900	15.43%
Kuwait Investment Co.	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 2020: 0.0000014% share and TL 6.20 (full digit in TL).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION ONE****GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)****III. INFORMATION ABOUT THE PARENT 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</b>	<b>Job Title – Description</b>
Dr. Ertan Altıkulaç	Chairman of the Board of Directors
Aflah Omar Magsi	Deputy Chairman of the Board of Directors and Member of the Audit Committee
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Dr. Mohamed Masoud A. Aldrogi	Member of the Board of Directors and Chairman of Audit Committee
Dr. Sinan Şahin	Member of the Board of Directors and Audit Committee
Hüseyin Serdar Yücel	Member of the Board of Directors
İmge Hilal Soyluoğlu Canlı	Member of the Board of Directors

**General Manager and Deputies**

<b>Name</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 PARENT BANK**

<b>Name Surname/Entity Title</b>	<b>Share Amount</b>	<b>Share Percentage %</b>	<b>Paid-in 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

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

The Parent 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.

**SECTION ONE**

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

**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 Parent 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 PARENT BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES**

None.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

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**SECTION TWO**

**Consolidated Financial Statements**

- I. Consolidated Balance Sheet-Assets
- II. Consolidated Balance Sheet-Liabilities
- III. Consolidated Off-balance Sheet Commitments
- IV. Consolidated Statement of Profit or Loss
- V. Consolidated Statement of Profit or Loss and Other Comprehensive Income
- VI. Consolidated Statement of Changes in Shareholders’ equity
- VII. Consolidated Statement of Cash Flows
- VIII. Statement of Profit Distribution

**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31.12.2021			31.12.2020		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>356,733</b>	<b>4,156,425</b>	<b>4,513,158</b>	<b>459,142</b>	<b>1,993,729</b>	<b>2,452,871</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	<b>1</b>	<b>322,124</b>	<b>3,003,629</b>	<b>3,325,753</b>	<b>428,494</b>	<b>1,278,202</b>	<b>1,706,696</b>
1.1.1	Cash and Balances with Central Bank		8,086	1,658,250	1,666,336	4,604	828,833	833,437
1.1.2	Banks	<b>3</b>	60,209	1,345,392	1,405,601	50,533	449,372	499,905
1.1.3	Money Markets		255,100	-	255,100	374,182	-	374,182
1.1.4	Expected Credit Loss (-)		1,271	13	1,284	825	3	828
<b>1.2</b>	<b>Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,724</b>	<b>-</b>	<b>16,724</b>
1.2.1	Government Securities		-	-	-	16,724	-	16,724
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	-	-
<b>1.3</b>	<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>4</b>	<b>34,609</b>	<b>1,152,796</b>	<b>1,187,405</b>	<b>13,924</b>	<b>715,527</b>	<b>729,451</b>
1.3.1	Government Securities		34,385	768,191	802,576	13,700	364,905	378,605
1.3.2	Equity Securities		224	5,348	5,572	224	2,961	3,185
1.3.3	Other Financial Assets		-	379,257	379,257	-	347,661	347,661
<b>1.4</b>	<b>Derivative Financial Assets</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>		<b>949,081</b>	<b>4,450,262</b>	<b>5,399,343</b>	<b>642,164</b>	<b>2,571,414</b>	<b>3,213,578</b>
<b>2.1</b>	<b>LOANS (NET)</b>	<b>5</b>	<b>732,832</b>	<b>1,929,005</b>	<b>2,661,837</b>	<b>569,573</b>	<b>1,155,008</b>	<b>1,724,581</b>
<b>2.2</b>	<b>Lease Receivables</b>	<b>10</b>	<b>117,206</b>	<b>359,479</b>	<b>476,685</b>	<b>82,710</b>	<b>229,142</b>	<b>311,852</b>
<b>2.3</b>	<b>Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4</b>	<b>Other Financial Assets Measured at Amortised Cost</b>	<b>6</b>	<b>114,019</b>	<b>2,163,844</b>	<b>2,277,863</b>	<b>7,794</b>	<b>1,191,175</b>	<b>1,198,969</b>
2.4.1	Government Securities		69,669	1,423,414	1,493,083	7,794	758,375	766,169
2.4.2	Other Financial Assets		44,350	740,430	784,780	-	432,800	432,800
<b>2.5</b>	<b>Expected Credit Loss (-)</b>		<b>14,976</b>	<b>2,066</b>	<b>17,042</b>	<b>17,913</b>	<b>3,911</b>	<b>21,824</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>16</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>1,210</b>	<b>-</b>	<b>1,210</b>
3.1	Held for Sale Purpose		1,000	-	1,000	1,210	-	1,210
3.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1</b>	<b>Associations (Net)</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>4.3</b>	<b>JOINT VENTURES (Net)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>12</b>	<b>217,794</b>	<b>-</b>	<b>217,794</b>	<b>153,449</b>	<b>-</b>	<b>153,449</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>13</b>	<b>4,275</b>	<b>-</b>	<b>4,275</b>	<b>4,157</b>	<b>-</b>	<b>4,157</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		4,275	-	4,275	4,157	-	4,157
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>15</b>	<b>8,732</b>	<b>-</b>	<b>8,732</b>	<b>339</b>	<b>-</b>	<b>339</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>17</b>	<b>29,244</b>	<b>31,755</b>	<b>60,999</b>	<b>21,019</b>	<b>14,713</b>	<b>35,732</b>
	<b>TOTAL ASSETS</b>		<b>1,566,859</b>	<b>8,638,442</b>	<b>10,205,301</b>	<b>1,281,480</b>	<b>4,579,856</b>	<b>5,861,336</b>



**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AT 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

LIABILITIES		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31.12.2021			31.12.2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	1	65,339	3,878,999	3,944,338	35,489	2,819,011	2,854,500
II.	FUNDS BORROWED	3	-	4,706,436	4,706,436	4,916	1,703,442	1,708,358
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		-	-	-	-	-	-
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 LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES (Net)	5	1,683	350	2,033	2,253	415	2,668
X.	PROVISIONS	7	79,422	6,940	86,362	61,237	1,145	62,382
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reserve for Employee Benefits		37,464	-	37,464	26,214	-	26,214
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		41,958	6,940	48,898	35,023	1,145	36,168
XI.	CURRENT TAX LIABILITY	8	25,811	-	25,811	12,869	-	12,869
XII.	DEFERRED TAX LIABILITY		-	-	-	1,214	-	1,214
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	27,287	51,546	78,833	17,016	25,347	42,363
XVI.	SHAREHOLDERS' EQUITY	9	1,394,458	(32,970)	1,361,488	1,167,955	9,027	1,176,982
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		152,960	-	152,960	99,383	-	99,383
16.4	Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		9,494	(32,970)	(23,476)	(425)	9,027	8,602
16.5	Profit Reserves		49,790	-	49,790	44,174	-	44,174
16.5.1	Legal Reserves		49,789	-	49,789	44,173	-	44,173
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		1	-	1	1	-	1
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or (Loss)		742,214	-	742,214	584,823	-	584,823
16.6.1	Prior Periods' Profit or (Loss)		579,207	-	579,207	484,042	-	484,042
16.6.2	Current Period Profit or (Loss)		163,007	-	163,007	100,781	-	100,781
16.7	Minority shares		-	-	-	-	-	-
	<b>TOTAL LIABILITIES</b>		<b>1,594,000</b>	<b>8,611,301</b>	<b>10,205,301</b>	<b>1,302,949</b>	<b>4,558,387</b>	<b>5,861,336</b>

**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS**  
**AT 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31.12.2021			PRIOR PERIOD 31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>44,850</b>	<b>6,424,624</b>	<b>6,469,474</b>	<b>91,333</b>	<b>4,316,844</b>	<b>4,408,177</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>23,324</b>	<b>6,368,835</b>	<b>6,392,159</b>	<b>77,167</b>	<b>4,264,349</b>	<b>4,341,516</b>
1.1.	Letters of Guarantee	23,324	5,213,057	5,236,381	77,167	3,695,760	3,772,927
1.1.1.	Guarantees Subject to State Tender Law	7,179	-	7,179	7,329	-	7,329
1.1.2.	Guarantees Given for Foreign Trade Operations	3,408	5,207,937	5,211,345	15	3,691,483	3,691,498
1.1.3.	Other Letters of Guarantee	12,737	5,120	17,857	69,823	4,277	74,100
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	697,625	697,625	-	304,478	304,478
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	697,625	697,625	-	304,478	304,478
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	-	458,153	458,153	-	264,111	264,111
1.9.	Other Collaterals	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>21,526</b>	<b>55,789</b>	<b>77,315</b>	<b>14,166</b>	<b>52,495</b>	<b>66,661</b>
2.1.	Irrevocable Commitments	386	2,141	2,527	1,771	15,782	17,553
2.1.1.	Asset Purchase and Sale Commitments	-	-	-	-	10,820	10,820
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	1,500	-	1,500
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	386	-	386	271	-	271
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	-	2,141	2,141	-	4,962	4,962
2.2.	Revocable Commitments	21,140	53,648	74,788	12,395	36,713	49,108
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	21,140	53,648	74,788	12,395	36,713	49,108
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>1,516,365</b>	<b>8,545,224</b>	<b>10,061,589</b>	<b>1,262,049</b>	<b>5,476,534</b>	<b>6,738,583</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>596</b>	<b>-</b>	<b>596</b>	<b>1,846</b>	<b>-</b>	<b>1,846</b>
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	596	-	596	1,846	-	1,846
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>1,515,769</b>	<b>8,545,224</b>	<b>10,060,993</b>	<b>1,260,203</b>	<b>5,476,534</b>	<b>6,736,737</b>
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	57,199	298,849	356,048	58,012	165,162	223,174
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	14,394	322,562	336,956	17,824	182,044	199,868
5.6.	Other Pledged Items	1,444,176	7,923,813	9,367,989	1,184,367	5,129,328	6,313,695
5.7.	Pledged Items-Depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>	<b>1,561,215</b>	<b>14,969,848</b>	<b>16,531,063</b>	<b>1,353,382</b>	<b>9,793,378</b>	<b>11,146,760</b>

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

**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2021-31/12/2021)	(01/01/2020-31/12/2020)
<b>I. INTEREST INCOME</b>	<b>1</b>	<b>432,044</b>	<b>292,894</b>
1.1 Interest on Loans		168,327	119,341
1.2 Interest on Reserve Requirements		497	5
1.3 Interest on Banks		14,703	10,511
1.4 Interest on Money Market Transactions		65,558	46,735
1.5 Interest on Marketable Securities Portfolio		147,409	86,938
1.5.1 Fair Value Through Profit or Loss		716	7,401
1.5.2 Fair Value Through Other Comprehensive Income		56,893	35,706
1.5.3 Measured at Amortised Cost		89,800	43,831
1.6 Financial Lease Income		35,028	29,358
1.7 Other Interest Income		522	6
<b>II. INTEREST EXPENSE (-)</b>	<b>2</b>	<b>64,705</b>	<b>46,401</b>
2.1 Interest on Deposits		16,091	12,408
2.2 Interest on Funds Borrowed		48,292	30,403
2.3 Interest Expense on Money Market Transactions		-	-
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		-	518
2.6 Other Interest Expenses		322	3,072
<b>III. NET INTEREST INCOME (I - II)</b>		<b>367,339</b>	<b>246,493</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>69,848</b>	<b>54,852</b>
4.1 Fees and Commissions Received		74,138	58,718
4.1.1 Non-cash Loans		18,903	18,965
4.1.2 Other		55,235	39,753
4.2 Fees and Commissions Paid		4,290	3,866
4.2.1 Non-cash Loans		10	6
4.2.2 Other		4,280	3,860
<b>V. DIVIDEND INCOME</b>	<b>3</b>	<b>41</b>	<b>33</b>
<b>VI. TRADING INCOME /(LOSS) (Net)</b>	<b>4</b>	<b>11,109</b>	<b>5,667</b>
6.1 Trading Gains / (Losses) on Securities		-	(162)
6.2 Gains / (Losses) on Derivative Financial Transactions		(45)	(42)
6.3 Foreign Exchange Gains / (Losses)		11,154	5,871
<b>VII. OTHER OPERATING INCOME</b>	<b>5</b>	<b>8,833</b>	<b>13,669</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>457,170</b>	<b>320,714</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>6</b>	<b>11,039</b>	<b>3,909</b>
<b>X. OTHER PROVISION EXPENSE (-)</b>	<b>7</b>	<b>21,959</b>	<b>16,319</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>135,693</b>	<b>117,451</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>8</b>	<b>72,307</b>	<b>51,961</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>216,172</b>	<b>131,074</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		-	-
<b>XV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		-	-
<b>XVI. INCOME/(LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>9</b>	<b>216,172</b>	<b>131,074</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>10</b>	<b>(53,165)</b>	<b>(30,293)</b>
18.1 Current Tax Provision		(59,657)	(31,940)
18.2 Deferred Tax Income Effect (+)		12,097	11,874
18.3 Deferred Tax Expense Effect (-)		18,589	13,521
<b>XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>11</b>	<b>163,007</b>	<b>100,781</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</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>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</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>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		-	-
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
<b>XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		-	-
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>12</b>	<b>163,007</b>	<b>100,781</b>
25.1 Group Profit (Loss)		163,007	100,781
25.2 Minority shares Profit (Loss)		-	-
Earning/(Loss) per share (in TL full)		0.0037	0.0023

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

ARAP TÜRK BANKASI A.Ş.		
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021		
(Thousands of Turkish Lira ("TL"))		
	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD	PRIOR PERIOD
	(01/01/2021-31/12/2021)	(01/01/2020-31/12/2020)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>163,007</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>3,254</b>
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(281)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(353)
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	72
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>3,535</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	4,280
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	(745)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>104,035</b>

**ARAP TÜRK BANKASI A.Ş.**

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	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	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)	Exchange Differences on Translation	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)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
<b>PRIOR PERIOD</b>																
31.12.2020																
<b>I. Balance at the beginning of the period</b>	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
<b>II. Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. New balance (I+II)</b>	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	-	(281)	-	-	3,535	-	-	-	100,781	104,035	-	104,035
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances (III+IV+.....+X+XI)</b>	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
<b>CURRENT PERIOD</b>																
31.12.2021																
<b>I. Balance at the beginning of the period</b>	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
<b>II. Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. New balance (I+II)</b>	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	55,787	(2,210)	-	-	(32,078)	-	-	-	163,007	184,506	-	184,506
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances (III+IV+.....+X+XI)</b>	440,000	-	-	-	160,466	(7,506)	-	-	(23,476)	-	49,790	579,207	163,007	1,361,488	-	1,361,488



**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AT 31 DECEMBER 2021**

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2021-31/12/2021)	PRIOR PERIOD (01/01/2020-31/12/2020)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>263,722</b>	<b>(899,494)</b>
1.1.1 Interest Received		413,602	280,940
1.1.2 Interest Paid		(84,135)	(46,621)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		74,138	58,718
1.1.5 Other Income		25,737	20,214
1.1.6 Collections from Previously Written-off Loans and Other Receivables		8,693	12,353
1.1.7 Payments to Personnel and Service Suppliers		(169,726)	(145,649)
1.1.8 Taxes Paid		(50,111)	(29,222)
1.1.9 Other	1	45,524	(1,050,227)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(51,721)</b>	<b>522,605</b>
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(19,186)	(45,879)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		(377,310)	759,338
1.2.4 Net (increase) / decrease in other assets		(24,841)	(10,855)
1.2.5 Net increase / (decrease) in bank deposits	1	(934,204)	(162,231)
1.2.6 Net increase / (decrease) in other deposits		32,251	(145,274)
1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		1,686,105	273,211
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	1	(414,536)	(145,705)
<b>I. Net Cash Provided from Banking Operations</b>		<b>212,001</b>	<b>(376,889)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>II. Net Cash Provided from Investing Activities</b>		<b>(68,277)</b>	<b>(694,319)</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		(9,868)	(10,049)
2.4 Disposals of property and equipment		1	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(714,293)	(327,736)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		808,121	117,899
2.7 Purchase of Financial Assets Measured at Amortised Cost		(952,398)	(748,875)
2.8 Sale of Financial Assets Measured at Amortised Cost		802,882	277,162
2.9 Other		(2,722)	(2,720)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>-</b>	<b>-</b>
<b>III. Net Cash Provided from Financing Activities</b>		<b>(1,068)</b>	<b>(518)</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		-	-
3.5 Payments for Finance Leases		(1,068)	(518)
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	1	<b>962,178</b>	<b>300,335</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>	1	<b>1,104,834</b>	<b>(771,391)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>	1	<b>1,251,804</b>	<b>2,023,195</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>	1	<b>2,356,638</b>	<b>1,251,804</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 YEAR ENDED AT 31 DECEMBER 2021**

(Thousands of Turkish Lira)

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD <sup>(2)</sup>
		31.12.2021	31.12.2020
<b>I.</b>	<b>DISTRIBUTION OF CURRENT YEAR INCOME <sup>(1)</sup></b>		
1.1	CURRENT YEAR INCOME	208,678	123,327
1.2	TAXES AND DUTIES PAYABLE	(48,342)	(26,752)
1.2.1	Corporate Tax (Income tax)	(55,151)	(27,948)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	6,809	1,196
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>160,336</b>	<b>96,575</b>
1.3	PRIOR YEARS LOSSES (-) <sup>(1)</sup>	-	-
1.4	FIRST LEGAL RESERVES (-)	-	4,829
1.5	OTHER STATUTORY RESERVES (-)	-	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]</b>	<b>160,336</b>	<b>91,746</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	0.0036	0.0022
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.36	0.22
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 ( % )	-	-

<sup>(1)</sup> Profit Distribution Table is prepared according to the unconsolidated financial statements of the Parent Bank.

<sup>(2)</sup> 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 2020

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS FOR BASIS OF PRESENTATION**

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 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 consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, 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.

According to the announcement made by Public Oversight Accounting and Auditing Standards Authority on 20 January 2022, due to the fact that cumulative change in the general purchasing power of the last 3 years was 74.41%; it has been stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. Therefore, no inflation adjustment has been applied on the financial statements dated 31 December 2021 in accordance with TAS 29.

Consolidated financial statements other than property, financial assets and liabilities that are presented with fair values, are prepared 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.

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2021 have no material effect on the financial statements, financial performance and on the Parent Bank’s accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Bank’s accounting policies.

The Indicator Interest Rates Reform, reference interest rates conversion will be effective from the beginning of 2021 and with the regulations published in September 2019 and December 2020 regarding the implementation of the reform, early implementation of the changes is allowed, while temporary exemption from practices related to the determination of cash flows of hedge accounting and termination of transactions has been granted. The impact of the changes on the Bank’s financials is being evaluated and the Bank continues to study within the scope of compliance with these changes.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS FOR BASIS OF PRESENTATION (Continued)**

**Other**

A new type of coronavirus (Covid-19) first emerging in China, has been classified as an pandemic among countries where the World Health Organization was global on 11 March 2020. The Covid-19 pandemic and the measures taken against it have impacts on economic conditions, sectors, businesses, consumers, as well as asset and commodity prices, liquidity, exchange rates, interest rates, money and capital markets and many other issues and remain uncertain about the future. These effects are regularly monitored by the Parent Bank's equity management and capital adequacy, credit quality, credit risk, operational risk, currency risk, interest rate risk, liquidity risk, stock position risk under bank account values, and the Parent Bank's Management.

**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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The accompanying consolidated financial statements are prepared in accordance with “Communiqué on Preparation of Consolidated Financial Statements” which is published in the Official Gazette No. 26340 dated November 8, 2006. The Parent Bank directly owns the shares of A&T Finansal Kiralama A.Ş. and this subsidiary is consolidated accordingly. As of current period, the Parent Bank has no associates.

A&T Finansal Kiralama Anonim Şirketi, was founded in 1997 with the aim to provide financial leasing services.

The Parent Bank and its subsidiary A&T Finansal Kiralama A.Ş that is included in consolidation are together referred to as “Group” in the disclosures and footnotes related to the consolidated financial statements.

“Full Consolidation” method has been applied in consolidating the financial statements of the Parent Bank with the financial statements of its subsidiary. In accordance with this method, the financial statements of the Parent Bank and its subsidiary are combined on a line-by-line basis by adding together the all items of assets, liabilities, income, expenses and off-balance sheet items, in preparing consolidated financial statements. Minority interests are presented separately in the consolidated balance sheet and consolidated statement of income.

**The major principles applied in the consolidation of subsidiaries**

The carrying amount of the Parent Bank’s net investment in the subsidiary and the Parent Bank’s portion of equity of the subsidiary are eliminated.

All intercompany transactions and intercompany balances between the consolidated subsidiary and the Parent Bank are eliminated.

The financial statements which have been used in the consolidation are prepared as current period and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in similar circumstances.



**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 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.

**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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the group if the Bank is a legal party to these instruments.

Group categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the related business model used for management of the financial assets at initial recognition.

**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 or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**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 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which TFRS 3 applies.

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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**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. Fees paid for the assets received as collateral against loans, transaction costs and other costs such as transaction costs, it is a part of and charged to the customer.

The Parent 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**

Group recognizes an Impairment for financial assets measured at amortized cost and at fair value through other comprehensive income.

As of 1 January 2018, 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. 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. 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 credit 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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**e. Impairment (Continued)**

*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.

- 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) To have a past due more than 90 days. (150 days for the financial leasing receivables)
- 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) Other neutral criteria deemed appropriate by management

*Significant increase in credit risk definition*

Loans 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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**e. Impairment (Continued)**

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.

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.

The Parent Bank's loans have been evaluated and classified as of 30 December 2021 in line with the Regulation on the Classification of Loans and the Procedures and Principles Regarding Provisions to be Reserved for them and taking into account the effects of Covid-19; accordingly, a provision has been set aside.

The Bank uses a statistical model with credit risk parameters in accordance with the relevant legislation and accounting standards in the calculation of expected credit losses. Expected credit losses are measured using reasonable and supportable information and including macroeconomic variables, taking into account macroeconomic projections for the future as well as historical information. Within the scope of the macroeconomic model, it is used in the final estimation studies obtained by weighting three scenarios as base, optimistic and negative. The changes in Gross Domestic Product (GDP) are used as the main macroeconomic independent variable used in these estimates. Credit risk parameters used in the calculation of expected credit losses are reviewed and evaluated at least once a year within the framework of model validation processes. The macroeconomic forecasts used in risk parameter models and the historical default data of portfolios are re-evaluated in each quarter in order to reflect the changes in the economic conjuncture and updated as needed.

The Bank has possibilities in accordance with the BRSA Decisions on Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside numbered 8948 dated 17 March 2020, numbered 8970 dated 27 March 2020, numbered 9312 dated 8 December 2020 and numbered 9624 dated 17 June 2020 and numbered 9795 dated 16 September 2021 starting from 17 March 2020 , due to the disruptions in economic and commercial activities as a result of the Covid-19 pandemic;

As of 31 December 2021, the Group does not have any loans in the framework of the above circular.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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 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.



**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**

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.

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 Group’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.

**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****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 Parent 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.

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 (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 Group 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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON LEASING ACTIVITIES**

*Finance leasing activities as the lessee*

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in the Group’s assets and liabilities, respectively. 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.

*Finance leasing activities as the lessor*

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

*Operational leases*

Based on TFRS 16, at the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the alternative borrowing interest rate. After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease. Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset. The lease liability is remeasured by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset.

The carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

**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 Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group 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 2021 is TL 8,248.51 (full TL) (31 December 2020: TL 7,117.17 (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 Group reserved for employee severance indemnities in the accompanying consolidated 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 Group 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 consolidated financial statements.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. INFORMATION ON TAX APPLICATIONS**

**Corporate tax**

In Turkey, as per the regulation of Law numbered 7316 on "The Amendments of Certain Taxes and Laws and Other Acts" published in the official gazette numbered 31462 with the Article 11 of the Law, Corporate Tax Law No. 5520 Provisional and Article 13 added to the Corporate Tax Law No. The tax rate will be applied as 25% for the corporate earnings for the 2021 taxation period, 23% for the corporate earnings for the 2022 taxation period, and 20% for the corporate earnings for the 2023 taxation period.

In Turkey, as of 31 December 2021 corporate income is subject to corporate tax at 25%. 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 has been changed to 10% from 15% as per the Presidential decision published in the Official Gazette no.31697 dated 22 December 2021

In applying the withholding tax rates on dividend payments to the 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 5 December 2017 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.

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 due to 5 December 2017, 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.

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 profit or loss, 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.

**XVII. ADDITIONAL INFORMATION ON BORROWINGS**

The Group 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 Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

**XVIII. INFORMATION ON SHARE ISSUANCES**

The Group 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**

None.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

**XXII. INFORMATION ON SEGMENT REPORTING**

Operating segment is the unit that operates in only one product or service of the Parent 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 VIII 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”.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP**

**I. INFORMATION ON SHAREHOLDER’S EQUITY (Current Period)**

**Informations about Total Capital**

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,361,488	
Share issue premiums	440,000	
Reserves	-	
Reserves	49,790	
Gains recognized in equity as per TAS	129,484	
Profit	742,214	
Current Period Profit	163,007	
Prior Period Profit	579,207	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ shares	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,361,488</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>4,394</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	119	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,275	4,275
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>4,394</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,357,094</b>	



**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR**

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

**I. INFORMATION ON SHAREHOLDER’S EQUITY (Current Period) (Continued)**

**Informations about Total Capital (Continued)**

	Amount (Current Period)	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)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<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 Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated 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 be 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>	1,357,094	
<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)	39,557	
<b>Tier II Capital Before Deductions</b>	39,557	
<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>	39,557	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	1,396,651	
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	1,396,651	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### SECTION FOUR

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

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

##### Informations about Total Capital (Continued)

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period</b>		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
<b>TOTAL CAPITAL</b>	<b>1,396,651</b>	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,396,651	
Total risk weighted amounts	5,797,323	
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	23.99	
Consolidated Tier I Capital Adequacy Ratio (%)	23.99	
Consolidated Capital Adequacy Ratio (%) <sup>(*)</sup>	24.67	
<b>BUFFERS</b>		
Total buffer requirement	2.676	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.176	
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	19.48	
<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 consolidated 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 consolidated 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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>	<b>39,557</b>	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	39,557	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 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> Amounts to be taken into account within the scope of transitional provisions

<sup>(2)</sup> As of 31 December 2021 in accordance with BRSA's decision dated 8 December 2020 and numbered 9312 and dated 16 September 2021 and numbered 9795, presumption of not being taken into account in the equity amount to be used for the capital adequacy ratio due to the negative net valuation differences of the securities held as of the decision date in the "Securities at Fair Value Through Other Comprehensive Income" portfolio the amount subject to credit risk in capital adequacy calculations calculated by taking into account the simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the calculation date. The capital adequacy ratio calculated without taking the aforementioned decision into account is 16.03%.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR**

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

**I. INFORMATION ON SHAREHOLDER’S EQUITY (Prior Period)**

**Informations about Total Capital**

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,176,982	
Share issue premiums	440,000	
Reserves	-	
Reserves	44,174	
Gains recognized in equity as per TAS	107,985	
Profit	584,823	
Current Period Profit	100,781	
Prior Period Profit	484,042	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ shares	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,176,982</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>4,304</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	147	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,157	4,157
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>4,304</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>1,172,678</b>	

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR**

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

**I. INFORMATION ON SHAREHOLDER’S EQUITY (Prior Period) (Continued)**

**Informations about Total Capital (Continued)**

	Amount (Prior Period)	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)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<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 Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated 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 be 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>1,172,678</b>	
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>		
<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)	36,000	
<b>Tier II Capital Before Deductions</b>	<b>36,000</b>	
<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>	<b>36,000</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,208,678</b>	
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>		
<b>Total Capital</b>	<b>1,208,278</b>	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR**

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

**I. INFORMATION ON SHAREHOLDER’S EQUITY (Prior Period) (Continued)**

**Informations about Total Capital (Continued)**

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period</b>	-	
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
<b>TOTAL CAPITAL</b>	<b>1,208,678</b>	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,678	
Total risk weighted amounts	4,519,775	
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	25.95	
Consolidated Tier I Capital Adequacy Ratio (%)	25.95	
Consolidated Capital Adequacy Ratio (%)	26.74	
<b>BUFFERS</b>		
Total buffer requirement	2.632	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.132	
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	21.45	
<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 consolidated 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 consolidated 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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,000	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	<b>36,000</b>	
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 1 January 2018 and 1 January 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.

## SECTION FOUR

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

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

**The Parent 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 Parent Bank has procedures and reports under the name of internal capital assessment process. In order to assess the capital adequacy of the current year, the Bank analyse the legal ratios and budget expectations to qualitate 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.

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

	Balance sheet value	Amount of adjustment	Value at capital 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	152,960	-	152,960
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(23,476)	-	(23,476)
Profit Reserves	49,790	-	49,790
Profit or Loss	742,214	-	742,214
Prior Periods’ Profit/Loss	579,207	-	579,207
Current Period Net Profit/Loss	163,007	-	163,007
Deductions from Common Equity TierI Capital <sup>(1)</sup>	-	4,394	(4,394)
<b>Common Equity Tier 1 capital</b>			1,357,094
Tier 1 capital			1,357,094
Provisions	-	(39,557)	39,557
<b>Tier 2 capital <sup>(2)</sup></b>		(39,557)	39,557
Shareholders’s Equity Adjustments <sup>(3)</sup>	-	-	-
<b>Total Shareholders’s Equity</b>	<b>1,361,488</b>	<b>(35,163)</b>	<b>1,396,651</b>

<sup>(1)</sup> The regulations cover Common Equity Tier 1 capital adjustments within the framework of paragraphs 9-1-b and c.

<sup>(2)</sup> The regulations cover general loan provisions included in Tier 2 capital within the framework of paragraphs 8-1-a.

<sup>(3)</sup> The regulations cover Shareholders’s Equity adjustments within the framework of paragraphs 9-8-ç.

**SECTION FOUR**

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

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

**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 GROUP (Continued)

## II. INFORMATION ON CREDIT RISK (Continued)

**For Credit Risk Analysis;**

The system performs ratings for all loan customers after the completion of financial data entries, which are the basis for qualitative and quantitative measurement, and answering subjective questions. The grade scale has a wide range of 22 levels, from minimum "D" to maximum "AAA +".

The table below shows the distribution of corporate and commercial loans grades in respect of weight as of 31 December 2021:

Grade <sup>(1),(2)</sup>	Description	Current Period	Prior Period
		Weight	
AA+	Maximum Reliability and Qualified	-	1%
AA	Maximum Reliability	4%	2%
AA-	Maximum Reliability	12%	10%
A+	Very Good Firm	12%	11%
A	Very Good Firm	9%	17%
A-	Very Good Firm	20%	15%
BBB+	Reliable and Qualified	16%	13%
BBB	Reliable and Qualified	12%	13%
BBB-	Reliable and Qualified	9%	11%
BB+	Low Reliably and risky	4%	9%
BB	Low Reliably and risky	1%	2%
BB-	Low Reliably and risky	1%	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.



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**SECTION FOUR**

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

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

*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	1,518,184	1,515,244	1,603,049	1,636,620	1,700,042	1,728,919	1,728,596	1,767,694	1,816,589	1,909,198	1,953,280	2,142,004	1,751,618
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	3,178,655	3,489,780	3,421,925	3,956,481	4,094,829	3,867,538	3,906,632	4,002,688	3,710,731	3,601,193	3,721,577	3,942,035	3,741,172
Contingent and Non-Contingent Corporate Receivables	1,915,049	1,936,370	1,775,133	1,804,266	1,884,715	1,996,879	1,984,210	2,040,715	2,068,791	1,968,319	2,029,575	2,121,331	1,960,446
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Property	23,600	23,700	23,700	23,700	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	8,692
Past Due Loans	1,486	3,361	2,221	1,946	694	727	990	291	278	1,257	124	166	1,128
Higher-Risk Receivables Defined by BRSA	467,727	728,157	761,439	622,453	541,820	322,507	478,396	291,619	593,678	382,981	652,559	434,046	523,115
Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	227,882	239,602	249,943	230,705	235,168	240,310	237,660	242,374	257,611	249,936	278,767	342,743	252,725
<b>Total exposure to risks</b>	<b>7,332,583</b>	<b>7,936,214</b>	<b>7,837,410</b>	<b>8,276,171</b>	<b>8,458,468</b>	<b>8,158,080</b>	<b>8,337,684</b>	<b>8,346,581</b>	<b>8,448,878</b>	<b>8,114,084</b>	<b>8,637,082</b>	<b>8,983,525</b>	<b>8,238,896</b>

**SECTION FOUR**

**II. 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 Parent 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.

**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 Parent Bank has no 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 Parent 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.

**SECTION FOUR**

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

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

**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 Parent 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 99.97% and 100% of the total non-cash loans portfolio of the Parent 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 Parent Bank’s total cash and non-cash loans from its top 100 and 200 loan customers comprise 88.86% and 89.56% of the total assets and off-balance sheet items.

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

The first and second stage provision amount provided by the Group for Stage 1 and Stage 2 credit risk is TL 7,862 (31 December 2020: TL 9,090).

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**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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	2,142,004	3,618,843	2,120,439	1,200	166	11,395	342,743	8,236,790
European Union Countries	-	55,255	-	-	-	-	-	55,255
OECD Countries <sup>(2)</sup>	-	12,667	-	-	-	-	-	12,667
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	17,656	-	-	-	-	-	17,656
Other Countries	-	237,614	892	-	-	422,651	-	661,157
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,142,004</b>	<b>3,942,035</b>	<b>2,121,331</b>	<b>1,200</b>	<b>166</b>	<b>434,046</b>	<b>342,743</b>	<b>8,983,525</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	1,423,917	2,795,410	1,822,928	23,600	1,635	9,150	226,689	6,303,329
European Union Countries	-	51,954	-	-	-	-	-	51,954
OECD Countries <sup>(2)</sup>	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	11,096	-	-	-	-	-	11,096
Other Countries	-	132,167	16	-	-	240,726	-	372,909
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(3)</sup>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,423,917</b>	<b>2,990,627</b>	<b>1,822,944</b>	<b>23,600</b>	<b>1,635</b>	<b>249,876</b>	<b>226,689</b>	<b>6,739,288</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.**

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**SECTION FOUR**

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

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

**9. Risk profile according to sectors and counterparties <sup>(1)</sup>**

	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Receivables Secured by Residential Property	Past due loans	Higher-Risk Receivables Defined by BRSA	Other Receivables	TL	FC	Total
<b>Agricultural</b>	-	-	108,087	-	19	-	-	58,458	49,648	108,106
Farming and Stockbreeding	-	-	93,302	-	19	-	-	53,126	40,195	93,321
Forestry	-	-	14,785	-	-	-	-	5,332	9,453	14,785
Fishing	-	-	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	788,707	-	147	-	-	355,666	433,188	788,854
Mining	-	-	24,120	-	-	-	-	24,120	-	24,120
Production	-	-	764,587	-	147	-	-	331,546	433,188	764,734
Electric, gas and water	-	-	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	966,333	1,200	-	9,960	-	103,322	874,171	977,493
<b>Services</b>	2,142,004	3,942,035	257,113	-	-	422,653	-	585,547	6,178,258	6,763,805
Wholesale and retail trade	-	-	69,174	-	-	-	-	39,513	29,661	69,174
Hotel, food and beverage services	-	-	33	-	-	-	-	4	29	33
Transportation and telecommunication	-	-	4,613	-	-	-	-	2,126	2,487	4,613
Financial institutions	2,142,004	3,942,035	-	-	-	422,653	-	448,138	6,058,554	6,506,692
Real estate and Leasing services	-	-	120,413	-	-	-	-	34,226	86,187	120,413
“Self-employment” type Services	-	-	-	-	-	-	-	-	-	-
Education services	-	-	611	-	-	-	-	-	611	611
Health and social services	-	-	62,269	-	-	-	-	61,540	729	62,269
<b>Other</b>	-	-	1,092	-	-	1,433	342,743	282,350	62,918	345,268
<b>Total</b>	<b>2,142,004</b>	<b>3,942,035</b>	<b>2,121,332</b>	<b>1,200</b>	<b>166</b>	<b>434,046</b>	<b>342,743</b>	<b>1,385,343</b>	<b>7,598,183</b>	<b>8,983,526</b>

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

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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	-	33,312	8,086	49,855	956,296
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	1,594,923	512,852	553,332	561,080	656,485
Contingent and Non-Contingent Corporate Receivables	418,809	309,938	305,926	548,085	542,759
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	1,200	-	-
Past Due Loans	-	-	-	-	-
Higher-Risk Receivables Defined by BRSA	81,230	269,842	41,864	825	-
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>2,094,962</b>	<b>1,125,944</b>	<b>910,408</b>	<b>1,159,845</b>	<b>2,155,540</b>

<sup>(1)</sup> Items that cannot be distributed are not included.<sup>(2)</sup> 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 Group 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.

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**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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

*RisRisk 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%	2,182,779	2,182,779
10%	-	-
20%	1,430,032	1,176,154
35%	-	-
50%	2,505,633	2,505,633
75%	-	-
100%	2,685,194	2,685,194
150%	434,046	434,046
200%	-	-
1250%	-	-
Deductible form Equity	4,395	4,395

**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	Loans		Provisions
	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Loss (TFRS 9)
<b>Agricultural</b>	11,298	215	215
Farming and Stockbreeding	11,298	215	215
Forestry	-	-	-
Fishing	-	-	-
<b>Manufacturing</b>	47,435	1,768	1,768
Mining	-	-	-
Production	47,435	1,768	1,768
Electric, gas and water	-	-	-
<b>Construction</b>	539	2,238	2,238
<b>Services</b>	42,925	7	7
Wholesale and retail trade	1,557	-	-
Hotel, food and beverage services	-	-	-
Transportation and telecommunication	-	-	-
Financial institutions	-	-	-
Real estate and Leasing services	41,368	7	7
“Self-employment” type Services	-	-	-
Education services	-	-	-
Health and social services	-	-	-
<b>Other</b>	-	-	-

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**SECTION FOUR**

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

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

**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>	6,627	164	2,729	-	4,062
<b>Stage 1 &amp; 2 provisions</b>	11,936	6,395	8,460	-	9,871

<sup>(1)</sup> Includes loans written off.

**14. Other information on credit risk**

**Sectoral concentrations for cash loans**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	<b>53,065</b>	<b>7.24</b>	-	-	<b>53,135</b>	<b>9.33</b>	-	-
Farming and stockbreeding	53,065	7.24	-	-	53,135	9.33	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>236,590</b>	<b>32.28</b>	<b>93,150</b>	<b>4.83</b>	<b>66,483</b>	<b>11.67</b>	<b>48,466</b>	<b>4.2</b>
Mining	23,761	3.24	-	-	7,844	1.38	-	-
Production	212,829	29.04	93,150	4.83	58,639	10.3	48,466	4.2
Electric, gas and water	-	-	-	-	-	-	-	-
<b>Construction</b>	<b>89,060</b>	<b>12.15</b>	<b>621,972</b>	<b>32.24</b>	<b>158,925</b>	<b>27.9</b>	<b>399,286</b>	<b>34.57</b>
<b>Services</b>	<b>351,899</b>	<b>48.02</b>	<b>1,197,630</b>	<b>62.09</b>	<b>289,456</b>	<b>50.82</b>	<b>695,790</b>	<b>60.24</b>
Wholesale and retail trade	23,083	3.15	10,557	0.55	20,080	3.53	-	-
Hotel, food and beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	1,255	0.17	-	-	1,255	0.22	-	-
Financial institutions	266,021	36.30	1,084,849	56.24	261,117	45.84	597,060	51.69
Real estate and Leasing Services	-	-	102,224	5.30	-	-	98,730	8.55
“Self-employment” type Services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	61,540	8.40	-	-	7,004	1.23	-	-
<b>Other</b>	<b>2,218</b>	<b>0.30</b>	<b>16,253</b>	<b>0.84</b>	<b>1,574</b>	<b>0.28</b>	<b>11,466</b>	<b>0.99</b>
<b>Total</b>	<b>732,832</b>	<b>100.00</b>	<b>1,929,005</b>	<b>100.00</b>	<b>569,573</b>	<b>100.00</b>	<b>1,155,008</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	215	122
Manufacturing	1,768	3,093
Construction	2,238	5,040
Financial institutions	-	-
Hotel and Restaurant Services	-	-
Wholesale and retail trade	7	7
<b>Total impaired loans and receivables</b>	<b>4,228</b>	<b>8,262</b>

<b>Regional</b>	<b>Current Period</b>	<b>Prior Period</b>
Turkey	4,228	8,262
<b>Total impaired loans and receivables</b>	<b>4,228</b>	<b>8,262</b>

**Past due but not impaired loans and receivables**

None. (31 December 2020:None).



**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****III. INFORMATION ON CONSOLIDATED FOREIGN CURRENCY EXCHANGE RATE RISK**

**Whether the Group 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 Group complies with net general position-shareholder’s equity limits. The Group 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 Parent 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 Parent 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 Group 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 Parent Bank, are as follows**

<b>Date</b>	<b>US Dollars</b>	<b>Euro</b>
24 December 2021	11.4508	12.9683
27 December 2021	11.7278	13.2926
28 December 2021	11.3900	12.8903
29 December 2021	11.8302	13.4000
30 December 2021	12.2219	13.8011
31 December 2021	13.3290	15.0867

**The basic arithmetical average of the Parent 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 2021 is TL 13,5268 for USD, TL 15,2930 for EURO.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****III. INFORMATION ON CONSOLIDATED FOREIGN CURRENCY EXCHANGE RATE RISK (Continued)****Information on Currency Risk of the Group**

<b>Current Period</b>	<b>Euro</b>	<b>USD</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	857,109	800,928	213	1,658,250
Banks	493,688	829,214	22,490	1,345,392
Financial Assets Measured at Fair Value through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	298,177	854,619	-	1,152,796
Loans	1,181,641	747,364	-	1,929,005
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	1,123,134	1,040,710	-	2,163,844
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(2)</sup>	357,827	31,328	-	389,155
<b>Total Assets</b>	<b>4,311,576</b>	<b>4,304,163</b>	<b>22,703</b>	<b>8,638,442</b>
<b>Liabilities</b>				
Bank Deposits	1,045,516	509,436	2,052	1,557,004
Foreign Currency Deposits	1,241,922	1,060,707	19,366	2,321,995
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	1,990,114	2,716,322	-	4,706,436
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	37,927	19,945	964	58,836
<b>Total Liabilities <sup>(1)</sup></b>	<b>4,315,479</b>	<b>4,306,410</b>	<b>22,382</b>	<b>8,644,271</b>
<b>Net Balance Sheet Position</b>	<b>(3,903)</b>	<b>(2,247)</b>	<b>321</b>	<b>(5,829)</b>
<b>Net Off Balance Sheet Position</b>	-	-	-	-
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	-	-	-	-
Non-Cash Loans	2,993,431	2,678,271	697,133	6,368,835
<b>Prior Period</b>				
Total Assets	3,110,262	1,454,685	14,909	4,579,856
Total Liabilities	3,099,861	1,434,892	14,607	4,549,360
Balance Sheet Position, net	10,401	19,793	302	30,496
Off Balance Sheet Position, net	5,405	(5,415)	-	(10)
Financial Derivatives (Assets)	5,405	-	-	5,405
Financial Derivatives (Liabilities)	-	(5,415)	-	(5,415)
Non-cash Loans	1,647,504	1,589,194	1,027,651	4,264,349

(1) 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 32,970.

(2) Includes financial lease receivables.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****III. INFORMATION ON CONSOLIDATED 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 2021 and 31 December 2020 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	
	Profit and Loss Statement	Shareholders’ Equity <sup>(1)</sup>	Profit and Loss Statement	Shareholders’ Equity <sup>(1)</sup>
Euro	390	1,504	(1,581)	(2,091)
US Dollar	225	2,409	(1,438)	(1,831)
Other Currencies	(32)	(32)	(30)	(30)
<b>Total</b>	<b>583</b>	<b>3,881</b>	<b>(3,049)</b>	<b>(3,952)</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	
	Profit and Loss Statement	Shareholders’ Equity <sup>(1)</sup>	Profit and Loss Statement	Shareholders’ Equity <sup>(1)</sup>
Euro	(390)	(1,504)	1,581	2,091
US Dollar	(225)	(2,409)	1,438	1,831
Other Currencies	32	32	30	30
<b>Total</b>	<b>(583)</b>	<b>(3,881)</b>	<b>3,049</b>	<b>3,952</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 GROUP (Continued)**

**IV. INFORMATION ON CONSOLIDATED 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 Parent 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 Parent 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 Parent 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.

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### SECTION FOUR

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

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

**The precautions taken for the interest rate risk the Parent 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 Parent Bank’s financial position the Parent Bank’s Equity structure is able to confront the negative effects of possible fluctuations in the interest rates.

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Varlıklar</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	1,666,336	1,666,336
Banks	1,347,358	48,462	-	-	-	9,781	1,405,601
Financial assets at fair value through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	255,100	-	-	-	-	-	255,100
Financial Assets at Fair Value Through Other Comprehensive Income	69	99,239	213,698	868,828	-	5,571	1,187,405
Loans	1,132,849	545,132	437,840	542,719	-	3,297	2,661,837
Financial Assets Measured at Amortized Cost	11,840	253,658	495,768	1,516,597	-	-	2,277,863
Other Assets <sup>(1)(3)</sup>	18,678	36,896	167,872	242,889	-	284,824	751,159
<b>Total assets</b>	<b>2,765,894</b>	<b>983,387</b>	<b>1,315,178</b>	<b>3,171,033</b>	<b>-</b>	<b>1,969,809</b>	<b>10,205,301</b>
<b>Liabilities</b>							
Bank Deposits	1,262,331	301,854	-	-	-	-	1,564,185
Other Deposits	50,617	36,563	28,501	4,168	-	2,260,304	2,380,153
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	1,218,948	66,709	3,094,280	326,499	-	-	4,706,436
Other liabilities <sup>(2)</sup>	214	526	1,293	-	-	1,552,494	1,554,527
<b>Total liabilities</b>	<b>2,532,110</b>	<b>405,652</b>	<b>3,124,074</b>	<b>330,667</b>	<b>-</b>	<b>3,812,798</b>	<b>10,205,301</b>
Long Position in the Balance Sheet	233,784	577,735	-	2,840,366	-	-	3,651,885
Short Position in the Balance Sheet	-	-	(1,808,896)	-	-	(1,842,989)	(3,651,885)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>233,784</b>	<b>577,735</b>	<b>(1,808,896)</b>	<b>2,840,366</b>	<b>-</b>	<b>(1,842,989)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 284,824 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 217,794, Expected Credit Loss amounting to TL 18,326, Intangible Assets amounting to TL 4,275, deferred tax amounting to TL 8,732, other non-interest bearing amounting to TL 71,349 Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,552,494 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 1,361,488, Provisions amounting to TL 86,362, Current Tax Liability amounting to TL 25,811 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 78,833.

<sup>(3)</sup> Includes financial lease receivables

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

### SECTION FOUR

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

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	833,437	833,437
Banks	489,027	6,227	-	-	-	4,651	499,905
Financial assets at fair value through Profit or Loss	-	5,691	11,033	-	-	-	16,724
Interbank Money Market Placements	374,182	-	-	-	-	-	374,182
Financial Assets at Fair Value Through Other Comprehensive Income	-	98,621	492,404	135,241	-	3,185	729,451
Loans	587,793	85,089	407,050	639,916	-	4,733	1,724,581
Financial Assets Measured at Amortized Cost	415	19,455	289,538	889,561	-	-	1,198,969
Other assets <sup>(1)(3)</sup>	12,754	23,573	101,178	162,694	-	183,888	484,087
<b>Total assets</b>	<b>1,464,171</b>	<b>238,656</b>	<b>1,301,203</b>	<b>1,827,412</b>	<b>-</b>	<b>1,029,894</b>	<b>5,861,336</b>
<b>Liabilities</b>							
Bank Deposits	900,810	90,110	526,267	-	-	-	1,517,187
Other Deposits	37,871	23,819	10,647	103	-	1,264,873	1,337,313
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	497,675	708,012	502,671	-	-	-	1,708,358
Other liabilities <sup>(2)</sup>	206	484	1,059	919	-	1,295,810	1,298,478
<b>Total liabilities</b>	<b>1,436,562</b>	<b>822,425</b>	<b>1,040,644</b>	<b>1,022</b>	<b>-</b>	<b>2,560,683</b>	<b>5,861,336</b>
Long Position in the Balance Sheet	27,609	-	260,559	1,826,390	-	-	2,114,558
Short Position in the Balance Sheet	-	(583,769)	-	-	-	(1,530,789)	(2,114,558)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>27,609</b>	<b>(583,769)</b>	<b>260,559</b>	<b>1,826,390</b>	<b>-</b>	<b>(1,530,789)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 183,888 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 153,449, Expected Credit Loss amounting to TL 22,652, Intangible Assets amounting to TL 4,157, Deferred Tax Assets amounting to 339 TL and other non-interest bearing amounting to TL 47,385 and Assets Held For Sale Purpose amounting to TL 1,210 of other undistributed amounts.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,295,810 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,176,982, Provisions amounting to TL 62,382, Current Tax Liability amounting to TL 12,869, Deferred Tax Liability amounting to TL 1,214 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 42,363.

<sup>(3)</sup> Includes financial lease receivables

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****IV. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)****Average interest rates applied to monetary financial instruments (%)**

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>TL</b>
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	-	-	12.36
Banks	0.15	0.42	22.69
Financial Assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	14.27
Financial Assets at Fair Value Through Other Comprehensive Income	2.90	5.98	9.86
Loans	4.29	2.77	23.54
Financial Assets Measured at Amortized Cost	-	-	17.83
Financial Lease Receivables	6.11	7.59	20.36
<b>Liabilities</b>			
Interbank Deposits	1.04	0.56	-
Other Deposits	0.28	0.50	13.88
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	1.14	2.34	-
<b>Prior Period</b>			
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey.	-	-	7.27
Banks	0.25	0.20	17.31
Financial assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	17.87
Financial Assets at Fair Value Through Other Comprehensive	2.90	5.98	9.86
Loans	3.65	4.64	13.96
Financial Assets Measured at Amortized Cost	-	-	11.36
Financial Lease Receivables	6.15	7.04	17.06
<b>Liabilities</b>			
Interbank Deposits	1.00	2.87	15.59
Other Deposits	0.33	0.56	8.70
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	1.09	3.25	12.78

**SECTION FOUR**

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

**V. INFORMATION ON CONSOLIDATED STOCK POSITION RISK**

**Equity investment risk due from banking book**

The Parent 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.



**SECTION FOUR**

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

**VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT**

**Information on liquidity risk management regarding risk capacity of the Parent 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 Parent 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 Parent Bank, complexity of transactions and suitability of the financial conditions.

One of the important components of liquidity management is management information system which is created to offer information about the liquidity position of the Parent 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 Parent 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.

**SECTION FOUR**

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

**VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)**

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

The Parent Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Parent Bank’s largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the Group’s risk group have a 34% share in liabilities.

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

The Parent 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 Parent Bank’s liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 84% of these funds are US Dollars, and 16% are EUR.

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

The Parent 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 GROUP (Continued)****VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)****General information on the emergency and contingency plan of Liquidity**

The Liquidity Emergency Action Plan prepared by the Parent Bank’s Assets Liabilities Committee was presented to the Board of Directors and approved by Council Decision No. 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 Assets and Liabilities Committee,
- 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 Assets Liabilities Committee 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 Assets Liabilities Committee.

The Parent Bank keeps liquidity buffer in high level by periods when the liquidity risk may increase. With this approach, the effect of volatility in the markets due to the adverse effects of Covid-19 outbreak on the Parent Bank’s liquidity need is in minimum level. Measures have been taken by the Parent Bank for the provision and stable management of liquidity in an emergency.

**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 consolidated foreign currency and total liquidity coverage ratio by weeks are as follows:

	<b>Month</b>	<b>FC</b>	<b>Month</b>	<b>FC+TL</b>
<b>Lowest</b>	October	307	December	426
<b>Highest</b>	November	357	November	488

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR**

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

**VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (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 Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	4,502,883	4,165,330	3,710,664	3,373,111
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	828,749	788,058	80,997	78,806
3 Stable deposit	37,548	-	1,877	-
4 Deposit with low stability	791,201	788,058	79,120	78,806
5 Unsecured debts except real person deposits and retail deposits	2,897,572	2,719,088	2,243,696	2,075,082
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,693,360	2,668,256	2,039,484	2,024,250
8 Other unsecured debts	204,212	50,832	204,212	50,832
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	5,783,340	5,741,942	326,767	321,854
<b>16 TOTAL CASH OUTFLOW</b>	<b>9,509,661</b>	<b>9,249,088</b>	<b>2,651,460</b>	<b>2,475,742</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,908,049	1,374,203	1,708,268	1,315,651
19 Other cash inflows	84,278	24,918	84,278	24,918
<b>20 TOTAL CASH INFLOWS</b>	<b>1,992,327</b>	<b>1,399,121</b>	<b>1,792,546</b>	<b>1,340,569</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>3,710,664</b>	<b>3,373,111</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>902,095</b>	<b>1,136,600</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>411.34</b>	<b>296.77</b>

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

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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)**

Prior Period	Consideration Ratio Not Applied Total Value (1)		Consideration Ratio Applied Total Value (1)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	3,010,739	2,573,513	2,542,508	2,105,283
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	571,204	535,867	55,378	53,587
3 Stable deposit	34,840	-	1,742	-
4 Deposit with low stability	536,364	535,867	53,636	53,587
5 Unsecured debts except real person deposits and retail deposits	2,214,955	2,078,000	1,684,477	1,552,408
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,055,242	2,039,743	1,524,764	1,514,151
8 Other unsecured debts	159,713	38,257	159,713	38,257
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	4,748,325	4,646,026	262,401	246,568
<b>16 TOTAL CASH OUTFLOW</b>	<b>7,534,484</b>	<b>7,259,893</b>	<b>2,002,256</b>	<b>1,852,563</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,177,956	713,890	1,008,383	676,090
19 Other cash inflows	4,273	4,273	4,273	4,273
<b>20 TOTAL CASH INFLOWS</b>	<b>1,182,229</b>	<b>718,163</b>	<b>1,012,656</b>	<b>680,363</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>2,542,508</b>	<b>2,105,283</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>989,601</b>	<b>1,172,201</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>256.92</b>	<b>179.60</b>

(1) The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average

**SECTION FOUR**

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

**VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (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 Parent bank. A major portion of high-quality liquid assets of the Parent 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 36% of high-quality liquid assets of the Parent Bank, while 63% 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. 39% of the total liabilities are deposits received. 40% 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. As of 31 December 2021, the net cash outflow from derivative transactions is none.

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

A significant part of the funding sources are comprised of deposits received. 38% of the liability is deposits and 40% 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 Parent 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.

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**SECTION FOUR**

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

**VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (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	62,467	1,603,869	-	-	-	-	-	1,666,336
Banks	146,983	1,210,156	48,462	-	-	-	-	1,405,601
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	255,100	-	-	-	-	-	255,100
Financial Assets at Fair Value Through Other Comprehensive Income	-	69	99,240	213,701	868,824	-	5,571	1,187,405
Loans	-	1,132,848	457,178	525,795	542,719	-	3,297	2,661,837
Investment securities held-to-maturity	-	11,840	253,657	495,768	1,516,598	-	-	2,277,863
Other assets <sup>(1)(3)</sup>	80	47,295	36,896	167,872	242,889	-	256,127	751,159
<b>Total Assets</b>	<b>209,530</b>	<b>4,261,177</b>	<b>895,433</b>	<b>1,403,136</b>	<b>3,171,030</b>	<b>-</b>	<b>264,995</b>	<b>10,205,301</b>
<b>Liabilities</b>								
Interbank Deposits	1,053,431	208,900	301,854	-	-	-	-	1,564,185
Other Deposits	2,260,304	50,618	36,567	28,496	4,168	-	-	2,380,153
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	1,169,769	2,443	2,847,405	686,819	-	-	4,706,436
Other liabilities <sup>(2)</sup>	-	4,021	1,952	1,293	-	-	1,547,261	1,554,527
<b>Total Liabilities</b>	<b>3,313,735</b>	<b>1,433,308</b>	<b>342,816</b>	<b>2,877,194</b>	<b>690,987</b>	<b>-</b>	<b>1,547,261</b>	<b>10,205,301</b>
<b>Net Liquidity Gap</b>	<b>(3,104,205)</b>	<b>2,827,869</b>	<b>552,617</b>	<b>(1,474,058)</b>	<b>2,480,043</b>	<b>-</b>	<b>(1,282,266)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	110,893	2,202,782	80,238	791,788	2,495,661	-	179,974	5,861,336
Total Liabilities	1,711,142	955,502	707,034	1,054,623	140,217	-	1,292,818	5,861,336
<b>Net Liquidity Gap</b>	<b>(1,600,249)</b>	<b>1,247,280</b>	<b>(626,796)</b>	<b>(262,835)</b>	<b>2,355,444</b>	<b>-</b>	<b>(1,112,844)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 256,127 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 217,794, Expected credit loss amounting to TL 18,326, Intangible Assets amounting to TL 4,275, Deferred Tax Assets amounting to TL 9,013 and other Non-Interest Bearing amounting to TL 42,652 and Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,547,261 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,341,488, Provisions amounting to TL 86,362, Deferred Tax Liabilities amounting to TL 25,811 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 73,600.

<sup>(3)</sup> Includes financial lease receivables

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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.

## An Extract Comparison Table of Total Risks Placed in Consolidated Financial Statements Coordinated in Accordance With TAS

	Current Period <sup>(2)</sup>	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(1)</sup>	4,573	10,866
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2,127	1,412
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2,438,587	1,581,677
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	72,581	45,398
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
<b>Total Risk Amount</b>	<b>2,517,868</b>	<b>1,639,353</b>

<sup>(1)</sup> The related amounts are calculated from financial tables in the Consolidated Financial Statements prepared in accordance with BRSA Accounting and Financial Reporting Legislation.

<sup>(2)</sup> The amounts shown in the table are 3 month averages.



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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****VII. EXPLANATIONS ON LEVERAGE RATIO (Continued)****Leverage ratio disclosure as follows:**

	<b>Balance sheet assets</b>	<b>Current Period</b>	<b>Prior Period</b>
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	7,451,280	5,854,437
2	(Assets deducted from main capital)	(4,572)	(5,237)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	7,446,708	5,849,200
	<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	10	2
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	10	2
	<b>Security or secured financing transactions</b>		
7	Risk amount of security or secured financing transactions (Except balance sheet)	49,654	46,292
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	49,654	46,292
	<b>Off-balance sheet transactions</b>		
10	Gross nominal amount of off-balance sheet transactions	4,880,181	4,553,529
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)	4,880,181	4,553,529
	<b>Equity and total risk</b>		
13	Main capital	1,259,291	1,115,587
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	12,376,553	10,449,023
	<b>Leverage ratio</b>		
15	Leverage ratio	%10.34	%10.70

Amounts in the table are obtained on the basis of three-month weighted average.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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.

**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).

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
<b>Financial Assets</b>	<b>9,873,068</b>	<b>5,641,709</b>	<b>8,932,597</b>	<b>5,508,465</b>
Banks	3,014,178	1,302,674	3,014,178	1,302,674
Money market receivables	255,100	374,182	255,100	374,182
Financial assets available-for-sale	1,187,405	729,451	1,187,405	729,451
Investment securities held-to- maturity	2,277,863	1,198,969	1,564,211	808,452
Loans	2,661,837	1,724,581	2,438,859	1,995,546
Leasing receivables	476,685	311,852	472,844	298,159
<b>Financial Liabilities</b>	<b>8,729,607</b>	<b>4,605,221</b>	<b>8,729,607</b>	<b>4,605,221</b>
Bank deposits	2,946,874	2,321,434	2,946,874	2,321,434
Other Deposits	997,464	533,067	997,464	533,067
Funds provided from other financial institutions	4,706,436	1,708,358	4,706,436	1,708,358
Money market borrowings	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous Payables	78,833	42,363	78,833	42,363

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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (Continued)**

<b>Current Period</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Financial assets measured at fair value through Profit or Loss	-	-	-	-
<i>Public sector debt securities</i>	-	-	-	-
<i>Equity Securities</i>	-	-	-	-
<i>Other financial assets</i>	1,181,833	-	5,572	1,187,405
Financial Assets Measured at Fair Value Through Other Comprehensive Income	802,576	-	-	802,576
<i>Public sector debt securities</i>	-	-	5,572	5,572
<i>Equity Securities</i>	379,257	-	-	379,257
<i>Other financial assets</i>	-	-	-	-
<b>Prior Period</b>				
<b>Financial Assets</b>				
Financial assets at fair value through Profit or Loss				
<i>Public sector debt securities</i>	16,724	-	-	16,724
<i>Equity Securities</i>	16,724	-	-	16,724
<i>Other financial assets</i>	-	-	-	-
Financial assets available for sale	726,266	-	3,185	729,451
<i>Public sector debt securities</i>	378,605	-	-	378,605
<i>Equity Securities</i>	-	-	3,185	3,185
<i>Other financial assets</i>	347,661	-	-	347,661

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

	<b>Current Period</b>	<b>Prior Period</b>
Balances at beginning of period	3,185	2,606
Purchases during the period	-	-
Disposals through sale/redemption	-	-
Valuation effect	2,387	579
Transfers	-	-
<b>Balances at end of period</b>	<b>5,572</b>	<b>3,185</b>

**X. 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 GROUP (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.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****X. INFORMATION ON RISK MANAGEMENT****Overview of Risk Weighted Amount**

	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	4,824,067	3,794,596	385,925
2 Standardised approach (SA)	4,824,067	3,794,596	385,925
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	244	466	20
5 Standardised approach for counterparty credit risk (SA-CCR)	244	466	20
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	349,563	152,438	27,965
17 Standardised approach (SA)	349,563	152,438	27,965
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	623,450	572,275	49,876
20 Basic Indicator Approach	623,450	572,275	49,876
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	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>5,797,323</b>	<b>4,519,775</b>	<b>463,786</b>

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

None.

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

None.

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**
**X. INFORMATION ON RISK MANAGEMENT (Continued)**
**Main sources of differences between TAS exposure amounts and carrying values in financial statements**

	Gross Carrying Values of TAS						
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>							
Cash And Balances With The Central Bank Of Turkey	1,666,336	1,666,336	1,666,336	-	-	1,658,250	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial Assets At Fair Value Through Profit Or Loss	-	-	-	-	-	-	-
Banks	1,405,601	1,405,601	1,405,601	-	-	1,345,392	-
Money Market Placements	255,100	255,100	255,100	255,100	-	-	-
Investment Securities Available-for-Sale (net)	1,187,405	1,187,405	5,572	-	-	1,187,405	-
Loans And Receivables	2,661,837	2,661,837	2,661,837	-	-	2,661,837	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Securities Held-to-Maturity (net)	2,277,863	2,277,863	2,277,863	-	-	2,163,844	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint Ventures (net)	-	-	-	-	-	-	-
Lease Receivables	476,685	476,685	476,685	-	-	476,685	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-	-	-
Tangible Assets (net)	217,794	217,794	217,794	-	-	-	119
Intangible Assets (net)	4,275	4,275	-	-	-	-	4,275
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	8,732	8,732	-	-	-	-	-
Asset Held For Sale And Assets Of Discontinued Operations (Net)	1,000	1,000	-	-	-	-	1,000
Other Assets	42,673	42,673	47,900	-	-	31,755	-
<b>Total Assets</b>	<b>10,205,301</b>	<b>10,205,301</b>	<b>9,014,688</b>	<b>255,100</b>	<b>-</b>	<b>9,525,168</b>	<b>-</b>
<b>Liabilities</b>							
Deposits	3,944,338	3,944,338	-	-	-	3,878,999	-
Derivative Financial Liabilities Held For Trading	-	-	-	-	-	-	-
Funds Borrowed	4,706,436	4,706,436	-	-	-	4,706,436	-
Interbank Money Market	-	-	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Other External Resources	78,833	78,833	-	-	-	51,546	-
Factoring Payables	-	-	-	-	-	-	-
Leasing Transactions Payables	2,033	2,033	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-	-	-
Provisions	86,362	86,362	-	-	-	6,940	-
Tax Liability	25,811	25,811	-	-	-	-	-
Liabilities For Assets Held For Resale And Assets Of Discontinued Operations	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders' Equity	1,361,488	1,361,488	-	-	-	-	-
<b>Total Liabilities</b>	<b>10,205,301</b>	<b>10,205,301</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,643,921</b>	<b>-</b>

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)****Main sources of differences between TAS exposure amounts and carrying values in financial statements**

	Total	Subject to credit risk framework	Subject to the securitisation framework	Subject to the counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of TAS	18,794,956	9,014,688	-	255,100	9,525,168
Liabilities carrying value amount under TAS of consolidation	8,643,921	-	-	-	8,643,921
Total net amount under regulatory scope of consolidation	-	-	-	-	-
Off-balance sheet amounts	8,942,873	2,571,897	-	-	6,370,976
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Risk amounts</b>	<b>36,381,750</b>	<b>11,586,585</b>	<b>-</b>	<b>255,100</b>	<b>24,540,065</b>

**Explanations regarding the differences between the risk amounts and amounts evaluated in accordance with TAS**

Related amounts are calculated by consolidated financial statements which are prepared in accordance with BRSA Accounting and Reporting Legislation.

**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.

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

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.

**Credit quality of assets**

<b>Gross Carrying Values of TAS according to Consolidated Financial Statements</b>					
		<b>Defaulted exposures</b>	<b>Non-defaulted exposures</b>	<b>Allowances/ impairments</b>	<b>Net Values</b>
1	Loans	4,228	8,756,724	11,159	8,749,793
2	Debt Securities	-	2,277,861	-	2,277,861
3	Of which defaulted	-	6,435,625	43,466	6,392,159
4	<b>Total</b>	<b>4,228</b>	<b>17,470,210</b>	<b>54,625</b>	<b>17,419,813</b>

**Changes in stock of defaulted loans and debt securities**

1	Defaulted loans and debt securities at end of the previous reporting period	8,262
2	Loans and debt securities that have defaulted since the last reporting period	4,659
3	Returned to non-defaulted status	(8,693)
4	Amounts written off	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>4,228</b>



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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)****Additional disclosure related to the credit quality of assets**

None.

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

Financial guarantees are used as a Credit Risk Mitigation Technique that affects the Bank's Credit Risk Amount. Financial collaterals consist of deposits that are blocked against risk.

**Credit risk mitigation techniques – overview**

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	8,749,793	-	-	263,150	253,878	-	-
2	Debt Securities	2,277,861	-	-	-	-	-	-
3	<b>Total</b>	<b>11,027,654</b>	-	-	<b>263,150</b>	<b>253,878</b>	-	-
4	Of which defaulted	4,228	-	-	-	-	-	-

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

The Parent 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 2021 the amount subject to operational risk is TL 623,450 (31.12.2020: 572,275 TL).

	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
<b>Current Period</b>						
Gross income	298,186	382,349	316,976	332,504	15	49,876
Value at operational risk (Total*12.5)						623,450
<b>Prior Period</b>						
Gross income	235,105	298,186	382,349	305,213	15	45,782
Value at operational risk (Total*12.5)						572,275

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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	2,142,004	-	2,142,004	-	-	-
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	2,728,568	2,822,267	2,474,689	1,467,346	1,748,358	44%
7 Contingent and Non-Contingent Corporate Receivables	1,401,504	1,137,025	1,401,504	719,827	2,121,331	100%
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-
10 Secured by commercial real estate	-	1,200	-	1,200	1,200	100%
11 Past Due Loans	166	-	166	-	103	62%
12 Higher-Risk Receivables Defined by BRSA	50,522	401,655	50,522	383,524	651,069	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	342,743	-	342,743	-	302,249	88%
17 Equity Investments	-	-	-	-	-	-
<b>18 Total</b>	<b>6,665,507</b>	<b>4,362,147</b>	<b>6,411,628</b>	<b>2,571,897</b>	<b>4,824,310</b>	<b>54%</b>

**ARAP TÜRK BANKASI A.Ş.**

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**SECTION FOUR**

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

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

**Standardised approach – exposures by asset classes and risk weights**

<b>Asset Classes/ Risk Weight</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>	<b>Others</b>	<b>Total credit exposures amount (post CCF and post-CRM)</b>
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	2,142,004	-	-	-	-	-	-	-	-	-	2,142,004
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	-	-	1,176,154	-	2,505,507	-	260,374	-	-	-	3,942,035
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	2,121,331	-	-	-	2,121,331
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	1,200	-	-	-	1,200
11 Past Due Loans	-	-	-	-	126	-	40	-	-	-	166
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	434,046	-	-	434,046
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	40,494	-	-	-	-	-	302,249	-	-	-	342,743
<b>18 Total</b>	<b>2,182,498</b>	<b>-</b>	<b>1,176,154</b>	<b>-</b>	<b>2,505,633</b>	<b>-</b>	<b>2,685,194</b>	<b>434,046</b>	<b>-</b>	<b>-</b>	<b>8,983,525</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 GROUP (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 Parent Bank's counterparty credit risk amount is calculated by standard approach.

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**SECTION FOUR**

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

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

**Counterparty Credit Risk (CCR) approach analysis**

	Replacement cost	Potential future exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post- 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)					1,222	244
<b>Total</b>						<b>244</b>

**Credit valuation adjustment (CVA) capital charge**

*None.*

**Standardised approach – CCR exposures by regulatory portfolio and risk weights**

<b>Risk Sınıfları/ Risk Ağırlığı</b>	<b>%0</b>	<b>%10</b>	<b>%20</b>	<b>%35</b>	<b>%50</b>	<b>%75</b>	<b>%100</b>	<b>%150</b>	<b>%200</b>	<b>Other</b>	<b>Total credit exposure</b>
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	-	-	1,222	-	-	-	-	-	-	-	244
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	-	-	-	-	-	-	-	-	-	-	-
14 Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
15 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
16 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
17 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	-	-	<b>1,222</b>	-	-	-	-	-	-	-	<b>244</b>

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**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)****IRB – CCR exposures by portfolio and PD scale***None.***Composition of collateral for CCR exposure**

	Derivative Collaterals				Variable Transaction Collaterals	
	Received Collaterals		Verilen Teminatlar		Received Collaterals	Collaterals Given
	Reserved	Unreserved	Reserved	Unreserved		
Government Bonds- Domestic	-	-	-	-	253,878	-
<b>Total</b>	-	-	-	-	<b>253,878</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 .***Qualitative information to be disclosed to the public about market risk**

The purpose of market risk management is to maximize the risk-related returns of the Parent Bank by effectively managing market risk by using parameters appropriate to the size of the Parent Bank.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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 GROUP (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.*

**Market risk under standardised approach**

		RWA
	<b>Outright products</b>	
1	Interest rate risk (general and specific)	345,155
2	Equity risk (general and specific)	-
3	Foreign exchange risk	4,413
4	Commodity risk	-
	<b>Options</b>	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>349,563</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 GROUP (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 (+/- x basis points)	Gains/ Losses	Gains/Equity Losses/Equity
1 TL	500	(5,069)	%(0.37)
	(400)	4,393	%0.32
2 EURO	200	3,452	%0.25
	(200)	(3,522)	%(0.26)
3 USD	200	29,979	%2.19
	(200)	(31,075)	%(2.27)
<b>Total (of negative shocks)</b>		<b>28,362</b>	<b>%2.07</b>
<b>Total (of positive shocks)</b>		<b>(30,204)</b>	<b>%(2.21)</b>

**Prior Period**

Type of currency	Shocks Applied (+/- x basis points)	Gains/ Losses	Gains/Equity Losses/Equity
1 TL	500	(1,621)	%(0.14)
	(400)	1,378	%0.12
2 EURO	200	5,470	%0.46
	(200)	(5,604)	%(0.47)
3 USD	200	8,274	%0.70
	(200)	(8,550)	%(0.72)
<b>Total (of negative shocks)</b>		<b>12,123</b>	<b>%1.03</b>
<b>Total (of positive shocks)</b>		<b>(12,776)</b>	<b>%(1.08)</b>

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**SECTION FOUR**

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

**XI. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS**

The operating segments of the Parent Bank are determined in accordance with the organizational and internal reporting structure and TFRS 8 “Operating Segments”.

The Parent Bank operates in the areas of retail banking, Corporate and Commercial Banking, treasury and Leasing.

Information on operational segments on 31 December 2021 and 31 December 2020 are presented in the table below:

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Interest Income (Net)	(831)	165,997	166,555	35,618	-	367,339
Commission Income (Net)	-	68,234	-	1,614	-	69,848
Unallocated Income/Expenses (Net)	-	-	-	(19,740)	(201,275)	(221,015)
<b>Operating Income</b>	<b>(831)</b>	<b>234,231</b>	<b>166,555</b>	<b>17,492</b>	<b>(201,275)</b>	<b>216,172</b>
<i>Income from Subsidiaries</i>					-	-
<i>Income before tax</i>					216,172	216,172
<i>Tax Provision</i>					(53,165)	(53,165)
<b>Net Profit for the period</b>					<b>163,007</b>	<b>163,007</b>

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Segment Assets	2,218	1,875,775	7,026,687	629,544	-	9,534,224
Unallocated assets	-	-	-	-	671,077	671,077
<b>Total Assets</b>	<b>2,218</b>	<b>1,875,775</b>	<b>7,026,687</b>	<b>629,544</b>	<b>671,077</b>	<b>10,205,301</b>
Segment Liabilities	972,106	1,407,305	5,819,611	472,117	-	8,671,139
Unallocated Liabilities	-	-	-	-	172,674	172,674
Equity	-	-	-	-	1,361,488	1,361,488
<b>Total Liabilities</b>	<b>972,106</b>	<b>1,407,305</b>	<b>5,819,611</b>	<b>472,117</b>	<b>1,534,162</b>	<b>10,205,301</b>

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Interest Income (Net)	(631)	113,005	106,116	27,948	-	246,438
Commission Income (Net)	-	53,404	-	1,448	-	54,852
Unallocated Income/Expenses (Net)	-	-	-	(13,651)	(156,565)	(170,216)
<b>Operating Income</b>	<b>(631)</b>	<b>166,409</b>	<b>106,116</b>	<b>15,745</b>	<b>(156,565)</b>	<b>131,074</b>
<i>Income from Subsidiaries</i>	-	-	-	-	-	-
<i>Income before tax</i>	-	-	-	-	131,074	131,074
<i>Tax Provision</i>	-	-	-	-	(30,293)	(30,293)
<b>Net Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,781</b>	<b>100,781</b>

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Segment Assets	1,574	1,152,313	3,596,969	406,137	-	5,156,993
Unallocated assets	-	-	-	-	704,343	704,343
<b>Total Assets</b>	<b>1,574</b>	<b>1,152,313</b>	<b>3,596,969</b>	<b>406,137</b>	<b>704,343</b>	<b>5,861,336</b>
Segment Liabilities	533,053	803,046	2,976,405	260,842	-	4,573,346
Unallocated Liabilities	-	-	-	-	111,008	111,008
Equity	-	-	-	-	1,176,982	1,176,982
<b>Total Liabilities</b>	<b>533,053</b>	<b>803,046</b>	<b>2,976,405</b>	<b>260,842</b>	<b>1,287,990</b>	<b>5,861,336</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	3,381	54,381	1,803	28,867
Central Bank of Turkey	4,705	1,603,869	2,801	799,966
Other	-	-	-	-
<b>Total</b>	<b>8,086</b>	<b>1,658,250</b>	<b>4,604</b>	<b>828,833</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits <sup>(1)</sup>	4,705	-	2,801	-
Unrestricted Time Deposits	-	633,972	-	344,623
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	969,897	-	455,343
<b>Total</b>	<b>4,705</b>	<b>1,603,869</b>	<b>2,801</b>	<b>799,966</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 3% and 8% (31 December 2020: rates between 1% and 6%) , and for US Dollars or EUR at the rates of 5% and 25% respectively ( 31 December 2020: rates between 5% and 21%) according to their maturities as per the Communique no.2005/1 ‘‘Reserve Deposits’’ of the Central Bank of Turkey. CBRT, pays 12.5% (31 December 2020: 12%) interest for Reserve Deposits in Turkish Lira.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****2. Information on financial assets at fair value through profit or loss**

As of the current period, there are no financial assets given as collateral/blocked among financial assets at fair value through profit or loss. (31 December 2020: 3,593 TL) There are no financial assets subject to repo transactions (31 December 2020: None).

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

None.

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic banks	34,149	1,212,418	50,533	380,988
Foreign banks	26,060	132,974	-	68,384
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>60,209</b>	<b>1,345,392</b>	<b>50,533</b>	<b>449,372</b>

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	48,412	44,902	-	-
USA, Canada	26,540	1,322	-	-
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	84,082	7,967	-	-
<b>Total</b>	<b>159,034</b>	<b>54,191</b>	<b>-</b>	<b>-</b>

**Information on Expected Credit Losses Information on Expected Loss Provisions**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	828	-	-	828
Additions during the Period (+)	983	-	-	983
Disposal (-)	(796)	-	-	(796)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
<b>Balances at End of Period</b>	<b>1, 284</b>	<b>-</b>	<b>-</b>	<b>1, 284</b>

Prior period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	2,024	-	-	2,024
Additions during the Period (+)	814	-	-	814
Disposal (-)	(2,010)	-	-	(2,010)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
<b>Balances at End of Period</b>	<b>828</b>	<b>-</b>	<b>-</b>	<b>828</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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 30 December 2021, 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 2021, the Bank does not have any financial assets at fair value through other comprehensive income, which are given as collateral / blocked from assets (31 December 2020: TL 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, certificates of rent and other securities.

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Debt Securities</b>	<b>1,223,206</b>	<b>730,767</b>
Quoted in stock exchange	1,223,206	730,767
Not quoted in stock exchange	-	-
<b>Share Certificates</b>	<b>5,572</b>	<b>3,185</b>
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	5,572	3,185
<b>Impairment provision (-)</b>	<b>41,373</b>	<b>4,501</b>
<b>Total</b>	<b>1,187,405</b>	<b>729,451</b>

	<b>Loans Under Close Monitoring</b>		
	<b>Standard Loans</b>	<b>Not Restructured</b>	<b>Restructured</b>
<b>Cash Loans</b>			
<b>Short Term Loans</b>	1,521,165	-	-
<b>Medium and Long Term Loans</b>	1,137,375	-	-
<b>Total</b>	<b>2,658,540</b>	<b>-</b>	<b>-</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans***Information on all types of loans and advances given to shareholders and employees of the Parent Bank*

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	41,328	-	202,385
Corporate Shareholders	-	41,328	-	202,385
Individual Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to the Bank’s personnel</b>	2,218	904	1,574	131
<b>Total</b>	2,218	42,232	1,574	202,516

*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	Restructured or Rescheduled Loans with revised contract terms	Refinancing
<b>Non-Specialized Loans</b>	2,658,540	-	-	-
Commercial Loans	-	-	-	-
Export Loans	24,827	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,350,870	-	-	-
Consumer Loans	2,218	-	-	-
Credit Cards	-	-	-	-
Other	1,280,625	-	-	-
<b>Specialized Lending</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	2,658,540	-	-	-

	Standard Loan <sup>(1)</sup>	Loans Under Close Monitoring <sup>(1)</sup>
12-Month expected credit losses	8,998	-
Significant increase in credit risk	-	858

<sup>(1)</sup> Includes lease receivables.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (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>	124	2,094	2,218
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	124	2,094	2,218
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>Consumer Loans-TL</b>	124	2,094	2,218

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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>	-	28,583	28,583
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	28,583	28,583
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>	-	28,583	28,583

***Allocation of domestic and foreign loans by users***

	Current Period	Prior Period
Domestic loans	-	-
Foreign loans	2,661,837	1,724,581
<b>Total</b>	<b>2,661,837</b>	<b>1,724,581</b>

***Allocation of domestic and foreign loans***

	Current Period	Prior Period
Domestic loans	2,645,585	1,713,073
Foreign loans	16,252	11,508
<b>Total</b>	<b>2,661,837</b>	<b>1,724,581</b>



**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)*****Specific provisions for loans***<sup>(1)</sup>

<b>Specific provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	4,062	6,627
<b>Total</b>	<b>4,062</b>	<b>6,627</b>

(1) Includes Financial lease receivables

**Information related to non-performing loans (Net)*****Information on loans and other receivables that are restructured by the bank from non-performing loans or linked to a new amortization schedule***

None.

***Information on movement of total non-performing loans***

	<b>III. Group Loans and receivables with limited collectibles</b>	<b>IV. Group Loans and receivables with doubtful collectibles</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Balances at Beginning of Period</b>	-	-	<b>8,262</b>
Additions (+)	-	-	4,659
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	8,693
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
<b>Balances at End of the Period</b>	-	-	<b>4,228</b>
Specific provisions (-)	-	-	4,062
<b>Net Balance on Balance Sheet</b>	-	-	<b>166</b>

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**5. Information on Loans (Continued)**

*Information on foreign currency non-performing loans*

There is no non-performing loan receivables in foreign currency which is followed in Turkish Lira accounts (31 December 2020: TL 964).

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Non-performing loans and receivables
<b>Current Period (Net)</b>	-	-	<b>166</b>
Loans granted to real persons and legal entities (Gross)	-	-	4,228
Specific provisions (-)	-	-	4,062
Loans granted to real persons and legal entities (Net)	-	-	166
Banks (Gross) <sup>(1)</sup>	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	-	-	<b>1,635</b>
Loans granted to real persons and legal entities (Gross)	-	-	8,262
Specific provisions (-)	-	-	6,627
Loans granted to real persons and legal entities (Net)	-	-	1,635
Banks (Gross) <sup>(1)</sup>	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross) <sup>(2)</sup>	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

*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*

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
<b>Current Period (Net)</b>	-	-	-
Interest Accruals, Rediscounts and Valuation Differences	-	-	-
Provision Amount (-)	-	-	-
<b>Prior Period (Net)</b>	<b>1</b>	-	-
Interest Accruals, Rediscounts and Valuation Differences	2	-	-
Provision Amount (-)	1	-	-

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)*****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 Group is in the effort to provide collections from loans under legal follow-up under the leadership of Corporate and Commercial Credits Monitor and Follow-up Department and Legal and 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 allocate 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 and 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 have written off TL 3,250 loans and its effect on NPL ratio is 0.12% (31 December 2020: TL 78,601, and its effect on NPL ratio is 4.56%)

**Expected credit loss for loans*****Information on Expected Credit Loss***

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at Beginning of Period	9,090	-	4,733	13,823
Additions during the Period	5,189	-	-	5,189
Disposal	(6,417)	-	(1,436)	(7,853)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
<b>Balances at End of Period</b>	<b>7,862</b>	<b>-</b>	<b>3,297</b>	<b>11,159</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	10,700	-	84,219	94,919
Additions during the Period	5,673	-	-	5,673
Disposal	(7,283)	-	(885)	(8,168)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	(78,601)	(78,601)
<b>Balances at End of Period</b>	<b>9,090</b>	<b>-</b>	<b>4,733</b>	<b>13,823</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Information on Expected Loss provisions for Receivables from leasing transactions*

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at Beginning of Period	1,006	1,830	1,894	4,730
Additions during the Period	761	356	3,414	4,531
Disposal	(674)	(1,276)	(1,302)	(3,252)
Transfer to Stage 1	126	(126)	-	-
Transfer to Stage 2	(83)	83	-	-
Transfer to Stage 3	-	(9)	9	-
Write-offs	-	-	(3,250)	(3,250)
<b>Balances at End of Period</b>	<b>1,136</b>	<b>858</b>	<b>765</b>	<b>2,759</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	1,370	980	5,101	7,451
Additions during the Period	625	1,598	1,355	3,578
Disposal	(495)	(4,643)	(1,161)	(6,299)
Transfer to Stage 1	87	(87)	-	-
Transfer to Stage 2	(580)	4,024	(3,444)	-
Transfer to Stage 3	(1)	(42)	43	-
Write-offs	-	-	-	-
<b>Balances at End of Period</b>	<b>1,006</b>	<b>1,830</b>	<b>1,894</b>	<b>4,730</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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 2021, the Bank does not have any financial assets measured at amortised cost that are subject to repo transactions.

As of 31 December 2021, the Bank have 4,422 TL financial assets measured at amortised cost, which are given as collateral / blocked from assets (31 December 2020: TL None).

***Information on government financial assets measured at amortised cost***

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	69,669	1,423,414	7,794	758,375
Treasury Bonds	-	-	-	-
Other Public Bonds	44,350	740,430	-	432,800
<b>Total</b>	<b>114,019</b>	<b>2,163,844</b>	<b>7,794</b>	<b>1,191,175</b>

***Information on financial assets measured at amortised cost***

	Current Period	Prior Period
<b>Debt Instruments</b>	<b>2,277,863</b>	<b>1,198,969</b>
Quoted at stock exchange	2,277,863	1,198,969
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
<b>Total</b>	<b>2,277,863</b>	<b>1,198,969</b>

***Movement of financial assets measured at amortised cost***

	Current Period	Prior Period
Balances at the Beginning of the Period	1,198,969	478,737
Foreign Currency Gains / Losses on Monetary assets	929,378	248,519
Purchases during the Period	952,398	748,875
Disposals through sales and redemptions <sup>(1)</sup>	(802,882)	(277,162)
Impairment loss provision	-	-
<b>Period end balance</b>	<b>2,277,863</b>	<b>1,198,969</b>

<sup>(1)</sup> In the current period redemption amounting to TL 802,882 has been realized from the portfolio (31 December 2020: TL 277,162).

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****6. Information on financial assets measured at amortised cost (Continued)*****Information on Expected Credit Loss***

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at End of Prior Period	3,271	-	-	3,271
Additions during the Period	1,334	-	-	1,334
Disposals	(1,481)	-	-	(1,481)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
<b>Balance at End of Period</b>	<b>3,124</b>	<b>-</b>	<b>-</b>	<b>3,124</b>

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at End of Prior Period	1,280	-	-	1,280
Additions during the Period	2,386	-	-	2,386
Disposals	(395)	-	-	(395)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
<b>Balance at End of Period</b>	<b>3,271</b>	<b>-</b>	<b>-</b>	<b>3,271</b>

**7. Information on associates**

The Group does not have an associate.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****8. Information on subsidiaries (Net) (Continued)***Information on subsidiaries***A&T Finansal Kiralama A.Ş.****Information on Shareholder’s Equity**

	<b>Current Period</b>	<b>Prior Period</b>
<b>CORE CAPITAL</b>		
Paid in Capital	126,000	116,000
Capital Reserves	228	228
Legal Reserves	6,080	5,293
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	15,543	13,661
<i>Net Profit</i>	<i>12,669</i>	<i>12,204</i>
<i>Prior Period Profit/Loss</i>	<i>2,874</i>	<i>1,457</i>
Intangible Assets (-)	531	179
<b>Total Core Capital</b>	<b>147,321</b>	<b>135,004</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-
<b>CAPITAL</b>	<b>147,321</b>	<b>135,004</b>
<b>DEDUCTION FROM CAPITAL</b>	-	-
<b>NET AVAILABLE CAPITAL <sup>(1)</sup></b>	<b>147,321</b>	<b>135,004</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 147,321.

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.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****8. Information on subsidiaries (Net) (Continued)***Summary information on basic features of equity items (Continued)*

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.

*Information about the consolidated financial statements of the subsidiaries*

Description		Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)
1	A&T Finansal Kiralama A.Ş.	İstanbul	99.98	99.98

Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value ( <sup>1</sup> )
629,544	152,919	10,668	43,644	-	12,669	2,874	-

(<sup>1</sup>) The related subsidiary has no fair value measurement as of 31 December 2021.

*Movement related to subsidiaries*

	Current Period	Prior Period
<b>Balance at the Beginning of the Period</b>	<b>116,204</b>	<b>108,205</b>
<b>Movements during the Period</b>	<b>9,998</b>	<b>7,999</b>
Purchases	-	-
Bonus Shares Received	9,998	7,999
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>126,202</b>	<b>116,204</b>
<b>Capital Commitments</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 in accounting treatment of subsidiaries in consolidated financial statements is explained in Section III.

*Sectoral Information on the subsidiaries*

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	126,202	116,204
Finance Companies	-	-
Other Affiliates	-	-



**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****8. Information on subsidiaries (Net) (Continued)***Quoted Subsidiaries**The Parent Bank does not have a subsidiary that is quoted.**Subsidiaries sold and acquired in the current year**None.***9. Information on joint ventures**

The Parent Bank has no joint ventures.

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

	<b>Current Period</b>	<b>Prior Period</b>
Gross Financial Lease Investment	537,848	350,660
Earned Financial Lease Income (-)	61,163	38,808
Cancelled Leasing Amounts	-	-
<b>Net Investment on Leases</b>	<b>476,685</b>	<b>311,852</b>

	<b>Current Period</b>	<b>Prior Period</b>
Stage 1	373,559	190,898
Stage 2	102,195	117,425
Stage 3	931	3,529
<b>Total</b>	<b>476,685</b>	<b>311,852</b>

**Maturity analysis of financial lease receivables**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	267,982	233,796	170,684	149,158
Between 1-4 years	269,866	242,889	179,976	162,694
Over 4 years	-	-	-	-
<b>Total</b>	<b>537,848</b>	<b>476,685</b>	<b>350,660</b>	<b>311,852</b>

**11. Information on financial derivatives for hedging**

The Bank has no financial derivatives for hedging.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

**12. Information on tangible assets**

<b>Current Period</b>	<b>Real Estates</b>	<b>Leased Tangible Assets</b>	<b>Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>Balance at the End of the Prior Period- 31 December 2020</b>					
Cost	141,136	9,982	1,118	21,534	173,770
Accumulated Depreciation (-)	(713)	(3,956)	(774)	(14,879)	(20,322)
<b>Net Book Value</b>	<b>140,423</b>	<b>6,026</b>	<b>344</b>	<b>6,655</b>	<b>153,448</b>
<b>Balance at the End of the Current Period - 31 December 2021</b>					
<b>Net Book Value at the Beginning of the Current Period</b>	<b>141,136</b>	<b>9,982</b>	<b>1,118</b>	<b>21,534</b>	<b>173,770</b>
Additions	11	1,588	2	3,483	5,084
Disposals (-)	-	-	-	(3)	(3)
Revaluation Surplus	63,787	-	-	-	63,787
<b>Cost at the End of the Current Period</b>	<b>204,934</b>	<b>11,570</b>	<b>1,120</b>	<b>25,014</b>	<b>242,638</b>
Accumulated Depreciation (-)	(713)	(3,956)	(774)	(14,879)	(20,322)
Depreciation Expense (-)	(722)	-	(212)	(4,919)	(5,853)
Depreciation of Disposals (-)	1,320	-	-	2	1,322
<b>Accumulated Depreciation at the End of the Current Period (-)</b>	<b>(115)</b>	<b>(3,956)</b>	<b>(986)</b>	<b>(19,796)</b>	<b>(24,853)</b>
<b>Net Book Value at the End of the Current</b>	<b>204,819</b>	<b>7,614</b>	<b>134</b>	<b>5,218</b>	<b>217,785</b>

<b>Prior Period</b>	<b>Real Estates</b>	<b>Leased Tangible Assets</b>	<b>Vehicles</b>	<b>Other Tangible Assets</b>	<b>Total</b>
<b>Balance at the End of the Prior Period- 31 December 2019</b>					
Cost	140,723	3,956	1,113	18,315	164,107
Accumulated Depreciation (-)	(299)	(3,956)	(656)	(12,408)	(17,319)
<b>Net Book Value</b>	<b>140,424</b>	<b>-</b>	<b>-</b>	<b>5,907</b>	<b>146,788</b>
<b>Balance at the End of the Current Period -31</b>	<b>140,723</b>	<b>3,956</b>	<b>1,113</b>	<b>18,315</b>	<b>164,107</b>
<b>Net Book Value at the Beginning of the Current Period</b>	<b>-</b>	<b>6,026</b>	<b>88</b>	<b>3,221</b>	<b>9,335</b>
Additions	-	-	(84)	(1)	(85)
Disposals (-)	413	-	-	-	413
<b>Cost at the End of the Current Period</b>	<b>141,136</b>	<b>9,982</b>	<b>1,117</b>	<b>21,535</b>	<b>173,770</b>
Accumulated Depreciation (-)	(299)	(3,956)	(656)	(12,408)	(17,319)
Depreciation Expense (-)	(414)	-	(196)	(2,471)	(3,081)
Depreciation of Disposals (-)	-	-	78	1	79
<b>Accumulated Depreciation at the</b>	<b>(713)</b>	<b>(3,956)</b>	<b>(774)</b>	<b>(14,878)</b>	<b>(20,321)</b>
<b>Net Book Value at the End of the Current Period</b>	<b>140,423</b>	<b>6,026</b>	<b>343</b>	<b>6,657</b>	<b>153,449</b>

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****13. Information on intangible assets**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Balance at the End of the Prior Period – 31 December 2020</b>		
Cost	21,472	20,946
Accumulated Depreciation (-)	(17,315)	(14,596)
<b>Net Book Value</b>	<b>4,157</b>	<b>6,350</b>
<b>Balance at the End of the Current Period – 31 December 2021</b>		
<b>Net Book Value at the Beginning of the Current Period</b>	<b>21,472</b>	<b>20,946</b>
Additions	2,840	526
Disposals (-)	-	-
Impairment(-)	-	-
<b>Cost at the Beginning of the current period</b>	<b>24,312</b>	<b>21,472</b>
Accumulated Depreciation (-)	(17,315)	(14,596)
Amortization and amortization expense of disposals(-)	(2,722)	(2,719)
Impairment Depreciation(-)	-	-
<b>Accumulated Amortization at end of the current period</b>	<b>(20,037)</b>	<b>(17,315)</b>
<b>Net Book Value at end of the current period</b>	<b>4,275</b>	<b>4,157</b>

**14. Information on investment property**

The Group has no investment property.

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****15. Information on tax assets**

The Bank's deferred tax assets calculated over tax deductions and exceptions as of December 31, 2021, and the amounts that arise between the book value of the assets or liabilities in the balance sheet and the tax base determined in accordance with the tax legislation and to be taken into account in the calculation of financial profit / loss in the following periods. The deferred tax assets calculated amounting to TL 32,461 and deferred tax liability amounting to TL 23,729 were netted off.

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/ (liability)	Accumulated temporary differences	Deferred tax asset/ (liability)
Provisions for employee rights	37,464	7,810	26,214	5,293
Unearned revenues	4,709	1,083	2,271	454
Interest rediscounts	60,031	13,807	18,516	3,703
Provisions	39,788	9,151	34,629	6,926
Other	2,696	610	3,362	718
<b>Deferred tax asset</b>	<b>144,688</b>	<b>32,461</b>	<b>84,992</b>	<b>17,094</b>
Maddi duran varlıklar yeniden değerlendirme artışı	177,310	21,824	123,851	16,770
Other	9,047	1,905	5,668	1,199
<b>Deferred tax liability</b>	<b>186,357</b>	<b>23,729</b>	<b>129,519</b>	<b>17,969</b>
<b>Deferred tax asset / (liability) net</b>		<b>8,732</b>		<b>(875)</b>

***Deferred tax asset/ (liability) movement table as follows:***

	Current Period	Prior Period
Opening balance	(875)	(1,849)
Deferred tax income/(expense)(Net)	6,492	1,647
<b>Deferred tax accounted under shareholder's equity</b>	<b>3,115</b>	<b>(673)</b>
<b>Net Deferred Tax Asset/(Liability)</b>	<b>8,732</b>	<b>(875)</b>

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****16. Information about fixed assets held for sale**

	<b>Current Period</b>	<b>Prior Period</b>
Cost	1,210	1,000
Impairment (-)	-	-
Accumulated Depreciation (-)	-	-
<b>Prior Period Net Book Value</b>	<b>1,210</b>	<b>1,000</b>
Opening Balance	1,210	1,000
Additions	-	210
Disposals (-)	210	-
Accumulated Provision (-)	-	-
Provision Expense (-)	-	-
Accumulated Amortization (-)	-	-
Depreciation of disposals	-	-
Amortization	-	-
<b>Closing Net Book Value</b>	<b>1,000</b>	<b>1,210</b>

**17. Information on investment property**

The Group has no investment property.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED 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>	<b>29,610</b>	-	<b>1,556</b>	<b>2,110</b>	<b>3,444</b>	-	-	-	<b>36,720</b>
<b>Foreign Currency Deposits</b>	<b>2,209,444</b>	-	<b>583</b>	<b>51,178</b>	<b>20,249</b>	<b>28,571</b>	<b>11,970</b>	-	<b>2,321,995</b>
Residents in Turkey	712,303	-	248	13,950	5,521	1,354	1,073	-	734,449
Residents Abroad	1,497,141	-	335	37,228	14,728	27,217	10,897	-	1,587,546
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>13,832</b>	-	-	<b>188</b>	-	-	-	-	<b>14,020</b>
<b>Other Ins. Deposits</b>	<b>7,418</b>	-	-	-	-	-	-	-	<b>7,418</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>1,053,431</b>	-	<b>75,473</b>	<b>301,854</b>	<b>133,427</b>	-	-	-	<b>1,564,185</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	1,053,431	-	75,473	301,854	133,427	-	-	-	1,564,185
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,313,735</b>	-	<b>77,612</b>	<b>355,330</b>	<b>157,120</b>	<b>28,571</b>	<b>11,970</b>	-	<b>3,944,338</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>	<b>18,984</b>	-	<b>678</b>	<b>1,011</b>	<b>2,234</b>	-	-	-	<b>22,907</b>
<b>Foreign Currency Deposits</b>	<b>1,239,744</b>	-	<b>339</b>	<b>33,115</b>	<b>21,093</b>	<b>5,985</b>	<b>7,644</b>	-	<b>1,307,920</b>
Residents in Turkey	396,003	-	339	11,227	5,279	752	3,032	-	416,632
Residents Abroad	843,741	-	-	21,888	15,814	5,233	4,612	-	891,288
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>4,430</b>	-	<b>170</b>	<b>171</b>	-	-	-	-	<b>4,771</b>
<b>Other Ins. Deposits</b>	<b>1,715</b>	-	-	-	-	-	-	-	<b>1,715</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>446,269</b>	-	<b>182,617</b>	<b>180,206</b>	<b>22,023</b>	-	<b>686,072</b>	-	<b>1,517,187</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	93,683	-	-	-	-	-	93,683
Foreign Banks	446,269	-	88,934	180,206	22,023	-	686,072	-	1,423,504
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,711,142</b>	-	<b>183,804</b>	<b>214,503</b>	<b>45,350</b>	<b>5,985</b>	<b>693,716</b>	-	<b>2,854,500</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****Information on maturity profile of deposits (Continued)****Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit**

	Covered by Deposit Insurance Fund		Not Covered by Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	13,816	9,559	22,904	13,348
Foreign Currency Saving Deposits	216,779	145,694	718,607	364,452
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>230,595</b>	<b>155,253</b>	<b>741,511</b>	<b>377,800</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.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****Information on maturity profile of deposits (Continued)***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 Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	12,960	5,941
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-
<b>Total</b>	<b>12,960</b>	<b>5,941</b>

**2. Information on derivative financial liabilities****Negative differences on derivative financial liabilities**

None.

**3. Information on Funds Borrowed***Information on banks and other financial institutions*

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	-	-	4,916	49,708
From Foreign Banks, Institutions and Funds	-	4,706,436	-	1,653,734
<b>Total</b>	<b>-</b>	<b>4,706,436</b>	<b>4,916</b>	<b>1,703,442</b>

*Presentation of funds borrowed based on maturity profile*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	1,544,242	4,916	556,917
Long-Term	-	3,162,194	-	1,146,525
<b>Total</b>	<b>-</b>	<b>4,706,436</b>	<b>4,916</b>	<b>1,703,442</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*

Group's liabilities come from 39% of deposits.



**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****4. Information on other liabilities**

Other liabilities in the balance sheet amounts to TL 78,883 and does not exceed 10% of the total balance sheet (31 December 2020: TL 42,363).

**5. Information on financial lease obligations**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	464	461	1,558	925
Between 1 – 4 years	1,418	327	2,366	682
More than four years	3,052	1,245	2,799	1,061
<b>Total</b>	<b>4,934</b>	<b>2,033</b>	<b>6,723</b>	<b>2,668</b>

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

The Group does not have financial derivative instruments for hedging purposes.

**7. Information on provisions*****Reserve for employee termination benefits***

The Group reserved for employee severance indemnities in the accompanying consolidated 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 unused vacation provision amount as at 31 December 2021 is TL 22,841 (31 December 2020: TL 11,815). In addition to this, the employee termination benefit liability amount is TL 14,623 (31 December 2020: TL 14,399).

***Information on other provisions***

As of 31 December 2021, the Group has free provisions for possible risks is TL 15,000 (31 December 2020: TL 15,000).

*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	15,000
Provisions for non-cash loans	31,790	20,779
Provisions for law suits	268	389
<b>Total</b>	<b>47,058</b>	<b>36,168</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****8. Information on tax payables*****Information on current tax liability***

As of 31 December 2021, the Bank’s corporate tax payable is TL 16,124 (31 December 2020: TL 5,381) after offsetting prepaid corporate tax.

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Taxes Payable	16,124	5,381
Banking Insurance Transaction tax (BITT)	1,780	821
Taxation on Securities Income	154	419
Value Added Tax Payable	1,021	1,606
Value Added Tax Payable (Limited taxpayer)	-	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	13	9
Other	4,916	3,141
<b>Total</b>	<b>24,008</b>	<b>11,377</b>

***Information on premium payables***

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	659	563
Social Security Premiums-Employer	1,012	809
Bank Pension Fund Premium-Employee	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	44	40
Unemployment Insurance-Employer	88	80
Others	-	-
<b>Total</b>	<b>1,803</b>	<b>1,492</b>

***Information on deferred tax liability***

None.

***Information on liabilities of fixed asset held for sale and discontinued operations***

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

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

The Parent Bank has no subordinated loans.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)**

**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 Parent 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.

*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 Group’s prior periods income, profitability, and liquidity indicators and uncertainty, to shareholders’ equity*

None.

*Explanations on dividend distribution*

None.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****9. Information on Shareholders’ Equity (Continued)*****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 Parent 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	9,494	(32,970)	(425)	9,027
Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>9,494</b>	<b>(32,970)</b>	<b>(425)</b>	<b>9,027</b>

***Information on legal reserve***

There are TL 4,829 legal reserve amount from prior years’ profits in the current period (31 December 2020: TL 8,898).

***Information on Minority Shares***

None.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEETS****1. Information on contingent liabilities in the off-balance sheets*****Type and amount of irrevocable commitments***

The Group has TL 2,527 as irrevocable commitments (31 December 2020: TL 17,553).

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

As of the balance sheet date, the Group has allocated the provision amounting TL 6,940 over total non-cash loans (31 December 2020: TL 1,145).

***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 1,155,778 (31 December 2020: TL 568,589).

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

The total amount of the Group’s guarantee letters is TL 5,236,381 (31 December 2020: 3,772,927).

In accordance with the Council of Ministers' Decision dated 2011, the letters of guarantee given to Libya cannot be compensated. As per the BRSA's order dated 30 December 2019, The Memorandum of Understanding signed between the Government of the Republic of Turkey and the Government of National Accord of Libya has entered into force as of 24 September 2020. This agreement hereby has the force of law and the implementation and results of the provisions of this agreement are closely monitored by Turkish Banks transacting with Libya.

**2. Total amount of non-cash loans**

	<b>Current Period</b>	<b>Prior Period</b>
Non-Cash Loans granted for Cash Loan Assurance	318,065	252,259
Less Than or Equal to One Year with Original Maturity	31,990	65,662
More Than One Year with Original Maturity	286,075	186,597
Other Non-Cash Loans	6,074,094	4,089,257
<b>Total</b>	<b>6,392,159</b>	<b>4,341,516</b>

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
<b>Agricultural</b>	-	-	<b>60,388</b>	<b>0.95</b>	-	-	<b>58,612</b>	<b>1.37</b>
Farming and Raising livestock	-	-	60,388	0.95	-	-	58,612	1.37
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>5,785</b>	<b>24.80</b>	<b>384,582</b>	<b>6.04</b>	<b>21,071</b>	<b>27.31</b>	<b>244,097</b>	<b>5.72</b>
Mining	700	3.00	-	-	14,759	19.13	-	-
Production	5,085	21.80	384,582	6.04	6,312	8.18	244,097	5.72
Electric, gas and water	-	-	-	-	-	-	-	-
<b>Construction</b>	<b>10,867</b>	<b>46.59</b>	<b>1,224,640</b>	<b>19.23</b>	<b>30,088</b>	<b>38.99</b>	<b>935,890</b>	<b>21.95</b>
<b>Services</b>	<b>6,672</b>	<b>28.61</b>	<b>4,698,320</b>	<b>73.77</b>	<b>26,008</b>	<b>33.70</b>	<b>3,025,121</b>	<b>70.94</b>
Wholesale and Retail Trade	1,245	5.34	3,873	0.06	245	0.32	39,293	0.92
Hotel, Food and Beverage Services	7	0.03	-	-	7	0.01	-	-
Transportation and Telecommunication	1,743	7.47	3,507	0.06	-	-	4,467	0.10
Financial Institutions	3,677	15.76	4,690,564	73.65	25,756	33.38	2,981,136	69.91
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	376	0.01	-	-	225	0.01
Other	-	-	<b>905</b>	<b>0.01</b>	-	-	<b>629</b>	<b>0.01</b>
<b>Total</b>	<b>23,324</b>	<b>100.00</b>	<b>6,368,835</b>	<b>100.00</b>	<b>77,167</b>	<b>100.00</b>	<b>4,264,349</b>	<b>100.00</b>
					<b>Group I</b>		<b>Group II</b>	
					<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Letters of guarantee			23,079		5,184,769		245	-
Bank acceptances			-		-		-	-
Letters of credit			-		697,625		-	-
Endorsements			-		-		-	-
Underwriting commitments			-		-		-	-
Factoring commitments			-		-		-	-
Other commitments and contingencies			-		458,153		-	-
<b>Non-Cash Loans</b>			<b>23,079</b>		<b>6,340,547</b>		<b>245</b>	<b>-</b>

**4. Information on derivative transactions**

The Group does not have any credit derivative contract.

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

The Group does not have any credit derivative contract.

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

The Bank has not provided provision for the disputed legal cases filed by various persons and institutions having probability of occurrence and requiring cash outflow. Although there are other ongoing lawsuits against the Bank, the Bank do not expect high possibility of negative result and cash outflows related to these cases.

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

None.

**8. Explanations on services rendered on behalf of others**

None.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED 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	19,634	-	1,145	20,779
Additions during the Period	10,308	-	5,795	16,103
Disposal	(5,092)	-	-	(5,092)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
<b>Balances at End of Period</b>	<b>24,850</b>	<b>-</b>	<b>6,940</b>	<b>31,790</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	21,418	-	267	21,685
Additions during the Period	6,058	-	878	6,936
Disposal	(7,842)	-	-	(7,842)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
<b>Balances at End of Period</b>	<b>19,634</b>	<b>-</b>	<b>1,145</b>	<b>20,779</b>

**IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS****1. Information on interest income*****Information on interest income received from loans***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Interest Received from Loans <sup>(1)</sup>				
Short- Term Loans	106,332	14,848	56,539	20,302
Medium and Long- Term Loans	7,841	39,070	8,820	33,553
Interest Received From Non-Performing Loans	236	-	127	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>114,409</b>	<b>53,918</b>	<b>65,486</b>	<b>53,855</b>

<sup>(1)</sup> It contains fee and commission income related to cash loans.***Information on interest income received from banks***

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Central Bank	-	-	-	-
From Domestic Banks	7,426	6,004	6,769	3,519
From Foreign Banks	1,196	77	-	223
From Foreign Headquarter and Branches	-	-	-	-
<b>Total</b>	<b>8,622</b>	<b>6,081</b>	<b>6,769</b>	<b>3,742</b>

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE**

**IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)**

**1. Information on interest income (Continued)**

*Information on interest income on marketable securities*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value Through Profit or Loss	716	-	2,238	5,163
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2,271	54,622	734	34,972
Financial Assets Measured at Amortised Cost	21,647	68,153	714	43,117
<b>Total</b>	<b>24,634</b>	<b>122,775</b>	<b>3,686</b>	<b>83,252</b>

*Information on interest income received from associates and subsidiaries*

None.

**2. Interest Expense**

*Information on interest paid for funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	<b>567</b>	<b>47,725</b>	<b>193</b>	<b>30,210</b>
Central Bank	-	-	-	-
Domestic Banks	567	763	193	2,925
Foreign Banks	-	46,962	-	27,285
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	<b>567</b>	<b>47,725</b>	<b>193</b>	<b>30,210</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>								
Interbank deposits	-	873	-	-	-	-	-	873
Saving deposits	-	206	271	365	7	32	-	881
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	68	18	8	-	-	-	94
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>1,147</b>	<b>289</b>	<b>373</b>	<b>7</b>	<b>32</b>	-	<b>1,848</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	6	93	47	76	193	-	415
Interbank deposits	4	2,043	8,170	3,611	-	-	-	13,828
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>2,049</b>	<b>8,263</b>	<b>3,658</b>	<b>76</b>	<b>193</b>	-	<b>14,243</b>
<b>Grand Total</b>	<b>4</b>	<b>3,196</b>	<b>8,552</b>	<b>4,031</b>	<b>83</b>	<b>225</b>	-	<b>16,091</b>



**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****3. Information on income from other operations**

	<b>Cari Dönem</b>	<b>Önceki Dönem</b>
Gerçeğe Uygun Değer Farkı Kar Zarara Yansıtılan Finansal	-	-
İtfa Edilmiş Maliyeti ile Ölçülen Finansal Varlıklar	-	-
Gerçeğe Uygun Değer Farkı Diğer Kapsamlı Gelire Yansıtılan	41	33
Diğer	-	-
<b>Toplam</b>	<b>41</b>	<b>33</b>

**4. Information on trading gain/loss**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Gain</b>	<b>82,321,548</b>	<b>28,816,156</b>
Gain from money market transactions	-	-
Gain from financial derivative transactions	4	9
Gain from exchange transactions	82,321,544	28,816,147
<b>Loss (-)</b>	<b>(82,310,439)</b>	<b>(28,810,489)</b>
Loss from money market transactions	-	(162)
Loss from financial derivative transactions	(49)	(51)
Loss from exchange transactions	(82,310,390)	(28,810,276)
<b>Net Trading Gain/Loss</b>	<b>11,109</b>	<b>5,667</b>

**5. Information on impairment in loans**

	<b>Current Period</b>	<b>Prior Period</b>
Provisions of prior year	4,926	9,513
Provision for communication expenses	3,231	3,117
Gain on sales of assets	246	168
Other income	430	871
<b>Total</b>	<b>8,833</b>	<b>13,669</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****6. Information on Other Provision Expenses**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss Provisions	11,039	3,909
12 month expected credit loss (stage 1)	5,935	645
Significant increase in credit risk (stage 2)	431	1,350
Non-performing loans (stage 3)	4,673	1,914
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	-	-
<b>Total</b>	<b>11,039</b>	<b>3,909</b>

**7. Information on other operating expense**

	<b>Current Period</b>	<b>Prior Period</b>
Securities Depreciation Expenses	21,959	16,319
Free Provision	-	-
Provisions Lawsuits	-	-
<b>Total</b>	<b>21,959</b>	<b>16,319</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****8. Information on other operating expense**

	<b>Current Period</b>	<b>Prior Period</b>
Employee Termination Benefits Expense	2,265	2,302
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	3,016	3,508
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	2,722	2,720
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	31,862	25,973
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	94	77
<i>Maintenance Expenses</i>	9,787	7,379
<i>Advertisement Expenses</i>	209	262
<i>Other Expenses</i>	21,772	18,255
Losses from sales of Assets	-	-
Other	32,442	17,458
<b>Total</b>	<b>72,307</b>	<b>51,961</b>

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

The pre-tax income amount from continued operations is TL 216,172 (31 December 2020: TL 131,074).

## SECTION FIVE

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

## IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (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*

Current period, current taxation provision is TL 59,657 (31 December 2020: TL 31,940) and the net impact of deferred tax income is TL 6,492 (31 December 2020: TL 1,647 deferred tax income).

*Deferred tax charge arising from origination or reversal of temporary differences*

The deferred tax income arising from origination of temporary differences is TL 6,492 (31 December 2020: TL 1,647 deferred tax income).

*Deferred tax charge/income represented in the income statement within the context of temporary difference, financial loss and tax reduction.*

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 6,492 (31 December 2020: TL 1,647 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 163,007 (31 December 2020: TL 100,781).

## 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.

*Profit/loss regarding minority rights*

There is no profit/loss regarding minority rights in the accompanying consolidated financial statements since the Parent Bank owns 99.98% of the consolidated subsidiary.

## 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 55,235 consist of transfer commissions, letter of credit commissions and other. (31 December 2020: TL 39,753).

	Current Period	Prior Period
Letter of Credit Commissions	41,404	26,046
Transfer Commissions	11,430	11,806
Other	2,401	1,901
<b>Total</b>	<b>55,235</b>	<b>39,753</b>

**SECTION FIVE**

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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 32,078 net decrease in value of assets available –for-sale (31 December 2020: TL 3,535).

**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 5,616 have been transferred to legal reserves (31 December 2020: TL 8,898).

**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.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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***

	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash	30,670	16,758
Cash and cash equivalents	1,221,134	2,006,437
<b>Total</b>	<b>1,251,804</b>	<b>2,023,195</b>

***Information on cash and cash equivalents at the end of the period***

	<b>31 December 2021</b>	<b>31 December 2020</b>
Cash	57,762	30,670
Cash and cash equivalents	2,298,876	1,221,134
<b>Total</b>	<b>2,356,638</b>	<b>1,251,804</b>

The TL 45,524 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 2020 : (TL 1,050,227)).

The “Net increase/decrease in other assets” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (24,841) is composed of changes in fixed assets, associates, tax assets and other assets (31 December 2020 : TL (10,855)).

The “Net increase/decrease in other debts” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (414,536) is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable (31 December 2020 : TL (145,705)).

“Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents” is computed by TL 962,178 which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira (31 December 2020 : TL 300,335).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****VII. INFORMATION ON THE GROUP’S RISK GROUP****1. Information on the volume of transactions with the Parent 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 Group’s risk group***

<b>Current Period</b>						
<b>Bank’s Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables						
Balance at the beginning of the period	-	-	-	202,385	-	20,150
Balance at the end of the period	-	-	-	41,328	401,095	233,601
Interest and Commission Income received <sup>(2)</sup>	-	-	-	-	435	-

<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 Parent 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.

<b>Prior Period</b>						
<b>Group’s Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-cash</b>
Loans and Other Receivables						
Balance at the beginning of the period	-	-	59,486	11,700	-	88,731
Balance at the end of the period	-	-	-	202,385	-	20,150
Interest and Commission Income received	-	-	-	-	38	-

<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 Parent 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 Group has a loan amounting to TL 2,711,060 (31 December 2020: TL 547,183) from the risk group. There was an interest expense of TL 41,048 in the current period related to the loans used. (31 December 2020: TL 21,974).

***Information on deposits of the Group’s risk group***

<b>Bank’s Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
Deposits						
Balance at the beginning of the period	-	-	19,697	1,688	1,026,132	777,686
Balance at the end of the period	-	-	48,551	19,697	677,846	1,026,132
Interest expense on deposits	-	-	882	7	19,551	1,176

<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 Group’s risk group**

None.

**2. Information on benefits provided for top level management:**

As of 31 December 2021, TL 28,294 has been paid to the top level management of the Group as salaries and fringe benefit (31 December 2020: 20,559 TL).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED 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 branches</b>	<b>Number of employees</b>	<b>Country</b>		
Domestic Branch	7	283			
Foreign representative office	-	-	-		
				<b>Total assets</b>	<b>Legal capital</b>
Foreign branch	-	-	-	-	-
Off shore branches	-	-	-	-	-

**2. Bank open or close branches or representative offices in the country and abroad, information on significant changes in the organization**

None.

**IX. FEES RELATED WITH THE SERVICES PROVIDED BY INDEPENDENT AUDITORS/ INDEPENDENT AUDIT AGENCIES**

In accordance with the decision made by Public Oversight Accounting and Auditing Standards Authority dated 26 March 2021, fees, based on the given reporting period, in relation to the services provided by independent auditors or independent audit agencies excluding value added tax costs are presented in the following table. These fees include the fees for services provided to the Bank's domestic subsidiaries

	<b>Current Period</b>	<b>Prior period</b>
Independent audit fees in the reporting period	1,133	787
Fees for tax advisory	20	20
Fees for other assurance services	118	-
Fees for other services except independent audit	-	-
<b>Total</b>	<b>1,271</b>	<b>807</b>

**X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SIX****INDEPENDENT AUDITOR’S REVIEW REPORT****I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT**

As of 31 December 2021, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi and Independent Auditor’s Report is presented preceding the financial statements. The independent audit report dated 31 December 2021 is presented before the consolidated financial statements.

**II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.