

*(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 2022
With Auditors' Report**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

23 February 2023

*This report contains "Independent Auditors' Report"
comprising 5 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 119 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 2022 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 2022, 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 Auditing Regulation") published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.



We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA (including Independence Standards) ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 2022, loans measured at amortised cost comprise 28% 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"> -significant increase in credit risk; -incorporating the forward-looking macroeconomic information in calculation of credit risk; and -design and implementation of expected credit loss model. <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.</p>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Group's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • 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 on prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis on the assumptions and estimates.



<p>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 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, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none">• 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.• We evaluated the adequacy of the consolidated financial statements disclosures related to impairment provisions.
--	--

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

Management is responsible for the preparation and fair presentation of 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.

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 2022 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


Alper Güvenç, SMMM
Partner

23 February 2023
İstanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED FINANCIAL REPORT
AS OF 31 DECEMBER 2022****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 2022 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:

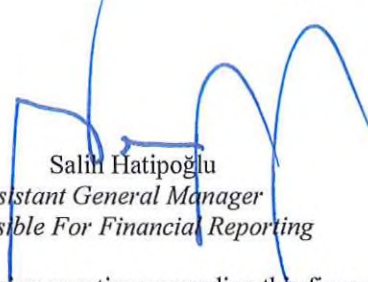
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES RELATED TO THE CONSOLIDATED 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
1	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**.

Yasin Öztürk

*Chairman of the Board of
Directors*Mohamed Milad Hassadi
*Member of The Board of
Directors and The Audit
Committee*Aflah Omar Magsi
*Deputy Chairman of The Board
of Directors and Chairman of
The Audit Committee*Dr. Sinan Şahin
*Member of The Board of
Directors and The Audit
Committee*Wail J. A. Belgasem
General ManagerSalih Hatipoğlu
*Assistant General Manager
Responsible For Financial Reporting*F.Betül Yörel
D.Manager

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

Name / Title: F.Betül Yörel / D.Manager

Phone No : 0 212 225 05 00

Fax No : 0 212 225 05 26

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	1
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	1
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	2
IV.	Information on people and entities who have qualified share in the parent bank	2
V.	Information about the services and nature of activities of the parent bank	2
VI.	Differences between the communicate 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	3
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	3

SECTION TWO

Consolidated Interim Financial Statements

I.	Consolidated Balance Sheet-Assets	4
II.	Consolidated Balance Sheet-Liabilities	5
III.	Consolidated Off balance Sheet Commitments	6
IV.	Consolidated Statement of Profit or Loss	7
V.	Consolidated Statement of Profit or Loss and Other Comprehensive Income	8
VI.	Consolidated Statement of Changes in Shareholders' Equity	9
VII.	Consolidated Statement of Cash Flows	10
VIII.	Statement of Profit Distribution	11

SECTION THREE

Explanations on Accounting Policies

I.	Explanations for basis of presentation	12
II.	Information on strategy for the use of financial instruments and foreign currency transactions	13
III.	Explanations on investments in associates and subsidiaries	14
IV.	Information on forward transactions, options and derivative instruments	15
V.	Information on interest income and expense	15
VI.	Information on fees and commission	15
VII.	Information on financial assets	16
VIII.	Information on offsetting financial instruments	22
IX.	Information on sale and repurchase agreements and lending of financial assets	22
X.	Information on assets held for sale and related to discontinued operations and explanations on liabilities related with these assets	23
XI.	Information on goodwill and other intangible assets	23
XII.	Information on tangible assets	24
XIII.	Information on leasing activities	25
XIV.	Information on provisions, contingent liabilities and contingent assets	26
XV.	Information on liabilities regarding employee benefits	26
XVI.	Information on tax applications	27
XVII.	Additional information on borrowings	28
XVIII.	Information on share issuances	28
XIX.	Information on bills of exchanges and acceptances	28
XX.	Information on government incentives	29
XXI.	Cash and cash equivalents	29
XXII.	Information on segment reporting	29
XXIII.	Other disclosures	29

SECTION FOUR

Information on the Financial Position of the Group

I.	Information on Shareholder's equity	30
II.	Information on credit risk	37
III.	Information on consolidated foreign currency exchange rate risk	47
IV.	Information on consolidated interest rate risk	50
V.	Information on consolidated stock position risk	54
VI.	Information on consolidated liquidity risk management	55
VII.	Explanations on leverage ratio	62
VIII.	Information on fair values of financial assets and liabilities	64
IX.	Activities carried out on behalf of and account of third parties, activities based on assurance	65
X.	Information on risk management	66
XI.	Information on consolidated operating segment	80

SECTION FIVE

Information on Disclosures and Footnotes of Consolidated Financial Statements

I.	Information on disclosures and footnotes of consolidated assets	81
II.	Information and disclosures related to consolidated liabilities	100
III.	Information and disclosures related to consolidated off-balance sheets	108
IV.	Information and footnotes related to consolidated statement of profit or loss	110
V.	Information and disclosures related to statement of changes in shareholders' equity	115
VI.	Information and footnotes related to cash flows statement	116
VII.	Information on the group's risk group	117
VIII.	Domestic, foreign and off shore branches or investment and foreign representative offices	118
IX.	Fees related with the services provided by independent auditors/independent audit agencies	118
X.	Explanations and notes related to subsequent events	118

SECTION SIX

Independent Auditors' Review Report

I.	Information on independent auditors' review report	119
II.	Information and footnotes prepared by the independent auditor	119

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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 2022, the Parent Bank’s share capital at the balance sheet date as follows:

Shareholders	Current Period	
	Share amounts	Share percentages ⁽¹⁾
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%
Total	440,000	100%

⁽¹⁾ Emek İnşaat ve İşletme A.Ş. has 0.0000014% share in the paid capital by TL 6.20 (full digit in TL) (31 December 2021: 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 2022**

(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**

Name	Job Title – Description
Yasin Öztürk	Chairman of the Board of Directors
Aflah Omar Magsi	Deputy Chairman of the Board of Directors and Chairman of Audit Committee
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Dr. Sinan Şahin	Member of the Board of Directors and Member of Audit Committee
Mohamed Milad Hassadi	Member of the Board of Directors and Audit Committee
Hüseyin Serdar Yücel	Member of the Board of Directors
Abdulkhalek Hussein Ergei	Member of the Board of Directors
Nouri Ali Mohamed Aboflega	Member of the Board of Directors

General Manager and Deputies

Name	Job Title – Description
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Salih Hatipoğlu	Assistant General Manager - Financial Management, IT and Support Services
Ahmed Fraj Abdullah Ferjani	Assistant General Manager – Treasury, Financial Institutions, Sales Marketing and Operations 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

Name Surname/Entity Title	Share Amount	Share Percentage %	Paid-in Capital
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 2022

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

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 2022

(Thousands of Turkish Lira ("TL"))

ASSETS	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31.12.2022			31.12.2021		
		TL	FC	TOTAL	TL	FC	TOTAL
I. FINANCIAL ASSETS (NET)		143,764	4,127,106	4,270,870	356,733	4,156,425	4,513,158
1.1 Cash and Cash Equivalents	1	66,877	2,749,213	2,816,090	322,124	3,003,629	3,325,753
1.1.1 Cash and Balances with Central Bank		9,575	1,916,611	1,926,186	8,086	1,658,250	1,666,336
1.1.2 Banks	3	57,809	832,610	890,419	60,209	1,345,392	1,405,601
1.1.3 Money Markets		-	-	-	255,100	-	255,100
1.1.4 Expected Credit Loss (-)		507	8	515	1,271	13	1,284
1.2 Financial Assets Measured at Fair Value Through Profit or Loss	2	-	-	-	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	76,887	1,377,893	1,454,780	34,609	1,152,796	1,187,405
1.3.1 Government Securities		76,663	988,796	1,065,459	34,385	768,191	802,576
1.3.2 Equity Securities		224	7,472	7,696	224	5,348	5,572
1.3.3 Other Financial Assets		-	381,625	381,625	-	379,257	379,257
1.4 Derivative Financial Assets	2	-	-	-	-	-	-
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)		1,550,665	5,730,780	7,281,445	949,081	4,450,262	5,399,343
2.1 LOANS (NET)	5	1,282,166	2,122,686	3,404,852	732,832	1,929,005	2,661,837
2.2 Lease Receivables	10	139,009	640,544	779,553	117,206	359,479	476,685
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	6	140,247	2,970,149	3,110,396	114,019	2,163,844	2,277,863
2.4.1 Government Securities		81,253	2,519,804	2,601,057	69,669	1,423,414	1,493,083
2.4.2 Other Financial Assets		58,994	450,345	509,339	44,350	740,430	784,780
2.5 Expected Credit Loss (-)		10,757	2,599	13,356	14,976	2,066	17,042
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	16	1,000	-	1,000	1,000	-	1,000
3.1 Held for Sale Purpose		1,000	-	1,000	1,000	-	1,000
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		-	-	-	-	-	-
4.1 Associations (Net)	7	-	-	-	-	-	-
4.1.1 Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2 Subsidiaries (Net)	8	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 JOINT VENTURES (Net)	9	-	-	-	-	-	-
4.3.1 Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)	12	579,519	-	579,519	217,794	-	217,794
VI. INTANGIBLE ASSETS (Net)	13	4,372	-	4,372	4,275	-	4,275
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		4,372	-	4,372	4,275	-	4,275
VII. INVESTMENT PROPERTY (Net)	14	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	15	-	-	-	-	-	-
IX. DEFERRED TAX ASSET	15	-	-	-	8,732	-	8,732
X. OTHER ASSETS	17	44,792	46,876	91,668	29,244	31,755	60,999
TOTAL ASSETS		2,324,112	9,904,762	12,228,874	1,566,859	8,638,442	10,205,301

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2022

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31.12.2022			31.12.2021		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	154,641	5,364,033	5,518,674	65,339	3,878,999	3,944,338
II. FUNDS BORROWED	3	20,580	4,444,471	4,465,051	-	4,706,436	4,706,436
III. MONEY MARKETS		37,162	-	37,162	-	-	-
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	2,272	-	2,272	1,683	350	2,033
X. PROVISIONS	7	134,844	10,871	145,715	79,422	6,940	86,362
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		96,042	-	96,042	37,464	-	37,464
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		38,802	10,871	49,673	41,958	6,940	48,898
XI. CURRENT TAX LIABILITY	8	25,315	-	25,315	25,811	-	25,811
XII. DEFERRED TAX LIABILITY		36,536	-	36,536	-	-	-
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	36,366	89,567	125,933	27,287	51,546	78,833
XVI. SHAREHOLDERS' EQUITY	9	1,886,900	(14,684)	1,872,216	1,394,458	(32,970)	1,361,488
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		433,220	-	433,220	152,960	-	152,960
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		6,338	(14,684)	(8,346)	9,494	(32,970)	(23,476)
16.5 Profit Reserves		58,681	-	58,681	49,790	-	49,790
16.5.1 Legal Reserves		58,680	-	58,680	49,789	-	49,789
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)		948,661	-	948,661	742,214	-	742,214
16.6.1 Prior Periods' Profit or (Loss)		733,323	-	733,323	579,207	-	579,207
16.6.2 Current Period Profit or (Loss)		215,338	-	215,338	163,007	-	163,007
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		2,334,616	9,894,258	12,228,874	1,594,000	8,611,301	10,205,301

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AT 31 DECEMBER 2022

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31.12.2022			PRIOR PERIOD 31.12.2021		
		TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	190,704	7,740,130	7,930,834	44,850	6,424,624	6,469,474
I.	GUARANTEES AND WARRANTIES	183,971	7,644,929	7,828,900	23,324	6,368,835	6,392,159
1.1.	Letters of Guarantee	181,283	5,746,647	5,927,930	23,324	5,213,057	5,236,381
1.1.1.	Guarantees Subject to State Tender Law	7,179	-	7,179	7,179	-	7,179
1.1.2.	Guarantees Given for Foreign Trade Operations	130,482	5,737,686	5,868,168	3,408	5,207,937	5,211,345
1.1.3.	Other Letters of Guarantee	43,622	8,961	52,583	12,737	5,120	17,857
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	1,327,841	1,327,841	-	697,625	697,625
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	1,327,841	1,327,841	-	697,625	697,625
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	2,688	570,441	573,129	-	458,153	458,153
1.9.	Other Collaterals	-	-	-	-	-	-
II.	COMMITMENTS	6,733	95,201	101,934	21,526	55,789	77,315
2.1.	Irrevocable Commitments	389	11,312	11,701	386	2,141	2,527
2.1.1.	Asset Purchase and Sale Commitments	-	-	-	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	-	-	-
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	389	-	389	386	-	386
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	-	11,312	11,312	-	2,141	2,141
2.2.	Revocable Commitments	6,344	83,889	90,233	21,140	53,648	74,788
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	6,344	83,889	90,233	21,140	53,648	74,788
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	1,798,634	8,535,439	10,334,073	1,516,365	8,545,224	10,061,589
IV.	ITEMS HELD IN CUSTODY	4,164	-	4,164	596	-	596
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	4,164	-	4,164	596	-	596
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	-	-	-	-	-	-
V.	PLEDGES RECEIVED	1,794,470	8,535,439	10,329,909	1,515,769	8,545,224	10,060,993
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	19,120	411,418	430,538	57,199	298,849	356,048
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	14,394	452,499	466,893	14,394	322,562	336,956
5.6.	Other Pledged Items	1,760,956	7,671,522	9,432,478	1,444,176	7,923,813	9,367,989
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	1,989,338	16,275,569	18,264,907	1,561,215	14,969,848	16,531,063

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2022-31/12/2022)	(01/01/2021-31/12/2021)
I. INTEREST INCOME	1	708,973	432,044
1.1 Interest on Loans		392,927	168,327
1.2 Interest on Reserve Requirements		131	497
1.3 Interest on Banks		23,797	14,703
1.4 Interest on Money Market Transactions		6,614	65,558
1.5 Interest on Marketable Securities Portfolio		223,101	147,409
1.5.1 Fair Value Through Profit or Loss		-	716
1.5.2 Fair Value Through Other Comprehensive Income		73,411	56,893
1.5.3 Measured at Amortised Cost		149,690	89,800
1.6 Financial Lease Income		62,392	35,028
1.7 Other Interest Income		11	522
II. INTEREST EXPENSE (-)	2	176,298	64,705
2.1 Interest on Deposits		30,159	16,091
2.2 Interest on Funds Borrowed		110,538	48,292
2.3 Interest Expense on Money Market Transactions		3,075	-
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		-	-
2.6 Other Interest Expenses		32,526	322
III. NET INTEREST INCOME (I - II)		532,675	367,339
IV. NET FEES AND COMMISSIONS INCOME		109,351	69,848
4.1 Fees and Commissions Received		117,002	74,138
4.1.1 Non-cash Loans		26,397	18,903
4.1.2 Other		90,605	55,235
4.2 Fees and Commissions Paid		7,651	4,290
4.2.1 Non-cash Loans		15	10
4.2.2 Other		7,636	4,280
V. DIVIDEND INCOME	3	63	41
VI. TRADING INCOME /(LOSS) (Net)	4	21,980	11,109
6.1 Trading Gains / (Losses) on Securities		-	-
6.2 Gains / (Losses) on Derivative Financial Transactions		(17)	(45)
6.3 Foreign Exchange Gains / (Losses)		21,997	11,154
VII. OTHER OPERATING INCOME	5	18,891	8,833
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		682,960	457,170
IX. EXPECTED CREDIT LOSS (-)	6	6,462	11,039
X. OTHER PROVISION EXPENSE (-)	7	18,570	21,959
XI. PERSONNEL EXPENSE (-)		244,749	135,693
XII. OTHER OPERATING EXPENSES (-)	8	130,613	72,307
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		282,566	216,172
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	9	282,566	216,172
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	10	(67,228)	(53,165)
18.1 Current Tax Provision		(76,174)	(59,657)
18.2 Deferred Tax Income Effect (+)		19,938	12,097
18.3 Deferred Tax Expense Effect (-)		28,884	18,589
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	11	215,338	163,007
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXV. NET PROFIT/(LOSS) (XVIII+XXIII)	12	215,338	163,007
25.1 Group Profit (Loss)		215,338	163,007
25.2 Minority shares Profit (Loss)		-	-
Earning/(Loss) per share (in TL full)		0.0049	0.0037

ARAP TÜRK BANKASI A.Ş.			
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022			
(Thousands of Turkish Lira ("TL"))			
		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2022-31/12/2022)	(01/01/2021-31/12/2021)
I.	CURRENT PERIOD PROFIT/LOSS	215,338	163,007
II.	OTHER COMPREHENSIVE INCOME	295,390	21,499
2.1	Not Reclassified to Profit or Loss	280,260	53,577
2.1.1	Property and Equipment Revaluation Increase/Decrease	357,861	62,688
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(27,564)	(2,763)
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	(50,037)	(6,348)
2.2	Reclassified to Profit or Loss	15,130	(32,078)
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	19,307	(41,541)
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	(4,177)	9,463
III.	TOTAL COMPREHENSIVE INCOME (I+II)	510,728	184,506

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2022

(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						Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
	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)						
PRIOR PERIOD																
31.12.2021																
I. Balance at the beginning of the period	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
IV. Total comprehensive income (loss)	-	-	-	-	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	160,466	(7,506)	-	-	(23,476)	-	49,790	579,207	163,007	1,361,488	-	1,361,488
CURRENT PERIOD																
31.12.2022																
I. Balance at the beginning of the period	440,000	-	-	-	160,466	(7,506)	-	-	(23,476)	-	49,790	579,207	163,007	1,361,488	-	1,361,488
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	440,000	-	-	-	160,466	(7,506)	-	-	(23,476)	-	49,790	579,207	163,007	1,361,488	-	1,361,488
IV. Total comprehensive income (loss)	-	-	-	-	300,457	(20,197)	-	-	15,130	-	-	-	215,338	510,728	-	510,728
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	8,891	154,116	(163,007)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	8,891	154,116	(163,007)	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	460,923	(27,703)	-	-	(8,346)	-	58,681	733,323	215,338	1,872,216	-	1,872,216

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AT 31 DECEMBER 2022

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2022-31/12/2022)	PRIOR PERIOD (01/01/2021-31/12/2021)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		10,677	263,722
1.1.1 Interest Received		659,759	413,602
1.1.2 Interest Paid		(205,710)	(84,135)
1.1.3 Dividend Received		63	-
1.1.4 Fees and Commissions Received		117,002	74,138
1.1.5 Other Income		44,802	25,737
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1,841	8,693
1.1.7 Payments to Personnel and Service Suppliers		(306,587)	(169,726)
1.1.8 Taxes Paid		(22,456)	(50,111)
1.1.9 Other	1	(278,037)	45,524
1.2 Changes in Operating Assets and Liabilities		(1,390,519)	(51,721)
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(32,201)	(19,186)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		(367,115)	(377,310)
1.2.4 Net (increase) / decrease in other assets		(30,859)	(24,841)
1.2.5 Net increase / (decrease) in bank deposits	1	(145,818)	(934,204)
1.2.6 Net increase / (decrease) in other deposits		279,583	32,251
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		(1,421,572)	1,686,105
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	1	327,463	(414,536)
I. Net Cash Provided from Banking Operations		(1,379,842)	212,001
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		106,360	(68,277)
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		(8,823)	(9,868)
2.4 Disposals of property and equipment		-	1
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(221,560)	(714,293)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		378,210	808,121
2.7 Purchase of Financial Assets Measured at Amortised Cost		(999,808)	(952,398)
2.8 Sale of Financial Assets Measured at Amortised Cost		960,697	802,882
2.9 Other		(2,356)	(2,722)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		(1,011)	(1,068)
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		(1,011)	(1,068)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	1	554,895	962,178
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)	1	(719,598)	1,104,834
VI. Cash and Cash Equivalents at the Beginning of the Period	1	2,356,638	1,251,804
VII. Cash and Cash Equivalents at the End of the Period	1	1,637,040	2,356,638

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

ARAP TÜRK BANKASI A.Ş.
STATEMENT OF PROFIT DISTRIBUTION
FOR THE YEAR ENDED AT 31 DECEMBER 2022

(Thousands of Turkish Lira)

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD ⁽²⁾
		31.12.2022	31.12.2021
I.	DISTRIBUTION OF CURRENT YEAR INCOME ⁽¹⁾		
1.1	CURRENT YEAR INCOME	275,192	208,678
1.2	TAXES AND DUTIES PAYABLE	(61,700)	(48,342)
1.2.1	Corporate Tax (Income tax)	(70,148)	(55,151)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	8,448	6,809
A.	NET INCOME FOR THE YEAR (1.1-1.2)	213,492	160,336
1.3	PRIOR YEARS LOSSES (-)(¹)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	8,016
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	213,492	152,320
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	-	-
II.	DISTRIBUTION OF RESERVES		
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 (-)	-	-
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARES	0.0049	0.0036
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.49	0.36
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

(²) 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 2021

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.

Pursuant to the announcement made by the POA on January 20, 2022, It has been stated that businesses applying TFRS will not need to make any adjustments in their financial statements for 2022 within the scope of TAS 29 Financial Reporting Standard in High Inflation Economies. Therefore, no inflation adjustment was made according to TAS 29 while preparing the financial statements as of 31 December 2022.

The accompanying consolidated financial statements are prepared in accordance with the historical cost basis except for financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

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 statement of profit or loss. 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 statement of profit or loss.

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 statement of profit or loss.

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

Subsequent amendments to the values of investments in equity instruments are not reflected in the statement of profit or loss 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, when calculating the fair value for securities without a market price, any of the pricing models or discounted cash flow techniques are used in accordance with the type of the security.

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 statement of profit or loss.

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 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.

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 statement of profit or loss. 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 Bank is using the cost model under the TAS 16 “Property, Plant and Equipment” for the valuation of the property under tangible assets, it changed in 2017 and switched to a revaluation model in the valuation of real estates 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 statement of profit or loss 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:

Tangible Assets	Estimated Useful Life (Years)	Depreciation Rate (%)
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 statement of profit or loss.

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 statement of profit or loss 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 Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation.

The Bank calculates and accounts in financial statements by estimating the present value of the future probable obligation regarding severance pay in accordance with the provisions of “TAS 19-Employee Benefits”. The resulting actuarial losses and gains are accounted for under equity in accordance with TAS 19.

The Bank's 2022 year-end severance indemnities has been determined in line with the actuarial report prepared by an independent valuation company, and a provision of 38,262 TL has been reflected in the financial statements as of 31.12.2022. The assumptions regarding the calculation are as follows.

	Current Year	Prior Year
Discount Rate	12.10%	22.50%
Inflation Rate	9.90%	18.00%

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

Other benefits to employees

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

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 2022 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)

The Law No. 7352, dated January 20, 2022, on the amendment of the Tax Procedure Law and the Corporate Tax Law was enacted with the Official Gazette numbered 31734 on January 29, 2022. It has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met.

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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XX. INFORMATION ON GOVERNMENT INCENTIVES

None.

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”.

Explanations on hyperinflationary accounting

In the announcement dated January 20, 2022, made by the Public Oversight Authority, it was stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies in the financial statements of the companies applying TFRS for the year ended 31 December 2021. Since the Public Oversight Authority has not made a new announcement regarding the application of inflation accounting, no inflation adjustment has been made in accordance with TAS 29 while preparing the financial statements as of December 31, 2022.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,872,216	
Share issue premiums	440,000	
Reserves	-	
Reserves	58,681	
Gains recognized in equity as per TAS	424,874	
Profit	948,661	
Current Period Profit	215,338	
Prior Period Profit	733,323	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ shares	-	
Common Equity Tier 1 Capital Before Deductions	1,872,216	
Deductions from Common Equity Tier 1 Capital	4,424	
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	52	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,372	4,372
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	-	
Total Deductions From Common Equity Tier 1 Capital	4,424	
Total Common Equity Tier 1 Capital	1,867,792	

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I Capital	-	
Third parties' share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of 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	-	
Transition from the Core Capital to Continue to deduce Components	-	
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 (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,867,792	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	44,001	
Tier II Capital Before Deductions	44,001	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	44,001	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,911,793	
The sum of Tier I Capital and Tier II Capital (Total Capital)	1,911,793	
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 2022

(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 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
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 (-)	-	
TOTAL CAPITAL	1,911,793	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,911,793	
Total risk weighted amounts	9,458,002	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	19.95	
Consolidated Tier I Capital Adequacy Ratio (%)	19.95	
Consolidated Capital Adequacy Ratio (%) ⁽²⁾	20.42	
BUFFERS		
Total buffer requirement	2.74	
Capital conservation buffer requirement (%)	2.50	
Bank specific counter-cyclical buffer requirement (%)	0.24	
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	15.45	
Amounts below the Excess Limits as per the Deduction Principles		
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	-	
Limits related to provisions considered in Tier II calculation	44,001	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	44,001	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

⁽¹⁾ Amounts to be taken into account within the scope of transitional provisions

⁽²⁾ As of 31 December 2022 in accordance with BRSAs decision dated 21 December 2021 and numbered 9996, 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 calculation date.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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)

Informations about Total Capital

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of 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	-	
Transition from the Core Capital to Continue to deduce Components		
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 (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,357,094	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	39,557	
Tier II Capital Before Deductions	39,557	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	39,557	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,396,651	
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	1,396,651	
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	1,357,094	
Other items to be defined by the BRSA (-)	-	

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
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 (-)	-	
TOTAL CAPITAL	1,396,651	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,396,651	
Total risk weighted amounts	5,797,323	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	23.99	
Consolidated Tier I Capital Adequacy Ratio (%)	23.99	
Consolidated Capital Adequacy Ratio (%)	24.67	
BUFFERS		
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	
Amounts below the Excess Limits as per the Deduction Principles		
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	-	
Limits related to provisions considered in Tier II calculation	39,557	
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	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

(2) Calculated taking into account the measures in the announcement dated 21 December 2021. The bank 31 December 2022 banking regulation and Supervision Agency dated as of the date of 21 December 2022 9996 according to the decision of 31 December 2022 in the calculation of credit risk capital adequacy, the amount the central bank for the business day as of the date of recent 252 considering the average exchange rate is calculated by simple arithmetic.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 (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.

Explanations Related to Debt Instruments included in Equity Calculation

None

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	433,220	-	433,220
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(8,346)	-	(8,346)
Profit Reserves	58,681	-	58,681
Profit or Loss	948,661	-	948,661
Prior Periods’ Profit/Loss	733,323	-	733,323
Current Period Net Profit/Loss	215,338	-	215,338
Deductions from Common Equity TierI Capital ⁽¹⁾	-	4,424	(4,424)
Common Equity Tier 1 capital	-	-	1,867,792
Tier 1 capital	-	-	1,867,792
Provisions	-	(44,001)	44,001
Tier 2 capital ⁽²⁾	-	(44,001)	44,001
Shareholders’s Equity Adjustments ⁽³⁾	-	-	-
Total Shareholders’s Equity	1,872,216	(39,577)	1,911,793

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

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

⁽³⁾ 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

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 2022:

Grade ^{(1),(2)}	Description	Current Period	Prior Period
		Weight	
AA	Maximum Reliability and Qualified	1%	4%
AA-	Maximum Reliability	11%	12%
A+	Maximum Reliability	19%	12%
A	Very Good Firm	15%	9%
A-	Very Good Firm	18%	20%
BBB+	Very Good Firm	12%	16%
BBB	Reliable and Qualified	8%	12%
BBB-	Reliable and Qualified	8%	9%
BB+	Reliable and Qualified	5%	4%
BB	Low Reliably and risky	2%	1%
BB-	Low Reliably and risky	-	1%
B	Low Reliably and risky	1%	-

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

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

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

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

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

Value adjustments and provisions methods and approaches

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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	2,210,214	2,239,118	2,292,054	2,376,590	4,180,105	3,699,577	3,639,201	3,807,638	3,568,074	3,394,223	3,347,967	3,317,121	3,172,657
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	3,852,027	3,686,066	3,892,083	3,432,443	5,471,281	5,436,214	5,135,185	4,469,098	4,234,116	4,386,967	4,157,705	4,393,592	4,378,898
Contingent and Non-Contingent Corporate Receivables	2,212,319	2,442,360	2,620,216	2,710,630	3,429,972	3,435,600	3,318,111	3,272,144	2,866,283	2,969,075	2,973,930	2,875,536	2,927,181
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	6,315	6,040	6,091	6,162	2,051
Contingent and Non-Contingent Receivables Secured by Property	1,200	1,200	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	1,867
Past Due Loans	126	111	307	1,089	264	242	264	150	106	32	7	3	225
Higher-Risk Receivables Defined by BRSA	639,983	711,917	509,834	272,750	760,947	727,202	830,843	994,578	1,203,181	930,201	957,034	805,260	778,644
Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	339,893	346,139	385,127	387,256	381,130	415,116	430,444	419,066	399,543	394,099	463,103	747,355	425,689
Total exposure to risks	9,255,762	9,426,911	9,701,621	9,182,758	14,225,699	13,715,951	13,356,048	12,964,674	12,279,618	12,082,637	11,907,837	12,147,029	11,687,212

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 99.94% 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 99.94% 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 4,385 (31 December 2021: TL 7,862).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

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. ⁽¹⁾

Current Period	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Retail Receivables	Receivables Secured by Residential Property	Past due loans⁽⁴⁾	Higher-Risk Receivables Defined by BRSA	Other receivables	Total
Domestic	3,317,121	3,634,658	2,875,536	6,155	2,000	3	14,566	747,355	10,597,394
European Union Countries	-	366,671	-	-	-	-	-	-	366,671
OECD Countries ⁽²⁾	-	26,606	-	-	-	-	-	-	26,606
Off-Shore Banking Regions	-	-	-	-	-	-	-	-	-
USA, Canada	-	16,178	-	-	-	-	-	-	16,178
Other Countries	-	349,479	-	7	-	-	790,694	-	1,140,180
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-	-
Total	3,317,121	4,393,592	2,875,536	6,162	2,000	3	805,260	747,355	12,147,029

Prior Period	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Retail Receivables	Receivables Secured by Residential Property	Past due loans⁽⁴⁾	Higher-Risk Receivables Defined by BRSA	Other receivables	Total
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 ⁽²⁾	-	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 ⁽³⁾	-	-	-	-	-	-	-	-	-
Total	2,142,004	3,942,035	2,121,331	-	1,200	166	434,046	342,743	8,983,525

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

⁽²⁾ OECD Countries excluding European countries, USA and Canada

⁽³⁾ Assets and liabilities that cannot be allocated on a consistent basis

⁽⁴⁾ Net value of non performing loans

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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 ⁽¹⁾

	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Retail Receivables	Receivables Secured by Residential Property	Higher-Risk Past Receivables Defined by BRSA	Other Receivables	TL	FC	Total
Agricultural	-	-	51,285	-	-	3	-	25,812	25,476	51,288
Farming and Stockbreeding	-	-	39,648	-	-	3	-	20,987	18,664	39,651
Forestry	-	-	11,637	-	-	-	-	4,825	6,812	11,637
Fishing	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	1,242,323	-	-	-	-	367,917	874,406	1,242,323
Mining	-	-	25,758	-	-	-	-	24,148	1,610	25,758
Production	-	-	1,216,565	-	-	-	-	343,769	872,796	1,216,565
Electric, gas and water	-	-	-	-	-	-	-	-	-	-
Construction	-	-	1,198,419	-	2,000	-	14,566	152,068	1,062,917	1,214,985
Services	3,317,121	4,393,592	383,509	-	-	-	790,688	1,231,146	7,653,764	8,884,910
Wholesale and retail trade	-	-	274,747	-	-	-	-	123,579	151,168	274,747
Hotel, food and beverage services	-	-	828	-	-	-	-	506	322	828
Transportation and telecommunication	-	-	3,849	-	-	-	901	2,288	2,462	4,750
Financial institutions	3,317,121	4,393,592	-	-	-	-	789,787	1,036,587	7,463,913	8,500,500
Real estate and Leasing services	-	-	49,243	-	-	-	-	13,532	35,711	49,243
“Self-employment” type Services	-	-	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-	-	-
Health and social services	-	-	54,842	-	-	-	-	54,654	188	54,842
Other	-	-	-	6,162	-	-	6	747,355	665,306	88,217
Total	3,317,121	4,393,592	2,875,536	6,162	2,000	3	805,260	747,355	2,442,249	9,704,780

⁽¹⁾ 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 2022

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

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 ⁽²⁾	Payment Term ⁽¹⁾				
	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	10,852	4,377	774,852	45,720	1,108,289
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	1,713,360	611,344	552,501	124,670	1,014,858
Contingent and Non-Contingent Corporate Receivables	511,561	624,342	483,273	617,413	643,978
Contingent and Non-Contingent Retail Receivables	4	42	170	1,685	4,254
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	-	2,000	-
Past Due Loans	-	-	-	-	-
Higher-Risk Receivables Defined by BRSA	223,886	491,109	44,185	44,615	860
Marketable Securities Collateralized Mortgages	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Receivables from Banks and Corporate Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	2,459,663	1,731,214	1,854,981	836,103	2,772,239

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

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

11. Information on risk classes

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

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

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

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

The 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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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%		3,366,820
10%		-
20%	579,167	579,167
35%		-
50%	3,475,154	3,475,154
75%		-
100%	3,769,234	3,769,234
150%	810,192	810,192
200%	146,459	146,459
1250%		-
Deductible form Equity	5,618	5,618

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 (IFRS 9)
Agricultural	6,017	133	215
Farming and Stockbreeding	6,017	133	215
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	44,621	1,274	1,768
Mining	-	-	-
Production	44,621	1,274	1,768
Electric, gas and water	-	-	-
Construction	-	1,954	1,954
Services	24,865	7	7
Wholesale and retail trade	722	-	-
Hotel, food and beverage services	-	-	-
Transportation and telecommunication	-	-	-
Financial institutions	-	-	-
Real estate and Leasing services	24,143	7	7
“Self-employment” type Services	-	-	-
Education services	-	-	-
Health and social services	-	-	-
Other	-	-	-

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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 ⁽¹⁾	Closing Balance
Stage 3 provisions	4,062	1	698	-	3,365
Stage 1 & 2 provisions	9,871	5,426	8,085	-	7,212

⁽¹⁾ Includes loans written off.

14. Other information on credit risk

Sectoral concentrations for cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	20,986	1.64	-	-	53,135	9.33	-	-
Farming and stockbreeding	20,986	1.64	-	-	53,135	9.33	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	225,978	17.62	460,568	21.70	66,483	11.67	48,466	4.2
Mining	23,792	1.86	-	-	7,844	1.38	-	-
Production	202,186	15.77	460,568	21.70	58,639	10.3	48,466	4.2
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	37,258	2.91	697,855	32.88	158,925	27.9	399,286	34.57
Services	992,166	77.38	898,930	42.35	289,456	50.82	695,790	60.24
Wholesale and retail trade	107,335	8.37	93,492	4.40	20,080	3.53	-	-
Hotel, food and beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	1,323	0.10	-	-	1,255	0.22	-	-
Financial institutions	828,904	64.65	805,438	37.94	261,117	45.84	597,060	51.69
Real estate and Leasing Services	-	-	-	-	-	-	98,730	8.55
“Self-employment” type Services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	54,604	4.26	-	-	7,004	1.23	-	-
Other	5,778	0.45	65,333	3.08	1,574	0.28	11,466	0.99
Total	1,282,166	100	2,122,686	100	569,573	100	1,155,008	100

Sectoral and regional concentration of impaired loans and receivables

Sectoral	Current Period	Prior Period
Farming and Stockbreeding	133	122
Manufacturing	1,274	3,093
Construction	1,954	5,040
Financial institutions	-	-
Hotel and Restaurant Services	-	-
Wholesale and retail trade	7	7
Total impaired loans and receivables	3,368	8,262

Regional	Current Period	Prior Period
Turkey	3,368	8,262
Total impaired loans and receivables	3,368	8,262

Past due but not impaired loans and receivables

None. (31 December 2022: 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

Date	US Dollars	Euro
23 December 2022	18.6592	19.8044
26 December 2022	18.6649	19.8324
27 December 2022	18.6813	19.9087
28 December 2022	18.6964	19.8946
29 December 2022	18.6966	19.8816
30 December 2022	18.6983	19.9349

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 2022 is TL 18.6406 for USD, TL 19.7344 for EURO.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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**

Current Period	Euro	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	1,066,681	849,655	275	1,916,611
Banks	572,491	218,057	42,062	832,610
Financial Assets Measured at Fair Value through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	393,516	984,377	-	1,377,893
Loans	1,364,209	758,477	-	2,122,686
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	1,515,402	1,454,747	-	2,970,149
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets ⁽²⁾	652,422	32,391	-	684,813
Total Assets	5,564,721	4,297,704	42,337	9,904,762
Liabilities				
Bank Deposits	1,243,422	626,536	9,141	1,879,099
Foreign Currency Deposits	1,642,672	1,810,066	32,196	3,484,934
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	2,674,715	1,769,756	-	4,444,471
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	64,775	34,413	1,250	100,438
Total Liabilities ⁽¹⁾	5,625,584	4,240,771	42,587	9,908,942
Net Balance Sheet Position	(60,863)	56,933	(250)	(4,180)
Net Off Balance Sheet Position	-	-	-	-
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	-	-	-	-
Non-Cash Loans	2,947,173	3,756,941	940,815	7,644,929
Prior Period				
Total Assets	4,311,576	4,304,163	22,703	8,638,442
Total Liabilities	4,315,479	4,306,410	22,382	8,644,271
Balance Sheet Position, net	(3,903)	(2,247)	321	(5,829)
Off Balance Sheet Position, net	-	-	-	-
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	-	-	-	-
Non-cash Loans	2,993,431	2,678,271	697,133	6,368,835

(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 14,684.

(2) Includes financial lease receivables.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 2022 and 31 December 2021 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 ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	(5,347)	(4,860)	390	1,504
US Dollar	4,712	5,693	225	2,409
Other Currencies	25	25	(32)	(32)
Total	(610)	858	583	3,881

⁽¹⁾ 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 ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	5,347	4,860	(390)	(1,504)
US Dollar	(4,712)	(5,693)	(225)	(2,409)
Other Currencies	(25)	(25)	32	32
Total	610	(858)	(583)	(3,881)

⁽¹⁾ 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 2022

(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
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	1,926,186	1,926,186
Banks	867,375	-	-	-	-	23,044	890,419
Financial assets at fair value through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	120,070	136,068	650,759	540,187	-	7,696	1,454,780
Loans	1,932,896	887,898	546,015	35,030	-	3,013	3,404,852
Financial Assets Measured at Amortized Cost	189,535	74,447	1,148,076	1,698,338	-	-	3,110,396
Other Assets ⁽¹⁾⁽³⁾	33,118	119,246	225,427	391,800	-	672,650	1,442,241
Total assets	3,142,994	1,217,659	2,570,277	2,665,355	-	2,632,589	12,228,874
Liabilities							
Bank Deposits	1,680,287	56,311	202,071	-	-	-	1,938,669
Other Deposits	62,734	67,850	73,408	-	-	3,376,013	3,580,005
Money Market Borrowings	37,162	-	-	-	-	-	37,162
Miscellaneous Payables	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	495,772	1,642,085	2,238,555	88,639	-	-	4,465,051
Other liabilities ⁽²⁾	274	697	1,707	(406)	-	2,205,715	2,207,987
Total liabilities	2,276,229	1,766,943	2,515,741	88,233	-	5,581,728	12,228,874
Long Position in the Balance Sheet	866,765	-	54,536	2,577,122	-	-	3,498,423
Short Position in the Balance Sheet	-	(549,284)	-	-	-	(2,949,139)	(3,498,423)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	866,765	(549,284)	54,536	2,577,122	-	(2,949,139)	-

^{1.} Other Assets: The amount of TL 672,650 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 579,519, Expected Credit Loss amounting to TL 13,871, Intangible Assets amounting to TL 4,372, other non-interest bearing amounting to TL 101,630 Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

^{2.} Other Liabilities: The amount of TL 2,205,715 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 1,872,216, Provisions amounting to TL 145,715, Current Tax Liability amounting to TL 25,315, Deferred Tax Liability amounting to TL 36,536 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 125,933.

^{3.} Includes financial lease receivables

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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
Assests							
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 ⁽¹⁾⁽³⁾	18,678	36,896	167,872	242,889	-	284,824	751,159
Total assets	2,765,894	983,387	1,315,178	3,171,033	-	1,969,809	10,205,301
Liabilities							
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 ⁽²⁾	214	526	1,293	-	-	1,552,494	1,554,527
Total liabilities	2,532,110	405,652	3,124,074	330,667	-	3,812,798	10,205,301
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	-	-	-	-	-	-	-
Total Position	233,784	577,735	(1,808,896)	2,840,366	-	(1,842,989)	-

^{1.} 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.

^{2.} 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.

^{3.} Includes financial lease receivables

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 (%)**

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	-	-	8.50
Banks	2.44	4.49	20.30
Financial Assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2.93	4.92	8.92
Loans	6.95	8.90	18.62
Financial Assets Measured at Amortized Cost	3.41	7.22	20.90
Financial Lease Receivables	6.04	7.00	25.87
Liabilities			
Interbank Deposits	2.86	6.45	12.07
Other Deposits	0.62	1.65	11.46
Money Market Borrowings	-	-	9.00
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	2.20	3.41	22.88
Prior Period			
Assets			
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
Liabilities			
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	-

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 21% 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 82% of these funds are US Dollars, and 18% 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.

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:

	Month	FC	Month	FC+TL
Lowest	October	223	November	250
Highest	December	275	December	333

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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 ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	6,792,352	6,698,937	5,608,973	5,515,559
CASH OUTFLOWS				
2 Real person deposits and retail deposits	1,460,506	1,410,418	143,640	141,042
3 Stable deposit	48,206	-	2,410	-
4 Deposit with low stability	1,412,300	1,410,418	141,230	141,042
5 Unsecured debts except real person deposits and retail deposits	3,970,926	3,528,025	2,840,362	2,507,104
6 Operational deposit	-	-	-	-
7 Non-operating deposits	3,646,599	3,427,954	2,516,035	2,407,033
8 Other unsecured debts	324,327	100,071	324,327	100,071
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	8,111,114	8,008,228	438,142	430,903
16 TOTAL CASH OUTFLOW	13,542,546	12,946,671	3,422,144	3,079,049
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,565,910	948,379	1,362,537	815,941
19 Other cash inflows	11,986	6,716	11,986	6,716
20 TOTAL CASH INFLOWS	1,577,896	955,095	1,374,523	822,657
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			5,608,973	5,515,559
22 TOTAL NET CASH OUTFLOWS			2,047,621	2,256,392
23 LIQUIDITY COVERAGE RATIO (%)			273.93	244.44

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	7,283,583	7,122,663	5,831,536	5,711,164
CASH OUTFLOWS				
2 Real person deposits and retail deposits	1,396,431	1,347,793	137,492	134,779
3 Stable deposit	43,028	-	2,151	-
4 Deposit with low stability	1,353,403	1,347,793	135,341	134,779
5 Unsecured debts except real person deposits and retail deposits	4,591,334	4,295,766	3,488,945	3,242,824
6 Operational deposit	-	-	-	-
7 Non-operating deposits	4,319,306	4,219,462	3,216,917	3,166,520
8 Other unsecured debts	272,028	76,304	272,028	76,304
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	8,344,007	8,272,221	447,506	442,061
16 TOTAL CASH OUTFLOW	14,331,772	13,915,780	4,073,943	3,819,664
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	2,473,199	1,676,422	2,256,421	1,606,419
19 Other cash inflows	59,992	59,992	59,992	59,992
20 TOTAL CASH INFLOWS	2,533,191	1,736,414	2,316,413	1,666,411
21 TOTAL HQLA STOCK			5,831,536	5,711,164
22 TOTAL NET CASH OUTFLOWS			1,757,530	2,153,253
23 LIQUIDITY COVERAGE RATIO (%)			331.80	265.23

(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 34% of high-quality liquid assets of the Parent Bank, while 65% comprised of debt instruments issued by the Treasury and %1 of cash and effectives.

Sections Funding sources comprised of and their densities within all funds

A significant part of the funding sources are comprised of deposits received. 45% of the total liabilities are deposits received. 35% 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 at 31 December 2022, 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. 45% of the liability is deposits and 35% 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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

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

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
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	74,569	1,851,617	-	-	-	-	-	1,926,186
Banks	513,530	376,889	-	-	-	-	-	890,419
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	120,070	136,068	650,763	540,183	-	7,696	1,454,780
Loans	-	1,932,895	835,447	598,467	35,030	-	3,013	3,404,852
Investment securities held-to-maturity	-	189,535	74,447	1,148,076	1,698,338	-	-	3,110,396
Other assets ⁽¹⁾⁽³⁾	7	61,601	72,581	230,144	433,748	-	644,160	1,442,241
Total Assets	588,106	4,532,607	1,118,543	2,627,450	2,707,299	-	654,869	12,228,874
Liabilities								
Interbank Deposits	1,269,094	411,193	56,311	202,071	-	-	-	1,938,669
Other Deposits	3,376,013	62,734	67,850	73,408	-	-	-	3,580,005
Funds provided from other financial institutions	-	37,162	-	-	-	-	-	37,162
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	392,050	1,510,112	1,932,583	630,306	-	-	4,465,051
Other liabilities ⁽²⁾	-	3,135	697	2,545	-	-	2,201,610	2,207,987
Total Liabilities	4,645,107	906,274	1,634,970	2,210,607	630,306	-	2,201,610	12,228,874
Net Liquidity Gap	(4,057,001)	3,626,333	(516,427)	416,843	2,076,993	-	(1,546,741)	-
Prior Period								
Total Assets	209,530	4,261,177	895,433	1,403,136	3,171,030	-	264,995	10,205,301
Total Liabilities	3,313,735	1,433,308	342,816	2,877,194	690,987	-	1,547,261	10,205,301
Net Liquidity Gap	(3,104,205)	2,827,869	552,617	(1,474,058)	2,480,043	-	(1,282,266)	-

⁽¹⁾ Other Assets: The amount of TL 644,160 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 579,519, Expected credit loss amounting to TL 13,871, Intangible Assets amounting to TL 4,372 and other Non-Interest Bearing amounting to TL 73,140 and Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 2,201,610 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,872,216, Provisions amounting to TL 145,715, Deferred Tax Liabilities amounting to TL 36,536 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 121,828.

⁽³⁾ Includes financial lease receivables

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

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

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⁽²⁾	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽¹⁾	11,195	4,573
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
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	4,016,003	2,438,587
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	147,023	72,581
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	-	-
Total Risk Amount	4,174,221	2,517,868

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

⁽²⁾ The amounts shown in the table are 3 month averages.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

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

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

	Balance sheet assets	Current Period	Prior Period
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	11,567,881	7,451,280
2	(Assets deducted from main capital)	(5,597)	(4,572)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	11,562,283	7,446,708
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	-	-
5	Potential credit risk amount of derivative financial instruments and credit derivatives	-	10
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	-	10
	Security or secured financing transactions		
7	Risk amount of security or secured financing transactions (Except balance sheet)	9,609	49,654
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	9,609	49,654
	Off-balance sheet transactions		
10	Gross nominal amount of off-balance sheet transactions	7,704,419	4,880,181
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)	7,704,419	4,880,181
	Equity and total risk		
13	Main capital	1,487,537	1,259,291
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	19,276,312	12,376,553
	Leverage ratio		
15	Leverage ratio	7.74%	10.34%

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 financial assets measured at amortised cost; 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
Financial Assets	11,499,186	9,873,068	9,230,272	8,932,597
Banks	2,749,605	3,014,178	2,749,605	3,014,178
Money market receivables	-	255,100	-	255,100
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1,454,780	1,187,405	1,454,780	1,187,405
Financial Assets Measured at Amortised Cost	3,110,396	2,277,863	2,474,450	1,564,211
Loans	3,404,852	2,661,837	2,438,823	2,438,859
Leasing receivables	779,553	476,685	112,614	472,844
Financial Liabilities	10,850,832	8,729,607	10,850,832	8,729,607
Bank deposits	5,516,502	2,946,874	5,516,502	2,946,874
Other Deposits	2,172	997,464	2,172	997,464
Funds provided from other financial institutions	5,169,063	4,706,436	5,169,063	4,706,436
Money market borrowings	37,162	-	37,162	-
Marketable securities issued	-	-	-	-
Miscellaneous Payables	125,933	78,833	125,933	78,833

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

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

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets				
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>	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1,447,084	-	7,696	1,454,780
<i>Public sector debt securities</i>	1,181,833	-	-	1,065,459
<i>Equity Securities</i>	-	-	7,696	7,696
<i>Other financial assets</i>	381,625	-	-	381,625
Prior Period				
Financial Assets				
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>	-	-	-	-

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

	Current Period	Prior Period
Balances at beginning of period	5,572	3,185
Purchases during the period	-	-
Disposals through sale/redemption	-	-
Valuation effect	2,124	2,387
Transfers	-	-
Balances at end of period	7,696	5,572

IX. ACTIVITIES CARRIED OUT ON BEHALF OF AND ACCOUNT OF THIRD PARTIES, ACTIVITIES BASED ON ASSURANCE***Information on whether Bank carries out trading, custody, consulting, management services for third parties***

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

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

The Bank does not have transactions based on trust.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE 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 2022**

(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)	7,130,852	4,824,066	570,468
2 Standardised approach (SA)	7,130,852	4,824,066	570,468
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	-	244	-
5 Standardised approach for counterparty credit risk (SA-CCR)	-	244	-
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	1.605,488	349,563	128,439
17 Standardised approach (SA)	1.605,488	349,563	128,439
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	721,663	623,450	57,733
20 Basic Indicator Approach	721,663	623,450	57,733
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	9,458,002	5,797,323	756,640

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 2022

(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

	Gross Carrying Values of TAS						Not subject to capital requirements or subject to deduction from capital
	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	
Assets							
Cash And Balances With The Central Bank Of Turkey	1,926,186	1,926,186	1,926,186	-	-	1,916,611	-
Financial assets held for trading	-	-	-	-	-	-	-
Financial Assets At Fair Value Through Profit Or Loss	-	-	-	-	-	-	-
Banks	890,419	890,419	890,420	-	-	832,610	-
Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale (net)	1,454,780	1,454,780	7,696	-	-	1,454,780	-
Loans And Receivables	3,404,852	3,404,852	3,404,852	-	-	2,122,686	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Securities Held-to-Maturity (net)	3,110,396	3,110,396	3,110,396	-	-	2,970,149	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint Ventures (net)	-	-	-	-	-	-	-
Lease Receivables	779,553	779,553	779,553	-	-	640,544	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-	-	-
Tangible Assets (net)	579,519	579,519	579,519	-	-	-	52
Intangible Assets (net)	4,372	4,372	-	-	-	-	4,372
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-	-
Asset Held For Sale And Assets Of Discontinued Operations (Net)	1,000	1,000	-	-	-	-	1,000
Other Assets	77,797	77,797	74,326	-	-	46,876	-
Total Assets	12,228,874	12,228,874	10,772,948	-	-	9,984,256	5,424
Liabilities							
Deposits	5,518,674	5,518,674	-	-	-	5,364,033	-
Derivative Financial Liabilities Held For Trading	-	-	-	-	-	4,444,471	-
Funds Borrowed	4,465,051	4,465,051	-	-	-	-	-
Interbank Money Market	37,162	37,162	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	89,567	-
Other External Resources	125,933	125,933	-	-	-	-	-
Factoring Payables	-	-	-	-	-	-	-
Leasing Transactions Payables	2,272	2,272	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-	10,871	-
Provisions	145,715	145,715	-	-	-	-	-
Tax Liability	61,851	61,851	-	-	-	-	-
Liabilities For Assets Held For Resale And Assets Of Discontinued Operations	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders' Equity	1,872,216	1,872,216	-	-	-	-	-
Total Liabilities	12,228,874	12,228,874	-	-	-	9,908,942	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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	20,757,204	10,772,948	-	-	9,984,256
Liabilities carrying value amount under TAS of consolidation	9,908,942	-	-	-	9,908,942
Total net amount under regulatory scope of consolidation	-	-	-	-	-
Off-balance sheet amounts	10,228,138	2,571,897	-	-	7,656,241
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	-	-	-	-	-
Risk amounts	40,894,284	13,344,845	-	-	27,549,439

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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)**

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

Gross Carrying Values of TAS according to Consolidated Financial Statements					
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net Values
1	Loans	3,368	12,100,663	7,398	12,096,633
2	Debt Securities	-	2,324,110	-	2,324,110
3	Of which defaulted	-	7,872,366	43,466	7,828,900
4	Total	3,368	22,297,139	50,864	22,249,643

Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	4,228
2	Loans and debt securities that have defaulted since the last reporting period	981
3	Returned to non-defaulted status	(1,841)
4	Amounts written off	-
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	3,368

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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)

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	12,096,633	-	-	37,162	37,162	-	-
2	Debt Securities	2,324,110	-	-	-	-	-	-
3	Total	14,420,743	-	-	37,162	37,162	-	-
4	Of which defaulted	3,368	-	-	-	-	-	-

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 2022 the amount subject to operational risk is TL 721,663 (31.12.2021: TL 623,450).

Current Period	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
Gross income	382,349	316,976	455,334	384,886	15	57,733
Value at operational risk (Total*12.5)						721,663

Prior Period	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
Gross income	298,186	382,349	316,976	332,504	15	49,876
Value at operational risk (Total*12.5)						623,450

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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)

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	3,354,283	-	3,317,121	-	-	-
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	2,483,914	3,554,089	2,483,914	1,909,678	2,192,681	50%
7 Contingent and Non-Contingent Corporate Receivables	1,996,022	1,425,029	1,996,022	879,514	3,021,995	105%
8 Contingent and Non-Contingent Retail Receivables	5,787	772	5,787	375	8,628	140%
9 Secured by residential property	-	-	-	-	-	-
10 Secured by commercial real estate	-	2,000	-	2,000	2,000	100%
11 Past Due Loans	3	-	3	-	1	50%
12 Higher-Risk Receivables Defined by BRSA	48,940	802,549	48,940	756,320	1,207,891	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	747,355	-	747,355	-	697,656	93%
17 Equity Investments	-	-	-	-	-	-
18 Total	8,636,304	5,784,439	8,599,142	3,547,887	7,130,852	58%

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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)

Standardised approach – exposures by asset classes and risk weights

Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	3,317,121	-	-	-	-	-	-	-	-	-	3,317,121
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	-	-	579,167	-	3,475,155	-	339,270	-	-	-	4,393,592
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	2,729,077	-	146,459	-	2,875,536
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	1,231	4,931	-	-	6,162
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	2,000	-	-	-	2,000
11 Past Due Loans	-	-	-	-	3	-	-	-	-	-	3
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	805,260	-	-	805,260
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	49,699	-	-	-	-	-	697,656	-	-	-	747,355
18 Total	3,366,820	-	579,167	-	3,475,158	-	3,769,234	810,191	146,459	-	12,147,029

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.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

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

None.

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

None.

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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****Counterparty Credit Risk (CCR) approach analysis***None.***Credit valuation adjustment (CVA) capital charge***None.***Standardised approach – CCR exposures by regulatory portfolio and risk weights**

Risk Sınıfları/ Risk Ağırlığı	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Total credit exposure
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	37,162	-	-	-	-	-	-	-	-	-	37,162
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	-	-	-	-	-	-	-	-	-	-	-
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past Due Loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	-	-	-	-
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-	-
18 Total	37,162	-	-	-	-	-	-	-	-	-	37,162

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****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	-	-	-	-	37,162	-
Total	-	-	-	-	37,162	-

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
Outright products	
1 Interest rate risk (general and specific)	123,437
2 Equity risk (general and specific)	-
3 Foreign exchange risk	5,002
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisation	-
9 Total	128.439

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	(2,728)	(0.15)%
	(400)	2,379	0.13%
2 EURO	200	10,002	0.53%
	(200)	(10,244)	(0.55)%
3 USD	200	8,314	0.44%
	(200)	(8,517)	(0.46)%
Total (of negative shocks)		15,588	0.83%
Total (of positive shocks)		(16,382)	(0.88)%

Prior 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	8,030	0.59%
	(200)	(8,241)	(0.60)%
	200	29,979	2.19%
	(200)	(31,075)	(2.27)%
Total (of negative shocks)		32,940	2.41%
Total (of positive shocks)		(34,923)	(2.55)%

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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 2022 and 31 December 2021 are presented in the table below:

	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Current Period						
Interest Income (Net)	(1,592)	401,069	82,481	50,717	-	532,675
Commission Income (Net)	-	106,366	-	2,985	-	109,351
Unallocated Income/Expenses (Net)	-	-	-	(32,331)	(327,192)	(359,523)
<i>Income from Subsidiaries</i>	-	-	-	-	63	63
<i>Dividend Income</i>	-	-	-	-	-	-
<i>Other Dividend Income</i>	-	-	-	-	63	63
Operating Income	(1,592)	507,435	82,481	21,371	(327,129)	282,566
<i>Income from Subsidiaries</i>	-	-	-	-	-	-
<i>Income before tax</i>	-	-	-	-	282,566	282,566
<i>Tax Provision</i>	-	-	-	-	(67,228)	(67,228)
Net Profit for the period	-	-	-	-	215,338	215,338

	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Current Period						
Segment Assets	5,778	3,104,618	6,958,650	932,475	-	11,001,521
Unallocated assets	-	-	-	-	1,227,353	1,227,353
Total Assets	5,778	3,104,618	6,958,650	932,475	1,227,353	12,228,874
Segment Liabilities	1,581,492	1,668,299	6,067,413	747,197	-	10,064,401
Unallocated Liabilities	-	-	-	-	292,257	292,257
Equity	-	-	-	-	1,872,216	1,872,216
Total Liabilities	1,581,492	1,668,299	6,067,413	747,197	2,164,473	12,228,874

	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Prior Period						
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)
<i>Income from Subsidiaries</i>	-	-	-	-	41	41
<i>Dividend Income</i>	-	-	-	-	-	-
<i>Other Dividend Income</i>	-	-	-	-	41	41
Operating Income	(831)	234,231	166,555	17,492	(201,275)	216,172
<i>Income from Subsidiaries</i>	-	-	-	-	-	-
<i>Income before tax</i>	-	-	-	-	216,172	216,172
<i>Tax Provision</i>	-	-	-	-	(53,165)	(53,165)
Net Profit for the period	-	-	-	-	163,007	163,007

	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Prior Period						
Segment Assets	2,218	1,875,775	7,026,687	629,544	-	9,534,224
Unallocated assets	-	-	-	-	671,077	671,077
Total Assets	2,218	1,875,775	7,026,687	629,544	671,077	10,205,301
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
Total Liabilities	972,106	1,407,305	5,819,611	472,117	1,534,162	10,205,301

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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	2,008	64,994	3,381	54,381
Central Bank of Turkey	7,567	1,851,617	4,705	1,603,869
Other	-	-	-	-
Total	9,575	1,916,611	8,086	1,658,250

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	7,567	-	4,705	-
Unrestricted Time Deposits	-	672,331	-	633,972
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	1,179,286	-	969,897
Total	7,567	1,851,617	4,705	1,603,869

⁽¹⁾ General reserve amount requirements maintained at CBRT.**Information on Reserve Deposits**

In accordance with the “Communiqué Regarding the Reserve Requirements no. 2005/1, the Bank is required to maintain reserves in CBT for TL and foreign currency liabilities. The reserve requirements can be maintained as TL, USD, EUR and gold. The required reserve rates for TL liabilities vary between 3% and 8% for TL deposits and other liabilities according to their maturities as of 31 December 2022 (31 December 2021: 3% and 8% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 26% for deposit and other foreign currency liabilities according to their maturities as of 31 December 2022 (31 December 2021: 5% and 26% for all foreign currency liabilities). According to the conversion rate from real person and commercial entity foreign currency deposit to Turkish Lira time deposit account, additional reserve requirements might be established on foreign currency deposits and precious metal deposit accounts. As of April 15, 2022, the 8.5% interest rate applied by the CBT for required reserves in Turkish Lira has been terminated. No interest is paid for required reserves in foreign currency.

As of December 23, 2022, within the scope of the "Communiqué on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts" numbered 2021/14, the practices regarding the establishment of additional required reserves and the payment of commissions according to the conversion rate to foreign currency deposit accounts in USD, EUR and GBP were abolished TL time deposit accounts have also been removed.

On the other hand, as of 23 December 2022, the commission application according to the share of Turkish Lira deposits in total deposits has been determined as 8% for banks with less than 50% and 3% for banks between 50% and 60%. Commissions payable will be calculated over the required reserve amount for foreign currency deposit liabilities.

Within the scope of the “Communiqué on the Establishment of Turkish Lira Securities for Foreign Currency Liabilities” numbered 2022/20; there is a practice of placing securities over foreign currency liabilities and assets (majorly based on loan allocation, loan growth and differentiation according to interest rate).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****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 2021: None) There are no financial assets subject to repo transactions (31 December 2021: None).

Positive differences related to derivative financial assets

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	34,785	349,410	34,149	1,212,418
Foreign banks	23,024	483,200	26,060	132,974
Branches and head office abroad	-	-	-	-
Total	57,809	832,610	60,209	1,345,392

	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	451,232	48,412	-	-
USA, Canada	22,676	26,540	-	-
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	32,316	84,082	-	-
Total	506,224	159,034	-	-

Information on Expected Credit Losses Information on Expected Loss Provisions

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,284	-	-	1,284
Additions during the Period (+)	454	-	-	454
Disposal (-)	(1,223)	-	-	(1,223)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	515	-	-	515

Prior period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	828	-	-	828
Additions during the Period (+)	1,252	-	-	1,252
Disposal (-)	(796)	-	-	(796)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	1,284	-	-	1,284

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 31 December 2022, 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 2022, the Bank has financial assets at fair value through other comprehensive income of TL 74,936, which are given as collateral / blocked from assets (31 December 2021: 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

	Current Period	Prior Period
Debt Securities	1,494,611	1,223,206
Quoted in stock exchange	1,494,611	1,223,206
Not quoted in stock exchange	-	-
Share Certificates	7,696	5,572
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	7,696	5,572
Impairment provision (-)	47,527	41,373
Total	1,454,780	1,187,405

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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
Direct Loans Granted to Shareholders	-	3,753	-	41,328
Corporate Shareholders	-	3,753	-	41,328
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	5,778	1,256	2,218	904
Total	5,778	5,009	2,218	42,232

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
Non-Specialized Loans	3,401,839	-	-	-
Commercial Loans	-	-	-	-
Export Loans	485,933	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	2,463,246	-	-	-
Consumer Loans	5,778	-	-	-
Credit Cards	-	-	-	-
Other	446,882	-	-	-
Specialized Lending	-	-	-	-
Other Receivables	-	-	-	-
Total	3,401,839	-	-	-

	Standard Loan ⁽¹⁾	Loans Under Close Monitoring ⁽¹⁾
12-Month expected credit losses	6,669	-
Significant increase in credit risk	-	531

(1) Includes lease receivables.

Cash Loans	Loans Under Close Monitoring		
	Standard Loans	Not Restructured	Restructured
Short Term Loans	2,318,917	-	-
Medium and Long Term Loans	1,082,922	-	-
Total	3,401,839	-	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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
Consumer Loans-TL	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Individual Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Loans- TL	826	4,952	5,778
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	826	4,952	5,778
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Deposits with Credit Limit-TL (Individual)	-	-	-
Deposits with Credit Limit-FC (Individual)	-	-	-
Consumer Loans-TL	826	4,952	5,778

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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
Commercial Installment Loans-TL	-	10,209	10,209
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	10,209	10,209
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	-	10,209	10,209

Allocation of domestic and foreign loans by users

	Current Period	Prior Period
Domestic loans	-	-
Foreign loans	3,404,852	2,661,837
Total	3,404,852	2,661,837

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	3,339,519	2,645,585
Foreign loans	65,333	16,252
Total	3,404,852	2,661,837

Loans granted to subsidiaries and associates

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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*⁽¹⁾

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	3,365	4,062
Total	3,365	4,062

(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

	III. Group Loans and receivables with limited collectibles	IV. Group Loans and receivables with doubtful collectibles	V. Group Uncollectible loans and receivables
Balances at Beginning of Period	-	-	4,228
Additions (+)	-	-	981
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	1,841
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	3,368
Specific provisions (-)	-	-	3,365
Net Balance on Balance Sheet	-	-	3

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 2021: None).

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
Current Period (Net)	-	-	3
Loans granted to real persons and legal entities (Gross)	-	-	3,368
Specific provisions (-)	-	-	3,365
Loans granted to real persons and legal entities (Net)	-	-	3
Banks (Gross) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	166
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) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
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

None.

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 5th group (3rd 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 doesn’t have written off loans. (31 December 2021: TL 3,250, and its effect on NPL ratio is 0.12%).

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	7,862	-	3,297	11,159
Additions during the Period	3,503	-	-	3,503
Disposal	(6,980)	-	(284)	(7,264)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	4,385	-	3,013	7,398

Prior Period	Stage 1	Stage 2	Stage 3	Total
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	-	-	-	-
Balances at End of Period	7,862	-	3,297	11,159

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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*

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,136	858	765	2,759
Additions during the Period	1,663	228	1	1,892
Disposal	(481)	(589)	(414)	(1,484)
Transfer to Stage1	(34)	34	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	2,284	531	352	3,167

Prior Period	Stage 1	Stage 2	Stage 3	Total
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 Stage1	126	(126)	-	-
Transfer to Stage 2	(83)	83	-	-
Transfer to Stage 3	-	(9)	9	-
Write-offs	-	-	(3,250)	(3,250)
Balances at End of Period	1,136	858	765	2,759

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 2022, the Bank has TL 39,612 financial assets measured at amortised cost that are subject to repo transactions. (31 December 2021: None)

As of 31 December 2022, the Bank has TL 6,520 financial assets measured at amortised cost, which are given as collateral / blocked from assets (31 December 2021: TL 4,422).

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	81,253	2,519,804	69,669	1,423,414
Treasury Bonds	-	-	-	-
Other Public Bonds	58,994	450,345	44,350	740,430
Total	140,247	2,970,149	114,019	2,163,844

Information on financial assets measured at amortised cost

	Current Period	Prior Period
Debt Instruments	3,110,396	2,277,863
Quoted at stock exchange	3,110,396	2,277,863
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	3,110,396	2,277,863

Movement of financial assets measured at amortised cost

	Current Period	Prior Period
Balances at the Beginning of the Period	2,277,863	1,198,969
Foreign Currency Gains / Losses on Monetary assets	793,486	929,378
Purchases during the Period	999,744	952,398
Disposals through sales and redemptions ⁽¹⁾	(960,697)	(802,882)
Impairment loss provision	-	-
Period end balance	3,110,396	2,277,863

⁽¹⁾ In the current period redemption amounting to TL 960,697 has been realized from the portfolio (31 December 2021: TL 802,882).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 (Continued)***Information on Expected Credit Loss*

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	3,124	-	-	3,124
Additions during the Period	2,125	-	-	2,125
Disposals	(2,458)	-	-	(2,458)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balance at End of Period	2,791	-	-	2,791

Prior Period	Stage 1	Stage 2	Stage 3	Total
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	-	-	-	-
Balance at End of Period	3,124	-	-	3,124

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 2022**

(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**

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	140,000	126,000
Capital Reserves	228	228
Legal Reserves	6,955	6,080
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	16,511	15,543
<i>Net Profit</i>	<i>15,843</i>	<i>12,669</i>
<i>Prior Period Profit/Loss</i>	<i>668</i>	<i>2,874</i>
Intangible Assets (-)	1,621	531
Total Core Capital	162,074	147,321
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	162,074	147,321
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL ⁽¹⁾	162,074	147,321

⁽¹⁾ There is no restriction on shareholders’ equity of subsidiary. After deduction from the capital, the total net available equity is TL 162,074.

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 2022**

(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		Fair Value (¹)
					Profit / Loss	Prior Period Profit / Loss	
932,475	179,887	28,072	69,010	-	15,843	668	-

(¹) The related subsidiary has no fair value measurement as of 31 December 2022.

Movement related to subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	126,202	116,204
Movements during the Period	13,997	9,998
Purchases	-	-
Bonus Shares Received	13,997	9,998
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase, Effect of Inflation and F/X Difference	-	-
Impairment Provision (+)	-	-
Balance at the End of the Period	140,199	126,202
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

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	140,199	126,202
Finance Companies	-	-
Other Affiliates	-	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)

	Current Period	Prior Period
Gross Financial Lease Investment	886,795	537,848
Earned Financial Lease Income (-)	107,242	61,163
Cancelled Leasing Amounts	-	-
Net Investment on Leases	779,553	476,685

	Current Period	Prior Period
Stage 1	703,695	373,559
Stage 2	75,503	102,195
Stage 3	355	931
Total	779,553	476,685

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	403,683	345,805	267,982	233,796
Between 1-4 years	483,112	433,748	269,866	242,889
Over 4 years	-	-	-	-
Total	886,795	779,553	537,848	476,685

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 2022

(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

Current Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2021					
Cost	204,934	11,570	1,119	25,015	242,638
Accumulated Depreciation (-)	(115)	(3,956)	(986)	(19,787)	(24,844)
Net Book Value	204,819	7,614	133	5,228	217,794
Balance at the End of the Current Period -31 December 2022					
Net Book Value at the Beginning of the Current Period	204,934	11,570	1,119	25,015	242,638
Additions	-	165	1,724	4,481	6,370
Disposals (-)	-	-	(141)	-	(141)
Revaluation Surplus	357,861	-	-	-	357,861
Cost at the End of the Current Period	562,795	11,735	2,702	29,496	606,728
Accumulated Depreciation (-)	(115)	(3,956)	(986)	(19,787)	(24,844)
Depreciation Expense (-)	-	-	(168)	(2,415)	(2,583)
Depreciation of Disposals (-)	104	-	125	(2)	227
Accumulated Depreciation at the End of the Current Period (-)	(11)	(3,956)	(1,029)	(22,204)	(27,200)
Net Book Value at the End of the Current	562,784	7,779	1,673	7,292	579,528

Prior Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2020					
Cost	141,136	9,982	1,117	21,535	73,770
Accumulated Depreciation (-)	(713)	(3,956)	(774)	(14,878)	(20,321)
Net Book Value Balance at the End of the Current Period -31 December 2020	140,423	6,026	343	6,657	153,449
Net Book Value at the Beginning of the Current Period	141,136	9,982	1,118	21,534	173,770
Additions	11	1,588	2	3,483	5,084
Disposals (-)	-	-	-	(3)	(3)
Revaluation Surplus	63,787	-	-	-	63,787
Cost at the End of the Current Period	204,934	11,570	1,119	25,015	242,638
Accumulated Depreciation (-)	(713)	(3,956)	(774)	(14,878)	(20,321)
Depreciation Expense (-)	(722)	-	(212)	(4,911)	(5,845)
Depreciation of Disposals (-)	1,320	-	-	2	1,322
Accumulated Depreciation at the End of the Current Period	(115)	(3,956)	(986)	(19,787)	(24,844)
Net Book Value at the End of the Current Period	204,819	7,614	133	5,218	217,794

The net book values of the real estates valued with the cost method, which the Bank has valued using the fair value method, amount to the TL 19,240 as of 31 December 2022 (31 December 2021: TL 20,082).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****13. Information on intangible assets**

	Current Period	Prior Period
Balance at the End of the Prior Period – 31 December 2021		
Cost	24,312	21,472
Accumulated Depreciation (-)	(20,037)	(17,315)
Net Book Value	4,275	4,157
Balance at the End of the Current Period – 31 December 2022		
Net Book Value at the Beginning of the Current Period	24,312	21,472
Additions	2,453	2,840
Disposals (-)	-	-
Impairment(-)	-	-
Cost at the Beginning of the current period	26,765	24,312
Accumulated Depreciation (-)	(20,037)	(17,315)
Amortization and amortization expense of disposals(-)	(2,356)	(2,722)
Impairment Depreciation(-)	-	-
Accumulated Amortization at end of the current period	(22,393)	(20,037)
Net Book Value at end of the current period	4,372	4,275

14. Information on investment property

The Group has no investment property.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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**

None.

16. Information about fixed assets held for sale

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

17. Information on assets

Other assets of the balance sheet have the correct form of TL 59,246 and do not exceed 10% of the general table total, excluding external commitments (31 December 2021: TL 60,999).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	23,989	-	1,842	17,547	2,613	-	-	-	45,991
Foreign Currency Deposits	3,313,307	-	32	59,768	29,548	30,013	52,266	-	3,484,934
Residents in Turkey	1,175,352	-	32	19,472	10,503	2,607	604	-	1,208,570
Residents Abroad	2,137,955	-	-	40,296	19,045	27,406	51,662	-	2,276,364
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	22,975	-	-	10,363	-	-	-	-	33,338
Other Ins. Deposits	15,742	-	-	-	-	-	-	-	15,742
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	1,269,094	-	411,190	56,311	-	-	202,074	-	1,938,669
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	157,968	-	-	-	-	-	157,968
Foreign Banks	1,269,094	-	253,222	56,311	-	-	202,074	-	1,780,701
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	4,645,107	-	413,064	143,989	32,161	30,013	254,340	-	5,518,674

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	29,610	-	1,556	2,110	3,444	-	-	-	36,720
Foreign Currency Deposits	2,209,444	-	583	51,178	20,249	28,571	11,970	-	2,321,995
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
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	13,832	-	-	188	-	-	-	-	14,020
Other Ins. Deposits	7,418	-	-	-	-	-	-	-	7,418
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	1,053,431	-	75,473	301,854	133,427	-	-	-	1,564,185
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	1,053,431	-	75,473	301,854	133,427	-	-	-	1,564,185
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	3,313,735	-	77,612	355,330	157,120	28,571	11,970	-	3,944,338

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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	12,023	13,816	33,968	22,904
Foreign Currency Saving Deposits	383,586	216,779	1,151,915	718,607
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	395,609	230,595	1,185,883	741,511

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 2022**

(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	23,119	12,960
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	-	-
Total	23,119	12,960

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	20,580	-	-	-
From Foreign Banks, Institutions and Funds	-	4,444,471	-	4,706,436
Total	20,580	4,444,471	-	4,706,436

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	14,840	2,169,328	-	1,544,242
Long-Term	5,740	2,275,143	-	3,162,194
Total	20,580	4,444,471	-	4,706,436

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 45% of deposits.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****4. Information on other liabilities**

Other liabilities in the balance sheet amounts to TL 125,933 and does not exceed 10% of the total balance sheet (31 December 2021: TL 78,883).

5. Information on financial lease obligations

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	2,243	1,499	464	461
Between 1 – 4 years	2,429	1,083	1,418	327
More than four years	974	(310)	3,052	1,245
Total	5,646	2,272	4,934	2,033

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 2022 is TL 53,778 (31 December 2021: TL 22,841). In addition to this, the employee termination benefit liability amount is TL 42,264 (31 December 2021: TL 14,623).

Information on other provisions

As of 31 December 2022, the Group has free provisions for possible risks is TL 6,000 (31 December 2021: TL 15,000). In the current period, the provision for possible risks amounting to TL 9,000 has been reversed and reclassified to other operating income in the current period.

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	6,000	15,000
Provisions for non-cash loans	43,590	31,790
Provisions for law suits	83	268
Other provisions	-	1,840
Total	49,673	47,058

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****8. Information on tax payables*****Information on current tax liability***

As of 31 December 2022, the Bank’s corporate tax payable is TL 10,832 (31 December 2021: TL 16,124) after offsetting prepaid corporate tax.

	Current Period	Prior Period
Corporate Taxes Payable	10,832	16,124
Banking Insurance Transaction tax (BITT)	1,092	1,780
Taxation on Securities Income	334	154
Value Added Tax Payable	1,812	1,021
Value Added Tax Payable (Limited taxpayer)	202	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	14	13
Other	7,764	4,916
Total	22,050	24,008

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	1,198	659
Social Security Premiums-Employer	1,824	1,012
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	81	44
Unemployment Insurance-Employer	162	88
Others	-	-
Total	3,265	1,803

Information on deferred tax liability

As of 31 December 2022, the Bank calculated net deferred tax liability by netting off deferred tax asset of TL 45,650 and deferred tax liability of TL 82,186 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)**

Detailed information on net deferred tax assets and liabilities are as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/liability	Accumulated temporary differences	Deferred tax asset/liability
Provisions for employee benefits	84,042	21,012	37,464	7,810
Unearned revenues	4,682	1,170	4,709	1,083
Interest rediscounts	46,993	11,748	60,031	13,807
Provisions	43,341	10,835	39,788	9,151
Other	3,535	885	2,696	610
Deferred tax asset	182,593	45,650	144,688	32,461
Tangible assets revaluation surplus	535,171	79,228	177,310	21,824
Other	11,825	2,958	9,047	1,905
Deferred tax liability	546,996	82,186	186,357	23,729
Deferred tax asset/(liability) (net)		(36,536)		8,732

Movement of deferred tax asset and liability:

	Current Period	Prior Period
Opening balance	8,732	(875)
Deferred tax income/(expense)(Net)	8,946	6,492
Deferred tax accounted under shareholder's equity	(54,214)	3,115
Net Deferred Tax Asset/(Liability)	(36,536)	8,732

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 2022

(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

	Current Period	Prior Period
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 2022**

(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	6,338	(14,684)	9,494	(32,970)
Exchange Rate Differences	-	-	-	-
Total	6,338	(14,684)	9,494	(32,970)

Information on legal reserve

In accordance with the decision taken at the 44rd Ordinary General Assembly Meeting held on 24 March 2022 and Article 519 of the Turkish Commercial Code No. 6102, TL 8,016 was transferred from previous years' profits to legal reserves in the current period.

Information on Minority Shares

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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 11,701 as irrevocable commitments (31 December 2021: TL 2,527).

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 10,871 over total non-cash loans (31 December 2021: TL 6.940).

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 1,900,970 (31 December 2021: TL 1,155,778).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Group’s guarantee letters is TL 5,927,930 (31 December 2021: TL 5,236,381).

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

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	359,406	318,065
Less Than or Equal to One Year with Original Maturity	44,876	31,990
More Than One Year with Original Maturity	314,530	286,075
Other Non-Cash Loans	7,469,494	6,074,094
Total	7,828,900	6,392,159

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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 (Continued)

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	-	-	26,178	0.34	-	-	60,388	0.95
Farming and Raising livestock	-	-	26,178	0.34	-	-	60,388	0.95
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	65,527	35.62	291,290	3.81	5,785	24.80	384,582	6.04
Mining	700	0.38	-	-	700	3.00	-	-
Production	64,827	35.24	291,290	3.81	5,085	21.80	384,582	6.04
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	112,568	61.19	1,412,431	18.48	10,867	46.59	1,224,640	19.23
Services	5,876	3.19	5,913,996	77.36	6,672	28.61	4,698,320	73.77
Wholesale and Retail Trade	245	0.13	4,259	0.06	1,245	5.34	3,873	0.06
Hotel, Food and Beverage Services	7	0.00	-	-	7	0.03	-	-
Transportation and Telecommunication	1,743	0.95	4,655	0.06	1,743	7.47	3,507	0.06
Financial Institutions	3,881	2.11	5,904,585	77.24	3,677	15.76	4,690,564	73.65
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	497	0.01	-	-	376	0.01
Other	-	-	1,034	0.01	-	-	905	0.01
Total	183,971	100.00	7,644,929	100.00	23,324	100.00	6,368,835	100.00
					Group I		Group II	
			TL	FC	TL	FC		
Letters of guarantee			181,038	5,744,647	245	-		
Bank acceptances			-	-	-	-		
Letters of credit			-	1,327,841	-	-		
Endorsements			-	-	-	-		
Underwriting commitments			-	-	-	-		
Factoring commitments			-	-	-	-		
Other commitments and contingencies			2,688	570,441	-	-		
Non-Cash Loans			183,726	7,642,929	245	-		

4. Information on derivative transactions

The Group does not have any credit derivate contract.

5. Information on credit derivatives and related imposed risks

The Group does not have any credit derivate 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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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 (Continued)

8. Explanations on services rendered on behalf of others

None.

9. Information on Expected Loss Provisions

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	24,850	-	6,940	31,790
Additions during the Period	18,364	-	3,931	22,295
Disposal	(10,495)	-	-	(10,495)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	32,719	-	10,871	43,590

Prior Period	Stage 1	Stage 2	Stage 3	Total
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	-	-	-	-
Balances at End of Period	24,850	-	6,940	31,790

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

1. Information on interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans ⁽¹⁾				
Short- Term Loans	261,265	63,158	106,332	14,848
Medium and Long- Term Loans	6,816	60,554	7,841	39,070
Interest Received From Non-Performing Loans	1,134	-	236	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	269,215	123,712	114,409	53,918

⁽¹⁾ It contains fee and commission income related to cash loans.

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank	-	-	-	-
From Domestic Banks	8,869	9,283	7,426	6,004
From Foreign Banks	4,792	853	1,196	77
From Foreign Headquarter and Branches	-	-	-	-
Total	13,661	10,136	8,622	6,081

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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	-
Financial Assets Measured at Fair Value Through Other				
Comprehensive Income	2,873	70,538	2,271	54,622
Financial Assets Measured at Amortised Cost	19,271	130,419	21,647	68,153
Total	22,144	200,957	24,634	122,775

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
Banks	2,347	108,191	567	47,725
Central Bank	-	-	-	-
Domestic Banks	2,347	8	567	763
Foreign Banks	-	108,183	-	46,962
Other Institutions	-	-	-	-
Total	2,347	108,191	567	47,725

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		
Turkish Lira								
Interbank deposits	-	7,660	-	-	-	-	-	7,660
Saving deposits	-	163	1,022	436	6	82	-	1,709
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	215	7,313	9	-	-	-	7,537
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	8,038	8,335	445	6	82	-	16,906
Foreign Currency								
Foreign currency deposits	-	4	269	183	275	584	-	1,315
Interbank deposits	12	5,903	1,313	-	-	4,710	-	11,938
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	12	5,907	1,582	183	275	5,294	-	13,253
Grand Total	12	13,945	9,917	628	281	5,376	-	30,159

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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)****3. Information on dividend income**

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets measured at amortized cost	-	-
Financial assets at fair value through other comprehensive incomes	63	41
Other ⁽¹⁾	-	-
Total	63	41

4. Information on trading gain/loss

	Current Period	Prior Period
Gain	56,989,837	82,321,548
Gain from money market transactions	-	-
Gain from financial derivative transactions	-	4
Gain from exchange transactions	56,989,837	82,321,544
Loss (-)	(56,967,857)	(82,310,439)
Loss from money market transactions	-	-
Loss from financial derivative transactions	(17)	(49)
Loss from exchange transactions	(56,967,840)	(82,310,390)
Net Trading Gain/Loss	21,980	11,109

5. Information on impairment in loans

	Current Period	Prior Period
Provisions of prior year	11,239	4,926
Provision for communication expenses	3,938	3,231
Gain on sales of assets	1,022	246
Other income	2,692	430
Total	18,891	8,833

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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**

	Current Period	Prior Period
Expected Credit Loss Provisions	6,462	11,039
12 month expected credit loss (stage 1)	5,218	5,935
Significant increase in credit risk (stage 2)	262	431
Non-performing loans (stage 3)	982	4,673
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	-	-
Total	6,462	11,039

7. Information on other operating expense

	Current Period	Prior Period
Securities Depreciation Expenses	18,570	21,959
Free Provision	-	-
Provisions Lawsuits	-	-
Total	18,570	21,959

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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**

	Current Period	Prior Period
Employee Termination Benefits Expense	4,359	2,265
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	3,768	3,016
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	2,356	2,722
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	57,741	31,862
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	262	94
<i>Maintenance Expenses</i>	19,961	9,787
<i>Advertisement Expenses</i>	657	209
<i>Other Expenses</i>	36,861	21,772
Losses from sales of Assets	5	-
Other	62,384	32,442
Total	130,613	72,307

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

The pre-tax income amount from continued operations is TL 282,566 (31 December 2021: TL 216,172).

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 76,174 (31 December 2021: TL 59,657) and the net impact of deferred tax income is TL 8,946 (31 December 2021: TL 6,492 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 8,946 (31 December 2021: TL 6,492 deferred tax income).

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

The deferred tax income reflected in the statement of profit or loss computed over temporary difference and tax deductions and exemptions is TL 8,946 (31 December 2021: TL 6,492 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 215,338 (31 December 2021: TL 163,007).

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 statement of profit or loss, if other accounts exceed 10% of total statement of profit or loss.

Other accounts which exceed the 10% of the statement of profit or loss, other than other operating income and other operating expense, amounting to TL 90,605 consist of transfer commissions, letter of credit commissions and other (31 December 2021: TL 55,235).

	Current Period	Prior Period
Letter of Credit Commissions	66,058	41,404
Transfer Commissions	19,342	11,430
Other	5,205	2,401
Total	90,605	55,235

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 at fair value through other comprehensive income

In the current period, there is TL 15,130 (31 December 2021: TL 32,078) net decrease in value.

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 8,891 have been transferred to legal reserves (31 December 2021: TL 5,616).

7. Information on other capital increment accounts at the equity movement table

Information on inflation restatement differences of shareholders equity accounts

In BRSA's Circular on 28 April 2005 and in accordance with the decision dated 21 April 2005 and numbered 1623. Due to the fact that the majority of the criteria's confirming the existence of a hyperinflationary economy are not valid anymore. The inflation accounting had been ceased beginning from 1 January 2005.

Explanations about the Share Capital increase

There are no capital reserves due to inflation accounting, which is followed in the "Paid capital inflation difference correction" account is added to the capital according to the subjected circular.

SECTION FIVE

INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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

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

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

	31 December 2022	31 December 2021
Cash	67,002	57,762
Cash and cash equivalents	1,570,038	2,298,876
Total	1,637,040	2,356,638

The TL (278,037) 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 2021: TL 45,524)

The “Net increase/decrease in other assets” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (30,859) is composed of changes in fixed assets, associates, tax assets and other assets (31 December 2021: TL (24,841)).

The “Net increase/decrease in other debts” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL 327,463 is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable (31 December 2021: TL (414,536)).

“Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents” is computed by TL 554,895 which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira (31 December 2021: TL 962,178).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(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

Current Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	-	41,328	401,095	233,601
Balance at the end of the period	-	-	-	3,753	54,034	469,456
Interest and Commission Income received ⁽²⁾	-	-	-	-	2,688	-

⁽¹⁾ Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank’s Act.

⁽²⁾ 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.

Prior Period						
Group’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
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	-	-	-	-	435	-

⁽¹⁾ Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank’s Act.

⁽²⁾ 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 1,701,545 (31 December 2021: TL 2,711,060) from the risk group. There was an interest expense of TL 71,426 in the current period related to the loans used. (31 December 2021: TL 41,048).

Information on deposits of the Group’s risk group

Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	-	-	48,551	19,697	677,846	1,026,132
Balance at the end of the period	-	-	145,737	48,551	742,284	677,846
Interest expense on deposits	-	-	2,566	437	4,332	3,813

⁽¹⁾ 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:

For the year ended 31 December 2022, TL 48,259 has been paid to the top level management of the Group as salaries and fringe benefit (31 December 2021: TL 28,294).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(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**

	Number of branches	Number of employees	<u>Country</u>		
Domestic Branch	7	260			
Foreign representative office	-	-	-		
			<u>Total assets</u>	<u>Legal capital</u>	
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

	<u>Current Period</u>	<u>Prior period</u>
Independent audit fees in the reporting period	1,238	1,133
Fees for tax advisory	48	-
Fees for other assurance services	-	118
Fees for other services except independent audit	-	20
Total	1,286	1,271

X. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

In accordance with the Official Gazette numbered 32098, dated Wednesday, 8 February 2023 it was decided to declare state of emergency for three months in Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa due to the negativities caused by the earthquakes that took place in Kahramanmaraş on 6 February 2023.

Upon the evaluation of events after the TAS 10 reporting period with respect to financial statements for the accounting period ending on 31 December 2022, assets, losses, significant changes in business activities and economic conditions as a result of the earthquake occurring after the reporting period are considered as non-adjusting events.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 December 2022, 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 23 February 2023 is presented before the consolidated financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.