



*(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 Year Ended 31 December 2016
With Independent Auditors' Report Thereon**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

26 January 2017

*This report contains "Independent Auditors' Report"
comprising 3 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 106 pages.*



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INDEPENDENT AUDIT REPORT

To the Board of Directors of Arap Türk Bankası Anonim Şirketi

Report on the Consolidated Financial Statements

We have audited the accompanying statement of financial position of Arap Türk Bankası A.Ş. (the "Bank") and its financial subsidiaries (together the "Group") as at 31 December 2016 and the consolidated statements of income, consolidated statement of income and expense items accounted under shareholders' equity, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended and summary of significant accounting policies and other explanatory information ("interim financial information").

Management's responsibility for the Financial Statements:

The Board of Directors of the Bank is responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to error or fraud; and for selecting and applying appropriate accounting policies in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published on the Official Gazette numbered 26333 on 1 November 2006, Turkish Accounting Standards, Turkish Financial Reporting Standards and the other regulations, communiqués and circulars and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency. Scope of limited review.



Disclosure for the Responsibility of the Authorized Audit Firm:

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on the Assignment and Activities of the Banks' Independent Audit Firms" published on the Official Gazette numbered 26333 on 1 November 2006 and in accordance with the Independent Auditing Standards which is a part of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the internal control into consideration and assessing the appropriateness of the applied accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Qualified Opinion

The accompanying consolidated financial information as of 31 December 2016 include a general provision total amounting to TL 16,000 thousands, TL 7,000 thousands has been recognized as expense in the current period provided by the Parent Bank management for the possible result of the negative circumstances which may arise from any circumstances from any change in economy or market conditions.

Qualified Independent Audit Opinion

In our opinion, the accompanying consolidated financial statements, in all material respects, the financial position of Arap Türk Bankası A.Ş. and its financial subsidiaries as of 31 December 2016 and the result of its operations and cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the existing regulations described in Article 37 and 38 of the Banking Act No: 5411 and the other regulations, communiqués and circulars in respect of accounting and financial reporting made by the Banking Regulation and Supervision Board and the pronouncements made by the Banking Regulation and Supervision Agency.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2015 was audited and reviewed by another auditor who expressed an qualified opinion thereon on 28 January 2016, respectively.



Report on Other Legal and Regulatory Requirements

Pursuant to the fourth paragraph of Article 402 of the 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 2016 are not compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.

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

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Murat Alsan, SMMM
Partner

26 January 2017
İstanbul, Turkey

Additional Paragraph for convenience translation to English:

As explained in Section 3.1, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED FINANCIAL REPORT
AS OF 31 DECEMBER 2016**

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 2016 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:

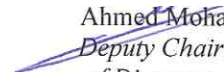
- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE CONSOLIDATED GROUP
- DISCLOSURES AND FOOTNOTES RELATED TO THE CONSOLIDATED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

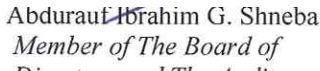
The subsidiaries, associates and jointly controlled companies included in the consolidated financial report are as follows:

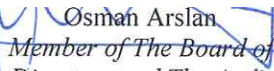
	Subsidiaries	Associates	Jointly Controlled Companies
1	A&T Finansal Kiralama A.Ş.	-	-

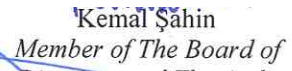
The consolidated financial statements and related disclosures and footnotes that were subject to independent audit, are prepared in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents”, Turkish Accounting Standards, Turkish Financial Reporting Standards related appendices and interpretations on these. Unless stated otherwise, the accompanying consolidated financial statements are presented in thousands of Turkish Lira (TL) as of 31 December 2016 and independently audited and enclosed.

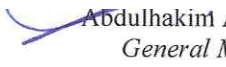

Yılmaz Ertürk
*Chairman of the Board of
Directors*

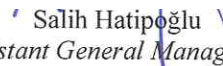

Ahmed Mohamed M. Benbarka
*Deputy Chairman of The Board
of Directors and Chairman of
The Audit Committee*


Abdurauf Ibrahim G. Shneba
*Member of The Board of
Directors and The Audit
Committee*


Osman Arslan
*Member of The Board of
Directors and The Audit
Committee*


Kemal Şahin
*Member of The Board of
Directors and The Audit
Committee*


Abdulhakim A. E. Khamag
General Manager


Salih Hatipoğlu
*Assistant General Manager
Responsible For Financial Reporting*


Feyzullah Küpeli
Manager

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

Name / Title: Feyzullah Küpeli / Manager

Phone No : 0 212 225 05 00

Fax No : 0 212 225 05 26

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

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

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

II. 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 2016, the Parent Bank’s share capital at the balance sheet date as follows:

Shareholders	Current Period		Prior Period	
	Shares	Ownership ⁽¹⁾	Shares	Ownership ⁽¹⁾
Libyan Foreign Bank	274,426	62.37%	274,426	62.37%
T. İş Bankası A.Ş.	90,534	20.58%	90,534	20.58%
T.C. Ziraat Bankası A.Ş.	67,900	15.43%	67,900	15.43%
Kuwait Investment Co.	7,140	1.62%	7,140	1.62%
Total	440,000	100%	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 2015: 0,0000014% share and TL 6.20 (full digit in TL)).

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
Yılmaz Ertürk	Chairman of the Board of Directors
Ahmed Mohamed M. Benbarka	Deputy Chairman of the Board of Directors and Head of the Audit Committee
Abdulahkim A. E. Khamag	Member of the Board of Directors and General Manager
Abdurauf İbrahim G.Shneba	Member of the Board of Directors and Audit Committee
Kemal Şahin	Member of the Board of Directors and Audit Committee
Osman Arslan	Member of the Board of Directors and Audit Committee
Ömer Muzaffer Baktır	Member of the Board of Directors
Abdulfatah A. Enaami	Member of the Board of Directors
Hani Alhmali Allafi İbrahim	Member of the Board of Directors

General Manager and Deputies

Name	Job Title – Description
Abdulahkim A. E. Khamag	Member of the Board of Directors and General Manager
Salih Hatipoğlu	Assistant General Manager - Financial Management and Planning Division
Abdulmonam Geat Ali Tbigha	Assistant General Manager - Credits Division
Abdussalam Elfituri B.Abushagur	Assistant General Manager - Information Technologies and Operations Division
Emel Güneş Atagün	Assistant General Manager – Department of Treasury and Economic Research Division

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

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

Name Surname/Entity Title	Shares	Ownership ⁽¹⁾	Shares	Unpaid Shares
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.

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

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

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

Immediately transfer of the shareholders’ equity between the Parent Bank and its subsidiary is not available. Dividend distribution from shareholders equity is done according to related regulations.

There are no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Parent Bank and its subsidiary. The Bank charge or pay cost of the services according to the service agreements done between the Parent Bank and its subsidiary.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

- I. Consolidated Balance Sheet (Statement of Financial Position)**
- II. Statement of Consolidated Off Balance Sheet Items**
- III. Statement of Consolidated Income**
- IV. Statement of Recognized Income and Expense in Consolidated Shareholders' Equity**
- V. Statement of Changes in Consolidated Shareholders' Equity**
- VI. Statement of Consolidated Cash Flow**
- VII. Statement of Consolidated Profit Distribution**

Arap Türk Bankası Anonim Şirketi
Consolidated Balance Sheet (Statement of Financial Position)
As of 31 December 2016

(Thousands of Turkish Lira)

ASSETS	Footnotes (5-I)	Audited			Audited		
		CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	TOTAL	TL	FC	TOTAL
I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY	(1)	12,614	968,469	981,083	8,454	849,701	858,155
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	(2)	467	550,350	550,817	14,220	194,122	208,342
2.1 Financial assets held for trading		467	550,350	550,817	14,220	194,122	208,342
2.1.1 Public sector debt securities		-	430,997	430,997	14,220	101,821	116,041
2.1.2 Securities representing a share in capital		-	-	-	-	-	-
2.1.3 Derivatives held for trading		467	-	467	-	-	-
2.1.4 Other marketable securities		-	119,353	119,353	-	92,301	92,301
2.2 Financial assets designated at fair value through profit or loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Equity securities		-	-	-	-	-	-
2.2.3 Loans granted		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	(3)	26,903	1,385,486	1,412,389	26,924	1,220,983	1,247,907
IV. MONEY MARKET PLACEMENTS		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	224	1,410	1,634	224	1,164	1,388
5.1 Securities representing a share in capital		224	1,410	1,634	224	1,164	1,388
5.2 Public sector debt securities		-	-	-	-	-	-
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS	(5)	732,834	694,462	1,427,296	767,109	590,794	1,357,903
6.1 Loans		728,534	694,462	1,422,996	765,166	590,794	1,355,960
6.1.1 Loans granted to the Bank's risk group		-	151,292	151,292	-	89,650	89,650
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		728,534	543,170	1,271,704	765,166	501,144	1,266,310
6.2 Loans under follow-up		21,049	-	21,049	13,211	-	13,211
6.3 Specific provisions (-)		16,749	-	16,749	11,268	-	11,268
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. INVESTMENTS HELD TO MATURITY (Net)	(6)	19,060	380,483	399,543	17,604	263,954	281,558
8.1 Public sector debt securities		12,269	293,582	305,851	1,038	231,020	232,058
8.2 Other marketable securities		6,791	86,901	93,692	16,566	32,934	49,500
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-	-	-	-
9.1 Consolidated by equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments in associates		-	-	-	-	-	-
9.2.2 Non-financial investments in associates		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	(8)	-	-	-	-	-	-
10.1 Financial subsidiaries		-	-	-	-	-	-
10.2 Non-financial subsidiaries		-	-	-	-	-	-
XI. INVESTMENTS IN JOINT- VENTURES (Net)	(9)	-	-	-	-	-	-
11.1 Consolidated by equity method		-	-	-	-	-	-
11.2 Unconsolidated joint ventures		-	-	-	-	-	-
11.2.1 Financial investments in joint ventures		-	-	-	-	-	-
11.2.2 Non-financial investments in joint ventures		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	61,057	218,900	279,957	57,258	190,334	247,592
12.1 Finance lease receivables		73,656	237,095	310,751	68,610	208,832	277,442
12.2 Operational leasing receivables		-	-	-	-	-	-
12.3 Others		-	-	-	-	-	-
12.4 Unearned income (-)		12,599	18,195	30,794	11,352	18,498	29,850
XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING	(11)	-	-	-	-	-	-
13.1 Fair value hedges		-	-	-	-	-	-
13.2 Cash flow hedges		-	-	-	-	-	-
13.3 Hedges for investments made in foreign countries		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	(13)	22,862	-	22,862	23,555	-	23,555
XV. INTANGIBLE ASSETS (Net)	(14)	2,746	-	2,746	2,986	-	2,986
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		2,746	-	2,746	2,986	-	2,986
XVI. INVESTMENT PROPERTY (Net)	(12)	-	-	-	-	-	-
XVII. TAX ASSET	(15)	4,626	-	4,626	2,940	-	2,940
17.1 Current tax asset		-	-	-	-	-	-
17.2 Deferred tax asset		4,626	-	4,626	2,940	-	2,940
XVIII. ASSET HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(16)	8	-	8	9	-	9
18.1 Held for sale purpose		8	-	8	9	-	9
18.2 Held from discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	(17)	9,760	6,066	15,826	11,376	6,045	17,421
TOTAL ASSETS		893,161	4,205,626	5,098,787	932,659	3,317,097	4,249,756

Arap Türk Bankası Anonim Şirketi
Consolidated Balance Sheet (Statement of Financial Position)
As of 31 December 2016

(1 thousands of Turkish Lira)

LIABILITIES AND SHAREHOLDERS' EQUITY		Footnotes (5-II)	Audited CURRENT PERIOD (31/12/2016)			Audited PRIOR PERIOD (31/12/2015)		
			TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS		(1)	102,375	3,990,082	4,092,457	62,332	3,285,299	3,347,631
1.1 Deposits held by the Bank's risk group			54,450	2,843,517	2,897,967	56	2,479,913	2,479,969
1.2 Other			47,925	1,146,565	1,194,490	62,276	805,386	867,662
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		(2)	-	-	-	753	-	753
III. FUNDS BORROWED		(3)	1,482	237,153	238,635	2,499	208,086	210,585
IV. INTERBANK MONEY MARKET			3,495	-	3,495	3,493	-	3,493
4.1 Interbank money market payables			-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market payables			-	-	-	-	-	-
4.3 Funds provided under repurchase agreements			3,495	-	3,495	3,493	-	3,493
V. MARKETABLE SECURITIES ISSUED (Net)			-	-	-	-	-	-
5.1 Bills			-	-	-	-	-	-
5.2 Asset backed securities			-	-	-	-	-	-
5.3 Bonds			-	-	-	-	-	-
VI. FUNDS			-	-	-	-	-	-
6.1 Borrower funds			-	-	-	-	-	-
6.2 Other			-	-	-	-	-	-
VII. MISCELLANEOUS PAYABLES			1,523	29,016	30,539	855	3,908	4,763
VIII. OTHER EXTERNAL RESOURCES		(4)	7,717	4,648	12,365	9,543	4,407	13,950
IX. FACTORING PAYABLES			-	-	-	-	-	-
X. LEASE PAYABLES (Net)		(5)	-	-	-	-	-	-
10.1 Finance leasing payables			-	-	-	-	-	-
10.2 Operational leasing payables			-	-	-	-	-	-
10.3 Other			-	-	-	-	-	-
10.4 Deferred finance leasing expenses (-)			-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING		(6)	-	-	-	-	-	-
11.1 Fair value hedges			-	-	-	-	-	-
11.2 Cash flow hedges			-	-	-	-	-	-
11.3 Hedges for investments made in foreign countries			-	-	-	-	-	-
XII. PROVISIONS		(7)	54,001	2,059	56,060	39,724	1,264	40,988
12.1 General provisions			24,116	-	24,116	20,070	-	20,070
12.2 Restructuring reserves			-	-	-	-	-	-
12.3 Reserves for employee benefit			13,448	-	13,448	10,361	-	10,361
12.4 Insurance technical reserves (Net)			-	-	-	-	-	-
12.5 Other provisions			16,437	2,059	18,496	9,293	1,264	10,557
XIII. TAX LIABILITY		(8)	11,147	-	11,147	14,058	-	14,058
13.1 Current tax liability			11,147	-	11,147	14,058	-	14,058
13.2 Deferred tax liability			-	-	-	-	-	-
XIV. LIABILITIES FOR ASSETS HELD FOR RESALE AND ASSETS OF DISCONTINUED OPERATIONS			-	-	-	-	-	-
14.1 Held for sale purpose			-	-	-	-	-	-
14.2 Held from discontinued operations			-	-	-	-	-	-
XV. SUBORDINATED LOANS			-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY		(9)	654,089	-	654,089	613,535	-	613,535
16.1 Paid-in capital			440,000	-	440,000	440,000	-	440,000
16.2 Supplementary capital			(2,943)	-	(2,943)	(2,268)	-	(2,268)
16.2.1 Share premium			-	-	-	-	-	-
16.2.2 Share cancellation profits			-	-	-	-	-	-
16.2.3 Securities Value Increase Fund			-	-	-	-	-	-
16.2.4 Revaluation surplus on tangible assets			-	-	-	-	-	-
16.2.5 Revaluation surplus on intangible assets			-	-	-	-	-	-
16.2.6 Revaluation surplus on investment property			-	-	-	-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures			-	-	-	-	-	-
16.2.8 Hedging reserves (effective portion)			-	-	-	-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations			-	-	-	-	-	-
16.2.10 Other capital reserves			(2,943)	-	(2,943)	(2,268)	-	(2,268)
16.3 Profit reserves			21,317	-	21,317	17,472	-	17,472
16.3.1 Legal reserves			21,314	-	21,314	17,469	-	17,469
16.3.2 Status reserves			-	-	-	-	-	-
16.3.3 Extraordinary reserves			3	-	3	3	-	3
16.3.4 Other profit reserves			-	-	-	-	-	-
16.4 Profit or loss			195,715	-	195,715	158,331	-	158,331
16.4.1 Prior years income/loss			132,486	-	132,486	85,838	-	85,838
16.4.2 Current year income/loss			63,229	-	63,229	72,493	-	72,493
16.5 Minority Interest			-	-	-	-	-	-
TOTAL LIABILITIES			835,829	4,262,958	5,098,787	746,792	3,502,964	4,249,756

Arap Türk Bankası Anonim Şirketi

Statement of Consolidated Off Balance Sheet Items As of 31 December 2016

(Thousands of Turkish Lira)

	Footnotes (5-III)	Audited			Audited		
		CURRENT PERIOD (31/12/2016)			PRIOR PERIOD (31/12/2015)		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		206,219	2,433,463	2,639,682	248,793	2,266,100	2,514,893
I. GUARANTEES AND WARRANTIES	(1),(2),(3),(4)	176,285	2,353,468	2,529,753	195,367	2,167,043	2,362,410
1.1. Letters of guarantee		176,285	1,855,365	2,031,650	193,117	1,681,746	1,874,863
1.1.1. Guarantees subject to State Tender Law		110	201	311	4,559	166	4,725
1.1.2. Guarantees given for foreign trade operations		44,154	1,607,539	1,651,693	49,905	1,471,161	1,521,066
1.1.3. Other letters of guarantee		132,021	247,625	379,646	138,653	210,419	349,072
1.2. Bank acceptances		-	4,415	4,415	-	-	-
1.2.1. Import letter of acceptance		-	-	-	-	-	-
1.2.2. Other bank acceptances		-	4,415	4,415	-	-	-
1.3. Letters of credit		-	244,951	244,951	-	283,579	283,579
1.3.1. Documentary letters of credit		-	-	-	-	-	-
1.3.2. Other letters of credit		-	244,951	244,951	-	283,579	283,579
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	248,737	248,737	2,250	201,718	203,968
1.9. Other warranties		-	-	-	-	-	-
II. COMMITMENTS	(1)	12,488	62,336	74,824	8,785	55,443	64,228
2.1. Irrevocable commitments		10,275	35,472	45,747	6,394	48,385	54,779
2.1.1. Asset purchase and sales commitments		5,867	11,132	16,999	-	-	-
2.1.2. Deposit purchase and sales commitments		-	16,811	16,811	-	44,964	44,964
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		1,250	-	1,250	3,265	-	3,265
2.1.5. Securities issue brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitments for checks		3,158	-	3,158	3,129	-	3,129
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10. Commitments for credit cards and banking services promotions		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		-	7,529	7,529	-	3,421	3,421
2.2. Revocable commitments		2,213	26,864	29,077	2,391	7,058	9,449
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		2,213	26,864	29,077	2,391	7,058	9,449
III. DERIVATIVE FINANCIAL INSTRUMENTS	(5)	17,446	17,659	35,105	44,641	43,614	88,255
3.1. Derivative financial instruments held for hedging		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-	-	-	-
3.2. Trading transactions		17,446	17,659	35,105	44,641	43,614	88,255
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		17,446	17,659	35,105	44,641	43,614	88,255
3.2.2.1. Foreign currency swap-buy		-	17,659	17,659	-	43,614	43,614
3.2.2.2. Foreign currency swap-sell		17,446	-	17,446	44,641	-	44,641
3.2.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.2.3. Foreign currency, interest rate and security 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 PLEDGED SECURITIES (IV+V+VI)		1,029,994	2,131,831	3,161,825	1,102,042	3,637,094	4,739,136
IV. ITEMS HELD IN CUSTODY		262,637	1,867	264,504	235,769	8,639	244,408
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		-	-	-	-	-	-
4.3. Checks received for collection		261,832	1,867	263,699	234,582	7,050	241,632
4.4. Commercial notes received for collection		55	-	55	437	1,589	2,026
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		750	-	750	750	-	750
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		767,357	2,129,964	2,897,321	866,273	3,628,455	4,494,728
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		94,487	144,873	239,360	86,735	124,787	211,522
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovables		27,147	90,061	117,208	12,097	176,957	189,054
5.6. Other pledged items		645,723	1,895,030	2,540,753	767,441	3,326,711	4,094,152
5.7. Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		1,236,213	4,565,294	5,801,507	1,350,835	5,903,194	7,254,029

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

Arap Türk Bankası Anonim Şirketi

Consolidated Income Statement For The Period Ended 31 December 2016

(Thousands of Turkish Lira)

			Audited	Audited
INCOME AND EXPENSES		Footnotes (5-IV)	CURRENT PERIOD (01/01/2016-31/12/2016)	PRIOR PERIOD (01/01/2015-31/12/2015)
I.	INTEREST INCOME	(1)	205,861	159,727
1.1	Interest on loans		106,557	88,428
1.2	Interest received from reserve deposits		2,091	423
1.3	Interest received from banks		23,909	26,745
1.4	Interest received from money market transactions		-	544
1.5	Interest received from marketable securities portfolio		52,565	23,738
1.5.1	Financial assets held for trading		27,411	11,196
1.5.2	Financial assets valued at fair value through profit or loss		-	-
1.5.3	Financial assets available for sale		-	-
1.5.4	Investments held to maturity		25,154	12,542
1.6	Finance lease income		20,185	19,559
1.7	Other interest income		554	290
II.	INTEREST EXPENSE	(2)	41,455	35,324
2.1	Interest on deposits		35,260	29,337
2.2	Interest on funds borrowed		5,820	5,667
2.3	Interest on money market transactions		288	320
2.4	Interest on securities issued		-	-
2.5	Other interest expense		87	-
III.	NET INTEREST INCOME/EXPENSE (I - II)		164,406	124,403
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		38,462	49,630
4.1	Fees and commissions received		39,275	50,630
4.1.1	Non-cash loans		21,725	21,070
4.1.2	Other		17,550	29,560
4.2	Fees and commissions paid		813	1,000
4.2.1	Non-cash loans		(56)	1
4.2.2	Other		869	999
V.	DIVIDEND INCOME	(3)	76	68
VI.	NET TRADING INCOME/EXPENSE	(4)	3,637	(1,687)
6.1.	Profit/losses on trading account securities		118	(53)
6.2.	Loss/Profit on derivative transactions		(3,536)	(2,419)
6.3	Foreign exchange profit/losses		7,055	785
VII.	OTHER OPERATING INCOME	(5)	2,020	4,618
VIII.	TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)		208,601	177,032
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	42,654	9,139
X.	OTHER OPERATING EXPENSES (-)	(7)	83,723	76,930
XI.	NET OPERATING INCOME/LOSS (VIII-IX-X)	(8)	82,224	90,963
XII.	INCOME RESULTED FROM MERGERS		-	-
XIII.	INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XIV.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XV.	INCOME/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES (XI+...+XIV)		82,224	90,963
XVI.	PROVISION FOR TAXES FOR CONTINUING OPERATIONS (±)	(8)	(18,995)	(18,470)
16.1.	Current tax provision	(9)	(20,512)	(19,190)
16.2.	Deferred tax provision		1,517	720
XVII.	NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)	(10)	63,229	72,493
XVIII.	INCOME FROM DISCONTINUED OPERATIONS	(10)	-	-
18.1.	Income from assets held for sale		-	-
18.2.	Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3.	Other income from discontinued operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1.	Expense on assets held for sale		-	-
19.2.	Expenses on sale of associates, subsidiaries and joint-ventures		-	-
19.3.	Other expense from discontinued operations		-	-
XX.	INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)	(9)	-	-
21.1.	Current tax provision		-	-
21.2.	Deferred tax provision		-	-
XXII.	NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)	(10)	-	-
XXIII.	NET PROFIT/LOSSES (XVII+XXII)	(11)	63,229	72,493
23.1	Group's profit/loss		63,229	72,493
23.2	Minority shares		-	-
	Earnings/Losses per share		0.0014	0.0016

Arap Türk Bankası Anonim Şirketi
Statement of Recognized Income and Expense In
Consolidated Shareholders' Equity For the Period Ended 31 December 2016

(Thousands of Turkish Lira)

STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN SHAREHOLDERS' EQUITY		Audited	Audited
		CURRENT PERIOD (01/01/2016-31/12/2016)	PRIOR PERIOD (01/01/2015-31/12/2015)
I.	MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	-	-
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-	-
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	-	-
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT (effective portion)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(844)	(596)
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	169	119
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	(675)	(477)
XI.	CURRENT PERIOD PROFIT/LOSSES	63,229	72,493
11.1	Net changes in fair value of securities (transferred to income statement)	-	-
11.2	Gains/losses on hedges of cash flow hedges, reclassified and recorded in income statement	-	-
11.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-	-
11.4	Other	63,229	72,493
XII.	TOTAL PROFIT/LOSS ACCOUNTED FOR THE CURRENT PERIOD (X±XI)	62,554	72,016

Arap Türk Bankası Anonim Şirketi
Statement of Changes In Consolidated Shareholders' Equity For the Period Ended 31 December 2016

(Thousands of Turkish Lira)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Preceding Period	Paid-in Capital	Capital Reserves From Inflation Adjustments To Paid-in Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/Loss	Prior Period Net Profit/Loss	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible Assets	House Shares of Equity Participants	Acc. Res. Surp. on Assets Held for Sale and Assets of Discont. Op.	Total Shareholders' Equity	Minority	Total Shareholders'
PRIOUR PERIOD (31/12/2015)		440.000	-	-	-	13.646	-	3	(1.791)	72.127	17.534	-	-	-	-	541.519	-	541.519
I. Balances at the beginning of the period		440.000	-	-	-	13.646	-	3	(1.791)	72.127	17.534	-	-	-	-	541.519	-	541.519
II. Corrections made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of changes in accounting policies (1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted balances at the beginning of the period (I+II)		440.000	-	-	-	13.646	-	3	(1.791)	72.127	17.534	-	-	-	-	541.519	-	541.519
Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Securities Value Increase Fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Hedgers for Risk Management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Net Cash Flow Hedgers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Net Foreign Investment Hedgers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Net Foreign Investment Hedgers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effect of change in equities of associates on Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Capital Reserves From Inflation Adjustments To Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current Period Net Profit		-	-	-	-	-	-	-	-	72.493	68.304	-	-	-	-	72.493	-	72.493
20.1 Profit Distribution		-	-	-	-	-	-	-	-	(72.127)	-	-	-	-	-	-	-	-
20.2 Dividends distributed		-	-	-	-	-	-	-	-	-	68.304	-	-	-	-	-	-	-
20.3 Transfers to reserves		-	-	-	-	-	-	-	-	(72.127)	-	-	-	-	-	-	-	-
20.4 Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at end of period (III+IV+V+...+XVIII+XIX+XX)		440.000	-	-	-	17.469	-	3	(2.680)	72.493	85.838	-	-	-	-	613.535	-	613.535
CURRENT PERIOD (31/12/2016)		440.000	-	-	-	17.469	-	3	(2.680)	72.493	85.838	-	-	-	-	613.535	-	613.535
I. Balances at end of prior period		440.000	-	-	-	17.469	-	3	(2.680)	72.493	85.838	-	-	-	-	613.535	-	613.535
Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Securities Value Increase Fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Hedgers for Risk Management		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Net Cash Flow Hedgers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Net Foreign Investment Hedgers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effect of change in equities of associates on Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Capital Reserves From Inflation Adjustments To Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current Period Net Profit		-	-	-	-	-	-	-	-	63.229	46.648	-	-	-	-	63.229	-	63.229
18.1 Profit distribution		-	-	-	-	-	-	-	-	(72.493)	-	-	-	-	-	-	-	-
18.2 Dividends distributed		-	-	-	-	-	-	-	-	-	(22.000)	-	-	-	-	-	-	-
18.3 Transfers to legal reserves		-	-	-	-	-	-	-	-	-	68.648	-	-	-	-	-	-	-
18.4 Others		-	-	-	-	-	-	-	-	(72.493)	-	-	-	-	-	-	-	-
Balance at end of period (I+II+III+...+XVII+XVIII+XIX+XX)		440.000	-	-	-	21.314	-	3	(2.943)	63.229	132.486	-	-	-	-	654.089	-	654.089

Arap Türk Bankası Anonim Şirketi
Statement of Consolidated Cash Flow
For The Period Ended 31 December 2016

(Thousands of Turkish Lira)

		Audited	Audited
	Footness (5-VI)	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		31,505	43,123
1.1.1 Interests Received		218,032	155,655
1.1.2 Interest Paid		(41,466)	(37,065)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		39,275	50,630
1.1.5 Other Income		(2,618)	3,494
1.1.6 Collections From Previously Written-off Loans and Other Receivables		25	43,909
1.1.7 Payments to Personnel and Service Suppliers		(67,152)	(63,738)
1.1.8 Taxes Paid		(23,592)	(12,618)
1.1.9 Others	(3)	(90,999)	(97,144)
1.2 Changes in Operating Assets and Liabilities		(71,422)	144,374
1.2.1 Net Decrease in Financial Assets Held For Trading		(336,228)	(44,297)
1.2.2 Net (Increase) Decrease in Financial Assets Valued at Fair Value Through Profit or Loss		-	-
1.2.3 Net Decrease in Due From Banks and Other Financial Institutions		(385,871)	(46,892)
1.2.4 Net (Increase) in Loans		(104,695)	6,247
1.2.5 Net Decrease in Other Assets	(3)	1,964	(194)
1.2.6 Net Increase /(Decrease) in Bank Deposits		650,469	257,641
1.2.7 Net Increase (Decrease) in Other Deposits		42,667	(58,913)
1.2.8 Net Increase/ (Decrease) in Funds Borrowed		36,922	36,131
1.2.9 Net Increase/ (Decrease) in Matured Payables		-	-
1.2.10 Net Increase in Other Liabilities	(3)	23,350	(5,349)
I. Net Cash Flow From Banking Operations		(39,917)	187,497
B. CASH FLOWS FROM INVESTING ACTIVITIES		-	-
II. Net Cash Flow From Investing Activities		(65,072)	(123,286)
2.1 Cash Paid For Purchase of Associates, Subsidiaries, and Joint-Ventures		-	-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible Assets		(1,815)	(907)
2.4 Sales of Tangible Assets		143	(11)
2.5 Cash Paid For Purchase of Financial Assets Available-For-Sale		-	-
2.6 Cash Obtained From Sale of Financial Assets Available-For-Sale		-	-
2.7 Cash Paid For Purchase of Investments Held-to-Maturity		(249,948)	(216,840)
2.8 Cash Obtained From Sale of Investments Held-to-Maturity		187,798	93,317
2.9 Others		(1,250)	1,155
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Flows From Financing Activities		(22,000)	-
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-	-
3.2 Cash Used For Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		(22,000)	-
3.5 Payments For Financial Leases		-	-
3.6 Others		-	-
IV. Effect of Change in Foreign Exchange Rate On Cash and Cash Equivalents	(3)	19,231	22,531
V. Net (Decrease)/Increase in Cash and Cash Equivalents		(107,758)	86,742
VI. Cash and Cash Equivalents at Beginning of Period	(1)	1,796,659	1,709,917
VII. Cash and Cash Equivalents at the End of Period	(1)	1,688,901	1,796,659

Arap Türk Bankası Anonim Şirketi
Statement of Profit Distribution
For The Period Ended 31 December 2016

(Thousands of Turkish Lira)

	Audited	
	CURRENT PERIOD (31/12/2016)	PRIOR PERIOD (31/12/2015)
I. DISTRIBUTION OF CURRENT YEAR INCOME(*)		
1.1 CURRENT YEAR INCOME	78,417	86,772
1.2 TAXES AND DUTIES PAYABLE	(16,820)	(16,666)
1.2.1 Corporate Tax (Income tax)	(18,423)	(17,299)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	1,603	633
A. NET INCOME FOR THE YEAR (1.1-1.2)	61,597	70,106
1.3 PRIOR YEARS LOSSES (-)(*)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	3,473
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	61,597	66,633
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	22000
1.6.1 To owners of ordinary shares	-	22000
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	0.0014	0.0016
3.2 TO OWNERS OF ORDINARY SHARES (%)	0.14	0.16
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	-	0
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	0
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) Since the General Assembly has not been made as of the announcement of the financial statement, the distribution of profit has not been decided yet.

(*) Statement of Profit Distribution table is prepared accordingly to the unconsolidated figures.

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.

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

The preparation of consolidated 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.

There is not any different accounting policy applied while the preparation of the consolidated financial statements.

Explanation for convenience translation into English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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, security transactions (treasury transactions) together with international banking services. The Parent Bank uses financial instruments intensively because of the nature of the Parent Bank. The main funding resources are deposits, borrowing and equity and these resources are invested in qualified financial assets. The Parent 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 Group’s exchange rates prevailing at the balance sheet date in the Parent Bank financial statements, whereas for other associations over CBRT rates subjected to evaluation.

III. INFORMATION ON CONSOLIDATED 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 31 December 2016 and 31 December 2015, 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 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 of 31 December 2016 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in similar circumstances.

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Group financial derivatives are classified as “held for trading” in accordance with “TAS - 39 Financial Instruments: Recognition and Measurement”.

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 the main account fair values of financial assets through profit or loss” in trading derivative financial instruments and if the fair value difference is negative, it is disclosed under trading derivative financial liabilities.

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

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

In accordance with the related regulation, the accrued interest income on non-performing loans are reversed and subsequently recognized as interest income only when collected.

VI. INFORMATION ON FEES AND COMMISSION

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

VII. INFORMATION ON FINANCIAL ASSETS

The Group categorizes and records its financial assets as financial assets at fair value through profit or loss, financial assets available-for-sale, loans and receivables or financial assets held to maturity.

Financial assets except for measured at fair value through profit or loss are recognized initially with their transaction costs that are directly attributable to the acquisition or issue of the financial asset. Purchase and sale transactions of securities are accounted at settlement dates.

a. Financial Assets at Fair Value through Profit or Loss

This category has two sub categories: financial assets for trading purposes and those recorded as financial assets designated at fair value through profit or loss at their initial recognition.

Financial assets held for trading are part of a portfolio aiming to generate a profit from short term fluctuations in prices or dealer’s margin or in which a pattern of short term profit making exists.

Financial derivative instruments are classified as financial assets held for trading unless they are stated as for hedging purposes. Accounting of derivative financial assets is explained in IV of Section Three.

The financial assets held for trading are initially recognized at cost which includes transaction costs. Subsequent to the initial recognition financial assets held for trading are re-measured at their fair value. The gains and losses arising from the change in fair value are recognized in the income statement. The interest income earned from financial assets held for trading is recorded in the interest income and share profit is recorded in the dividends account.

b. Financial Assets Available-for-Sale

Financial assets available for sale are financial assets other than those classified as loans and receivables, financial assets held to maturity and financial assets at fair value through profit or loss.

Debt securities classified as financial assets available-for-sale are subsequently re-measured at their fair values. Unrealized gains and losses arising from changes in the fair value of securities classified as financial assets available for sale is reflected in the equity marketable securities value increase fund. When these financial assets available for sale are disposed of or collected the fair value differences accumulated under equity are transferred to the income statement.

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets Available-for-Sale (Continued)

Financial assets available for sale that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Financial assets available for sale that do not have a quoted market price and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

c. Loans and Receivables

Loans and receivables are the financial assets raised by the Bank providing money, commodity and services to debtors. Loans are financial assets with fixed or determinable payments and not quoted in an active market.

Loans and receivables are recorded at cost and measured at amortized cost by using effective interest method. The duties paid, transaction expenditures and other similar expenses on assets received against such risks are considered as a part of transaction cost and charged to customers.

d. Financial Assets Held to Maturity

Held-to-maturity securities are financial assets that are not classified as loans and receivables with fixed maturities and pre-determinable payments that the Bank has the intent and ability to hold until maturity. The financial assets held to maturity are initially recognized at cost and subsequently carried at amortized cost using effective interest method with internal rate of return after deducting impairments, if any. Interest earned on financial assets held-to-maturity is recognized as interest income in the statement of income.

There are no financial assets that were previously classified as held to maturity but cannot be subject to this classification for two years due to the violation of the tainting rule.

VIII. INFORMATION ON IMPAIRMENT OF FINANCIAL ASSETS

Financial assets or group of financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the Group estimates the amount of impairment.

Impairment loss incurs if, and only if, there is objective evidence that the expected future cash flows of financial asset or group of financial assets are adversely affected by an event(s) (“loss event(s)”) incurred subsequent to recognition. The losses expected to incur due to future events are not recognized even if the probability of loss is high.

If there is an objective evidence that certain loans will not be collected, for such loans; the Group provides specific and general allowances for loan and other receivables classified in accordance with the “Regulation on Identification of and Provision against Non-Performing Loans and Other Receivables” published on the Official Gazette no. 26333 dated 1 November 2006 and the amendments to this regulation. The allowances are recorded in the statement of income of the related period.

Provision in prior periods has been collected which is provisioned accounts are recorded under other operating income is deducted. Is collected which is provisioned in the same year, the impairment loss is deducted from loans and other receivables.

If there is objective evidence that certain leasing receivables will not be collected; the Group assess that receivables in accordance with the “Regulation on Identification of and Provision against Non-Performing Receivables of Financial Leasing, Factoring and Financing Companies” published on the Official Gazette No.26588 dated 20 July 2007.

IX. 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.

X. INFORMATION ON SALE AND REPURCHASE AGREEMENTS AND LENDING OF FINANCIAL ASSETS

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

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

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

XI. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

An asset that is classified as held for sale (or to be discarded fixed assets) is measured with its book value or cost deducted fair value, depending on the lower one. An asset to be classified asset held for sale, particular asset (or to be discarded fixed assets) should be similar to these types of assets and should be able to be sold immediately with commonly accepted terms and conditions. Asset should be marketed in line with its fair value. For selling probability to be high, relevant management level should plan the sale and should finalize the plan by determining the buyers.

Assets held for sale are comprised of tangible assets acquired due to non performing receivables, and are accounted in the financial statements in accordance with the “Regulation On The Disposals of The Commodities and Properties Acquired Due to Receivables and The Purchase and Sale of Precious Metals by Banks” dated 1 November 2006 and published on the Official Gazette No.26333.

A discontinued operation is classified as the Group’s assets discarded or assets held for sales. Information on discontinued operations is presented separately in consolidated income statement. As at reporting date, the Group does not have any discontinued operations.

XII. 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.

XIII. 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.

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

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

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

Tangible assets	Estimated useful life (Years)	Depreciation Rate (%)
Buildings	50	2
Motor vehicles	5	20
Office equipment, furniture and fixture	3-50	2-33

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

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

XIV. INFORMATION ON LEASING ACTIVITIES*Finance leasing activities as the lessee*

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

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

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

XIV. INFORMATION ON LEASING ACTIVITIES (Continued)

Finance leasing activities as the lessor

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

Operational leases

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

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

XV. 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.

XVI. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for employee termination benefits

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2016 is TL 4,297.21 (full TL) (31 December 2015: TL 3,828.37 (full TL)).

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 retained earnings.

Other benefits to employees

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

XVII. INFORMATION ON TAX APPLICATIONS

Corporate tax

The corporate tax rate is 20%. Corporate tax rate is calculated on the total income of the Group after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. 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.

Investment incentive

Investment incentive certificates which are obtained prior to April 24, 2003, can deduct 19.8% investment allowance tax withholding. After this date, encouraging, undocumented activities directly related to the investment expenses of companies can deduct 40%. There is no withholding tax for the investments without investment incentive certificates.

Deferred taxes

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

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

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

XVII. INFORMATION ON TAX APPLICATIONS (Continued)

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.

XVIII. ADDITIONAL INFORMATION ON BORROWINGS

Except for financial liabilities that are classified as held for trading derivatives which carried at fair values, all other financial liabilities are initially recognized at cost including transaction costs and re-measured at amortized cost using the effective interest rate method.

The Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

XIX. INFORMATION ON SHARE ISSUANCES

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

XX. 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.

XXI. INFORMATION ON GOVERNMENT INCENTIVES

According to the Income Tax Legislation Temporary Article 61, A&T Finansal Kiralama A.Ş. has no unused investment allowances that are subject to withholding amounting (31 December 2015: TL 8,237) and no investment allowances that are not subject to withholding according to the Income Tax Legislation Temporary Article 19 as of 31 December 2016 (31 December 2015 : 545 TL).

XXII. INFORMATION ON SEGMENT REPORTING

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

XXIII. OTHER DISCLOSURES

Profit reserves and profit distribution

Retained earnings as per the statutory consolidated financial statements 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 Parent 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 consolidated 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”. Related parties are presented VII footnote of Fifth Section.

Cash and cash equivalents

In the 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 equivalent” refers to money market placements and time deposits at banks which has original maturity less than three months.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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SECTION FOUR

INFORMATION ON THE CONSOLIDATED FINANCIAL POSITION OF THE GROUP

I. INFORMATION ON SHAREHOLDER'S EQUITY

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
TIER II CAPITAL	651,918	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	437,057	
Share issue premiums	-	
Reserves	21,317	
Gains recognized in equity as per TAS	-	
Profit	195,715	
Current Period Profit	63,229	
Prior Period Profit	132,486	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	654,089	
Deductions from Common Equity Tier 1 Capital	2,171	
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	523	
Goodwill (net of related tax liability)	1,648	
Other intangibles other than mortgage-servicing rights (net of related tax liability)		
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
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	2,171	
Total Common Equity Tier 1 Capital	651,918	
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	1,098	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds(-)	1,098	-
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)	650,820	
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)	24,116	
Tier II Capital Before Deductions	24,116	
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	24,116	
Total Capital (The sum of Tier I Capital and Tier II Capital)	674,936	
Deductions from Total Capital	674,936	
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	8	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not 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 (-)	-	-
TOTAL CAPITAL	674,928	690,928
Total Capital	674,928	690,928
Total risk weighted amounts	3,786,991	3,786,991
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	17.21	-
Tier 1 Capital Adequacy Ratio (%)	17.19	-
Capital Adequacy Ratio (%)	17.82	18.24
BUFFERS		
Total buffer requirement	0.738	-
Capital conservation buffer requirement (%)	0.625	-
Bank specific counter-cyclical buffer requirement (%)	0.113	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	12.71	-
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
Limits related to provisions considered in Tier II calculation	24,116	24,116
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	24,116	24,116
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 January 1, 2018 and January 1, 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

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

Informations on addition debt instruments to shareholders’ equity calculating	Current Period
Exporter	-
Code of debt instrument (CUSIP, ISIN etc.)	-
Legislation of debt instrument	-
Attention Situation of Shareholders’ Equity	
Situation of subjection to practice of being taken into consideration with 10% deduction (after 1.1.2015)	-
Validity situation of consolidated or unconsolidated based or consolidated and unconsolidated based.	-
Type of debt instrument	-
Considered amount of shareholders’ equity calculation. (By last report date of – Million TL)	-
Nominal value of debt instrument (Million TL)	-
Related account of debt instrument	-
Export date of debt instrument	-
Maturity structure of debt instrument (demand/term)	-
Beginning term of debt instrument	-
Whether there is right of reimbursement of exporter or not according to Banking Regulation and Supervision Agency (BRSA) rules.	-
Optional reimbursement date, options of conditional reimbursement and reimbursement amount.	-
Following reimbursement option dates	-
Interest/Dividend Payments	
Fixed or floating interest/dividend payments	-
Interest rate and index value of interest rate	-
Whether there is any restriction to stop payment of capital bonus or not	-
Feature of being full optional, partially optional or obligatory	-
Whether there is any stimulant to repayment like interest rate hike or not	-
Feature of being cumulative or noncumulative	-
Feature of being convertible bonds	
If there’s convertible bonds, trigger incidents cause this conversion	-
If there’s convertible bonds, feature of full or partially conversion	-
If there’s convertible bonds, rate of conversion	-
If there’s convertible bonds, feature of conversion -obligatory or optional-	-
If there’s convertible bonds, types of convertible instruments	-
If there’s convertible bonds, exporter of convertible debt instruments	-
Feature of value reduction	
If there is feature of value reduction, trigger incidents cause this value reduction	-
If there is feature of value reduction, feature of full or partially reduction of value	-
If there is feature of value reduction, feature of being constant or temporary	-
If the value can be reduced temporarily, mechanism of value incrementation	-
Claiming rank in case of winding up (Instrument that is just above debt instrument)	-
Whether being provided with conditions of the 7 th and 8 th articles of ‘Shareholders’ Equity of Banks Regulation	-
Has or has not been provided with which conditions of the 7 th and 8 th articles of ‘Shareholders’ Equity of Banks Regulation	-

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 2016, the Parent Bank analyze the legal ratios and budget expectations to qualitate them for the effect on the legal capital adequacy and economic capital of the Parent Bank. With these procedures and reports the Parent Bank covers all risk in capital adequacy requirements.

II. INFORMATION ON CONSOLIDATED 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 Related to the Determination of the Loans and Other Receivables for which Provisions shall be set aside by Banks and to the Provisions to be set aside”.

II. INFORMATION ON CONSOLIDATED CREDIT RISK (Continued)

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.

The new rating system announced in 2013. System is rating to all credit customers based on qualification and quantity estimating to accomplish financial data entries and answering subjective questions. Scala of the grating is between "D" and "AAA+". D is the minimum grade, AAA+ is the maximum grade and there is 22 grades in scala.

The table below shows the distribution of corporate and commercial loans grades in respect of weight as of 31 December 2016:

Grade	Description	Current Period	Prior Period
		Weight	
AA	Maximum Reliability	2%	1%
AA-	Maximum Reliability	8%	4%
A+	Very Good Firm	15%	16%
A	Very Good Firm	15%	14%
A-	Very Good Firm	16%	13%
BBB+	Reliable and Qualified	8%	14%
BBB	Reliable and Qualified	14%	13%
BBB-	Reliable and Qualified	11%	13%
BB+	Low Reliably and risky	5%	4%
BB	Low Reliably and risky	2%	4%
BB-	Low Reliably and risky	1%	3%
B+	Weak	1%	-
CC	Maximum Risk	1%	-
D	Bankruptcy	1%	1%

The rating distribution above does not include retail loans and loans granted to banks.

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

Determining the Nature of Loans and Other Receivables and Allocation Regulation on Procedures and Principles Regarding 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.

II. INFORMATION ON CREDIT RISK (Continued)*Value adjustments and provisions methods and approaches*

Classification of the elements described above, and taking into account the Bank's loans and other receivables, from the date of the third group of at least twenty percent (20%), from the date of the fourth group of at least fifty percent (50%), from the date of the fifth Group One hundred percent (100%) by a special provision.

In addition to the specific provisions of qualified cash loans of the Bank's standard one percent of the total (1%), and letters of credit, guarantees and sureties and other non-cash loans the two thousandth of the total (0.2%) percent and five percent of the total cash loans under close monitoring (5%), and letters of credit, guarantees and sureties and other four thousandths of the total non-cash loans (0.4%) rate the overall provision.

The subsidiary of the Parent Bank that operates in financial leasing sector provide at least twenty percent (20%) provision for the leasing receivables if both or one of the principal or interest are overdue by 90 days, provide at least fifty percent (50%) provision for overdue by 180 days, provide hundred percent (100%) provision for overdue by a year.

As at 31 December 2016 the rating distribution of financial instruments is as follows

Financial Asset at Fair Value Through Profit or Loss	Rating Agency	Government Bonds	Private Sector Bonds	Private Bank Bonds	Derivatives	Total
Aaa		-	-	-	-	-
Between Aa3 Aa1		-	-	-	-	-
Between A3 A1		-	-	-	-	-
Between Baa3 Baa1		-	-	-	-	-
Between BBB-BBB +	Fitch	430,997	5,331	105,911	-	542,239
Between Ba3 Ba1		-	-	-	-	-
Between BB – BB +		-	-	-	-	-
Between B3 B1	Moody's	-	-	8,111	-	8,111
Between Caa1 and less		-	-	-	-	-
Not Rated		-	-	-	467	467
Total		430,997	5,331	114,022	467	550,817

Investments held to maturity	Rating Agency	Government Bonds	Private Sector Bonds	Private Bank Bonds	Derivatives	Total
Aaa		-	-	-	-	-
Between Aa3 Aa1		-	-	-	-	-
Between A3 A1		-	-	-	-	-
Between Baa3 Baa1		-	-	-	-	-
Between BBB-BBB +	Fitch	304,933	-	51,610	-	356,543
Between Ba3 Ba1		-	-	-	-	-
Between BB – BB +		-	-	-	-	-
Between B3 B1		-	-	-	-	-
Between Caa1 and less		-	-	-	-	-
Not Rated		918	-	42,082	-	43,000
Total		305,851	-	93,692	-	399,543

II. INFORMATION ON CREDIT RISK (Continued)

As at 31 December 2015 the rating distribution of financial instruments is as follows

Financial Asset at Fair Value Through Profit or Loss	Rating Agency	Government Bonds	Private Sector Bonds	Private Bank Bonds	Derivatives	Total
Aaa		-	-	-	-	-
Between Aa3 Aa1		-	-	-	-	-
Between A3 A1		-	-	-	-	-
Between Baa3 Baa1		-	-	-	-	-
Between BBB-BBB +	Fitch	116,041	4,367	81,522	-	201,930
Between Ba3 Ba1		-	-	-	-	-
Between BB – BB +		-	-	-	-	-
Between B3 B1	Moody's	-	-	6,412	-	6,412
Between Caa1 and less		-	-	-	-	-
Not Rated		-	-	-	-	-
Total		116,041	4,367	87,934	-	208,342

Investments held to maturity	Rating Agency	Government Bonds	Private Sector Bonds	Private Bank Bonds	Derivatives	Total
Aaa		-	-	-	-	-
Between Aa3 Aa1		-	-	-	-	-
Between A3 A1		-	-	-	-	-
Between Baa3 Baa1		-	-	-	-	-
Between BBB-BBB +	Fitch	232,058	-	4,287	-	236,345
Between Ba3 Ba1		-	-	-	-	-
Between BB – BB +		-	-	-	-	-
Between B3 B1		-	-	-	-	-
Between Caa1 and less		-	-	-	-	-
Not Rated		-	-	45,213	-	45,213
Total		232,058	-	49,500	-	281,558

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II. INFORMATION ON CREDIT RISK (Continued)

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

Risk Classifications	Current Period												Average
	January	February	March	April	May	June	July	August	September	October	November	December	
Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	1,119,036	1,163,315	1,148,885	1,258,661	1,446,391	1,166,397	1,164,507	1,163,931	1,264,883	1,216,269	1,217,360	1,278,429	1,217,339
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	2,997,133	2,365,872	2,314,979	2,442,708	2,483,954	2,417,372	2,512,827	2,527,203	2,674,693	2,729,590	2,925,455	2,989,904	2,615,141
Contingent and Non-Contingent Corporate Receivables	2,044,436	1,604,476	1,595,643	1,662,357	1,638,575	1,573,554	1,626,438	1,635,373	1,557,250	1,654,323	1,717,977	1,722,034	1,669,370
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Property	46,550	32,698	27,280	32,771	30,133	29,233	30,796	30,681	30,918	31,061	16,757	16,876	29,646
Past Due Loans	1,943	2,016	2,016	2,016	2,016	2,016	2,017	2,016	2,018	2,016	2,017	4,300	2,201
Higher-Risk Receivables Defined by BRSA	155,889	101,857	57,126	47,214	76,013	81,898	58,303	74,451	77,618	73,265	92,373	102,787	83,233
Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	44,538	43,306	41,801	44,690	44,645	42,686	44,071	42,957	41,657	44,966	47,825	46,457	44,132
Total exposure to risks	6,409,525	5,313,540	5,187,730	5,490,417	5,721,727	5,313,156	5,438,959	5,476,612	5,649,037	5,751,490	6,019,764	6,160,787	5,661,062

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

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

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

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 99.71% and 100% of the total cash loans portfolio of the Bank respectively.

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

The share of the top 100 and 200 non-cash loan customers comprises 99.50% and 100% of the total non-cash loans portfolio of the Bank respectively.

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

The Bank’s total cash and non-cash loans from its top 100 and 200 loan customers comprise 46.96% and 48.87% of the total assets and off-balance sheet items.

7. The general provision amount provided by the Bank for credit risk

The general provision amount provided by Bank for the credit risk is TL 24,116 as of 31 December 2016 (31 December 2015: TL 20,070).

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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	Receivables Secured by Residential Property	Past due loans⁽⁴⁾	Higher-Risk Receivables Defined by BRSA	Other receivables	Total
Domestic	1,278,429	2,735,635	1,718,611	16,876	4,300	5,127	45,047	5,804,025
European Union Countries	-	75,922	-	-	-	-	85	76,007
OECD Countries ⁽²⁾	-	1,643	-	-	-	-	-	1,643
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	2,242	-	-	-	-	-	2,242
Other Countries	-	174,462	3,423	-	-	97,660	1,325	276,870
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-
Total	1,278,429	2,989,904	1,722,034	16,876	4,300	102,787	46,457	6,160,787

Previous Period	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Receivables Secured by Residential Property	Past due loans⁽⁴⁾	Higher-Risk Receivables Defined by BRSA	Other receivables	Total
Domestic	1,084,731	2,380,485	1,620,372	39,201	1,943	4,499	40,311	5,171,542
European Union Countries	-	58,175	-	-	-	-	858	59,033
OECD Countries ⁽²⁾	-	1,411	-	-	-	-	-	1,411
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	1,289	-	-	-	-	-	1,289
Other Countries	-	160,978	6	-	-	169,570	1,118	331,672
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-
Total	1,084,731	2,602,338	1,620,378	39,201	1,943	174,069	42,287	5,564,947

⁽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

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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	Receivables Secured by Residential Property	Past due loans	Higher-Risk Receivables Defined by BRSA	Other Receivables	TL	FC	Total
Agricultural	-	-	137,333	-	-	-	-	18,005	119,328	137,333
Farming and Stockbreeding	-	-	136,563	-	-	-	-	17,235	119,328	136,563
Forestry	-	-	770	-	-	-	-	770	-	770
Fishing	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	756,593	521	-	121	128	260,612	496,751	757,363
Mining	-	-	30,039	-	-	-	-	21,358	8,681	30,039
Production	-	-	726,554	521	-	121	128	239,254	488,070	727,324
Electric, gas and water	-	-	-	-	-	-	-	-	-	-
Construction	-	-	602,083	16,355	2,039	4,547	-	147,888	477,136	625,024
Services	1,278,429	2,989,904	186,706	-	2,261	97,749	1,506	522,289	4,034,266	4,556,555
Wholesale and retail trade	-	-	125,619	-	-	-	-	117,538	8,081	125,619
Hotel, food and beverage services	-	-	310	-	-	-	-	3	307	310
Transportation and telecommunication	-	-	9,869	-	-	311	-	1,804	8,376	10,180
Financial institutions	1,278,429	2,989,904	-	-	2,261	97,438	1,506	369,314	4,000,224	4,369,538
Real estate and Leasing services	-	-	18,574	-	-	-	-	6,982	11,592	18,574
"Self-employment" type Services	-	-	-	-	-	-	-	-	-	-
Education services	-	-	2,435	-	-	-	-	176	2,259	2,435
Health and social services	-	-	29,899	-	-	-	-	26,472	3,427	29,899
Other	-	-	39,319	-	-	370	44,823	32,762	51,750	84,512
Total	1,278,429	2,989,904	1,722,034	16,876	4,300	102,787	46,457	981,556	5,179,231	6,160,787

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

II. INFORMATION ON CREDIT RISK (Continued)**10. Presentation of maturity risk bearing based on their outstanding maturities**

Risk Classifications	Payment Term				
	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	973,374	23,424	7,340	8,418	265,873
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	1,465,615	783,831	113,556	217,284	409,618
Contingent and Non-Contingent Corporate Receivables	502,458	425,120	98,281	224,486	481,679
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	1,000	23	-	15,853
Past Due Loans	-	-	-	-	-
Higher-Risk Receivables Defined by BRSA	25,994	47,940	27,686	441	726
Marketable Securities Collateralized Mortgages	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	2,967,441	1,281,315	246,886	450,629	1,173,749

11. Information on risk classes***Assigned credit rating agencies and export credit agencies changed the names and the reasons for these organizations***

The Bank uses the announced ratings of international credit rating agency Fitch Ratings and OECD for receivables from central governments and central banks. The Bank does not use credit rating for the domestic domicile counterparties.

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

The Bank uses Fitch Ratings for receivables from central governments, central banks and foreign domicile receivables. The Bank uses the country risk classification of OEFD, if these counterparties do not rated by Fitch Ratings.

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

II. INFORMATION ON CREDIT RISK (Continued)

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.

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	Fitch Ratings
1	Between AAA and AA-
2	Between A+ and A-
3	Between BBB+ and BBB-
4	Between BB+ and BB-
5	Between B+ and B-
6	Between CCC+ and below

OECD Country Risk Classification Credit Quality Levels	0	1	2	3	4	5	6	7
Risk weight (%)	0	0	20	50	100	100	100	150

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

Risk amount based on weight of risks

Risk weights	Before credit risk mitigation	After credit risk mitigation
0%	997,950	997,950
10%	-	0
20%	342,791	342,791
35%	521	489
50%	2,890,038	2,855,409
75%	0	0
100%	1,826,700	1,798,355
150%	102,787	18,159
200%	-	0
1250%	-	0
Deductions from equity	997,950	997,950

II. INFORMATION ON CREDIT RISK (Continued)**12. Sector or counterparty type, individually impaired loans and non-performing loan amounts, value adjustments and provisions during the period information on value adjustments and provisions****Miscellaneous information based on important sectors**

Important Sectors	Credits		
	Impaired Loans	Value Adjustment ⁽¹⁾	Provisions
Agricultural	-	361	-
Farming and Stockbreeding	-	351	-
Forestry	-	10	-
Fishing	-	-	-
Manufacturing	6,648	3,575	6,648
Mining	-	200	-
Production	6,648	3,375	6,648
Electric, gas and water	-	-	-
Construction	7,321	3,996	-
Services	7,080	10,085	4,820
Wholesale and retail trade	2,459	1,631	2,459
Hotel, food and beverage services	-	-	-
Transportation and telecommunication	-	-	-
Financial institutions	4,621	8,102	2,361
Real estate and Leasing services	-	-	-
“Self-employment” type Services	-	-	-
Education services	-	-	-
Health and social services	-	352	-
Other	-	964	5,281
Total	21,049	18,981	16,749

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

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

	Specific Provision	General Provision
Opening Balance	11,268	20,070
The amount of provision during the period	5,506	4,046
Reversal of provision	25	-
Asset write-offs	-	-
Other adjustments ⁽¹⁾	-	-
Closing Balance	16,749	24,116

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

II. INFORMATION ON CREDIT RISK (Continued)**14. Other information on credit risk****Sectoral concentrations for cash loans**

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	12,833	1.76	14,221	2.05	20,783	2.72	-	-
Farming and stockbreeding	12,083	1.66	14,221	2.05	20,448	2.67	-	-
Forestry	750	0.10	-	-	335	0.04	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	197,781	27.15	70,277	10.12	213,315	27.88	224,998	38.08
Mining	15,025	2.06	-	-	2,801	0.37	14,586	2.47
Production	182,756	25.09	70,277	10.12	210,514	27.51	210,412	35.62
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	90,957	12.48	208,634	30.04	72,138	9.43	187,816	31.79
Services	426,390	58.53	329,657	47.47	458,047	59.86	161,262	27.30
Wholesale and retail trade	116,915	16.05	5,335	0.77	6,583	0.86	-	-
Hotel, food and beverage	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Transportation and	-	-	-	-	-	-	-	-
Telecommunication	-	-	-	-	-	-	-	-
Financial institutions	283,116	38.86	324,322	46.70	431,311	56.37	161,262	27.30
Real estate and Leasing	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
“Self-employment” type	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	26,359	3.62	-	-	20,153	2.63	-	-
Other	573	0.08	71,673	10.32	883	0.12	16,718	2.83
Total	728,534	100.00	694,462	100.00	765,166	100.00	590,794	100.00

Sectoral and regional concentration of impaired loans and receivables

Sectoral	Current Period	Prior Period
Farming and Stockbreeding	-	-
Manufacturing	6,648	3,460
Construction	7,321	7,192
Financial institutions	4,621	100
Hotel and Restaurant Services	-	-
Wholesale and retail trade	2,459	2,459
Total impaired loans and receivables	21,049	13,211

Regional	Current Period	Prior Period
Turkey	16,428	13,111
Libya	4,521	-
Algeria	100	100
Total impaired loans and receivables	21,049	13,211

Past due but not impaired loans and receivables

	Current Period	Prior Period
Degree 1: Low risk loans and receivables	3	11,440
Degree 2: close monitoring loans and receivables	-	-
Total	3	11,440

Past due but not impaired loans and receivables aging

	Current Period	Prior Period
0-30 days	3	11,440
30-60 days	-	-
60-90 days	-	-
90 days or more	-	-
Total	3	11,440

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-shareholders’ equity limits. The Bank has the possibility to borrow a significant amount of foreign currency. Within the context of the market risk management work of the Risk Management Department, the 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	EUR
25 December 2016	TL 3.5055	TL 3.6622
26 December 2016	TL 3.5077	TL 3.6647
27 December 2016	TL 3.5041	TL 3.6639
28 December 2016	TL 3.5135	TL 3.6711
29 December 2016	TL 3.5329	TL 3.6901
30 December 2016	TL 3.5318	TL 3.6939

The basic arithmetical average of the Parent Bank’s foreign exchange bid rate for the last thirty days

The basic arithmetical average of the Parent Bank’s foreign exchange bid rate for December 2016 is TL 3.4826 for USD and TL 3.6761 for EUR.

III. INFORMATION ON CONSOLIDATED FOREIGN CURRENCY EXCHANGE RATE RISK (Continued)**Information on currency risk of the Group**

Current Period	Euro	US Dollars	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	570,734	397,474	261	968,469
Banks	897,078	484,247	4,161	1,385,486
Financial Assets through Profit or Loss	278,661	271,689	-	550,350
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	85	1,325	-	1,410
Loans ⁽¹⁾	493,974	248,337	-	742,311
Investments in Subsidiaries and Associates	-	-	-	-
Investment Securities Held-to-Maturity	155,875	224,608	-	380,483
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	172,515	44,976	7,475	224,966
Total Assets	2,568,922	1,672,656	11,897	4,253,475
Liabilities				
Bank Deposits	2,157,353	1,308,643	204	3,466,200
Foreign Currency Deposits	221,688	298,382	3,812	523,882
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	177,497	59,656	-	237,153
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	5,610	23,401	5	29,016
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	2,744	3,800	163	6,707
Total Liabilities	2,564,892	1,693,882	4,184	4,262,958
Net Balance Sheet Position	4,030	(21,226)	7,713	(9,483)
Net Off Balance Sheet Position	(8,385)	20,141	88	11,844
Financial Derivatives (Assets)	-	20,229	88	20,317
Financial Derivatives (Liabilities)	(8,385)	(88)	-	(8,473)
Non-Cash Loans	703,810	1,162,720	486,938	2,353,468
Prior Period				
Total Assets	1,668,128	1,776,025	30,065	3,474,218
Total Liabilities	1,684,459	1,810,732	7,773	3,502,964
Balance Sheet Position, net	(16,331)	(34,707)	22,292	(28,746)
Off Balance Sheet Position, net	-	43,614	-	43,614
Financial Derivatives (Assets)	-	43,614	-	43,614
Financial Derivatives (Liabilities)	-	-	-	-
Non-cash Loans	697,892	1,051,017	418,134	2,167,043

⁽¹⁾ As of 31 December 2016 loan balance includes foreign currency indexed loans amounting to TL 47,849 (31 December 2015: TL 157,121).

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% of TL against currencies mentioned below as of 31 December 2016 and 31 December 2015 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10% appreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholder's Equity ⁽¹⁾	Income Statement	Shareholder's Equity ⁽¹⁾
Euro	436	436	1,633	1,633
US Dollar	109	109	(891)	(891)
Other Currencies	(780)	(780)	(2,229)	(2,229)
Total	(235)	(235)	(1,487)	(1,487)

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

Assuming 10% depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholder's Equity ⁽¹⁾	Income Statement	Shareholder's Equity ⁽¹⁾
Euro	(436)	(436)	(1,633)	(1,633)
US Dollar	(109)	(109)	891	891
Other Currencies	780	780	2,229	2,229
Total	235	235	1,487	1,487

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

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/ shareholders' 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.

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 has 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	403,429	-	-	-	-	577,654	981,083
Banks	1,216,817	167,603	11,115	-	-	16,854	1,412,389
Financial assets at fair value through Profit or Loss	368	120,949	139,324	290,176	-	-	550,817
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	1,634	1,634
Loans	601,728	421,793	253,705	100,024	45,746	4,300	1,427,296
Investment securities held-to-maturity	2,054	59,682	48,344	272,288	17,175	-	399,543
Other assets ⁽¹⁾	44,167	19,992	72,691	143,303	-	45,872	326,025
Total assets	2,268,563	790,019	525,179	805,791	62,921	646,314	5,098,787
Liabilities							
Bank deposits	1,881,979	348,332	603,889	706,546	-	-	3,540,746
Other deposits	26,664	10,746	31,097	-	-	483,204	551,711
Money market borrowings	3,495	-	-	-	-	-	3,495
Miscellaneous payables	-	-	-	-	-	30,539	30,539
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	37,662	127,426	29,132	44,415	-	-	238,635
Other liabilities ⁽²⁾	-	-	-	-	-	733,661	733,661
Total liabilities	1,949,800	486,504	664,118	750,961	-	1,247,404	5,098,787
Long Position in the Balance Sheet	318,763	303,515	-	54,830	62,921	-	740,029
Short Position in the Balance Sheet	-	-	(138,939)	-	-	(601,090)	(740,029)
Long Position in the Off-balance Sheet	-	17,659	-	-	-	-	17,659
Short Position in the Off-balance Sheet	-	(17,446)	-	-	-	-	(17,446)
Total Position	318,763	303,728	(138,939)	54,830	62,921	(601,090)	213

⁽¹⁾ Other Assets: The amount of TL 45,872 in the Non-Interest Bearing column includes; Tangible Assets amounting TL 22,862, Intangible Assets amounting to TL 2,746, Deferred Tax Assets amounting to TL 4,626, Assets Held for Sale amounting to TL 8 and Non-Interest Bearing amount of Other Assets amounting to TL 15,630.

⁽²⁾ Other Liabilities: The amount of TL 733,661 in the Non-Interest Bearing Column includes; Shareholders Equity amounting to TL 654,089, Provisions amounting to TL 56,060, Tax, Duty and Premium Payable amounting to TL 11,147 and Non-Interest Bearing amount of Other Foreign Resources amounting to TL 12,365.

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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
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and Balances with the Central Bank of Turkey	341,933	-	-	-	-	516,222	858,155
Banks	925,008	307,219	-	-	-	15,680	1,247,907
Financial assets at fair value through profit or loss	14,580	25,567	9,335	158,860	-	-	208,342
Interbank money market placements	-	-	-	-	-	-	-
Investment securities available-for-sale	-	-	-	-	-	1,388	1,388
Loans	804,298	425,213	114,455	554	-	13,383	1,357,903
Investment securities held-to-maturity	1,038	139,634	22,314	104,433	14,139	-	281,558
Other assets ⁽¹⁾	18,758	19,314	69,178	140,526	-	46,727	294,503
Total Asset	2,105,615	916,947	215,282	404,373	14,139	593,400	4,249,756
Liabilities							
Bank deposits	1,490,139	593,292	755,156	-	-	-	2,838,587
Other deposits	21,323	22,802	35,612	-	-	429,307	509,044
Money market borrowings	3,493	-	-	-	-	-	3,493
Miscellaneous payables	-	-	-	-	-	4,763	4,763
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	36,849	96,478	59,496	17,762	-	-	210,585
Other liabilities ⁽²⁾	753	-	-	-	-	682,531	683,284
Total Liabilities	1,552,557	712,572	850,264	17,762	-	1,116,601	4,249,756
Balance Sheet Long Position	553,058	204,375	-	386,611	14,139	-	1,158,183
Balance Sheet Short Position	-	-	(634,982)	-	-	(523,201)	(1,158,183)
Off Balance Sheet Long Position	43,614	-	-	-	-	-	43,614
Off Balance Sheet Short Position	(44,641)	-	-	-	-	-	(44,641)
Total Position	552,031	204,375	(634,982)	386,611	14,139	(523,201)	(1,027)

⁽¹⁾ Other Assets: The amount of TL 46,727 in the Non-Interest Bearing column includes; Tangible Assets amounting TL 23,555, Intangible Assets amounting to TL 2,986, Deferred Tax Assets amounting to TL 2,940, Assets Held for Sale amounting to TL 9, Miscellaneous Receivables amounting to TL 5,446 and Other Assets amounting to TL 11,791.

⁽²⁾ Other Liabilities: The amount of TL 682,531 in the Non-Interest Bearing Column includes; Shareholders Equity amounting to TL 613,535, Provisions amounting to TL 40,988, Tax, Duty and Premium Payable amounting to TL 14,058 and Other Foreign Resources amounting to TL 13,950.

IV. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

Average interest rates applied to monetary financial instruments (%)

Current Period	EURO	USD	YEN	TL
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	0.49	-	3.36
Banks	2.05	2.83	-	11.48
Financial assets at fair value through profit or loss	1.57	3.88	-	-
Money market placement	-	-	-	-
Financial assets available-for-sale	-	-	-	-
Loans	3.23	4.05	-	11.88
Investment securities held-to-maturity	2.80	5.79	-	10.03
Financial Lease Receivables	6.49	7.36	-	14.84
Liabilities				
Interbank deposits	0.72	2.60	-	6.13
Other deposits	0.91	1.93	-	8.63
Money market borrowings	-	-	-	8.00
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds borrowed from other financial institutions	2.45	4.04	-	6.72
Prior Period	EURO	USD	YEN	TL
Assets				
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	0.23	-	2.06
Banks	1.29	1.98	-	13.29
Financial assets at fair value through profit or loss	1.31	4.05	-	10.16
Money market placement	-	-	-	-
Financial assets available-for-sale	-	-	-	-
Loans	2.65	3.95	-	13.27
Investment securities held-to-maturity	1.75	6.83	-	12.59
Financial Lease Receivables	6.51	7.35	-	14.04
Liabilities				
Interbank deposits	0.42	1.68	-	10.79
Other deposits	1.92	2.05	-	8.19
Money market borrowings	-	-	-	7.50
Miscellaneous payables	-	-	-	-
Marketable securities issued	-	-	-	-
Funds borrowed from other financial institutions	2.40	3.32	-	6.58

V. INFORMATION ON 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.

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

None.

V. INFORMATION ON STOCK POSITION RISK (Continued)

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 Communiqué Regarding Calculation of Credit Risk Amount on Internal Rating Based Approach.

None.

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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 Parent 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 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.

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.

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**The degree of centralization of liquidity management and funding strategy and information about the functioning between the Parent 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 and has an asset value more than 18 billion USD. Funds received from the main shareholder Libyan Foreign Bank correspond to 36% of total liabilities. On the other hand, funds received from the Bank’s risk group have a 57% share in liabilities.

Information on the Parent 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. 37% of these funds are USD and 61% are Euro.

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.

General information on the emergency and contingency plan of Liquidity

The Liquidity Emergency Action Plan prepared by the Parent Bank’s ALCO was presented to the Board of Directors and approved by Council Decision No. 4/267/8/12 at July 27, 2012. Decisions on the plan;

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

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

Lowest and highest values for the last three months including the reporting period of consolidated foreign currency and total liquidity coverage ratio by months are as following:

	Month	FC	FC+TL
Lowest	October	66	77
Highest	November	86	104

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

The monthly simple arithmetic average calculated consolidated 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⁾	
	LC+FC	FC	LC+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	1,651,075	1,630,296	1,302,802	1,282,022
CASH OUTFLOWS				
2 Real person deposits and retail deposits	262,580	247,283	22,461	24,728
3 Stable deposit	75,947	-	3,797	-
4 Deposit with low stability	186,633	247,283	18,664	24,728
5 Unsecured debts except real person deposits and retail deposits	3,133,171	2,936,925	2,856,821	2,700,350
6 Operational deposit	-	-	-	-
7 Non-operating deposits	3,020,547	2,905,973	2,744,197	2,669,398
8 Other unsecured debts	112,624	30,952	112,624	30,952
9 Secured debts	8,406	-	-	-
10 Other cash outflows	2,477,658	2,289,828	145,392	120,928
11 Derivative liabilities and margin obligations	34	34	34	34
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	2,477,624	2,289,794	145,358	120,894
16 TOTAL CASH OUTFLOW	5,881,815	5,474,036	3,024,674	2,846,006
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,719,371	1,136,061	1,520,986	1,107,468
19 Other cash inflows	9,168	908	9,168	908
20 TOTAL CASH INFLOWS	1,728,539	1,136,969	1,530,154	1,108,376
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			1,302,802	1,282,022
22 TOTAL NET CASH OUTFLOWS			1,494,519	1,737,630
23 LIQUIDITY COVERAGE RATIO (%)			87.17	73.78

⁽¹⁾ 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

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

Prior Period	Consideration Ratio Not Applied Total Value		Consideration Ratio Applied Total Value	
	LC+FC	FC	LC+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	1,150,261	1,128,833	993,120	972,692
CASH OUTFLOWS				
2 Real person deposits and retail deposits	245,620	223,633	20,924	22,820
3 Stable deposit	82,907	-	4,145	-
4 Deposit with low stability	162,713	223,633	16,779	22,820
5 Unsecured debts except real person deposits and retail deposits	2,765,433	2,662,807	2,524,053	2,432,006
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,692,758	2,653,837	2,451,378	2,423,036
8 Other unsecured debts	72,675	8,970	72,675	8,970
9 Secured debts	-	-	-	-
10 Other cash outflows	2,423,037	2,220,204	134,229	117,483
11 Derivative liabilities and margin obligations	342	-	342	-
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	2,422,695	2,220,204	133,887	117,483
16 TOTAL CASH OUTFLOW	6,328,663	5,111,211	2,679,206	2,572,309
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,821,058	1,201,983	1,644,237	1,150,136
19 Other cash inflows	11,128	15,460	11,128	15,461
20 TOTAL CASH INFLOWS	1,832,186	1,217,443	1,655,365	1,165,597
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			993,120	972,692
22 TOTAL NET CASH OUTFLOWS			1,023,841	1,406,712
23 LIQUIDITY COVERAGE RATIO (%)			97.00	69.15

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**Important factors affecting the liquidity coverage ratio results and the change over time of those items taken into account while calculating this ratio**

High-quality liquid assets and cash outflows are one of the most important factors affecting the calculation of the liquidity coverage ratio for banks. A major portion of high-quality liquid assets of the 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 45% of high-quality liquid assets of the Parent Bank, while 54% comprised of debt instruments issued by the Treasury.

Sections Funding sources comprised of and their densities within all funds

A significant part of the funding sources are comprised of deposits received. 95% of the total liabilities are deposits received. 89% of these deposits are deposits obtained from banks.

Cash outflows arising from Derivative Transactions and information about margin possible transactions

Bank has TL 34 thousand cash inflows arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 95% of the liability is deposits and 89% 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 Parent Bank’s liquidity transfer and liquidity risk exposure

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

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

None.

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VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)
Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	13,107	967,976	-	-	-	-	-	981,083
Banks	97,517	1,136,153	167,602	11,117	-	-	-	1,412,389
Financial Assets at Fair Value through Profit or Loss	-	368	120,949	139,324	290,176	-	-	550,817
Money Market Placements	-	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	-	-	-	1,634	1,634
Loans	-	601,728	397,453	282,345	100,024	45,746	-	1,427,296
Investment securities held-to-maturity	-	2,054	26,523	81,503	272,288	17,175	-	399,543
Other assets ⁽¹⁾	3,481	44,167	17,088	74,305	141,112	-	45,872	326,025
Total Assets	114,105	2,752,446	729,615	588,594	803,600	62,921	47,506	5,098,787
Liabilities								
Interbank Deposits	861,691	1,020,288	348,332	603,889	706,546	-	-	3,540,746
Other Deposits	483,204	26,664	10,746	31,097	-	-	-	551,711
Funds provided from other financial institutions	-	21,873	4,719	32,842	179,201	-	-	238,635
Money market borrowings	-	3,495	-	-	-	-	-	3,495
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	30,539	30,539
Other liabilities ⁽²⁾	-	6,508	4,591	-	-	-	722,562	733,661
Total Liabilities	1,344,895	1,078,828	368,388	667,828	885,747	-	753,101	5,098,787
Liquidity Gap	(1,230,790)	1,673,618	361,227	(79,234)	(82,147)	62,921	(705,595)	-
Prior Period								
Total Assets	68,880	2,570,785	874,442	240,970	434,573	14,139	45,967	4,249,756
Total Liabilities	824,314	1,143,574	626,362	875,316	108,711	-	671,479	4,249,756
Net Liquidity Gap	(755,434)	1,427,211	248,080	(634,346)	325,862	14,139	(625,512)	-

⁽¹⁾ Other assets amounting TL 45,872 at the undistributed part; Tangible Assets amounting TL 22,862, Intangible Assets amounting TL 2,746, Deferred Tax Asset amounting TL 4,626, Asset Held for Sale amounting TL 8 and Unallocated amount of Other Assets amounting to TL 15,630.

⁽²⁾ Other liabilities amounting TL 722,562 at the undistributed part consists of Shareholders Equity amounting TL 654,089, Provisions amounting TL 56,060 and Unallocated amount of Other Foreign Resources TL 12,413.

VII. INFORMATION 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 November2013.

Information on matters that create difference between current and previous period leverage ratio

The main factors which cause the difference between periods are core capital and total risk amounts, no significant change occurred regarding portfolio structure.

Summarized comparative table of total asset amount in financial statements which is prepared according to TAS and total risk amount

	Prior Period⁽²⁾	Current Period⁽²⁾
Total asset amount in financial statements which is prepared according to TAS ⁽¹⁾	7,509	3,214
Difference between total asset amount in financial statements which is prepared according to TAS and Communiqué on Preparation of Financial Statements of Banks	-	-
Difference between derivative instruments and credit derivatives amount which is prepared according to Communiqué on Preparation of Consolidated Financial Statements of Banks and risk amount	68,283	49,754
Difference between Security or secured financing transactions amount which is prepared according to Communiqué on Preparation of Consolidated Financial Statements of Banks and risk amount	155,796	271,749
Difference between off-balance sheet transactions amount which is prepared according to Communiqué on Preparation of Consolidated Financial Statements of Banks and risk amount	82,147	71,377
Difference between amount which is prepared according to Communiqué on Preparation of Consolidated Financial Statements of Banks and risk amount	-	-
Total risk amount	313,735	396,094

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

⁽²⁾ The arithmetic average of the last 3 months in the related periods.

VII. INFORMATION ON LEVERAGE RATIO (Continued)

	Balance sheet assets	Prior Period	Current Period⁽¹⁾
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	4,210,260	4,940,967
2	(Assets deducted from main capital)	(3,754)	(2,952)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	4,206,506	4,938,015
	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	463	389
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	463	389
	Security or secured financing transactions		
7	Risk amount of security or secured financing transactions (Except balance sheet)	-	-
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	-	-
	Off-balance sheet transactions		
10	Gross nominal amount of off-balance sheet transactions	2,451,795	2,499,441
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)	2,451,795	2,499,441
	Equity and total risk		
13	Main capital	608,429	645,914
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	6,658,764	7,437,845
	Leverage ratio		
15	Leverage ratio	9.14%	8.68%

⁽¹⁾Three months average values**VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	3,520,819	3,136,348	3,419,730	3,154,273
Banks	1,412,389	1,247,907	1,412,389	1,247,907
Money market receivables	-	-	-	-
Financial assets available-for-sale	1,634	1,388	1,634	1,388
Investment securities held-to- maturity	399,543	281,558	413,190	293,088
Loans	1,427,296	1,357,903	1,337,507	1,364,298
Leasing receivables	279,957	247,592	255,010	247,592
Financial Liabilities	4,365,126	3,566,472	4,346,824	3,566,472
Interbank deposits	3,340,103	2,838,587	3,340,103	2,838,587
Other Deposits	752,354	509,044	752,354	509,044
Funds provided from other financial institutions	238,635	210,585	220,333	210,585
Money market borrowings	3,495	3,493	3,495	3,493
Marketable securities issued	-	-	-	-
Miscellaneous Payables	30,539	4,763	30,539	4,763

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).

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

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets				
Financial assets at fair value through Profit or Loss	550,350	467	-	550,817
<i>Public sector debt securities</i>	430,997	-	-	430,997
<i>Financial assets held for trading</i>	-	467	-	467
<i>Other marketable securities</i>	119,353	-	-	119,353
Financial Liabilities				
Derivative financial liabilities held for trading	-	-	-	-
Prior Period				
Financial Assets				
Financial assets at fair value through Profit or Loss	208,342	-	-	208,342
<i>Public sector debt securities</i>	116,041	-	-	116,041
<i>Financial assets held for trading</i>	-	-	-	-
<i>Other marketable securities</i>	92,301	-	-	92,301
Financial Liabilities				
Derivative financial liabilities held for trading	-	753	-	753

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.

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.

X. INFORMATION ON RISK MANAGEMENT (Continued)**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)	3,321,706	3,024,960	265,736
2	Standardised approach (SA)	3,321,706	3,024,960	265,736
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	322	87	26
5	Standardised approach for counterparty credit risk (SA-CCR)	322	87	26
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	169,525	294,975	13,562
17	Standardised approach (SA)	169,525	294,975	13,562
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	295,438	272,399	23,635
20	Basic Indicator Approach	295,438	272,399	23,635
21	Standart 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)	3,786,991	3,592,421	302,959

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X. INFORMATION ON RISK MANAGEMENT (Continued)
Main sources of differences between TAS exposure amounts and carrying values in financial statements

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Gross Carrying Values of TAS				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash And Balances With The Central Bank Of Turkey	981,083	981,083	981,083	-	-	968,469	-
Financial assets held for trading	550,817	550,817	-	437	-	550,350	-
Financial Assets At Fair Value Through Profit Or Loss	-	-	-	-	-	-	-
Banks	1,412,389	1,412,389	1,412,389	-	-	1,385,486	-
Money Market Placements	-	-	-	-	-	-	-
Investment Securities Available-for-Sale (net)	1,634	1,634	1,634	-	-	1,410	-
Loans And Receivables	1,427,296	1,427,296	1,444,045	-	-	694,462	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Securities Held-to-Maturity (net)	399,543	399,543	399,543	-	-	380,483	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint Ventures (net)	-	-	-	-	-	-	-
Lease Receivables	279,957	279,957	279,957	-	-	218,900	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-	-	-
Tangible Assets (net)	22,862	22,862	22,339	-	-	-	523
Intangible Assets (net)	2,746	2,746	-	-	-	-	2,478
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	4,626	4,626	4,599	-	-	-	-
Asset Held For Sale And Assets Of Discontinued Operations (Net)	8	8	-	-	-	-	8
Other Assets	15,826	15,826	9,970	-	-	-	-
Total Assets	5,098,787	5,098,787	4,555,559	437	-	4,199,560	3,009
Liabilities	-	-	-	-	-	-	-
Deposits	4,092,457	4,092,457	-	-	-	3,990,082	-
Derivative Financial Liabilities Held For Trading	-	-	-	-	-	-	-
Funds Borrowed	238,635	238,635	-	-	-	237,153	-
Interbank Money Market	3,495	3,495	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	30,539	30,539	-	-	-	29,016	-
Other External Resources	12,365	12,365	-	-	-	4,648	-
Factoring Payables	-	-	-	-	-	-	-
Leasing Transactons Payables	-	-	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-	-	-
Provisions	56,060	56,060	-	-	-	-	-
Tax Liability	11,147	11,147	-	-	-	-	-
Liabilities For Assets Held For Resale And Assets Of Discontinued Operations	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders` Equity	654,089	654,089	-	-	-	-	-
Total Liabilities	5,098,787	5,098,787	-	-	-	4,260,899	

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
1 Asset carrying value amount under scope of TAS	8,755,556	4,555,559	-	437	4,199,560
2 Liabilities carrying value amount under TAS of consolidation	4,260,899	-	-	-	4,260,899
3 Total net amount under regulatory scope of consolidation	-	-	-	-	-
4 Off-balance sheet amounts	4,063,039	1,621,335	-	35,105	2,406,599
5 Differences in valuations	-	-	-	-	-
6 Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
7 Differences due to consideration of provisions	-	-	-	-	-
8 Differences due to prudential filters	-	-	-	-	-
Risk amounts	17,079,494	6,176,894	-	35,542	10,867,058

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

X. INFORMATION ON RISK MANAGEMENT (Continued)**General qualitative information on credit risk**

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

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

Effective applications related to the credit risk management cover especially the following fields;

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

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

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

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

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	21,049	1,422,996	16,749	1,427,296
2 Debt Securities	-	972,996	21,002	951,994
3 Of which defaulted	11,759	2,520,310	2,316	2,529,753
4 Total	32,808	4,916,302	40,067	4,909,043

Changes in stock of defaulted loans and debt securities

1 Defaulted loans and debt securities at end of the previous reporting period	22,548
2 Loans and debt securities that have defaulted since the last reporting period	10,285
3 Returned to non-defaulted status	(25)
4 Amounts written off	-
5 Other changes	-
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	32,808

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

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

Credit risk mitigation techniques – overview

	Exposures 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	7,112,636	-	-	193,063	154,714	-	-
2 Debt Securities	-	-	-	-	-	-	-
3 Total	7,112,636	-	-	193,063	154,714	-	-
4 Of which defaulted	21,049	-	-	21,049	16,749	-	-

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

In the process of calculation of credit risk amount by standard approach, the Bank uses Fitch’s sovereign ratings for domestic resident Banks and Intermediaries’ risks. For abroad resident ones’, if it is available, Fitch’s credit rating for related banks; if it is not available, OECD sovereign rating of the country of residences, are used. Fitch’s sovereign rating of Turkey is used for the risks of Turkish Government and Central Bank of Turkey.

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	1,278,429	-	146,793	-	146,793	4%
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	2,176,805	1,439,923	989,404	399,540	1,388,944	42%
7 Contingent and Non-Contingent Corporate Receivables	1,024,033	1,001,928	1,024,033	686,104	1,710,137	52%
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9 Secured by residential property	-	1,042	-	171	171	0%
10 Secured by commercial real estate	-	31,710	-	11,427	11,427	0%
11 Past Due Loans	4,300	-	3,967	-	3,967	0%
12 Higher-Risk Receivables Defined by BRSA	8,785	99,224	12,912	14,326	27,238	1%
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-
16 Other Receivables	46,457	-	33,350	-	33,350	1%
17 Equity Investments	-	-	-	-	-	-
18 Total	4,538,809	2,573,827	2,210,459	1,111,568	3,322,027	100%

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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	984,843	-	-	-	293,586	-	-	-	-	-	146,793
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	-	-	342,791	-	2,551,301	-	44,735	-	-	-	1,388,944
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	1,710,137	-	-	-	1,710,137
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	489	-	-	-	-	-	-	171
10 Secured by commercial real estate	-	-	-	-	9,855	-	6,500	-	-	-	11,427
11 Past Due Loans	-	-	-	-	667	-	3,633	-	-	-	3,967
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	18,159	-	-	27,238
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	13,107	-	-	-	-	-	33,350	-	-	-	33,350
18 Total	997,950	-	342,791	489	2,855,409	-	1,798,355	18,159	-	-	3,322,027

Qualitative disclosures related to IRB models

None.

IRB - Credit risk exposures by portfolio and PD range

None.

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

None.

RWA flow statements of credit risk exposures under IRB

None.

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

None.

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

None.

X. INFORMATION ON RISK MANAGEMENT (Continued)

Qualitative disclosure related to counterparty credit risk

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

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

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

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

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

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

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

X. INFORMATION ON RISK MANAGEMENT (Continued)**Analysis of counterparty credit risk (CCR) exposure by approach**

	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post- CRM	RWA
1 Standardised Approach (for derivatives)	467	177		1,4	644	322
2 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
3 Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
4 Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						
5 VaR for for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						
6 Total						

Credit valuation adjustment (CVA) capital charge

None.

Standardised approach – CCR exposures by regulatory portfolio and risk weights

None.

IRB – CCR exposures by portfolio and PD scale

None.

Composition of collateral for CCR exposure

None.

Credit derivatives exposures

None.

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

None.

Exposures to central counterparties

None.

Quantitative disclosure - description of a bank's securitisation exposures

None.

X. INFORMATION ON RISK MANAGEMENT (Continued)

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 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.

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)	144,388
2	Equity risk (general and specific)	-
3	Foreign exchange risk	25,137
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	169,525

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.

XI. INFORMATION ON CONSOLIDATED BUSINESS SEGMENTS

Information on operational segments on 31 December 2016 and 31 December 2015 are presented in the table below:

	Corporate and					
Current Period	Retail Banking	Commercial Banking	Treasury	Leasing	Other	Total Operations
Interest Income	(1,031)	101,469	45,955	18,013	-	164,406
Commission Income	-	38,004	-	458	-	38,462
Unallocated						
Income/Expenses (Net)	-	-	-	-	(120,644)	(120,644)
Operating Income	(1,031)	139,473	45,955	18,471	(120,644)	82,224
<i>Income from Subsidiaries</i>						-
<i>Income before tax</i>						82,224
<i>Tax Provision</i>						(18,995)
Net Profit for the year						63,229

	Corporate and					
Current Period	Retail Banking	Commercial Banking	Treasury	Leasing	Other	Total Operations
Segment Assets	573	1,267,257	3,445,670	334,263	-	5,047,763
Unallocated assets	-	-	-	-	51,024	51,024
Total Assets	573	1,267,257	3,445,670	334,263	51,024	5,098,787
Segment Liabilities	262,720	287,735	3,549,322	243,702	-	4,343,479
Unallocated Liabilities	-	-	-	-	101,219	101,219
Equity	-	-	-	-	654,089	654,089
Total Liabilities	262,720	287,735	3,549,322	243,702	755,308	5,098,787

	Corporate and					
Prior Period	Retail Banking	Commercial Banking	Treasury	Leasing	Other	Total Operations
Interest Income	(1,023)	86,233	22,568	16,625	-	124,403
Commission Income	-	49,038	-	592	-	49,630
Unallocated						
Income/Expenses (Net)	-	-	-	-	(83,070)	(83,070)
Operating Income	(1,023)	135,271	22,568	17,217	(83,070)	90,963
<i>Income from Subsidiaries</i>						-
<i>Income before tax</i>						90,963
<i>Tax Provision</i>						(18,470)
Net Profit for the year						72,493

	Corporate and					
Prior Period	Retail Banking	Commercial Banking	Treasury	Leasing	Other	Total Operations
Segment Assets	883	1,274,002	2,629,516	296,777	-	4,201,178
Unallocated assets	-	-	-	-	48,578	48,578
Total Assets	883	1,274,002	2,629,516	296,777	48,578	4,249,756
Segment Liabilities	239,512	269,204	2,845,781	214,837	-	3,569,334
Unallocated Liabilities	-	-	-	-	66,887	66,887
Equity	-	-	-	-	613,535	613,535
Total Liabilities	239,512	269,204	2,845,781	214,837	680,422	4,249,756

SECTION FIVE

INFORMATION ON DISCLOSURES AND FOOTNOTES OF
CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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	1,818	11,289	2,234	6,752
Central Bank of Turkey	10,796	957,180	6,220	842,949
Other	-	-	-	-
Total	12,614	968,469	8,454	849,701

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	10,796	-	6,220	-
Unrestricted Time Deposits	-	265,646	-	534,390
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	691,534	-	308,559
Total	10,796	957,180	6,220	842,949

⁽¹⁾ General reserve amount requirements maintained at CBRT

Information on Reserve Deposits

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency at the rates of between 4% and 10.5% (31 December 2015: between 5% and 11.5%), and for USD or EUR at the rates of 4% and 24% respectively according to their maturities as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey (31 December 2015: between 5% and 25%). As per the change in the Reserve Deposits Communiqué which is no of 29588 issued in Official Gazette numbered 2016/2 interest rates of foreign banks deposits subjected to interest rates of other liabilities except the deposits /participation funds other than interest rates of deposits /participation funds in the current application

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

Among financial assets at fair value through profit or loss; there is no marketable securities subjected to repurchase transaction (31 December 2015: TL 3,545). There is no collateral /blocked financial assets at fair value through profit or loss in the current period (31 December 2015: TL 5,190).

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

Positive differences on derivative financial assets held for trading showed as below:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	467	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	467	-	-	-

3. Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	26,903	1,330,569	22,309	1,169,048
Foreign banks	-	54,917	4,615	51,935
Foreign head offices and branches	-	-	-	-
Total	26,903	1,385,486	26,924	1,220,983
	Free Amount		Restricted Amount	
	Current Period	Prior Period	Current Period	Prior Period
EU Countries	24,115	15,363	-	-
USA, Canada	2,242	1,289	-	-
OECD Countries ⁽¹⁾	46	37	-	-
Off-shore Banking Regions	-	-	-	-
Other	28,514	39,861	-	-
Total	54,917	56,550	-	-

⁽¹⁾ OECD countries except EU countries, USA and Canada

4. Information on available for sale financial assets

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

None.

Major types of available for sale financial assets

Available for sale financial assets are composed shares that are not quoted in the stock market.

Information on available for sale financial assets

	Current period	Prior period
Debt Securities	-	-
Quoted in stock exchange	-	-
Not quoted in stock exchange	-	-
Share Certificates	1,634	1,388
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	1,634	1,388
Impairment provision (-)	-	-
Total	1,634	1,388

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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	-	32,850	-	11,681
Corporate Shareholders	-	32,850	-	11,681
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	567	-	846	-
Total	567	32,850	846	11,681

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

Standard loans and other receivables			Loans and other receivables under close monitoring		
	Loans and other receivables (Total)	Amendments on Conditions of Contract	Loans and other receivables (Total)	Amendments on Conditions of Contract	
		Amendments related to the extension of the payment plans		Amendments related to the extension of the payment plan	Other
Cash Loans					
Non-specialized loans	1,377,250	-	-	45,746	-
Corporation loans	-	-	-	-	-
Export loans	76,799	-	-	-	-
Import loans	-	-	-	-	-
Loans given to financial sector	607,438	-	-	-	-
Consumer loans	573	-	-	-	-
Credit cards	-	-	-	-	-
Other	692,440	-	-	45,746	-
Specialized loans	-	-	-	-	-
Other receivables	-	-	-	-	-
Total	1,377,250	-	-	45,746	-

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

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Total Loans and Other Receivables	Restructured or Rescheduled	Total Loans and Other Receivables	Restructured or Rescheduled
Short Term Loans and Other Receivables	912,425	-	-	-
Non-specialized loans	912,425	-	-	-
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Medium and Long Term Loans and Other Receivables	464,825	-	-	45,746
Non-specialized loans	464,825	-	-	45,746
Specialized lending	-	-	-	-
Other receivables	-	-	-	-
Total	1,377,250	-	-	45,746

Number of amendments related to the plan extension of the payment plan

	Standard loans and other receivables	Loans and other receivables under close monitoring
Number of Extension		
Extended by 1 or 2 times	-	45,746
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-

The time extended via the amendment on payment plan

	Standard loans and other receivables	Loans and other receivables under close monitoring
Extension periods		
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and over	-	45,746

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TL	6	-	6
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	6	-	6
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	65	502	567
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	65	502	567
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)	-	-	-
Total	71	502	573

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)*Information on installment commercial loans and commercial credit cards*

	Short Term	Middle and Long Term	Total
Commercial Installment Loans-TL	2,011	-	2,011
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2,011	-	2,011
Other	-	-	-
Commercial Installment Loans-Indexed to FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans -FC	-	-	-
Mortgage Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Credited Deposit Account-TL (Legal Person)	-	-	-
Credited Deposit Account -FC (Legal Person)	-	-	-
Total	2,011	-	2,011

Allocation of loans according to customer type

	Current Period	Prior Period
Public	-	-
Private	1,422,996	1,355,960
Total	1,422,996	1,355,960

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,405,814	1,336,446
Foreign loans	17,182	19,514
Total	1,422,996	1,355,960

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)*Loans granted to subsidiaries and associates**None.**Specific provisions for loans*

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	2,261	-
Uncollectible loans and receivables	14,488	11,268
Total	16,749	11,268

*Information related to non-performing loans (Net)**Information on restructured loans of non-performing loans**None.**Information on movement of total non-performing loans*

	III. Group	IV. Group	V. Group
	<i>Loans and receivables with limited collectibles</i>	<i>Loans and receivables with doubtful collectibles</i>	<i>Uncollectible loans and receivables</i>
Balances at Beginning of Period	-	-	13,211
Additions (+)	-	4,521	3,237
Transfers from other categories of nonperforming loans (+)	-	-	105
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	25
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	4,521	16,528
Specific provisions (-)	-	2,261	14,488
Net Balance on Balance Sheet	-	2,260	2,040

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)***Information on foreign currency non-performing loans***

There are non-performing loan receivables in foreign currency amounting TL 6,388 which is followed in Turkish Lira accounts.

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)	-	2,260	2,040
Loans granted to real persons and legal entities (Gross)	-	-	16,428
Specific provisions (-)	-	-	14,388
Loans granted to real persons and legal entities (Net)	-	-	2,040
Banks (Gross) ⁽¹⁾	-	4,521	100
Specific provisions (-)	-	2,261	100
Banks (Net)	-	2,260	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	1,943
Loans granted to real persons and legal entities (Gross)	-	-	13,111
Specific provisions (-)	-	-	11,168
Loans granted to real persons and legal entities (Net)	-	-	1,943
Banks (Gross) ¹	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)K	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

⁽¹⁾ Foreign bank

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

Loans under legal follow-up are classified and are made provision according to “Regulation on Procedures and Principles Concerning Loans and Other Receivable’s Nature Definition and Provisions”. These loans are collected in collaboration with Corporate and Commercial Credits Monitor and Follow-up Department and Legal and Legislation Services Department and other related departments. However if mentioned loans could not be collected in any way, write-off procedure is implemented. This procedure is implemented by getting the opinion of Legal and Legislation Services Department and by obtaining approvals from Corporate and Commercial Credits Monitor and Follow-up Department and the Board of Directors.

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)**6. Information on held to maturity financial assets*****Information on transaction of repo and collateral/blocked financial assets (Net)***

As of 31 December 2016, the Bank has TL 3,365 marketable securities subjected to repurchase transactions on financial assets available-for-sale (31 December 2015: None).

As of 31 December 2016, the Bank has TL 3,085 held on collateral/blocked for guarantee from assets available-for-sale (31 December 2015: None).

Information on government held to maturity financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	12,269	-	1,038	-
Treasury Bonds	-	-	-	-
Other Public Bonds	-	293,582	-	231,020
Total	12,269	293,582	1,038	231,020

Information of investments held to maturity

	Current Period	Prior Period
Debt Instruments	404,398	282,138
Quoted at stock exchange	310,697	232,638
Not-quoted at stock exchange	93,701	49,500
Impairment loss provision (-)	(4,855)	(580)
Total	399,543	281,558

Movement of marketable securities held-to-maturity

	Current Period	Prior Period
Balances at the Beginning of the Period	281,558	141,677
Foreign Currency Gains / Losses on Monetary assets	56,050	16,938
Purchases during the Period	254,588	216,840
Disposals through sales and redemptions ⁽¹⁾	(187,798)	(93,317)
Impairment loss provision ⁽²⁾	(4,855)	(580)
Period end balance	399,543	281,558

⁽¹⁾ In the current period amounting to TL 187,798 (31 December 2015: TL 93,317) redemption has been realized.

⁽²⁾ Represents provisions allocated for impairment in the current year.

7. Information on Associates

The Group does not have an associate.

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)**8. Information on consolidated subsidiaries (Net)***Information on consolidated subsidiaries*

The Parent Bank does not have an unconsolidated subsidiary.

*Information on subsidiaries***Information on Shareholders' Equity for A&T Finansal Kiralama A.Ş.**

CORE CAPITAL	Current Period	Prior Period
Paid in Capital	77,000	70,000
Effect of Inflation Adjustment on Paid in Capital	80	91
Legal Reserves	2,649	2,280
Extraordinary Reserves - Legal Reserve per General Legislation	1	3
Profit / Loss	10,826	9,566
<i>Net Profit</i>	8,630	7,386
<i>Prior Period Profit/Loss</i>	2,196	2,180
Intangible Assets (-)	268	338
Total Core Capital	90,288	81,602
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	90,288	81,602
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL⁽¹⁾	90,288	81,602

⁽¹⁾ There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 90,288.

⁽²⁾ As decided in the Annual General Meeting which is held on 24 March 2016, the capital is increased amount of TL 7,000 and amount of TL 370 have been reserved as legal reserves.

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

Summary information on basic features of equity items

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

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

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

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

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

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

Total Assets	Shareholde rs’ Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value⁽¹⁾
334,263	90,556	4,451	23,663	-	8,630	7,386	-

⁽¹⁾ The related subsidiary has no fair value as of 31 December 2016.***Movement related to consolidated subsidiaries***

	Current Period	Prior Period
Balance at the Beginning of the Period	70,213	65,214
Movements during the Period	6,998	4,999
Purchases	-	-
Bonus Shares Received	6,998	4,999
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase, Effect of Inflation and F/X Difference	-	-
Impairment Provision (-)	-	-
Balance at the End of the Period	77,211	70,213
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

Valuation methods of investments in subsidiaries

The method used in the accounting of subsidiaries is explained in Section Three.

Sectoral Information on the subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	77,211	70,213
Finance Companies	-	-

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

The Parent Bank does not have a subsidiary that is quoted.

Subsidiaries sold in the current year

None.

Subsidiaries acquired in the current year

None.

9. Information on joint ventures of the Parent Bank

The Parent Bank does not have joint ventures.

10. Information on Financial Lease Receivables (Net)***Information on net financial lease investments***

	Current Period	Prior Period
Gross Financial Lease Investment	310,751	277,442
Earned Financial Lease Income (-)	30,794	29,850
Cancelled Leasing Amounts	-	-
Net Investment on Leases	279,957	247,592

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	150,107	135,364	118,199	104,164
Between 1-4 years	160,331	144,289	159,243	143,428
Over 4 years	313	304	-	-
Total	310,751	279,957	277,442	247,592

There is a provision amount of TL 1,005 for doubtful financial lease receivables in net financial lease investments (31 December 2015: TL 1,642).

The movement of doubtful receivables is as follows

	Current Period	Prior Period
Opening Balance	1,642	833
Provisions	234	909
Collections	(871)	(100)
Ending Balance	1,005	1,642

11. Information on financial derivatives for hedging

The Group does not have any financial derivatives for hedging.

ARAP TÜRK BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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 2015					
Cost	34,034	3,958	156	14,174	52,322
Accumulated Depreciation (-)	(14,291)	(3,958)	(106)	(10,412)	(28,767)
Net Book Value	19,743	-	50	3,762	23,555
Balance at the End of the Current Period -31 December 2016					
Net Book Value at the Beginning of the Current Period	34,034	3,958	156	14,174	52,322
Additions	727	-	407	680	1,814
Disposals (-)	-	(2)	(1)	(855)	(858)
Cost at the End of the Current Period	34,761	3,956	562	13,999	53,278
Accumulated Depreciation (-)	(14,291)	(3,958)	(106)	(10,412)	(28,767)
Depreciation Expense (-)	(845)	-	(43)	(1,594)	(2,482)
Depreciation of Disposals (-)	-	2	-	831	833
Accumulated Depreciation at the End of the Current Period (-)	(15,136)	(3,956)	(149)	(11,175)	(30,416)
Net Book Value at the End of the Current Period	19,625	-	413	2,824	22,862

Prior Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2014					
Cost	33,996	3,958	225	13,422	51,601
Accumulated Depreciation (-)	(13,457)	(3,958)	(161)	(8,928)	(26,504)
Net Book Value	20,539	-	64	4,494	25,097
Balance at the End of the Current Period -31 December 2015					
Net Book Value at the Beginning of the Current Period	33,996	3,958	225	13,422	51,601
Additions	38	-	39	868	945
Disposals (-)	-	-	(108)	(116)	(224)
Cost at the End of the Current Period	34,034	3,958	156	14,174	52,322
Accumulated Depreciation (-)	(13,457)	(3,958)	(161)	(8,928)	(26,504)
Depreciation Expense (-)	(834)	-	(36)	(1,600)	(2,470)
Depreciation of Disposals (-)	-	-	91	116	207
Accumulated Depreciation at the End of the Current Period (-)	(14,291)	(3,958)	(106)	(10,412)	(28,767)
Net Book Value at the End of the Current Period	19,743	-	50	3,762	23,555

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)**13. Information on intangible assets**

	Current Period	Prior Period
Balance at the End of the Prior Period		
Cost	11,122	9,969
Accumulated Depreciation (-)	(8,136)	(6,790)
Net Book Value	2,986	3,179
Balance at the End of the Current Period		
Net Book Value at the Beginning of the Current Period	11,122	9,969
Additions	1,250	1,153
Disposals (-)	-	-
Impairment(-)	-	-
Cost at the Beginning of the current period	12,372	11,122
Accumulated Depreciation (-)	(8,136)	(6,790)
Amortization and amortization expense of disposals(-)	(1,490)	(1,346)
Impairment Depreciation(-)	-	-
Accumulated Amortization at end of the current period	(9,626)	(8,136)
Net Book Value at end of the current period	2,746	2,986

14. Information on investment property

The Group does not have any investment property.

15. Information on tax assets

As of 31 December 2016, there is no tax receivable under current tax asset after the deduction of tax liability (31 December 2015: None).

Group has calculated TL 5,646 deferred tax asset and TL 1,020 deferred tax liability over taxable temporary differences as of 31 December 2016 and recorded the net amount of asset and liability to the financial statement (31 December 2015: TL 3,727 deferred tax asset and TL 787 deferred tax liability).

The detail of deferred tax asset and liability is as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/ (liability)	Accumulated temporary differences	Deferred tax asset/ (liability)
Provisions regarding employee rights	13,448	2,690	10,361	2,072
Interest accruals	9,065	1,813	1,762	352
Unearned Income	3,243	649	2,680	536
Depreciation difference for tangible and intangible assets	297	59	275	55
Derivative financial instruments	-	-	753	151
Other	2,177	435	2,806	561
Deferred tax asset	28,230	5,646	18,637	3,727
Depreciation difference for tangible and intangible assets	1,216	243	1,132	226
Interest accruals	2,514	503	2,198	440
Other	1,372	274	607	121
Deferred tax liability	5,102	1,020	3,937	787
Deferred tax asset / (liability), net		4,626		2,940

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016**

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

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

	Current Period	Prior Period
Cost	17	17
Impairment (-)	8	7
Accumulated Depreciation (-)	-	-
Prior Period Net Book Value	9	10
Opening Balance	17	17
Additions	-	-
Disposals (-).net	-	-
Accumulated Impairment (-)	8	7
Impairment (-)	1	1
Accumulated Depreciation (-)	-	-
Depreciation	-	-
Depreciation Expenses (-)	-	-
Closing Net Book Value	8	9

17. Information on other assets

Other assets is amounting to TL 15,826 (31 December 2015: TL 17,421) and does not exceed 10% of total assets of balance sheet except off balance sheet commitments.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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

II. INFORMATION AND DISCLOSURES RELATED TO 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	10,473	-	2,978	828	12	-	-	-	14,291
Foreign Currency Deposits	462,484	-	5,809	16,789	7,232	982	30,586	-	523,882
Residents in Turkey	191,402	-	5,773	6,748	938	144	156	-	205,161
Residents Abroad	271,082	-	36	10,041	6,294	838	30,430	-	318,721
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	8,497	-	2,878	410	3	-	-	-	11,788
Other Ins. Deposits	1,750	-	-	-	-	-	-	-	1,750
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	861,691	-	350,263	893,209	125,868	231,599	1,078,116	-	3,540,746
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	40,231	-	20,167	21,687	-	-	-	-	82,085
Foreign Banks	821,460	-	330,096	871,522	125,868	231,599	1,078,116	-	3,458,661
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,344,895	-	361,928	911,236	133,115	232,581	1,108,702	-	4,092,457

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	15,663	-	450	3,814	1,155	-	-	-	21,082
Foreign Currency Deposits	392,674	-	5,770	9,564	6,462	20,602	30,669	-	465,741
Residents in Turkey	111,959	-	5,137	6,234	1,761	15,264	252	-	140,607
Residents Abroad	280,715	-	633	3,330	4,701	5,338	30,417	-	325,134
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	6,571	-	1,000	151	102	-	-	-	7,824
Other Ins. Deposits	14,397	-	-	-	-	-	-	-	14,397
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	395,009	-	352,119	444,011	703,764	203,086	740,598	-	2,838,587
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	33,305	-	-	-	-	-	33,305
Foreign Banks	395,009	-	318,814	444,011	703,764	203,086	740,598	-	2,805,282
Special Financial Institutions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	824,314	-	359,339	457,540	711,483	223,688	771,267	-	3,347,631

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	10,061	14,676	4,230	6,406
Foreign Currency Saving Deposits	66,053	66,885	182,376	151,545
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	76,114	81,561	186,606	157,951

Saving deposits not covered by deposit insurance

There are no foreign or off-shore branches of the Parent Bank. The real persons who are out of scope of Savings and Deposits Insurance Fund have not any current or participation account.

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)***The deposits that are covered in foreign branches of the Bank's that headquarters located in abroad***

The Parent Bank's headquarter is located in Turkey.

Amounts not covered by deposit insurance

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	1,578	1,663
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 Depositary Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	1,578	1,663

2. Information on financial derivatives through profit or loss

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	-	-	-	-
Swap transactions	-	-	753	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	-	753	-

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowing from Central Bank	-	-	-	-
From Domestic Banks and Institutions	1,482	78,997	2,499	85,816
From Foreign Banks, Institutions and Funds	-	158,156	-	122,270
Total	1,482	237,153	2,499	208,086

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)*Presentation of funds borrowed based on maturity profile*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	1,482	57,952	2,499	99,375
Medium and Long-Term	-	179,201	-	108,711
Total	1,482	237,153	2,499	208,086

Additional explanation related to the concentrations of the Parent 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 %80 of deposits, deposits which mainly are from Libyan Foreign Bank and its subsidiaries.

4. Information on other foreign resources

The other external resources is amounting to TL 12,365 (31 December 2015: TL 13,950) and this amount does not exceed 10% of the total balance sheet.

5. Information on financial lease obligations

None.

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

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

7. Information on provisions*Information on general provisions*

	Current Period	Prior Period
Provisions for Loans and Receivables in Group I	16,784	15,007
Additional provisions for the loans with extended payment plan	-	-
Provisions for Loans and Receivables in Group II	-	227
Additional provisions for the loans with extended payment plan	2,193	-
Provisions for Non-Cash Loans	5,139	4,836
Other	-	-
Total	24,116	20,070

Provisions for currency exchange gain/loss on foreign currency indexed loans

	Current Period	Prior Period
Foreign Exchange Provisions for Foreign Currency Indexed Loans ⁽¹⁾	4	136

⁽¹⁾ Foreign exchange differences of foreign currency indexed loans are netted off with loans.

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Special provisions set aside for non-funded and non-cash loans

As of 31 December 2016, special provisions set aside for non-funded and non-cash loans are TL 2,316 (31 December 2015: TL 1,520).

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.

As at 31 December 2016 and 31 December 2015, the major actuarial assumptions used in the calculation of the total liability are as follows:

The Parent Bank	Current Period	Prior Period
Discount Rate	3.27%	3.12%
Expected Rate of Salary/Limit Increase	7.00%	7.56%
Estimated Employee Turnover Rate	5.56%	5.30%

Subsidiary	Current Period	Prior Period
Discount Rate	3.27%	3.12%
Expected Rate of Salary/Limit Increase	7.00%	7.56%
Estimated Employee Turnover Rate	5.56%	5.30%

In accordance with existing Turkish Labor Law, the Parent Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Parent Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2016 is TL 4,297.21 (full TL) (31 December 2015: TL 3,828.37 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

Movement of employee termination benefits are as follows:

	Current Period	Prior Period
Balances at Beginning of period	6,465	5,350
Provision booked in current period	803	631
Actuarial Loss/Gain	830	589
Provision paid in current period (-)	304	105
Balances at End of the Period	7,794	6,465

The employee termination benefit liability of the Group is the amount as at 31 December 2016 is TL 7,794 (31 December 2015: TL 6,465). In addition to this, the unused vacation provision and other employee benefits amount as at 31 December 2016 is TL 5,654 (31 December 2015: TL 3,896).

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)***Information on other provisions******Provisions for probable risks***

These financial statements include a free provision that is out of reporting standards, amounting to TL 16,000 thousand of which TL 7,000 thousand is charge to income statement in the current year, provided by the Bank management in line with the conservatism principle considering the circumstances that may arise from any changes in the economy or market conditions.

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	16,000	9,000
Provisions for non-cash loans	2,316	1,520
Provisions for law suits	180	37
Total	18,496	10,557

8. Information on tax payables***Information on corporate tax liability***

As of 31 December 2016, corporate tax payable after deducting the prepaid tax is TL 4,639 (31 December 2015: TL 8,675).

Information on tax payables

	Current Period	Prior Period
Corporate Tax	4,639	8,675
Banking Insurance Transaction Tax (BITT)	596	591
Taxation of Securities	3,074	2,540
Value added taxes payable	451	413
Corporate tax payable-limited	9	7
Foreign Exchange Legislation Tax	-	-
Property tax	20	22
Other	1,566	1,135
Total	10,355	13,383

Information on premiums

	Current Period	Prior Period
Social Security Premiums - Employee	299	254
Social Security Premiums - Employer	430	367
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee share	21	18
Unemployment Insurance - Employer share	42	36
Other	-	-
Total	792	675

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)***Information on deferred tax liability***

The net amount of assets and liabilities that is calculated over the temporary differences between the applied accounting policies and tax regulation is recorded as net deferred tax asset. Detailed information on net deferred tax is presented in footnote I-15 in Section Five.

Information on liabilities for assets held for sale and discontinued operation

The Parent Bank has not any liability for assets held for sale and discontinued operation.

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

The Parent Bank has no subordinated loans.

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 prophesied according to Group's prior periods income, profitability, and liquidity indicators and uncertainty, to shareholders' equity

None.

II. INFORMATION AND DISCLOSURES RELATED TO LIABILITIES (Continued)

Information on the privileges given to stocks representing the capital

According to the master agreement, 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.

Information on marketable securities value increase fund

The Parent Bank does not have marketable securities value increase fund.

Information on legal reserve

In the current period there is TL 3,845 transferred to legal reserves from retained earnings. (31 December 2015: TL 3,823).

Information on Minority Shares

None.

III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS**1. Information on contingent liabilities in the off-balance sheets***Type and amount of irrevocable commitments*

The Group has TL 45,747 (31 December 2015: TL 54,779) as irrevocable commitments.

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

As of 31 December 2016, the Group has allocated the provision amounting TL 7,455 over total non-cash loans (31 December 2015: TL 6,356).

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 498,103 (31 December 2015: TL 487,547).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Group's guarantee letters is TL 2,031,650 (31 December 2015: TL 1,874,863).

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	449,561	416,082
Less Than or Equal to One Year with Original Maturity	266,230	178,466
More Than One Year with Original Maturity	183,331	237,616
Other Non-Cash Loans	2,080,192	1,946,328
Total	2,529,753	2,362,410

III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS**3. Information on sectoral risk concentrations of non-cash loans**

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	264	0.15	69,930	2.97	945	0.48	66,378	3.06
Farming and Raising livestock	225	0.13	69,930	2.97	906	0.46	66,378	3.06
Forestry	39	0.02	-	-	39	0.02	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	74,941	42.51	351,439	14.93	88,231	45.16	330,642	15.26
Mining	12,435	7.05	-	-	13,035	6.67	-	-
Production	62,506	35.46	351,439	14.93	75,196	38.49	330,642	15.26
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	1	0.00	-	-	101,294	51.85	375,934	17.35
Services	26,208	14.87	1,482,069	62.98	4,897	2.51	1,394,089	64.33
Wholesale and Retail Trade	1,245	0.71	991	0.04	297	0.15	698	0.03
Hotel, Food and Beverage Services	7	0.00	614	0.03	-	-	505	0.02
Transportation and Telecommunication	87	0.05	1,159	0.05	87	0.04	577	0.03
Financial Institutions	24,784	14.06	1,479,305	62.86	4,400	2.25	1,392,309	64.25
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	85	0.05	-	-	113	0.06	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	74,871	42.47	450,030	19.12	-	-	-	-
Total	176,285	100.00	2,353,468	100.00	195,367	100.00	2,167,043	100.00

4. Information on non-cash loans classified as I and II group loans

	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	176,285	1,855,365	-	-
Bank acceptances	-	4,415	-	-
Letters of credit	-	244,951	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	248,737	-	-
Non-Cash Loans	176,285	2,353,468	-	-

**III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS
(Continued)****5. Information on derivative transactions**

	Current Period	Prior Period
Trading Derivatives		
Foreign Currency Related Derivative Transactions (I)	35,105	88,255
Currency Forward	-	-
Currency Swaps	35,105	88,255
Currency Futures	-	-
Currency Option	-	-
Interest Rate Related Derivative Transactions (II)	-	-
Interest Rate Forwards	-	-
Interest Rate Swaps	-	-
Interest Rate Options	-	-
Interest Rate Futures	-	-
Other Trading Derivatives (III)	-	-
A. Total Trading Derivatives (I+II+III)	35,105	88,255
Hedging Derivatives	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Hedges for Foreign Currency Investments	-	-
B. Total Hedging Derivatives	-	-
Total Derivative Transactions (A+B)	35,105	88,255

6. Information on credit derivatives and related imposed risks

The Group does not have any credit derivate contract.

7. Information on contingent liabilities and assets

The Group has provided TL 180 (31 December 2015: TL 37) of provision for the disputed legal cases filed by various persons and institutions, high probability of occurrence and requiring cash outflow. The amount is shown under the Other Provisions Section Five Note II-7. Although there are other ongoing lawsuits that against the Group, do not expect high possibility of against result and cash outflows related to these cases.

8. Services supplied on behalf of others

None.

IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME

1. Information on interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans ⁽¹⁾				
Short- Term Loans	81,174	10,388	61,914	6,383
Medium and Long- Term Loans	273	14,722	489	19,642
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	81,447	25,110	62,403	26,025

⁽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	5,208	18,321	4,817	20,799
From Foreign Banks	8	372	955	174
From Foreign Headquarter and Branches	-	-	-	-
Total	5,216	18,693	5,772	20,973

Information on interest income received from marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Held for Trading	974	26,437	3,888	7,308
Financial Assets Where Fair Value Change is Reflected to Income Statement	-	-	-	-
Financial Assets Available for Sale	-	-	-	-
Investments Held to Maturity	3,184	21,970	2,468	10,074
Total	4,158	48,407	6,356	17,382

Information on interest income received from associates and subsidiaries

None.

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

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	120	5,700	387	5,280
Central Bank	-	-	-	-
Domestic Banks	120	2,117	387	2,673
Foreign Banks	-	3,583	-	2,607
Other Institutions	-	-	-	-
Total	120	5,700	387	5,280

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	3	4,860	-	-	-	-	-	4,863
Saving deposits	-	77	139	121	-	-	-	337
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	26	14	6	-	-	-	46
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	3	4,963	153	127	-	-	-	5,246
Foreign Currency								
Foreign currency deposits	-	48	125	143	62	511	-	889
Interbank deposits	210	3,645	9,415	1,390	2,558	11,907	-	29,125
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	210	3,693	9,540	1,533	2,620	12,418	-	30,014
Grand Total	213	8,656	9,693	1,660	2,620	12,418	-	35,260

Information on dividend income

The Group has dividend income amounting to TL 76 (31 December 2015: TL 68).

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

IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)**3. Information on trading gain/loss**

	Current Period	Prior Period
Gain	7,200,968	8,656,661
Gain from money market transactions	118	-
Gain from financial derivative transactions	2,583	8,135
Gain from exchange transactions	7,198,267	8,648,526
Loss (-)	(7,197,331)	(8,658,348)
Loss from money market transactions	-	(53)
Loss from financial derivative transactions	(6,119)	(10,554)
Loss from exchange transactions	(7,191,212)	(8,647,741)
Net Trading Gain/Loss	3,637	(1,687)

4. Information on income from other operations

	Current Period	Prior Period
From Reversal of Provisions of Prior Year	661	2,487
From Communication Income	1,227	1,713
Gain on sales of assets	16	83
Other Income	116	335
Total	2,020	4,618

5. Information on impairment in loans and other receivables

	Current Period	Prior Period
Specific Provisions on Loans and Other Receivables	5,974	5,865
<i>Loans and Receivables in Group III</i>	-	-
<i>Loans and Receivables in Group IV</i>	2,261	-
<i>Loans and Receivables in Group V</i>	3,713	5,865
<i>Doubtful Receivables</i>	-	-
General Provision Expenses	4,046	386
Provision for Possible Losses	7,000	-
Foreign Exchange Losses on Foreign Currency Indexed Loans	-	-
Impairment Losses on Securities	17,002	1,507
<i>Financial Assets through Profit or Loss</i>	17,002	1,507
<i>Investment Securities Available-for-Sale</i>	-	-
Other Impairment Losses	8,632	572
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
<i>Investment Securities Held-to-Maturity</i>	8,632	572
Other	-	809
Total	42,654	9,139

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

6. Information on other operating expense

	Current Period	Prior Period
Personnel Expenses	57,330	52,768
Employee Termination Benefits Expense	760	675
Tangible Fixed Asset Impairment Expense	-	-
Intangible Fixed Asset Impairment Expense	2,482	2,470
Amortization Expenses of Tangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	1,490	1,346
Shareholders Equity Procedure Applied Equity Interest Impairment Expense	-	-
Disposable Fixed Asset Impairment Expense	1	1
Amortization Expense of Assets Held for Resale	-	-
Impairment Expense related to Fixed Assets held for sale and discontinued operations	-	-
Assets Impairment Expense	-	-
Other Operating Expenses	13,948	12,566
<i>Operating Lease Expenses</i>	1,799	1,807
<i>Maintenance Expenses</i>	2,828	2,308
<i>Advertisement Expenses</i>	510	398
<i>Other Expenses</i>	8,811	8,053
Losses from sales of Assets	25	-
Other	7,687	7,104
Total	83,723	76,930

Information on dividend expense

Based on the decision taken at General Assembly meeting of the Bank held on 25 March 2016, dividend amounting to TL 22,000 is distributed to shareholders from the net profit for the year ended on 31 December 2015. The dividends paid on 28 April 2016.

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

The pre-tax income amount from continued operations is TL 82,224 (31 December 2015: TL 90,963).

8. Information on tax provision related to continued operations and discontinued operations

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

As of 31 December 2016, taxation charge is TL 20,512 (31 December 2015: TL 19,190 tax expense) and deferred tax income is TL 1,517 (31 December 2015: TL 720 deferred tax income).

Deferred tax charge arising from origination or reversal of temporary differences

The Group has TL 1,517 as deferred tax income arising from origination of temporary differences (31 December 2015: TL 823 deferred tax income).

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

The Group has TL 1,517 as deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions (31 December 2015: TL 720 deferred tax income).

IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)**9. 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 63,229 (31 December 2015: TL 72,493).

10. 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 year 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.

11. Information on 20% of other accounts in income statement, if other accounts exceed 10% of total income statement.

Other accounts which exceed the 10% of the income statement ,other than other operating income and other operating expense, amounting to TL 17,550 (31 December 2015: TL 29,560) consist of transfer commissions, letter of credit commissions and other.

	Current Period
Letter of Credit Commissions	12,234
Transfer Commissions	3,804
Other	1,512
Total	17,550

- V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**
- 1. Changes due to revaluation of financial assets available-for-sale**
None.
- 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 3,845 have been transferred to legal reserves.
- 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 (31 December 2015: None).

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 2015	31 December 2014
Cash	8,986	8,373
Cash and cash equivalents	1,787,673	1,701,544
Total	1,796,659	1,709,917

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

	31 December 2016	31 December 2015
Cash	13,107	8,986
Cash and cash equivalents	1,675,794	1,787,673
Total	1,688,901	1,796,659

**VII. INFORMATION AND FOOTNOTES RELATED TO CASH FLOWS STATEMENT
(Continued)**

2. Information on unrestricted cash and cash equivalents that is in the possession of the Group however not in the restricted usage due to legal limitations and other reasons

The Group does not have restricted cash and cash equivalents that is in the possession of the Group due to legal limitations and other reasons (31 December 2015: None).

3. Information on the effect on cash and cash equivalent assets due to changes in other accounts in the cash flows statement and exchange rates

The TL (90,999) (31 December 2015: TL (97,144)) 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.

The "Net increase/decrease in other assets" account under the "Changes in assets and liabilities subject to banking activities" amounting to TL 1,964 (31 December 2015: TL (194)) is composed of changes in fixed assets, associates, tax assets and other assets.

The "Net increase/decrease in other debts" account under the "Changes in assets and liabilities subject to banking activities" amounting to TL 23,350 (31 December 2015: TL (5,349)) is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable.

"Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents" is computed by 19,231 (31 December 2015: TL 22,531) which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira.

VII. INFORMATION ON THE GROUP'S RISK GROUP**1. Information on the volume of transactions with the Bank's risk group, lending and deposits outstanding at period end and income and expenses in the current period*****Information on the loans of the 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	-	-	-	11,681	89,650	127,945
Balance at the end of the period	-	-	-	32,850	151,292	93,085
Interest and Commission Income received ⁽²⁾	-	-	-	-	4,150	-

⁽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

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	-	-	-	161	36,570	158,329
Balance at the end of the period	-	-	-	11,681	89,650	127,945
Interest and Commission Income received	-	-	-	-	1,109	-

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

Information on deposits of the Bank'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	-	-	2,134,348	1,525,229	345,621	545,393
Balance at the end of the period	-	-	2,022,581	2,134,348	875,386	345,621
Interest expense on deposits	-	-	9,393	20,273	1,431	2,569

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

VII. INFORMATION ON THE GROUP'S RISK GROUP (Continued)

Information on forward transactions, options and other contracts related to Group's risk group

None.

Information on forward transactions, options and other contracts related to the Parent Bank's risk group

None.

Information on benefits provided for top level management:

31 December 2016, TL 9,897 (31 December 2015: TL 12,550) has been paid to the top level management of the Bank as salaries and fringe benefit.

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	Country		
Domestic Branch	7	288			
Foreign representative office	-	-	-		
				Total assets	Legal capital
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

There's no Branch was opened in the year 2016 in Turkey (2015: None). There are no Branches closed over the same period (2015: None).

SECTION SIX.

INDEPENDENT AUDITOR’S REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REPORT

As of 31 December 2016, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative) and Independent Auditor’s Report is presented preceding the financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.