

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

Arap Türk Bankası Anonim Şirketi

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

31 January 2020

*This report contains "Independent Auditors' Report"
comprising 5 pages and; "Consolidated Financial
Statements and Related Disclosures and Footnotes"
comprising 119 pages.*



KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
İş Kuleleri Kule 3 Kat: 1-9
Levent 34330 İstanbul
Tel +90 212 316 6000
Fax +90 212 316 6060
www.kpmg.com.tr

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

To the General Assembly of Arap Türk Bankası Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

Opinion

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

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

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



Key Audit Matters

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

Impairment of loans measured at amortised cost and lease receivables (“loans”)

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

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans measured at amortised cost comprise 39% of the Group’s total assets.</p> <p>The Group recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the “Regulation”) published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard (“Standard”).</p> <p>The Group applies the “expected credit loss model” which contains significant assumptions and estimates in determining the impairment of financial assets in accordance with the Regulation and Standards.</p> <p>The significant assumptions and estimates of the Group’s management are as follows: significant increase in credit risk; incorporating the forward looking macroeconomic information in calculation of credit risk; and design and implementation of expected credit loss model.</p> <p>The determination of the impairment of loans measured at amortised cost depends on (i) the credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p> <p>The Group calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p>	<p>Our procedures for testing the impairment of loans included below:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the involvement of information risk management specialists. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Group’s impairment accounting policy compared with the Regulation and Standard. • We evaluated the model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including prospective information and macroeconomic variables. • We evaluated the adequacy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis. • We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.



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

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

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

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



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

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

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



B) Report on Other Legal and Regulatory Requirements

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

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

Additional paragraph for convenience translation to English:

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

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



Erdal Tıkmak, SMMM
Partner

31 January 2020
İstanbul, Turkey

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

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

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

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

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

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

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



Bilgehan Kuru
Chairman of the Board of Directors



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



Fatma Nur Çetinel
Member of The Board of Directors and The Audit Committee



Wail J. A. Belgasem
General Manager



Salih Hatipoğlu
*Assistant General Manager
Responsible For Financial Reporting*



F. Betül Yörel
Manager

Contact information of the personnel for addressing questions regarding this financial report
Name / Title: F. Betül Yörel / Manager
Phone No : 0 212 225 05 00
Fax No : 0 212 225 05 26

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ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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

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

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

General Manager and Deputies

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

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

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

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

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

The Parent Bank was established to incorporate commercial activities among Turkey, Middle East and North African countries. The Bank is authorized to collect deposits and operates in corporate banking areas.

The Bank has seven branches; three in Istanbul, one in Ankara, one in Kayseri, one in Konya and one in Gaziantep and has share participations in a subsidiary operating in financial leasing business.

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

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

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

None.

SECTION TWO

Consolidated Financial Statements

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

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

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31.12.2019			31.12.2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		617,606	2,054,189	2,671,795	247,643	3,184,040	3,431,683
1.1	Cash and Cash Equivalents	1	614,302	1,714,171	2,328,473	247,419	2,795,172	3,042,591
1.1.1	Cash and Balances with Central Bank		4,577	561,989	566,566	8,557	1,240,718	1,249,275
1.1.2	Banks	3	76,583	1,152,182	1,228,765	38,948	1,554,454	1,593,402
1.1.3	Money Markets		535,166	-	535,166	202,139	-	202,139
1.1.4	Expected Credit Loss (-)		2,024	-	2,024	2,225	-	2,225
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	-	94,252	94,252	-	282,166	282,166
1.2.1	Government Securities		-	94,252	94,252	-	238,569	238,569
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	43,597	43,597
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	3,304	245,766	249,070	224	106,702	106,926
1.3.1	Government Securities		3,079	104,587	107,666	-	15,970	15,970
1.3.2	Equity Securities		225	2,381	2,606	224	2,112	2,336
1.3.3	Other Financial Assets		-	138,798	138,798	-	88,620	88,620
1.4	Derivative Financial Assets	2	-	-	-	-	-	-
1.4.1	Derivative Financial Assets Measured at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)		412,028	1,986,579	2,398,607	605,636	2,142,858	2,748,494
2.1	LOANS (NET)	5	456,747	1,273,496	1,730,243	617,025	1,385,889	2,002,914
2.2	Lease Receivables	10	50,743	242,534	293,277	73,338	287,582	360,920
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	1,322	477,415	478,737	13,032	471,291	484,323
2.4.1	Government Securities		1,322	329,700	331,022	13,032	320,830	333,862
2.4.2	Other Financial Assets		-	147,715	147,715	-	150,461	150,461
2.5	Expected Credit Loss (-)		96,784	6,866	103,650	97,759	1,904	99,663
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	16	1,000	-	1,000	6	-	6
3.1	Held for Sale Purpose		1,000	-	1,000	6	-	6
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		-	-	-	-	-	-
4.1	Associations (Net)	7	-	-	-	-	-	-
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2	Subsidiaries (Net)	8	-	-	-	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	JOINT VENTURES (Net)	9	-	-	-	-	-	-
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)	12	146,788	-	146,788	117,639	-	117,639
VI.	INTANGIBLE ASSETS (Net)	13	6,350	-	6,350	4,264	-	4,264
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		6,350	-	6,350	4,264	-	4,264
VII.	INVESTMENT PROPERTY (Net)	14	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	15	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	15	-	-	-	1,566	-	1,566
X.	OTHER ASSETS	17	13,487	11,616	25,103	17,284	8,668	25,952
	TOTAL ASSETS		1,197,259	4,052,384	5,249,643	994,038	5,335,566	6,329,604

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

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31.12.2019			31.12.2018		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	49,521	2,406,400	2,455,921	44,283	4,355,917	4,400,200
II. FUNDS BORROWED	3	-	1,611,843	1,611,843	-	939,769	939,769
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	2	-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	5	1,040	786	1,826	-	-	-
X. PROVISIONS	7	57,237	267	57,504	47,986	461	48,447
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		20,188	-	20,188	18,573	-	18,573
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		37,049	267	37,316	29,413	461	29,874
XI. CURRENT TAX LIABILITY	8	10,824	-	10,824	16,894	-	16,894
XII. DEFERRED TAX LIABILITY		1,849	-	1,849	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES	4	11,562	25,367	36,929	18,075	22,948	41,023
XVI. SHAREHOLDERS' EQUITY	9	1,068,261	4,686	1,072,947	882,771	500	883,271
16.1 Paid-in capital		440,000	-	440,000	440,000	-	440,000
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		99,664	-	99,664	79,064	-	79,064
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		381	4,686	5,067	-	500	500
16.5 Profit Reserves		35,276	-	35,276	29,449	-	29,449
16.5.1 Legal Reserves		35,275	-	35,275	29,448	-	29,448
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		1	-	1	1	-	1
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or (Loss)		492,940	-	492,940	334,258	-	334,258
16.6.1 Prior Periods' Profit or (Loss)		328,431	-	328,431	231,015	-	231,015
16.6.2 Current Period Profit or (Loss)		164,509	-	164,509	103,243	-	103,243
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,200,294	4,049,349	5,249,643	1,010,009	5,319,595	6,329,604

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

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31.12.2019			PRIOR PERIOD 31.12.2018		
		TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	226,070	3,894,348	4,120,418	296,268	3,756,204	4,052,472
I.	GUARANTEES AND WARRANTIES	207,270	3,860,951	4,068,221	289,028	3,656,399	3,945,427
1.1.	Letters of Guarantee	207,270	2,948,876	3,156,146	289,028	2,725,394	3,014,422
1.1.1.	Guarantees Subject to State Tender Law	7,415	-	7,415	67,440	-	67,440
1.1.2.	Guarantees Given for Foreign Trade Operations	1,150	2,941,666	2,942,816	-	2,689,342	2,689,342
1.1.3.	Other Letters of Guarantee	198,705	7,210	205,915	221,588	36,052	257,640
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	450,008	450,008	-	503,629	503,629
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	450,008	450,008	-	503,629	503,629
1.4.	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other Endorsements	-	-	-	-	-	-
1.6.	Purchase Guarantees on Marketable Security Issuance	-	-	-	-	-	-
1.7.	Factoring Guarantees	-	-	-	-	-	-
1.8.	Other Guarantees	-	462,067	462,067	-	427,376	427,376
1.9.	Other Collaterals	-	-	-	-	-	-
II.	COMMITMENTS	18,800	33,397	52,197	7,240	99,805	107,045
2.1.	Irrevocable Commitments	8,303	17,513	25,816	7,045	96,448	103,493
2.1.1.	Asset Purchase and Sale Commitments	7,993	9,578	17,571	6,060	6,028	12,088
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	-	90,420	90,420
2.1.3.	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4.	Loan Granting Commitments	-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7.	Commitments for Cheques	310	-	310	985	-	985
2.1.8.	Tax and Fund Liabilities from Export Commitments	-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits	-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions	-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments	-	7,935	7,935	-	-	-
2.2.	Revocable Commitments	10,497	15,884	26,381	195	3,357	3,552
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	10,497	15,884	26,381	195	3,357	3,552
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
3.1	Hedging Derivative Financial Instruments	-	-	-	-	-	-
3.1.1	Transactions for Fair Value Hedge	-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge	-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2	Trading Transactions	-	-	-	-	-	-
3.2.1	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1	Forward Foreign Currency Transactions-Buy	-	-	-	-	-	-
3.2.1.2	Forward Foreign Currency Transactions-Sell	-	-	-	-	-	-
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy	-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell	-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy	-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell	-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options	-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy	-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell	-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-	-	-	-
3.2.4	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	1,122,645	4,285,956	5,408,601	1,164,808	3,717,226	4,882,034
IV.	ITEMS HELD IN CUSTODY	2,755	-	2,755	5,041	6,871	11,912
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	2,755	-	2,755	5,041	6,871	11,912
4.4.	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5.	Other Assets Received for Collection	-	-	-	-	-	-
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	-	-	-	-	-	-
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGES RECEIVED	1,119,890	4,285,956	5,405,846	1,159,767	3,710,355	4,870,122
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	73,062	137,029	210,091	92,062	208,469	300,531
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	20,059	147,317	167,376	22,827	130,470	153,297
5.6.	Other Pledged Items	1,026,769	4,001,610	5,028,379	1,044,878	3,371,416	4,416,294
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	1,348,715	8,180,304	9,529,019	1,461,076	7,473,430	8,934,506

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

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

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-31/12/2019)	(01/01/2018-31/12/2018)
I. INTEREST INCOME	1	346,762	347,848
1.1 Interest on Loans		145,643	186,635
1.2 Interest on Reserve Requirements		6,266	8,266
1.3 Interest on Banks		27,497	63,311
1.4 Interest on Money Market Transactions		84,765	18,662
1.5 Interest on Marketable Securities Portfolio		48,807	38,065
1.5.1 Fair Value Through Profit or Loss		14,239	15,456
1.5.2 Fair Value Through Other Comprehensive Income		12,145	4,686
1.5.3 Measured at Amortised Cost		22,423	17,923
1.6 Financial Lease Income		29,437	32,905
1.7 Other Interest Income		4,347	4
II. INTEREST EXPENSE (-)	2	54,383	106,212
2.1 Interest on Deposits		21,181	73,973
2.2 Interest on Funds Borrowed		32,831	32,231
2.3 Interest Expense on Money Market Transactions		-	8
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		371	-
2.6 Other Interest Expenses		-	-
III. NET INTEREST INCOME (I - II)		292,379	241,636
IV. NET FEES AND COMMISSIONS INCOME		75,535	63,065
4.1 Fees and Commissions Received		78,496	64,558
4.1.1 Non-cash Loans		37,194	30,658
4.1.2 Other		41,302	33,900
4.2 Fees and Commissions Paid		2,961	1,493
4.2.1 Non-cash Loans		-	1
4.2.2 Other		2,961	1,492
V. DIVIDEND INCOME	3	15	158
VI. TRADING INCOME /(LOSS) (Net)	4	7,753	(9,736)
6.1 Trading Gains / (Losses) on Securities		-	(19,700)
6.2 Gains / (Losses) on Derivative Financial Transactions		475	(364)
6.3 Foreign Exchange Gains / (Losses)		7,278	10,328
VII. OTHER OPERATING INCOME	5	8,101	11,618
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		383,783	306,741
IX. EXPECTED CREDIT LOSS (-)	6	12,919	66,880
X. OTHER PROVISION EXPENSE (-)	7	17,734	-
XI. PERSONNEL EXPENSE (-)		96,252	72,585
XII. OTHER OPERATING EXPENSES (-)	8	46,254	35,385
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		210,624	131,891
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	9	210,624	131,891
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	10	(46,115)	(28,648)
18.1 Current Tax Provision		(47,604)	(30,768)
18.2 Deferred Tax Income Effect (+)		9,102	14,383
18.3 Deferred Tax Expense Effect (-)		10,591	16,503
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVII±XVIII)	11	164,509	103,243
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Non-current Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses for Non-current Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses for Other Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Provision		-	-
23.2 Deferred Tax Expense Effect (+)		-	-
23.3 Deferred Tax Income Effect (-)		-	-
XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXV. NET PROFIT/(LOSS) (XVIII+XXIII)	12	164,509	103,243
25.1 Group Profit (Loss)		164,509	103,243
25.2 Minority shares Profit (Loss)		-	-
Earning/(Loss) per share (in TL full)		0.0037	0.0023

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

ARAP TÜRK BANKASI A.Ş.		
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019		
(Thousands of Turkish Lira ("TL"))		
	THOUSANDS OF TURKISH LIRA (TL)	
	CURRENT PERIOD	PRIOR PERIOD
	(01/01/2019-31/12/2019)	(01/01/2018-31/12/2018)
I.	CURRENT PERIOD PROFIT/LOSS	164,509
II.	OTHER COMPREHENSIVE INCOME	(3,900)
2.1	Not Reclassified to Profit or Loss	(4,493)
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(951)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3,542)
2.2	Reclassified to Profit or Loss	593
2.2.1	Foreign Currency Translation Differences	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other	-
2.2.2	Comprehensive Income	619
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(26)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	99,343

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PEAT ENDED AT 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss					Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss					Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity	
	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)							
PRIOR PERIOD 31.12.2018																	
I. Balance at the beginning of the period	440,000	-	-	-	86,476	(2,919)	-	(96)	-	24,855	170,177	81,415	-	799,908	-	799,908	
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	3	-	6,017	-	-	-	6,020	-	6,020	
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	3	-	-	6,017	-	-	6,020	-	6,020	
III. New balance (I+II)	440,000	-	-	-	86,476	(2,919)	-	(93)	-	24,855	176,194	81,415	-	805,928	-	805,928	
IV. Total comprehensive income (loss)	-	-	-	-	(4,383)	(110)	-	593	-	-	-	103,243	-	99,343	-	99,343	
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit distribution	-	-	-	-	-	-	-	-	-	4,594	54,821	(81,415)	-	(22,000)	-	(22,000)	
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	(22,000)	-	-	(22,000)	-	(22,000)	
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	4,594	76,821	(81,415)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,093	(3,029)	-	500	-	29,449	231,015	103,243	-	883,271	-	883,271	
CURRENT PERIOD 31.12.2019																	
I. Balance at the beginning of the period	440,000	-	-	-	82,093	(3,029)	-	500	-	29,449	231,015	103,243	-	883,271	-	883,271	
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New balance (I+II)	440,000	-	-	-	82,093	(3,029)	-	500	-	29,449	231,015	103,243	-	883,271	-	883,271	
IV. Total comprehensive income (loss)	-	-	-	-	22,586	(1,986)	-	4,567	-	-	-	164,509	-	189,676	-	189,676	
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit distribution	-	-	-	-	-	-	-	-	-	5,827	97,416	(103,243)	-	-	-	-	
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	5,827	97,416	(103,243)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balances (III+IV+.....+X+XI)	440,000	-	-	-	104,679	(5,015)	-	5,067	-	35,276	328,431	164,509	-	1,072,947	-	1,072,947	

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AT 31 DECEMBER 2019

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2019-31/12/2019)	PRIOR PERIOD (01/01/2018-31/12/2018)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		37,175	(16,445)
1.1.1 Interest Received		349,523	344,811
1.1.2 Interest Paid		(45,401)	(98,567)
1.1.3 Dividend Received		16	-
1.1.4 Fees and Commissions Received		78,496	64,558
1.1.5 Other Income		23,296	14,572
1.1.6 Collections from Previously Written-off Loans and Other Receivables		3,109	1,421
1.1.7 Payments to Personnel and Service Suppliers		(117,006)	(86,999)
1.1.8 Taxes Paid		(48,770)	(28,698)
1.1.9 Other	1	(206,088)	(227,543)
1.2 Changes in Operating Assets and Liabilities		(541,222)	1,109,160
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		144,963	42,884
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	210,387
1.2.3 Net (increase) / decrease in loans		354,655	71,502
1.2.4 Net (increase) / decrease in other assets		(2,664)	(9,499)
1.2.5 Net increase / (decrease) in bank deposits	1	(2,121,406)	125,890
1.2.6 Net increase / (decrease) in other deposits		50,545	438,526
1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		719,630	212,347
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	1	313,055	17,123
I. Net Cash Provided from Banking Operations		(504,047)	1,092,715
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		(70,316)	(61,197)
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(35,008)	(5,090)
2.4 Disposals of property and equipment		13	1,456
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(186,766)	(119,806)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		99,323	58,370
2.7 Purchase of Financial Assets Measured at Amortised Cost		(145,427)	(190,541)
2.8 Sale of Financial Assets Measured at Amortised Cost		199,599	195,890
2.9 Other		(2,050)	(1,476)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		(290)	(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 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	(22,000)
3.5 Payments for Finance Leases		(290)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	1	65,394	61,869
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)	1	(509,259)	1,071,387
VI. Cash and Cash Equivalents at the Beginning of the Period	1	2,532,454	1,461,067
VII. Cash and Cash Equivalents at the End of the Period	1	2,023,195	2,532,454

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

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

(Thousands of Turkish Lira)

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(31/12/2019)	(31/12/2018) (2)
I.	DISTRIBUTION OF CURRENT YEAR INCOME (1)		
1.1	CURRENT YEAR INCOME	210,125	126,024
1.2	TAXES AND DUTIES PAYABLE	(43,698)	(25,046)
1.2.1	Corporate Tax (Income tax)	(45,171)	(26,895)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	1,473	1,849
A.	NET INCOME FOR THE YEAR (1.1-1.2)	166,427	100,978
1.3	PRIOR YEARS LOSSES (-)(1)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	4,956
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	166,427	96,022
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To owners of ordinary shares	-	-
1.6.2	To owners of preferred shares	-	-
1.6.3	To owners of preferred shares (preemptive rights)	-	-
1.6.4	To profit sharing bonds	-	-
1.6.5	To holders of profit and loss sharing certificates	-	-
1.7	DIVIDENDS TO PERSONNEL (-)	-	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1	To owners of ordinary shares	-	-
1.9.2	To owners of preferred shares	-	-
1.9.3	To owners of preferred shares (preemptive rights)	-	-
1.9.4	To profit sharing bonds	-	-
1.9.5	To holders of profit and loss sharing certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUTORY RESERVES (-)	-	-
1.12	GENERAL RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES		
2.1	APPROPRIATED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1	To owners of ordinary shares	-	-
2.3.2	To owners of preferred shares	-	-
2.3.3	To owners of preferred shares (preemptive rights)	-	-
2.3.4	To profit sharing bonds	-	-
2.3.5	To holders of profit and loss sharing certificates	-	-
2.4	DIVIDENDS TO PERSONNEL (-)	-	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE		
3.1	TO OWNERS OF ORDINARY SHARES	0.0038	0.0023
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.38	0.23
3.3	TO OWNERS OF PRIVILEGED SHARES	-	-
3.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE		
4.1	TO OWNERS OF ORDINARY SHARES	-	-
4.2	TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-	-
4.4	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

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

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

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”)

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

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

CHANGES IN ACCOUNTING POLICIES

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

The Group’s core business operation is banking activities including corporate banking, commercial banking, retail banking and security transactions (treasury transactions) together with international banking services. The Group uses financial instruments intensively because of the nature of the Group. The main funding resources are deposits, borrowing and equity and these resources are invested in qualified financial assets. The Group 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 Parent Bank’s exchange rates prevailing at the balance sheet date and the resulting exchange rate differences are accounted as foreign exchange gains and losses.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

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

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

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

The major principles applied in the consolidation of subsidiaries

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

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

The financial statements which have been used in the consolidation are prepared as of 31 December 2019 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in similar circumstances.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

VI. INFORMATION ON FEES AND COMMISSION

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS

As TFRS 9 has been put into effect on 1 January 2018, the Group’s accounting policy for financial instruments is summarized as follows.

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

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

a. Financial Assets at Fair Value through Profit or Loss

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

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

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at other valuation models. All gains and losses arising from these valuations are reflected in the income statement.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity. When these securities are collected or disposed of, the accumulated fair value differences reflected in the shareholders' equity are reflected to the income statement.

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

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

The subsequent measurement of financial assets at fair value through other comprehensive income is based on fair value. However, if the fair value can not be determined reliably, the fair value for the floating rate securities is measured at the amortized cost using the most probable effective interest method; for fixed interest securities, fair value pricing models or discounted cash flow techniques are used.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

d. Loans

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

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

The Parent Bank’s loans are recorded under the “Measured at Amortized Cost” account.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment For Expected Loss

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

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The impairment for expected loss estimate is unbiased, weighted by probabilities and includes supportable information about estimates of past events, current conditions and future economic conditions.

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment

Individual Evaluation

A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected EIR (Effective Interest Rate) value and discounted cash flows.

When cash flows are estimated, the following conditions are taken into account.

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

Definition of Default

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

These conditions have stated below:

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

Significant increase in credit risk definition (criteria and explanations)

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

In this context, in the criteria applied for the loans classified in the first Group; the issue of future payment issues is not expected and the credit worthiness of the borrower of the loan has not weakened. In accordance with TFRS 9, loans subject to 12-month credit impairment are classified under the First Group (Stage 1). The criteria applied for the credits classified in the Stage 2 are; unfavourable developments in debt payment or cash flows of debtors are observed or anticipated, problems arises in principal and / or interest payments in accordance with the terms of the loan agreement and the credit risk of the borrower is considerably increased. In accordance with TFRS 9, loans classified in the Stage 2 are subject to the provision of an expected lifetime loan loss provision.

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

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

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

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

Under the context of contractual cash flows, cash flows from collateral sales and cash flows from loans are also taken into account.

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

X. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

There is no goodwill in the accompanying financial statements related to the acquisition of a subsidiary.

The Group’s intangible assets consist of software.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessor

Tangible assets acquired by way of finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented as “Finance Lease Payables” account in the 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.

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.

XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for other benefits to employees

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

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

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

Other benefits to employees

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS (Continued)

Corporate tax (Continued)

75% of earnings generated through sale of equity shares, founders’ shares, redeemed shares and preemption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders’ shares, redeemed shares and preemption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

Deferred taxes

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

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

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

Transfer pricing

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. ADDITIONAL INFORMATION ON BORROWINGS

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

The Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

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

XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES

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

There are no acceptances presented as liabilities against any assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

None.

XXI. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

Related parties

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

Classifications

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

	Note	31 December 2018	Impact of TFRS 16 Transition	1 January 2019
Tangible Assets (Net)	(1)	117,639	4,034	121,673
Other Assets (Net)	-	25,952	-	25,952
Lease Payables (Net)	(1),(2)	-	4,034	4,034

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP

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

Informations about Total Capital

	Amount	Amounts related to treatment before 1/1/2014⁽¹⁾
TIER II CAPITAL	1,072,947	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,000	
Share issue premiums	-	
Reserves	35,276	
Gains recognized in equity as per TAS	104,731	
Profit	492,940	
Current Period Profit	164,509	
Prior Period Profit	328,431	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minority shares	-	
Common Equity Tier 1 Capital Before Deductions	1,072,947	
Deductions from Common Equity Tier 1 Capital	6,647	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	297	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,350	6,350
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	6,647	
Total Common Equity Tier 1 Capital	1,066,300	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,066,300	
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)	35,653	
Tier II Capital Before Deductions	35,653	
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	35,653	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,101,953	
Deductions from Total Capital	1,101,953	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount	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 deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
TOTAL CAPITAL	1,101,953	
Total Capital	1,101,953	
Total risk weighted amounts	5,294,862	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	20.14	
Tier 1 Capital Adequacy Ratio (%)	20.14	
Capital Adequacy Ratio (%)	20.81	
BUFFERS		
Total buffer requirement	2.666	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.166	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	15.64	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from 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	35,653	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	35,653	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital

	Amount	Amounts related to treatment before 1/1/2014⁽¹⁾
TIER II CAPITAL	878,500	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,500	
Share issue premiums	-	
Reserves	29,449	
Gains recognized in equity as per TAS	79,064	
Profit	334,258	
Current Period Profit	103,243	
Prior Period Profit	231,015	
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	-	
Deductions from Common Equity Tier 1 Capital	883,271	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	4,771	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	507	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,264	4,264
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	-	
Total Common Equity Tier 1 Capital	4,771	
	878,500	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	878,500	
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)	29,573	
Tier II Capital Before Deductions	29,573	
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.	29,573	
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 (-)	29,573	
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	29,573	
Total Capital (The sum of Tier I Capital and Tier II Capital)	908,073	
Deductions from Total Capital	908,073	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	878,500	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount	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 deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
TOTAL CAPITAL	908,073	
Total Capital	908,073	
Total risk weighted amounts	5,293,195	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	16.60	
Tier 1 Capital Adequacy Ratio (%)	16.60	
Capital Adequacy Ratio (%)	17.16	
BUFFERS		
Total buffer requirement	2.028	
Capital conservation buffer requirement (%)	1.875	
Bank specific counter-cyclical buffer requirement (%)	0.153	
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	12.10	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from 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	29,573	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	29,573	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

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

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

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

	Balance sheet value	Amount of correction	Value at capital report
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	99,664	-	99,664
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	5,067	-	5,067
Profit Reserves	35,276	-	35,276
Profit or Loss	492,940	-	492,940
Prior Periods’ Profit/Loss	328,431	-	328,431
Current Period Net Profit/Loss	164,509	-	164,509
Deductions from Common Equity Tier I Capital (*)	-	6,647	(6,647)
Common Equity Tier 1 capital			1,066,300
Tier 1 capital			1,066,300
Provisions	-	(35,653)	35,653
Tier 2 capital (**)			35,653
Shareholders’s Equity Adjustments (***)	-	-	-
Total Shareholders’s Equity	1,072,947	(29,006)	1,101,953

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK

1. For Credit Risk Analysis;

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

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

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

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

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 2019:

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

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

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

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

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

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

Value adjustments and provisions methods and approaches

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

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

Risk Classifications	Current Period												Average
	January	February	March	April	May	June	July	August	September	October	November	December	
Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	1,332,169	1,584,556	1,587,423	1,579,464	1,623,936	1,583,920	1,491,122	1,585,501	1,524,723	1,473,239	1,291,705	880,831	1,461,549
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	3,269,912	2,808,646	2,642,364	3,110,438	2,807,496	2,542,392	2,799,591	2,674,545	2,665,886	2,926,832	2,792,266	3,561,810	2,883,515
Contingent and Non-Contingent Corporate Receivables	2,149,612	2,170,992	2,189,311	2,312,092	2,348,539	2,301,838	2,096,979	1,791,310	1,979,315	1,952,706	1,906,067	1,951,352	2,095,843
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Property	27,495	21,050	21,450	21,450	21,450	21,450	21,450	21,450	21,450	21,450	21,450	21,450	21,920
Past Due Loans	2,442	2,468	2,498	2,524	2,557	2,703	1,786	1,883	1,906	1,928	1,951	1,973	2,218
Higher-Risk Receivables Defined by BRSA	273,953	254,916	239,147	232,617	199,534	116,002	216,517	202,185	218,334	250,255	186,927	395,381	232,147
Marketable Securities Collateralized	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	177,528	184,259	188,732	172,120	186,139	169,073	179,100	185,232	187,145	197,292	212,451	220,198	188,272
Total exposure to risks	7,233,111	7,026,887	6,870,925	7,430,705	7,189,651	6,737,378	6,806,545	6,462,106	6,598,759	6,823,702	6,412,817	7,032,995	6,885,465

SECTION FOUR

II. INFORMATION ON CREDIT RISK (Continued)

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

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

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

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

4. For Credit Risk Analysis;

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

5. For Credit Risk Analysis;

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

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

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

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

6. For Credit Risk Analysis;

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

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

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

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

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

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

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

8. Geographical distribution of risk amounts decomposed as part of significant risk groups. ⁽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	880,831	3,360,121	1,951,339	21,450	1,973	8,085	220,198	6,443,997
European Union Countries	-	72,688	-	-	-	-	-	72,688
OECD Countries ⁽²⁾	-	2,538	-	-	-	-	-	2,538
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	1,322	-	-	-	-	-	1,322
Other Countries	-	125,141	13	-	-	387,296	-	512,450
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-
Total	880,831	3,561,810	1,951,352	21,450	1,973	395,381	220,198	7,032,995

Prior 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	1,563,395	3,994,748	2,220,828	27,414	2,279	7,048	168,009	7,983,721
European Union Countries	-	35,137	-	-	-	-	-	35,137
OECD Countries ⁽²⁾	-	2,607	-	-	-	-	-	2,607
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	2,421	-	-	-	-	-	2,421
Other Countries	-	103,406	404	-	-	153,217	-	257,027
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-
Total	1,563,395	4,138,319	2,221,232	27,414	2,279	160,265	168,009	8,280,913

⁽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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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

9. Risk profile according to sectors and counterparties ⁽¹⁾

	Central Governments and Central Banks	Banks and Financial Intermediaries	Corporate Receivables	Receivables Secured by Residential Property	Past due loans	Higher-Risk Receivables Defined by BRSA	Other Receivables	TL	FC	Total
Agricultural	-	-	88,374	-	-	-	-	1,914	86,460	88,374
Farming and Stockbreeding	-	-	69,055	-	-	-	-	1,135	67,920	69,055
Forestry	-	-	19,319	-	-	-	-	779	18,540	19,319
Fishing	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	922,491	-	-	-	-	134,335	788,156	922,491
Mining	-	-	27,045	-	-	-	-	19,432	7,613	27,045
Production	-	-	895,446	-	-	-	-	114,903	780,543	895,446
Electric, gas and water	-	-	-	-	-	-	-	-	-	-
Construction	-	-	805,589	21,450	1,973	8,085	-	136,146	700,951	837,097
Services	880,831	3,561,810	126,212	-	-	387,296	-	391,261	4,564,888	4,956,149
Wholesale and retail trade	-	-	33,469	-	-	-	-	24,139	9,330	33,469
Hotel, food and beverage services	-	-	294	-	-	-	-	154	140	294
Transportation and telecommunication	-	-	35,066	-	-	-	-	2,109	32,957	35,066
Financial institutions	880,831	3,561,810	-	-	-	387,296	-	357,447	4,472,490	4,829,937
Real estate and Leasing services	-	-	53,074	-	-	-	-	3,238	49,836	53,074
“Self-employment” type Services	-	-	-	-	-	-	-	-	-	-
Education services	-	-	2,468	-	-	-	-	2,468	-	2,468
Health and social services	-	-	1,841	-	-	-	-	1,706	135	1,841
Other	-	-	8,686	-	-	-	220,198	200,914	27,970	228,884
Total	880,831	3,561,810	1,951,352	21,450	1,973	395,381	220,198	864,570	6,168,425	7,032,995

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II INFORMATION ON CREDIT RISK (Continued)

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

Risk Classifications ⁽²⁾	Payment Term ⁽¹⁾				
	1 Month	1-3 Month	3-6 Month	6-12 Month	1 Year and Over
Contingent and Non-Contingent Receivables from Central Governments and Central Banks	-	38,668	42,442	44,585	208,165
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	2,412,069	165,403	415,233	665,398	352,703
Contingent and Non-Contingent Corporate Receivables	579,871	230,403	136,183	624,533	607,690
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	1,050	26,364	-
Past Due Loans	-	-	-	-	-
Higher-Risk Receivables Defined by BRSA	150,224	217,639	24,995	4,867	-
Marketable Securities Collateralized Mortgages	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Receivables from Banks and Corporate Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	3,142,164	652,113	619,903	1,365,747	1,168,558

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

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

11. Information on risk classes

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

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

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

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

11. Information on risk classes (Continued)

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

Credit Quality Level	Islamic International Rating Agency
1	Between AAA and AA-
2	Between A+ and A-
3	Between BBB+ and BBB-
4	Between BB+ and BB-
5	Between B+ and B-
6	Between CCC+ and below

OECD Country Risk Classification Credit

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

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

Risk amount based on weight of risks

Risk weights	Before credit risk mitigation	After credit risk mitigation
0%	567,888	567,888
10%	-	-
20%	677,413	145,606
35%	-	-
50%	3,580,026	3,580,026
75%	-	-
100%	2,342,122	2,342,122
150%	397,354	397,354
200%	-	-
1250%	-	-
Deductible form Equity	7,450	7,450

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

Miscellaneous information based on important sectors

Important Sectors	Loans		Provisions
	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	Expected Credit Loss (IFRS 9)
Agricultural	6,711	22,616	21,505
Farming and Stockbreeding	6,711	22,616	21,505
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	13,058	46,555	43,187
Mining	-	-	-
Production	13,058	46,555	43,187
Electric, gas and water	-	-	-
Construction	935	24,040	20,770
Services	2,962	3,871	3,871
Wholesale and retail trade	-	-	-
Hotel, food and beverage services	-	-	-
Transportation and telecommunication	-	-	-
Financial institutions	-	3,864	3,864
Real estate and Leasing services	2,962	7	7
“Self-employment” type Services	-	-	-
Education services	-	-	-
Health and social services	-	-	-
Other	-	-	-

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

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

	Opening Balance	The amount of provision during the period	Reversal of provision	Other adjustments ⁽¹⁾	Closing Balance
Stage 3 provisions	86,064	8,728	5,459	-	89,333
Stage 1 & 2 provisions	8,536	8,957	4,456	-	13,037

14. Other information on credit risk

Sectoral concentrations for cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	20,658	4.52	-	-	27,018	4.38	-	-
Farming and stockbreeding	20,658	4.52	-	-	27,018	4.38	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	120,022	26.28	41,299	3.24	233,837	37.90	236,385	17.06
Mining	10,020	2.19	7,612	0.60	-	-	-	-
Production	110,002	24.08	33,687	2.65	233,837	37.90	236,385	17.06
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	127,724	27.96	319,826	25.11	118,631	19.23	268,601	19.38
Services	187,269	41.00	890,339	69.91	236,168	38.28	878,412	63.38
Wholesale and retail trade	21,242	4.65	-	-	912	0.15	1,465	0.11
Hotel, food and beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	1,253	0.27	-	-	-	-	-	-
Financial institutions	164,774	36.08	785,249	61.66	228,441	37.02	876,947	63.28
Real estate and Leasing Services	-	-	105,090	8.25	-	-	-	-
“Self-employment” type Services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	-	-	-	-	6,815	1.10	-	-
Other	1,074	0.24	22,032	1.73	1,371	0.22	2,491	0.18
Total	456,747	100.00	1,273,496	100.00	617,025	100.00	1,385,889	100.00

Sectoral and regional concentration of impaired loans and receivables

Sectoral	Current Period	Prior Period
Farming and Stockbreeding	22,616	21,932
Manufacturing	46,555	44,031
Construction	24,040	24,369
Financial institutions	3,864	3,864
Hotel and Restaurant Services	-	-
Wholesale and retail trade	7	12
Total impaired loans and receivables	97,082	94,208

Regional	Current Period	Prior Period
Turkey	93,218	90,344
Azerbaijan	3,764	3,764
Algeria	100	100
Total impaired loans and receivables	97,082	94,208

Past due but not impaired loans and receivables

The Group has TL 8,789 amount of past due but not impaired receivables (31 December 2018: TL 13,195).

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

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

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

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

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

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

Foreign exchange risk management policy

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

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

Date	US Dollars	Euro
24 December 2019	TL 5.9291	TL 6.5714
25 December 2019	TL 5.9364	TL 6.5773
26 December 2019	TL 5.9293	TL 6.5755
27 December 2019	TL 5.9302	TL 6.5759
30 December 2019	TL 5.9370	TL 6.6117
31 Decemberr 2019	TL 5.9402	TL 6.6506

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Information on Currency Risk of the Group

Current Period	Euro	USD Dollars	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	293,323	267,717	949	561,989
Banks	434,770	708,556	8,856	1,152,182
Financial Assets Measured at Fair Value through Profit or Loss	94,252	-	-	94,252
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	110,985	134,781	-	245,766
Loans ⁽¹⁾	1,045,129	228,367	-	1,273,496
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	286,926	190,489	-	477,415
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	232,709	14,575	-	247,284
Total Assets⁽²⁾	2,498,094	1,544,485	9,805	4,052,384
Liabilities				
Bank Deposits	847,388	442,004	1,779	1,291,171
Foreign Currency Deposits	548,530	558,578	8,121	1,115,229
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	1,077,671	534,172	-	1,611,843
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	19,099	6,945	376	26,420
Total Liabilities	2,492,688	1,541,699	10,276	4,044,663
Net Balance Sheet Position	5,406	2,786	(471)	7,721
Net Off Balance Sheet Position	(8,779)	799	-	(7,980)
Financial Derivatives (Assets)	-	799	-	799
Financial Derivatives (Liabilities)	(8,779)	-	-	(8,779)
Non-Cash Loans	1,486,014	1,567,267	807,670	3,860,951
Prior Period				
Total Assets	2,687,464	2,643,116	10,006	5,340,586
Total Liabilities	2,677,091	2,633,252	8,752	5,319,095
Balance Sheet Position, net	10,373	9,864	1,254	21,491
Off Balance Sheet Position, net	(6,028)	-	-	(6,028)
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	(6,028)	-	-	(6,028)
Non-cash Loans	1,216,077	1,704,738	735,584	3,656,399

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

⁽²⁾ It contains lease receivables.

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

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

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	337	337	(435)	(435)
US Dollar	(359)	(359)	(986)	(986)
Other Currencies	47	47	(125)	(125)
Total	25	25	(1,546)	(1,546)

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	(337)	(337)	435	435
US Dollar	359	359	986	986
Other Currencies	(47)	(47)	125	125
Total	(25)	(25)	1,546	1,546

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON INTEREST RATE RISK

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON INTEREST RATE RISK (Continued)

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	566,566	566,566
Banks	1,191,331	20,849	-	-	-	16,585	1,228,765
Financial assets at fair value through Profit or Loss	-	-	94,252	-	-	-	94,252
Interbank Money Market Placements	535,166	-	-	-	-	-	535,166
Financial Assets at Fair Value Through Other Comprehensive Income	9,077	5,518	87,147	144,723	-	2,605	249,070
Loans	407,128	184,573	576,461	475,889	-	86,192	1,730,243
Financial Assets Measured at Amortized Cost	8,965	33,508	196,342	211,036	28,886	-	478,737
Other assets ⁽¹⁾	12,602	21,680	91,706	152,281	-	88,575	366,844
Total assets	2,164,269	266,128	1,045,908	983,929	28,886	760,523	5,249,643
Liabilities							
Bank deposits	1,027,216	59,608	187,265	17,844	-	-	1,291,933
Other deposits	123,973	22,803	8,508	83	-	1,008,621	1,163,988
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	21,572	265,347	956,820	368,104	-	-	1,611,843
Other liabilities ⁽²⁾	75	94	69	464	1,124	1,180,053	1,181,879
Total liabilities	1,172,836	347,852	1,152,662	386,495	1,124	2,188,674	5,249,643
Long Position in the Balance Sheet	991,433	-	-	597,434	27,762	-	1,616,629
Short Position in the Balance Sheet	-	(81,724)	(106,754)	-	-	(1,428,151)	(1,616,629)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	991,433	(81,724)	(106,754)	597,434	27,762	(1,428,151)	-

⁽¹⁾ Other Assets: The amount of TL 88,575 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 146,788, Net Expected Credit Loss amounting to TL 105,674, Intangible Assets amounting to TL 6,350 and other non-interest bearing amounting to TL 40,111 and held for sale TL 1,000.

⁽²⁾ Other Liabilities: The amount of TL 1,180,053 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 1,072,947, Provisions amounting to TL 57,504, Current Tax Liability amounting to TL 10,824, Deferred Tax Liability amounting to TL 1,849 and non-interest bearing amounts of Other Foreign Resources amounting to TL 36,929

⁽³⁾ It contains Leasing Receivables.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON 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	689,684	-	-	-	-	559,591	1,249,275
Banks	1,571,197	9,385	-	-	-	12,820	1,593,402
Financial assets at fair value through Profit or Loss	-	37,763	158,036	86,367	-	-	282,166
Interbank Money Market Placements	202,139	-	-	-	-	-	202,139
Financial assets available-for-sale	-	-	-	22,867	-	84,059	106,926
Loans	1,161,470	193,523	335,299	218,414	-	-	1,908,706
Investment securities held-to-maturity	335	40,789	149,637	267,979	25,583	-	484,323
Other assets ⁽¹⁾⁽³⁾	29,310	25,542	111,036	195,538	-	141,241	502,667
Total assets	3,654,135	307,002	754,008	791,165	25,583	797,711	6,329,604
Liabilities							
Bank deposits	2,047,241	531,639	707,940	-	-	-	3,286,820
Other deposits	27,516	15,129	6,862	74	-	1,063,799	1,113,380
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	313,716	112,635	434,024	79,394	-	-	939,769
Other liabilities ⁽²⁾	-	-	-	-	-	989,635	989,635
Total liabilities	2,388,473	659,403	1,148,826	79,468	-	2,053,434	6,329,604
Long Position in the Balance Sheet	1,265,662	-	-	711,697	25,583	-	2,002,942
Short Position in the Balance Sheet	-	(352,401)	(394,818)	-	-	(1,255,723)	(2,002,942)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	1,265,662	(352,401)	(394,818)	711,697	25,583	(1,255,723)	-

⁽¹⁾ Other Assets: The amount of TL 47,033 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 117,639, Net Expected Credit Loss amounting to TL 56,528, Intangible Assets amounting to TL 4,264, Deferred Tax Assets amounting to TL 1,566 and other non-interest bearing amounting to TL 10,086 and held for sale TL 6.

⁽²⁾ Other Liabilities: The amount of TL 989,653 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 883,271, Provisions amounting to TL 48,447, Current Tax Liability amounting to TL 16,894 and non-interest bearing amounts of Other Foreign Resources amounting to TL 41,023.

⁽³⁾ It contains lease receivables.

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	1.83	12.21
Banks	0.01	1.69	10.49
Financial assets at fair value through profit or loss	-	-	-
Money Market Placements	-	-	11.34
Financial Assets at Fair Value Through Other Comprehensive Income	3.38	6.91	25.08
Loans	3.74	6.19	14.52
Financial Assets Measured at Amortized Cost	2.84	7.40	21.46
Financial Lease Receivables	6.19	8.03	19.47
Liabilities			
Interbank deposits	0.75	2.41	-
Other deposits	0.34	1.81	10.34
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.30	4.10	-
Prior Period			
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.62	7.16
Banks	1.26	2.99	23.35
Financial assets at fair value through profit or loss	2.30	3.95	-
Money Market Placements	-	-	25.15
Financial assets available-for-sale	6.42	6.87	-
Loans	4.55	5.86	27.44
Investment securities held-to-maturity	2.79	6.99	20.48
Financial Lease Receivables	6.52	8.31	19.80
Liabilities			
Interbank deposits	1.14	4.62	-
Other deposits	0.99	2.66	18.08
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	2.38	4.54	-

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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.

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

None.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT(Continued)

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

The Parent Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Parent Bank’s largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya is the biggest partner of The Parent Bank. Funds received from the main shareholder Libyan Foreign Bank correspond to 53% of total liabilities.

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

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

Currencies constituting minimum five percent of the Bank’s total liabilities

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

Information regarding to the liquidity risk mitigation techniques used

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

Information regarding to the usage of Stress Tests

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

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

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

Decisions on the plan;

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

Liquidity coverage ratio

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

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

	Month	TL	Month	FC+TL
Lowest	November	140	November	190
Highest	December	194	December	279

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT RATIO (Continued)

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

Current Period	Consideration Ratio Not Applied		Consideration Ratio Applied	
	Total Value ⁽¹⁾		Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,450,631	1,908,503	2,060,923	1,518,796
CASH OUTFLOWS				
2 Real person deposits and retail deposits	448,471	413,355	43,141	41,335
3 Stable deposit	34,120	-	1,706	-
4 Deposit with low stability	414,351	413,355	41,435	41,335
5 Unsecured debts except real person deposits and retail deposits	2,146,442	2,021,375	1,790,114	1,670,408
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,006,490	1,991,871	1,650,162	1,640,904
8 Other unsecured debts	139,952	29,504	139,952	29,504
9 Secured debts	-	-	-	-
10 Other cash outflows	1	1	1	1
11 Derivative liabilities and margin obligations	1	1	1	1
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	3,973,874	3,723,547	253,334	196,625
16 TOTAL CASH OUTFLOW	6,568,788	6,158,278	2,086,590	1,908,369
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,292,841	984,313	1,147,551	940,392
19 Other cash inflows	12,796	12,796	12,796	12,796
20 TOTAL CASH INFLOWS	1,305,637	997,109	1,160,347	953,188
				Upper Limit Applied Amounts
21 TOTAL HQLA STOCK			2,060,923	1,518,796
22 TOTAL NET CASH OUTFLOWS			940,064	959,827
23 LIQUIDITY COVERAGE RATIO (%)			219.23	158.24

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

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

Prior Period	Consideration Ratio Not Applied Total Value		Consideration Ratio Applied Total Value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,505,941	2,152,807	1,991,386	1,638,253
CASH OUTFLOWS				
2 Real person deposits and retail deposits	403,629	368,774	39,498	36,877
3 Stable deposit	17,300	-	865	-
4 Deposit with low stability	386,329	368,774	38,633	36,877
5 Unsecured debts except real person deposits and retail deposits	3,278,938	3,199,109	2,957,517	2,881,992
6 Operational deposit	-	-	-	-
7 Non-operating deposits	3,179,261	3,171,175	2,857,840	2,854,058
8 Other unsecured debts	99,677	27,934	99,677	27,934
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin obligations	-	-	-	-
12 Debt from structured financial instruments	-	-	-	-
13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets	-	-	-	-
14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
15 Other irrevocable or provisory revocable off-balance sheet liabilities	4,102,636	3,803,424	259,300	201,268
16 TOTAL CASH OUTFLOW	7,785,203	7,371,307	3,256,315	3,120,135
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	2,449,398	2,035,396	2,213,009	1,925,651
19 Other cash inflows	14,095	14,095	14,095	14,095
20 TOTAL CASH INFLOWS	2,463,493	2,049,491	2,227,104	1,939,746
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			1,991,386	1,638,253
22 TOTAL NET CASH OUTFLOWS			1.056.333	1.180.735
23 LIQUIDITY COVERAGE RATIO (%)			188.52	138.75

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

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

Sections High-quality liquid assets comprised of

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

Sections Funding sources comprised of and their densities within all funds

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

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

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

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

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

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

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

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

None.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. 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	20,003	546,563	-	-	-	-	-	566,566
Banks	76,460	1,131,456	20,849	-	-	-	-	1,228,765
Financial Assets at Fair Value through Profit or Loss	-	-	-	94,252	-	-	-	94,252
Money Market Placements	-	535,166	-	-	-	-	-	535,166
Financial Assets at Fair Value Through Other Comprehensive Income	-	9,077	5,520	87,146	144,722	-	2,605	249,070
Loans	-	407,127	174,763	586,272	475,889	-	86,192	1,730,243
Investment securities held-to-maturity	-	8,965	33,508	196,342	211,036	28,886	-	478,737
Other assets ^{(1) (3)}	1,204	24,651	21,680	91,706	152,281	-	75,322	366,844
Total Assets	97,667	2,663,005	256,320	1,055,718	983,928	28,886	164,119	5,249,643
Liabilities								
Interbank Deposits	633,227	393,989	59,608	187,265	17,844	-	-	1,291,933
Other Deposits	1,008,621	123,973	22,802	8,509	83	-	-	1,163,988
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	157,331	960,278	494,234	-	-	1,611,843
Other liabilities ⁽²⁾	-	833	632	69	464	1,124	1,178,757	1,181,879
Total Liabilities	1,641,848	518,795	240,373	1,156,121	512,625	1,124	1,178,757	5,249,643
Net Liquidity Gap	(1,544,181)	2,144,210	15,947	(100,403)	471,303	27,762	(1,014,638)	-
Prior Period								
Total Assets	63,546	4,164,817	239,898	843,619	768,657	25,583	223,484	6,329,604
Total Liabilities	1,804,129	1,627,798	621,206	1,132,539	157,378	-	986,554	6,329,604
Net Liquidity Gap	(1,740,583)	2,537,019	(381,308)	(288,920)	611,279	25,583	(763,070)	

(1) Other Assets: The amount of TL 75,322 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 146,788, Expected credit loss amounting to TL 105,674, Intangible Assets amounting to TL 6,350, Non-Interest Bearing amounting to TL 26,858 and TL 1,000 of asset held for sale.

(2) Other Liabilities: The amount of TL 1,178,757 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,072,947, Provisions amounting to TL 57,504, Current Tax Liabilities amounting to 10,824, Deferred Tax Liabilities amounting to TL 1,849 and Non-Interest Bearing amounting to TL 35,633.

(3) It contains lease receivables.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VII. EXPLANATIONS ON LEVERAGE RATIO

Leverage Ratio

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

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

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

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

	Current Period ⁽²⁾	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽¹⁾	8,959	2,941
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	7,125	60,177
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	746,769	281,594
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	19,648	89,217
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Total Risk Amount	782,501	433,929

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

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

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

Balance sheet assets	Current Period	Prior Period
1 Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	5,044,910	6,106,377
2 (Assets deducted from main capital)	(4,481)	(3,678)
3 Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	5,040,429	6,102,699
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	443	33
6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	443	33
Security or secured financing transactions		
7 Risk amount of security or secured financing transactions (Except balance sheet)	20,411	4,709
8 Risk amount due to intermediated transactions	-	-
9 Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	20,411	4,709
Off-balance sheet transactions		
10 Gross nominal amount of off-balance sheet transactions	4,003,679	3,767,831
11 (Adjustment amount resulting from multiplying by credit conversion rates)	-	-
12 Risk amount of the off-balance sheet transactions (Sum of 10th and 11th rows)	4,003,679	3,767,831
Equity and total risk		
13 Main capital	985,586	824,060
14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	9,064,962	9,875,272
Leverage ratio		
15 Leverage ratio	10,89%	8,47%

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

Fair value hierarchy

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

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

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

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

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

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

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

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

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

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

The Bank does not have transactions based on trust.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT

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

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

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

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. EXPLANATIONS 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)	4,756,615	4,746,607	380,529
2 Standardised approach (SA)	4,756,615	4,746,607	380,529
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	672	-	54
5 Standardised approach for counterparty credit risk (SA-CCR)	672	-	54
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	73,925	160,175	5,914
17 Standardised approach (SA)	73,925	160,175	5,914
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	463,650	386,413	37,092
20 Basic Indicator Approach	463,650	386,413	37,092
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)	5,294,862	5,293,195	423,589

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. EXPLANATIONS 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				Not subject to capital requirements or subject to deduction from capital
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	
Assets							
Cash And Balances With The Central Bank Of Turkey	566,566	566,566	566,566	-	-	561,989	-
Financial assets held for trading	94,252	94,252	-	-	-	94,252	-
Financial Assets At Fair Value Through Profit Or Loss	-	-	-	-	-	-	-
Banks	1,228,765	1,228,765	1,228,765	-	-	1,152,182	-
Money Market Placements	535,166	535,166	-	-	-	-	-
Investment Securities Available-for-Sale (net)	249,070	249,070	2,606	-	-	249,070	-
Loans And Receivables	1,730,243	1,730,243	1,730,243	-	-	1,273,496	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Securities Held-to-Maturity (net)	478,737	478,737	478,737	-	-	477,415	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint Ventures (net)	-	-	-	-	-	-	-
Lease Receivables	293,277	293,277	293,277	-	-	293,277	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-	-	-
Tangible Assets (net)	146,788	146,788	146,788	-	-	-	297
Intangible Assets (net)	6,350	6,350	-	-	-	-	6,350
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	-	-	-	-	-	-	-
Asset Held For Sale And Assets Of Discontinued Operations (Net)	1,000	1,000	-	-	-	-	-
Other Assets	(80,571)	(80,571)	19,059	-	-	11,616	-
Total Assets	5,249,643	5,249,643	4,466,041	-	-	4,113,297	6,647
Liabilities							
Deposits	2,455,921	2,455,921	-	-	-	2,406,400	-
Derivative Financial Liabilities Held For Trading	-	-	-	-	-	-	-
Funds Borrowed	1,611,843	1,611,843	-	-	-	1,611,843	-
Interbank Money Market	-	-	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Other External Resources	36,929	36,929	-	-	-	25,367	-
Factoring Payables	-	-	-	-	-	-	-
Leasing Transactions Payables	1,826	1,826	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-	-	-
Provisions	57,504	57,504	-	-	-	267	-
Tax Liability	12,673	12,673	-	-	-	-	-
Liabilities For Assets Held For Resale And Assets Of Discontinued Operations	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders` Equity	1,072,947	1,072,947	-	-	-	-	-
Total Liabilities	5,249,643	5,249,643	-	-	-	4,043,877	-

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. EXPLANATIONS ON RISK MANAGEMENT (Continued)

Main sources of differences between TAS exposure amounts and carrying values in financial statements

	Total	Subject to credit risk framework	Subject to the securitisation framework	Subject to the counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of TAS	8,579,338	4,466,041	-	-	4,113,297
Liabilities carrying value amount under TAS of consolidation	4,043,877	-	-	-	4,043,877
Total net amount under regulatory scope of consolidation	-	-	-	-	-
Off-balance sheet amounts	5,096,439	1,217,975	-	-	3,878,464
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Risk amounts	17,719,654	5,684,016	-	-	12,035,638

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

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

General qualitative information on credit risk

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

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

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

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

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

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

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

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

Credit quality of assets

Gross Carrying Values of TAS according to Consolidated Financial Statements					
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Net Values
1	Loans	97,082	8,207,877	102,517	8,202,442
2	Debt Securities	-	383,490	1,280	382,210
3	Of which defaulted	-	4,089,906	21,685	4,068,221
4	Total	97,082	12,681,273	125,482	12,652,873

Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	94,207
2	Loans and debt securities that have defaulted since the last reporting period	10,401
3	Returned to non-defaulted status	(3,109)
4	Amounts written off	(4,417)
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	97,082

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Additional disclosure related to the credit quality of assets

None.

Qualitative requirements for public disclosure regarding credit risk mitigation techniques

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

Credit risk mitigation techniques – overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	8,560,148	-	-	551,849	531,807	-	-
2	Debt Securities	478,736	-	-	-	-	-	-
3	Total	9,038,884	-	-	551,849	531,807	-	-
4	Of which defaulted	97,082	-	-	-	-	-	-

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

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

Operational Risk

The value at operational risk is calculated according to the basic indicator approach as per the Article 24 of “Regulation regarding Measurement and Assessment of Capital Adequacy Ratios of Banks”. As of 31 December 2019 the amount subject to operational risk is TL 463,350 (31 December 2018: TL 386,413).

Current Period	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
Gross income	208,554	235,105	298,186	247,282	15	37,092
Value at operational risk (Total*12.5)						463,650

Prior Period	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
Gross income	174,592	208,554	235,105	206,084	15	30,913
Value at operational risk (Total*12.5)						386,413

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Standardised approach – credit risk exposure and Credit Risk Mitigation (CRM) effects

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	880,831	-	880,831	-	164,851	19%
2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-
3 Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
4 Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-
5 Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-
6 Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	2,875,642	2,252,335	2,343,835	1,217,975	1,820,164	51%
7 Contingent and Non-Contingent Corporate Receivables	961,968	1,384,983	961,967	989,385	1,951,352	100%
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-
10 Secured by commercial real estate	-	41,450	-	21,450	21,450	100%
11 Past Due Loans	1,973	-	1,973	-	2,959	150%
12 Higher-Risk Receivables Defined by BRSA	4,501	415,003	4,501	390,880	593,071	150%
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-
16 Other Receivables	220,198	-	220,198	-	203,439	92%
17 Equity Investments	-	-	-	-	-	-
18 Total	4,945,113	4,093,771	4,413,305	2,619,690	4,757,286	68%

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Standardised approach – exposures by asset classes and risk weights

Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	551,129	-	-	-	329,702	-	-	-	-	-	880,831
2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-	-	-	-	-	-
3 Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-	-	-	-	-	-
4 Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
5 Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-	-
6 Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	-	-	145,606	-	3,250,323	-	165,881	-	-	-	3,561,810
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	1,951,352	-	-	-	1,951,352
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	21,450	-	-	-	21,450
11 Past Due Loans	-	-	-	-	-	-	-	1,973	-	-	1,973
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	395,381	-	-	395,381
13 Marketable Securities	-	-	-	-	-	-	-	-	-	-	-
14 Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
15 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
16 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
17 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	16,759	-	-	-	-	-	203,439	-	-	-	220,198
18 Total	567,888	-	145,606	-	3,580,025	-	2,342,122	397,354	-	-	7,032,995

Qualitative disclosures related to IRB models

None.

IRB - Credit risk exposures by portfolio and PD range

None.

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

None.

RWA flow statements of credit risk exposures under IRB

None.

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

None.

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

None.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Qualitative disclosure related to counterparty credit risk

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

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

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

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

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

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

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Counterparty Credit Risk (CCR) approach analysis

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

Credit valuation adjustment (CVA) capital charge

None.

Standardised approach – CCR exposures by regulatory portfolio and risk weights

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

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SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****X. INFORMATION ON RISK MANAGEMENT (Continued)****IRB – CCR exposures by portfolio and PD scale**

None.

Composition of collateral for CCR exposure

	Derivative Collaterals				Variable Transaction Collaterals	
	Received Collaterals		Collaterals Given		Received Collaterals	Collaterals Given
	Reserved	Unreserved	Reserved	Unreserved		
Government Bonds- Domestic	-	-	-	-	531,807	-
Total	-	-	-	-	531,807	-

Credit derivatives exposures

None.

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

None.

Quantitative disclosure - description of a bank’s securitisation exposures

None.

Securitisation exposures in the banking book

None.

Securitisation exposures in the trading book

None.

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

None.

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

None .

Qualitative information to be disclosed to the public about market risk

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

Qualitative requirements for public disclosure regarding market risk

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

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

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

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

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

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

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

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

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

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

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

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

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

None.

Market risk under standardised approach

		RWA
Outright products		
1	Interest rate risk (general and specific)	64,088
2	Equity risk (general and specific)	-
3	Foreign exchange risk	9,837
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	73,925

RWA flow statements of market risk exposures under an IMA

None.

IMA values for trading portfolios

None.

Comparison of VaR estimates with gains/losses

None.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

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

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

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

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

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

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

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

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

Prior Period

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

XI. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS

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

The Parent Bank operates in the areas of corporate entrepreneur banking, specialized banking, investment banking and international banking.

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

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(2,192)	141,798	121,735	31,038	-	292,379
Commission Income (Net)	-	73,578	-	1,957	-	75,535
Unallocated Income/Expenses (Net)	-	-	-	(19,998)	(137,292)	(157,290)
Operating Income	(2,192)	215,376	121,735	12,997	(137,292)	210,624
Income from Subsidiaries						-
Income before tax					210,624	210,624
Tax Provision					(46,115)	(46,115)
Net Profit for the period					164,509	164,509

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	1,074	107,685	3,421,390	400,122	-	3,930,271
Unallocated assets	-	-	-	-	1,319,372	1,319,372
Total Assets	1,074	107,685	3,421,390	400,122	1,319,372	5,249,643
Segment Liabilities	464,664	700,981	2,643,711	271,619	-	4,080,975
Unallocated Liabilities	-	-	-	-	95,721	95,721
Equity	-	-	-	-	1,072,947	1,072,947
Total Liabilities	464,664	700,981	2,643,711	271,619	1,168,668	5,249,643

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(2,061)	183,179	33,166	27,352	-	241,636
Commission Income (Net)	-	61,452	-	1,613	-	63,065
Unallocated Income/Expenses (Net)	-	-	-	(12,600)	(160,210)	(172,810)
Operating Income	(2,061)	244,631	33,166	16,365	(160,210)	131,891
Income from Subsidiaries						-
Income before tax					131,891	131,891
Tax Provision					(28,648)	(28,648)
Net Profit for the period					103,243	103,243

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	1,040	1,474,088	4,268,843	430,590	-	6,174,561
Unallocated assets	-	-	-	-	155,043	155,043
Total Assets	1,040	1,474,088	4,268,843	430,590	155,043	6,329,604
Segment Liabilities	359,268	757,555	3,917,901	318,379	-	5,353,103
Unallocated Liabilities	-	-	-	-	93,230	93,230
Equity	-	-	-	-	883,271	883,271
Total Liabilities	359,268	757,555	3,917,901	318,379	976,501	6,329,604

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	1,332	15,426	1,811	18,555
Central Bank of Turkey	3,245	546,563	6,746	1,222,163
Other	-	-	-	-
Total	4,577	561,989	8,557	1,240,718

Information related to the account of Central Bank of Turkey

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

⁽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 1% and 7% (31 December 2018: between %1.5 and %8), and for USD or EUR at the rates of 5% and 21% (31 December 2018: between %4 and %20) respectively according to their maturities as per the Communiqué no.2005/1 “Reserve Deposits” of the Central Bank of Turkey.

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

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

Positive differences related to trading derivative financial assets;

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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SECTION FIVE

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

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

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	76,583	1,097,991	38,948	1,532,840
Foreign banks	-	54,191	-	21,614
Overseas Headquarters and Branches	-	-	-	-
Total	76,583	1,152,182	38,948	1,554,454

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

⁽¹⁾ OECD member countries excluding USA, Canada and EU member countries

Information on Expected Loss Provisions

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

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

SECTION FIVE

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

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

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

As of 31 December 2019, the Parent Bank does not have any financial assets that are subject to repo transactions.

As of 31 December 2019, the Parent Bank has a security amounting to TL 2.566 given as collateral / blocked from assets whose fair value difference is reflected in other comprehensive income (31 December 2018: None).

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

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

Information on Financial assets at fair value through other comprehensive income

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

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	59,486	11,700	1,395	26,049
Corporate Shareholders	59,486	11,700	1,395	26,049
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	1,074	106	1,040	-
Total	60,560	11,806	2,435	26,049

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Information about the first and second group loans and other receivables including loans that have been restructured or rescheduled*

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

	Standard Loans(*)	Loans Under Close Monitoring(*)
12-Month expected credit losses	12,070	-
Significant increase in credit risk	-	979

(*) It contains lease receivables.

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

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Information on consumer loans, credit cards and loans given to employees*

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Information on installment commercial loans and commercial credit cards*

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

Allocation of loans according to customer type

	Current Period	Prior Period
Public	-	-
Private	1,730,243	2,002,914
Total	1,730,243	2,002,914

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,708,210	1,998,623
Foreign loans	22,033	4,291
Total	1,730,243	2,002,914

SECTION FIVE

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

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

5. Information on Loans (Continued)

Specific provisions or Stage 3 Provisions

None.

Specific provisions for loans

Specific provisions	Current Period ^(*)	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	89,320	86,064
Total	89,320	86,064

^(*) It contains financial lease receivables.

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 <i>Loans and receivables with limited collectibles</i>	IV. Group <i>Loans and receivables with doubtful collectibles</i>	V. Group <i>Uncollectible loans and receivables</i>
Balances at Beginning of Period	-	-	94,207
Additions (+)	-	-	10,401
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	3,109
Write-offs (-)	-	-	4,417
Institutional and commercial credits	-	-	4,340
Individual credits	-	-	77
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	97,082
Specific provisions (-)	-	-	89,320
Net Balance on Balance Sheet	-	-	7,762

SECTION FIVE

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

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

5. Information on Loans (Continued)

Information on foreign currency non-performing loans

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

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)	-	-	7,762
Loans granted to real persons and legal entities (Gross)	-	-	96,982
Specific provisions (-)	-	-	89,220
Loans granted to real persons and legal entities (Net)	-	-	7,762
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	4,380
Loans granted to real persons and legal entities (Gross)	-	-	90,344
Specific provisions (-)	-	-	85,964
Loans granted to real persons and legal entities (Net)	-	-	4,380
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

(1) Foreign bank.

(2) After transition to TFRS 9, it is classified under financial assets.

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

None.

SECTION FIVE

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

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

5. Information on Loans (Continued)

Collection policy on loans determined as loss and other receivables

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

Information on write-off policy

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

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

Within the scope of TFRS 9, the Group has written off loans amounting to TL 4,417 and its effect on NPL ratio is 0.22%.

Information on Expected Loss Provisions*Information on expected loss provisions for loans*

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

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

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,000	766	721	2,487
Additions during the Period	876	168	256	1,300
Disposal (-)	(349)	(482)	(232)	(1,063)
Transfer to Stage1	35	(61)	-	(26)
Transfer to Stage 2	(160)	633	(156)	317
Transfer to Stage 3	(32)	(44)	4,659	4,583
Write-offs (-)	-	-	(147)	(147)
Balances at End of Period	1,370	980	5,101	7,451

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	588	400	778	1,766
Additions during the Period (+)	412	366	-	778
Disposal (-)	-	-	(57)	(57)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	1,000	766	721	2,487

SECTION FIVE

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)

6. Information on financial assets measured at amortised cost

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

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

As of 31 December 2019, the Parent Bank does not have securities amounting which are collateralized / blocked from held to maturity financial assets (31 December 2018: TL 2,317).

Information on government financial assets measured at amortised cost

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

Information on financial assets valued at their amortized cost

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

Information on financial assets measured at amortised cost

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

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

SECTION FIVE

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

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

Expected credit loss for loans

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

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

7. Information on associates

The Group does not have an associate.

8. Information on subsidiaries (Net)

Information on subsidiaries

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

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

⁽²⁾ In the Annual General Meeting of the Group which is held on 28 March 2018, it has been decided to allocate a legal reserve of 871 TL from the previous year's profit of TL 12,500.

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

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.

Information about the consolidated financial statements of the subsidiaries

Description	Address (City/Country)	Bank's share percentage- If different voting percentage (%)		Bank's risk group share percentage (%)			
		Current Period	31 December 2018	Current Period	31 December 2018		
1 A&T Finansal Kiralama A.Ş.	İstanbul	99.98		99.98			
Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Profit / Loss	Profit / Loss	Fair Value^(*)
400,125	128,261	10,720	40,034	-	10,580	(473)	-

⁽¹⁾ The related subsidiary has no fair value as of 31 December 2018.

Movement related to subsidiaries

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

SECTION FIVE

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

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

Valuation of investments in subsidiaries

The method used in accounting treatment of subsidiaries in consolidated financial statements is explained in Section III

Sectoral Information on the subsidiaries

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

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

The Parent Bank has no joint ventures.

10. Information on Financial Lease Receivables (Net)

	Current Period	Prior Period
Gross Financial Lease Investment	328,637	407,617
Earned Financial Lease Income (-)	35,360	46,697
Cancelled Leasing Amounts	-	-
Net Investment on Leases	293,277	360,920

	Current Period
Stage 1	258,722
Stage 2	23,666
Stage 3	10,889
Toplam	293,277

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	158,839	140,996	191,293	165,356
Between 1-4 years	169,798	152,281	213,360	195,564
Over 4 years	-	-	-	-
Total	328,637	293,277	404,653	360,920

11. Information on financial derivatives for hedging

The Group has no financial derivatives for hedging.

SECTION FIVE

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

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

12. Information on tangible assets

Current Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2018					
Cost	114,587	3,956	1,113	13,594	133,250
Accumulated Depreciation (-)	(836)	(3,956)	(457)	(10,362)	(15,611)
Net Book Value	113,751	-	656	3,232	117,639
Balance at the End of the Current Period - 31 December 2018					
Net Book Value at the Beginning of the Current Period					
Current Period	114,587	3,956	1,113	13,594	133,250
Additions	-	-	-	4,734	4,734
Disposals (-)	-	-	-	13	13
Revaluation Surplus	26,136	-	-	-	26,136
Cost at the End of the Current Period	140,723	3,956	1,113	18,315	164,107
Accumulated Depreciation (-)	(836)	(3,956)	(457)	(10,362)	(15,611)
Depreciation Expense (-)	(135)	-	(199)	(2,989)	(3,323)
Depreciation of Disposals (-)	672	-	-	943	1,615
Accumulated Depreciation at the End of the Current Period (-)	(299)	(3,956)	(650)	(12,408)	(17,319)
Net Book Value at the End of the Current Period	140,424	-	457	5,907	146,788

Prior Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2017					
Cost	114,389	3,956	1,113	12,916	132,374
Accumulated Depreciation (-)	(611)	(3,956)	(258)	(10,277)	(15,102)
Net Book Value	113,778	-	855	2,639	117,272
Balance at the End of the Current Period - 31 December 2018					
Net Book Value at the Beginning of the Current Period					
Current Period	114,389	3,956	1,113	12,916	132,374
Additions	198	-	-	1,877	2,075
Disposals (-)	-	-	-	1,199	1,199
Cost at the End of the Current Period	114,587	3,956	1,113	13,594	133,250
Accumulated Depreciation (-)	(611)	(3,956)	(258)	(10,277)	(15,102)
Depreciation Expense (-)	(225)	-	(199)	(1,278)	(1,703)
Depreciation of Disposals (-)	-	-	-	1,194	1,194
Accumulated Depreciation at the End of the Current Period (-)	(836)	(3,956)	(457)	(10,362)	(15,611)
Net Book Value at the End of the Current Period	113,751	-	656	3,232	117,639

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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

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

	Current Period	Prior Period
Balance at the End of the Prior Period		
Cost	16,810	13,795
Accumulated Depreciation (-)	(12,546)	(11,070)
Net Book Value	4,264	2,725
Balance at the End of the Current Period		
Net Book Value at the Beginning of the Current Period	16,810	13,795
Additions	4,136	3,015
Disposals (-)	-	-
Impairment(-)	-	-
Cost at the Beginning of the current period	20,946	16,810
Accumulated Depreciation (-)	(12,546)	(11,070)
Amortization and amortization expense of disposals(-)	(2,050)	(1,476)
Impairment Depreciation(-)	-	-
Accumulated Amortization at end of the current period	(14,596)	(12,546)
Net Book Value at end of the current period	6,350	4,264

14. Information on investment property

The Group has no investment property.

15. Information on tax assets*None*

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

	Current Period	Prior Period
Cost	17	17
Impairment (-)	11	11
Accumulated Depreciation (-)	-	-
Prior Period Net Book Value	6	6
Opening Balance	17	17
Additions	987	-
Disposals (-)	4	4
Accumulated Impairment (-)	-	7
Impairment (-)	-	-
Accumulated Depreciation (-)	-	-
Depreciation of disposals	-	-
Depreciation Expenses (-)	-	-
Closing Net Book Value	1,000	6

17. Information on other assets

Other assets is amounting to TL 25,103 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2018: TL 25,952).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

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SECTION FIVE

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

II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Month Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	31,451	-	2,319	4,004	2,177	-	-	-	39,951
Foreign Currency Deposits	968,523	-	5,032	111,442	21,316	4,929	3,987	-	1,115,229
Residents in Turkey	343,295	-	5,032	91,802	6,825	718	274	-	447,946
Residents Abroad	625,228	-	-	19,640	14,491	4,211	3,713	-	667,283
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	4,873	-	-	161	-	-	-	-	5,034
Other Ins. Deposits	3,774	-	-	-	-	-	-	-	3,774
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	633,227	-	114,072	66,516	192,872	243,559	41,687	-	1,291,933
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	633,227	-	114,072	66,516	192,872	243,559	41,687	-	1,291,933
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,641,848	-	121,423	182,123	216,365	248,488	45,674	-	2,455,921

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Month Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	27,623	-	2,053	2,452	2,144	-	-	-	34,272
Foreign Currency Deposits	1,027,555	-	227	22,188	10,396	4,134	5,521	-	1,070,021
Residents in Turkey	644,463	-	227	7,222	3,053	243	239	-	655,447
Residents Abroad	383,092	-	-	14,966	7,343	3,891	5,282	-	414,574
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	7,156	-	312	152	-	-	-	-	7,620
Other Ins. Deposits	1,467	-	-	-	-	-	-	-	1,467
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,804,129	-	54,449	187,774	1,119,745	898,802	-	-	4,400,200

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)****1. Information on maturity profile of deposits (Continued)***Information on savings deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit*

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

Saving deposits not covered by deposit insurance

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

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

The Parent Bank’s headquarter is located in Turkey.

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)****1. Information on maturity profile of deposits***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	3,508	3,922
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	3,508	3,922

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

None.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of Turkey	-	-	-	-
From Domestic Banks and Institutions	-	64,999	-	68,575
From Foreign Banks, Institutions and Funds	-	1,546,844	-	871,194
Total	-	1,611,843	-	939,769

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	432,993	-	444,453
Long-Term	-	1,178,850	-	495,316
Total	-	1,611,843	-	939,769

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

Group's liabilities come from 58% of deposits which mainly come from Libyan Foreign Bank and its subsidiaries.

SECTION FIVE

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

III. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)

4. Information on other liabilities

Other liabilities in the balance sheet amounts to TL 36,929 and does not exceed 10% of the total balance sheet. (31 December 2018: TL 41,023).

5. Information on financial lease obligations

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

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

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

7. Information on provisions

Reserve for employee termination benefits

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the updated “TAS 19 - Employee Benefits”. Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability amount as at 31 December 2019 is TL 7,777 (31 December 2018: TL 9,559). In addition to this, the unused vacation provision and other employee benefits amount as at 31 December 2019 is TL 12,411 (31 December 2018: TL 9,014).

Information on other provisions

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

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

	Current Period	Prior Period
Free provisions for possible risks	15,000	10,000
Expected credit losses for non-cash loans	21,685	19,453
Provisions for law suits	631	421
Total	37,316	29,874

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

As of 31 December 2019, the Group’s corporate tax payable is TL 6,177 after offsetting prepaid corporate tax (31 December 2018 : 11,833 TL).

	Current Period	Prior Period
Corporate Taxes Payable	6,177	11,833
Banking Insurance Transaction tax (BITT)	588	1,116
Taxation on Securities Income	270	176
Value Added Tax Payable	174	1,189
Value Added Tax Payable (Limited tax payer)	27	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	18	17
Other	2,304	1,602
Total	9,558	15,933

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	479	363
Social Security Premiums-Employer	685	520
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	34	26
Unemployment Insurance-Employer	68	52
Others	-	-
Total	1,266	961

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)***Information on deferred tax liability*

As of December 31, 2019, the Bank calculated net deferred tax asset of TL 1,849 by netting off deferred tax asset of TL 16,671 and deferred tax liability of TL 18,520 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

Detailed information on net deferred tax assets is as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/ Liability	Accumulated temporary differences	Deferred tax asset/ Liability
Provisions for employee rights	20,620	4,278	18,573	3,913
Unearned revenues	6,605	1,453	5,714	1,257
Interest discounts	5,942	1,307	7,118	1,566
Provision	40,593	8,930	30,071	6,616
Other	3,193	703	5,027	1,103
Deferred tax asset	76,953	16,671	66,503	14,455
Tangible assets revaluation surplus	119,058	15,899	97,126	12,004
Other	12,081	2,622	4,024	885
Deferred tax liability	131,138	18,520	101,150	12,889
Deferred tax asset (net)		(1,849)		1,566

Movement of deferred tax:

	Current Period	Prior Period
Opening balance	1,566	(3,922)
TFRS 9 adjustment	-	6,936
Deferred tax income/(expense)(Net)	1,489	2,120
Deferred tax accounted under shareholder's equity	(4,904)	(3,568)
Net Deferred Tax Asset	(1,849)	1,566

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

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

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

The Parent Bank has no subordinated loans.

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)****9. Information on Shareholders’ Equity*****Presentation of Paid-in Capital***

	Current Period	Prior Period
Common Stock	440,000	440,000
Preferred Stock	-	-

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

Registered share capital system is not implemented in the Parent Bank.

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

None.

Information on share capital increases from capital reserves

None.

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

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

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

None.

Explanations on dividend distribution

None.

SECTION FIVE

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)

9. Information on Shareholders’ Equity (Continued)

Information on the privileges given to stocks representing the capital

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

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

Information on legal reserve

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

Information on Minority Shares

None.

SECTION FIVE

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

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

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

Type and amount of irrevocable commitments

The Group has TL 25,816 as irrevocable commitments (31 December 2018: TL 103,493).

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

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

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

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

Final guarantees, temporary guarantees, commitments and similar transactions

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

2. Total amount of Non-cash loans

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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SECTION FIVE

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

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

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

	Current Period				Prior Period			
	TL	%	FC	%	TL	%	FC	%
Agricultural	1,135	0.55	67,920	1.76	11	-	78,287	2.14
Farming and Raising livestock	1,135	0.55	67,920	1.76	11	-	78,287	2.14
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	49,694	23.98	514,000	13.31	73,487	25.43	544,985	14.90
Mining	15,870	7.66	-	-	19,655	6.80	72,337	1.98
Production	33,824	16.32	514,000	13.31	53,832	18.63	472,648	12.93
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	42,111	20.31	731,943	18.96	106,104	36.71	731,126	20.00
Services	114,330	55.16	2,546,982	65.97	109,426	37.86	2,302,001	62.96
Wholesale and Retail Trade	245	0.12	2,014	0.05	245	0.08	2,026	0.06
Hotel, Food and Beverage	-	-	-	-	-	-	-	-
Services	7	-	-	-	7	-	914	0.02
Transportation and	-	-	-	-	-	-	-	-
Telecommunication	-	-	33,179	0.86	-	-	3,195	0.09
Financial Institutions	114,040	55.02	2,511,623	65.05	109,136	37.76	2,295,716	62.79
Real Estate and Renting	-	-	-	-	-	-	-	-
Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	38	0.02	-	-	38	0.01	-	-
Health and Social Services	-	-	166	-	-	-	150	-
Other	-	-	106	-	-	-	-	-
Total	207,270	100.00	3,860,951	100.00	289,028	100.00	3,656,399	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	207,025	2,932,439	245	-
Bank acceptances	-	-	-	-
Letters of credit	-	450,008	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	462,067	-	-
Non-Cash Loans	207,025	3,844,514	245	-

5. Information on derivative transactions

The Group does not have any credit derivative contract.

6. Information on credit derivatives and related imposed risks

The Group does not have any credit derivative contract.

SECTION FIVE

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

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

7. Information on contingent liabilities and assets

The Group does not have of provision for the disputed legal cases filed by various persons and institutions, high probability of occurrence and requiring cash outflow. 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.

9. Information on Expected Loss Provisions

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS****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	96,779	21,690	120,712	15,575
Medium and Long- Term Loans	1,145	26,029	646	49,702
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	97,924	47,719	121,358	65,277

⁽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	11,795	13,915	13,181	49,726
From Foreign Banks	-	1,787	-	404
From Foreign Headquarter and Branches	-	-	-	-
Total	11,795	15,702	13,181	50,130

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	14,239	-	15,456
Financial assets where fair value change is reflected to income statement	436	11,709	22	4,664
Investments held to maturity	1,282	21,141	3,267	14,656
Total	1,718	47,089	3,289	34,776

Information on interest income received from associates and subsidiaries

None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION FIVE

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

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

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
			TL	FC
Banks	-	32,831	229	32,002
Central Bank	-	-	-	-
Domestic Banks	-	3,170	229	4,036
Foreign Banks	-	29,661	-	27,966
Other Institutions	-	-	-	-
Total	-	32,831	229	32,002

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	-	106	-	-	-	-	-	106
Saving deposits	-	218	279	381	4	294	-	1,176
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	96	16	7	-	-	-	119
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	420	295	388	4	294	-	1,401
Foreign Currency								
Foreign currency deposits	-	11	1,408	341	113	132	-	2,005
Interbank deposits	325	3,022	1,762	5,110	6,452	1,104	-	17,775
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	325	3,033	3,170	5,451	6,565	1,236	-	19,780
Grand Total	325	3,453	3,465	5,839	6,569	1,530	-	21,181

3. Information on dividend income

	Current Period	Prior Period
Financial assets measured at fair value to profit or loss	-	-
Financial assets measured at amortized cost	-	-
Financial assets at fair value through other comprehensive income	15	158
Other	-	-
Total	15	158

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****4. Information on trading gain/loss**

	Current Period	Prior Period
Gain	22,717,851	32,891,435
Gain from money market transactions	-	-
Gain from financial derivative transactions	505	309
Gain from exchange transactions	22,717,346	32,891,126
Loss (-)	(22,710,098)	(32,901,171)
Loss from money market transactions	-	(19,700)
Loss from financial derivative transactions	(30)	(673)
Loss from exchange transactions	(22,710,068)	(32,880,798)
Net Trading Gain/Loss	7,753	(9,736)

5. Information on income from other operations

	Current Period	Prior Period
From Reversal of Provisions of Prior Year	2,406	8,507
From Communication Income	4,203	1,872
Gain on sales of assets	-	184
Other Income	1,492	1,055
Total	8,101	11,618

6. Information on impairment in loans

	Current Period	Prior Period
Expected Credit Loss Provisions	12,919	66,460
12 month expected credit loss (stage 1)	7,373	6,544
Significant increase in credit risk (stage 2)	214	500
Non-performing loans (stage 3)	5,332	59,416
Marketable Securities Impairment Expense:	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	420
Total	12,919	66,880

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

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

	Current Period	Prior Period
Securities Depreciation Expenses	12,522	-
Free Provision	5,000	-
Provision for Lawsuits	212	-
Total	17,734	-

7. Information on other operating expense

	Current Period	Prior Period
Employee Termination Benefits Expense	1,455	839
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	3,324	1,703
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	2,050	1,476
Shareholders Equity Procedure Applied Equity Interest Impairment Expense	-	-
Disposable Fixed Asset Impairment Expense	-	-
Amortization Expense of Assets Held for Resale	-	-
Impairment Expense related to Fixed Assets held for sale and discontinued operations	-	-
Other Operating Expenses	20,999	18,884
<i>Operating Lease Expenses</i>	85	1,432
<i>Maintenance Expenses</i>	5,988	4,595
<i>Advertisement Expenses</i>	299	237
<i>Other Expenses</i>	14,627	12,620
Losses from sales of Assets	15	3
Other	18,411	12,480
Total	46,254	35,385

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

The pre-tax income amount from continued operations is TL 210,624 (31 December 2018: TL 131,891).

10. Information on tax provision related to continued operations and discontinued operations***Current period taxation benefit or charge and deferred tax benefit or charge***

As of 31 December 2018, current taxation expense is TL 47,604 (31 December 2018: TL 30,768) and the net impact of deferred tax income is TL 1,489 (31 December 2018: TL 2,120).

Deferred tax charge arising from origination or reversal of temporary differences

The deferred tax income arising from origination of temporary differences is TL 1,489 (31 December 2018: TL 2,120).

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

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 1,489 (31 December 2018: TL 2,120).

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****11. Information on net profit or loss of the period including profit/loss from continued and discontinued operations**

Current period profit from continued operations is TL 164,509 (31 December 2018: TL 103,243).

12. Information on net profit or loss of the period

Information on nature, dimension and frequency rate of income and expense accounts resulting from ordinary banking transactions if they are necessary for explaining the Bank’s current period performance

None.

Information on the profit or loss effect of a change in an estimation related to financial statements and future period effect of the change in this estimation

There is no change in accounting estimation related to consolidated financial statements.

Profit/loss regarding minority rights

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

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

Other accounts which exceed the 10% of the income statement ,other than other operating income and other operating expense, amounting to TL 41,302 consist of transfer commissions, letter of credit commissions and other (31 December 2018: TL 33,900).

	Current Period	Prior Period
Letter of Credit Commissions	27,590	23,749
Transfer Commissions	10,844	7,274
Other	2,868	2,877
Total	41,302	33,900

SECTION FIVE

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

V. INFORMATION AND DISCLOSURES RELATED TO STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

1. Changes due to revaluation of financial assets available-for-sale

In the current period, there is TL 4,567 net increase in value of assets available –for-sale (31 December 2018: TL 593).

2. Increases due to cash flow hedges

None.

3. Confirmation on exchange rate differences between beginning and ending

None.

4. Information on issuance of common stock

Rights, priorities and restrictions for all classes of capital shares, including dividend distribution and recall of capital

None.

5. Information on dividend

Dividend amounts declared subsequent to the balance sheet date but before the issuance of the financial statement

None.

Net profit per share proposed to be distributed after the balance sheet date

None.

6. Amounts transferred to reserves

In the current period, amount of TL 5,827 have been transferred to legal reserves (31 December 2018: TL 4,594).

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

Information on inflation restatement differences of shareholders equity accounts

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

Explanations about the Share Capital increase

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

SECTION FIVE

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

VI. INFORMATION AND FOOTNOTES RELATED TO CASH FLOWS STATEMENT

1. Information on cash and cash equivalent assets

Balances that form the cash and cash equivalent assets, and the accounting policy used in the formation of these balances

Subject to the preparation of cash flows statements “Cash” refers to cash in vault, cash in transit, bank cheques purchased and demand deposits in banks including Central Bank of Turkey; “Cash equivalents” refers to money market placements of original maturity less than three months and time deposits at banks, and investments in financial securities.

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

	31 December 2018	31 December 2017
Cash	20,366	14,355
Cash and cash equivalents	2,512,088	1,446,712
Total	2,532,454	1,461,067

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

	31 December 2019	31 December 2018
Cash	16,758	20,366
Cash and cash equivalents	2,006,437	2,512,088
Total	2,023,195	2,532,454

The TL (206,775) in the “Other” account that is under the “Operational Profit Before Operations of Banking on Assets and Liabilities” account is comprised of other operating income excluding collections from non performing loans, other operating expense excluding personnel expenses and exchange gain/loss (31 December 2018 : (TL 227,543)).

The “Net increase/decrease in other assets” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (2,664) is composed of changes in fixed assets, associates, tax assets and other assets (31 December 2018 : TL (9,499)).

The “Net increase/decrease in other debts” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL 313,055 is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable (31 December 2018 : TL 17,123).

“Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents” is computed by TL 65,394 which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira (31 December 2018 : TL 61,869).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION FIVE

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

VII. INFORMATION ON THE GROUP’S RISK GROUP

1. Information on the volume of transactions with the Parent Bank’s risk group, lending and deposits outstanding at period end and income and expenses in the current period

Information on the loans of the Group’s risk group

Current Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	1,395	26,049	431,005	247,752
Balance at the end of the period	-	-	59,486	11,700	-	88,731
Interest and Commission Income received ⁽²⁾	-	-	-	-	2,783	-

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

⁽²⁾ Loans given to the Parent Bank’s direct and indirect shareholders are composed of forfeiting and letter of credit transactions which the interest and commission income are obtained not from the risk group but from the exporting firms.

Prior Period

Group’s Risk Group ⁽³⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	-	41,801	78,129	98,157
Balance at the end of the period	-	-	1,395	26,049	431,005	247,752
Interest and Commission Income received	-	-	-	-	3,135	-

⁽³⁾ Stated at the 2nd clause of the 49 nth article of the Law No. 5411 of Bank’s Act.

The Group has a loan amounting to TL 671,182 (31 December 2018: TL 624,181) from the risk group. There was an interest expense of TL 23,501 in the current period related to the loans used (31 December 2018: TL 19,462).

Information on deposits of the Group’s risk group

Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	-	-	2,038,148	2,250,314	658,394	394,038
Balance at the end of the period	-	-	1,688	2,038,148	777,686	658,394
Interest expense on deposits	-	-	16,030	58,948	17,916	4,980

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

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

None.

Information on benefits provided for top level management:

As of 31 December 2019, TL 25,572 has been paid to the top level management of the Group as salaries and fringe benefit (31 December 2017: TL 15,088).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****VIII. DOMESTIC, FOREIGN AND OFF SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES****1. Information on Bank’s domestic branches, foreign branches and representatives**

	<u>Number of branches</u>	<u>Number of employees</u>			
Domestic Branch	7	274			
			<u>Country</u>		
Foreign representative office	-	-	-		
				<u>Total assets</u>	<u>Legal capital</u>
Foreign branch	-	-	-	-	-
Off shore branches	-	-	-	-	-

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

There’s no Branch was opened in the year 2019 in Turkey (2018: None). There are no Branches closed over the same period (2018: None).

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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SECTION SIX

AUDITORS’ REPORT

I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT

As of 31 December 2019, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative) and Auditors’ Report dated 31 January 2019 is presented preceding the financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.