

*(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 2020
With Auditors' Report**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

18 February 2021

This report contains "Independent Auditors' Review Report" comprising 4 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 116 pages.



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

To the General Assembly of Arap Türk Bankası Anonim Şirketi

A) Report on the Audit of the 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 2020 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 2020, 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 2020, loans measured at amortised cost comprise 35% of the Bank's total assets.</p> <p>The Bank recognizes its loans in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>The Bank applies the "expected credit loss model" in determining the impairment of financial assets in accordance with the Regulation and Standard. The model which contains significant assumptions and estimates is reviewed by the Bank management annually.</p> <p>The significant assumptions and estimates of the Bank'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 the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets.</p>	<p>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 Bank's business model whose objective is to hold financial assets in order to collect contractual cash flows and we tested the appropriateness of the loan agreements with the model by selecting samples. • We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. • We evaluated the Bank's business model and methodology and the evaluation of the calculations were carried out with the control testing and detailed analysis by the involvement of specialist. • We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and testing their classification. In this context, the current status of the loan customer has been evaluated by including the impact of COVID 19 on prospective information and macroeconomic variables. • We evaluated the accuracy of the expected credit loss calculations by selecting sample for the loans which are assessed on individual basis including the impact of COVID-19 on the assumptions and estimates.



<p>The Bank calculates expected credit losses on both an individual and a collective basis. Individual provisions consider the estimated future performance of the business and the fair value of the collateral provided for credit transactions.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and expectations. The completeness and accuracy of data sets in the model are also considered and the forward looking expectations are reflected by macroeconomic models.</p> <p>Impairment on loans measured at amortised cost was considered to be a key audit matter, due to the significance of the estimates, assumptions including the impact of COVID-19, the level of judgements and its complex structure as explained above.</p>	<ul style="list-style-type: none">• We tested the accuracy and completeness of the data in the calculation models for the loans which are assessed on collective basis. The expected credit loss calculation was tested through recalculation. The models used for the calculation of the risk parameters were examined and the risk parameters for the selected sample portfolios were recalculated.• We assessed the macroeconomic models including the effects of COVID-19, that 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, including the effects of COVID-19, which are used in determining the significant increase in credit risk.• 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 2020 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 Tıkınak, SMMM
Partner

18 February 2021
İstanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED FINANCIAL REPORT
AS OF 31 DECEMBER 2020**

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 2020 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

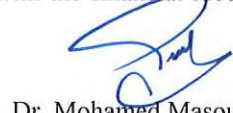
The subsidiaries, associates and jointly controlled companies included in the consolidated financial report are as follows:

	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**.



Turgut Gülcihan
*Chairman of the Board of
Directors*



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



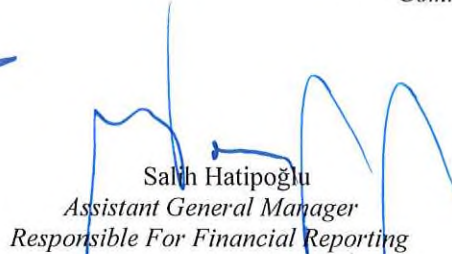
Salah Bandi
*Member of The Board of
Directors and The Audit
Committee*



Dr. Sinan Şahin
*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 2020

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

As of 31 December 2020, 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 2019: 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 2020**

(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
Turgut Gülcihan	Chairman of the Board of Directors
Aflah Omar Magsi	Deputy Chairman of the Board of Directors
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Dr. Mohamed Masoud A. Aldrogi	Member of the Board of Directors and Chairman of Audit Committee
Salah Bandi	Member of the Board of Directors and Audit Committee
Dr. Sinan Şahin	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
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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD 31.12.2020			PRIOR PERIOD 31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		459,142	1,993,729	2,452,871	617,606	2,054,189	2,671,795
1.1	Cash and Cash Equivalents	1	428,494	1,278,202	1,706,696	614,302	1,714,171	2,328,473
1.1.1	Cash and Balances with Central Bank		4,604	828,833	833,437	4,577	561,989	566,566
1.1.2	Banks	3	50,533	449,372	499,905	76,583	1,152,182	1,228,765
1.1.3	Money Markets		374,182	-	374,182	535,166	-	535,166
1.1.4	Expected Credit Loss (-)		825	3	828	2,024	-	2,024
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	16,724	-	16,724	-	94,252	94,252
1.2.1	Government Securities		16,724	-	16,724	-	94,252	94,252
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	13,924	715,527	729,451	3,304	245,766	249,070
1.3.1	Government Securities		13,700	364,905	378,605	3,079	104,587	107,666
1.3.2	Equity Securities		224	2,961	3,185	225	2,381	2,606
1.3.3	Other Financial Assets		-	347,661	347,661	-	138,798	138,798
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)		642,164	2,571,414	3,213,578	412,028	1,986,579	2,398,607
2.1	LOANS (NET)	5	569,573	1,155,008	1,724,581	456,747	1,273,496	1,730,243
2.2	Lease Receivables	10	82,710	229,142	311,852	50,743	242,534	293,277
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	7,794	1,191,175	1,198,969	1,322	477,415	478,737
2.4.1	Government Securities		7,794	758,375	766,169	1,322	329,700	331,022
2.4.2	Other Financial Assets		-	432,800	432,800	-	147,715	147,715
2.5	Expected Credit Loss (-)		17,913	3,911	21,824	96,784	6,866	103,650
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	16	1,210	-	1,210	1,000	-	1,000
3.1	Held for Sale Purpose		1,210	-	1,210	1,000	-	1,000
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		-	-	-	-	-	-
4.1	Associations (Net)	7	-	-	-	-	-	-
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2	Subsidiaries (Net)	8	-	-	-	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	JOINT VENTURES (Net)	9	-	-	-	-	-	-
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)	12	153,449	-	153,449	146,788	-	146,788
VI.	INTANGIBLE ASSETS (Net)	13	4,157	-	4,157	6,350	-	6,350
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		4,157	-	4,157	6,350	-	6,350
VII.	INVESTMENT PROPERTY (Net)	14	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	15	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	15	339	-	339	-	-	-
X.	OTHER ASSETS	17	21,019	14,713	35,732	13,487	11,616	25,103
	TOTAL ASSETS		1,281,480	4,579,856	5,861,336	1,197,259	4,052,384	5,249,643

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31.12.2020			31.12.2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	35,489	2,819,011	2,854,500	49,521	2,406,400	2,455,921
II. FUNDS BORROWED	3	4,916	1,703,442	1,708,358	-	1,611,843	1,611,843
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	5	2,253	415	2,668	1,040	786	1,826
X. PROVISIONS	7	61,237	1,145	62,382	57,237	267	57,504
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		26,214	-	26,214	20,188	-	20,188
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		35,023	1,145	36,168	37,049	267	37,316
XI. CURRENT TAX LIABILITY	8	12,869	-	12,869	10,824	-	10,824
XII. DEFERRED TAX LIABILITY		1,214	-	1,214	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	17,016	25,347	42,363	11,562	25,367	36,929
XVI. SHAREHOLDERS' EQUITY	9	1,167,955	9,027	1,176,982	1,068,261	4,686	1,072,947
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		99,383	-	99,383	99,664	-	99,664
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(425)	9,027	8,602	381	4,686	5,067
16.5 Profit Reserves		44,174	-	44,174	35,276	-	35,276
16.5.1 Legal Reserves		44,173	-	44,173	35,275	-	35,275
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)		584,823	-	584,823	492,940	-	492,940
16.6.1 Prior Periods' Profit or (Loss)		484,042	-	484,042	328,431	-	328,431
16.6.2 Current Period Profit or (Loss)		100,781	-	100,781	164,509	-	164,509
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,302,949	4,558,387	5,861,336	1,200,294	4,049,349	5,249,643

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AT 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31.12.2020			PRIOR PERIOD 31.12.2019		
		TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	91,333	4,316,844	4,408,177	226,070	3,894,348	4,120,418
I.	GUARANTEES AND WARRANTIES	77,167	4,264,349	4,341,516	207,270	3,860,951	4,068,221
1.1.	Letters of Guarantee	77,167	3,695,760	3,772,927	207,270	2,948,876	3,156,146
1.1.1.	Guarantees Subject to State Tender Law	7,329	-	7,329	7,415	-	7,415
1.1.2.	Guarantees Given for Foreign Trade Operations	15	3,691,483	3,691,498	1,150	2,941,666	2,942,816
1.1.3.	Other Letters of Guarantee	69,823	4,277	74,100	198,705	7,210	205,915
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	304,478	304,478	-	450,008	450,008
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	304,478	304,478	-	450,008	450,008
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	-	264,111	264,111	-	462,067	462,067
1.9.	Other Collaterals	-	-	-	-	-	-
II.	COMMITMENTS	14,166	52,495	66,661	18,800	33,397	52,197
2.1.	Irrevocable Commitments	1,771	15,782	17,553	8,303	17,513	25,816
2.1.1.	Asset Purchase and Sale Commitments	-	10,820	10,820	7,993	9,578	17,571
2.1.2.	Deposit Purchase and Sales Commitments	1,500	-	1,500	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4.	Loan Granting Commitments	-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7.	Commitments for Cheques	271	-	271	310	-	310
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	-	4,962	4,962	-	7,935	7,935
2.2.	Revocable Commitments	12,395	36,713	49,108	10,497	15,884	26,381
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	12,395	36,713	49,108	10,497	15,884	26,381
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)	1,262,049	5,476,534	6,738,583	1,122,645	4,285,956	5,408,601
IV.	ITEMS HELD IN CUSTODY	1,846	-	1,846	2,755	-	2,755
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	1,846	-	1,846	2,755	-	2,755
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	1,260,203	5,476,534	6,736,737	1,119,890	4,285,956	5,405,846
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	58,012	165,162	223,174	73,062	137,029	210,091
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	17,824	182,044	199,868	20,059	147,317	167,376
5.6.	Other Pledged Items	1,184,367	5,129,328	6,313,695	1,026,769	4,001,610	5,028,379
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	1,353,382	9,793,378	11,146,760	1,348,715	8,180,304	9,529,019

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 2020

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2020-31/12/2020)	(01/01/2019-31/12/2019)
I. INTEREST INCOME	1	292,894	346,762
1.1 Interest on Loans		119,341	145,643
1.2 Interest on Reserve Requirements		5	6,266
1.3 Interest on Banks		10,511	27,497
1.4 Interest on Money Market Transactions		46,735	84,765
1.5 Interest on Marketable Securities Portfolio		86,938	48,807
1.5.1 Fair Value Through Profit or Loss		7,401	14,239
1.5.2 Fair Value Through Other Comprehensive Income		35,706	12,145
1.5.3 Measured at Amortised Cost		43,831	22,423
1.6 Financial Lease Income		29,358	29,437
1.7 Other Interest Income		6	4,347
II. INTEREST EXPENSE (-)	2	46,401	54,383
2.1 Interest on Deposits		12,408	21,181
2.2 Interest on Funds Borrowed		30,403	32,831
2.3 Interest Expense on Money Market Transactions		-	-
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		518	371
2.6 Other Interest Expenses		3,072	-
III. NET INTEREST INCOME (I - II)		246,493	292,379
IV. NET FEES AND COMMISSIONS INCOME		54,852	75,535
4.1 Fees and Commissions Received		58,718	78,496
4.1.1 Non-cash Loans		18,965	37,194
4.1.2 Other		39,753	41,302
4.2 Fees and Commissions Paid		3,866	2,961
4.2.1 Non-cash Loans		6	-
4.2.2 Other		3,860	2,961
V. DIVIDEND INCOME	3	33	15
VI. TRADING INCOME / (LOSS) (Net)	4	5,667	7,753
6.1 Trading Gains / (Losses) on Securities		(162)	-
6.2 Gains / (Losses) on Derivative Financial Transactions		(42)	475
6.3 Foreign Exchange Gains / (Losses)		5,871	7,278
VII. OTHER OPERATING INCOME	5	13,669	8,101
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		320,714	383,783
IX. EXPECTED CREDIT LOSS (-)	6	3,909	12,919
X. OTHER PROVISION EXPENSE (-)	7	16,319	17,734
XI. PERSONNEL EXPENSE (-)		117,451	96,252
XII. OTHER OPERATING EXPENSES (-)	8	51,961	46,254
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		131,074	210,624
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	131,074	210,624
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	10	(30,293)	(46,115)
18.1 Current Tax Provision		(31,940)	(47,604)
18.2 Deferred Tax Income Effect (+)		11,874	9,102
18.3 Deferred Tax Expense Effect (-)		13,521	10,591
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	11	100,781	164,509
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	100,781	164,509
25.1 Group Profit (Loss)		100,781	164,509
25.2 Minority shares Profit (Loss)		-	-
Earning/(Loss) per share (in TL full)		0.0023	0.0037

ARAP TÜRK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2020-31/12/2020)	(01/01/2019-31/12/2019)
I.	CURRENT PERIOD PROFIT/LOSS	100,781	164,509
II.	OTHER COMPREHENSIVE INCOME	3,254	25,167
2.1	Not Reclassified to Profit or Loss	(281)	20,600
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	26,959
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(353)	(2,494)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	72	(3,865)
2.2	Reclassified to Profit or Loss	3,535	4,567
2.2.1	Foreign Currency Translation Differences	-	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other		
2.2.2	Comprehensive Income	4,280	5,606
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(745)	(1,039)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	104,035	189,676

ARAP TÜRK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED AT 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
PRIOR 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
CURRENT PERIOD 31.12.2020																
I. Balance at the beginning of the period	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I-II)	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
IV. Total comprehensive income (loss)	-	-	-	-	-	(281)	-	-	3,535	-	-	-	100,781	104,035	-	104,035
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AT 31 DECEMBER 2020

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2020-31/12/2020)	PRIOR PERIOD (01/01/2019-31/12/2019)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(899,494)	37,175
1.1.1 Interest Received		280,940	349,523
1.1.2 Interest Paid		(46,621)	(45,401)
1.1.3 Dividend Received		-	16
1.1.4 Fees and Commissions Received		58,718	78,496
1.1.5 Other Income		20,214	23,296
1.1.6 Collections from Previously Written-off Loans and Other Receivables		12,353	3,109
1.1.7 Payments to Personnel and Service Suppliers		(145,649)	(117,006)
1.1.8 Taxes Paid		(29,222)	(48,770)
1.1.9 Other	1	(1,050,227)	(206,088)
1.2 Changes in Operating Assets and Liabilities		522,605	(541,222)
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		(45,879)	144,963
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		759,338	354,655
1.2.4 Net (increase) / decrease in other assets		(10,855)	(2,664)
1.2.5 Net increase / (decrease) in bank deposits	1	(162,231)	(2,121,406)
1.2.6 Net increase / (decrease) in other deposits		(145,274)	50,545
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		273,211	719,630
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities	1	(145,705)	313,055
I. Net Cash Provided from Banking Operations		(376,889)	(504,047)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		(694,319)	(70,316)
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		(10,049)	(35,008)
2.4 Disposals of property and equipment		-	13
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(327,736)	(186,766)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		117,899	99,323
2.7 Purchase of Financial Assets Measured at Amortised Cost		(748,875)	(145,427)
2.8 Sale of Financial Assets Measured at Amortised Cost		277,162	199,599
2.9 Other		(2,720)	(2,050)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		(518)	(290)
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(518)	(290)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	1	300,335	65,394
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)	1	(771,391)	(509,259)
VI. Cash and Cash Equivalents at the Beginning of the Period	1	2,023,195	2,532,454
VII. Cash and Cash Equivalents at the End of the Period	1	1,251,804	2,023,195

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 2020

(Thousands of Turkish Lira)

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		31.12.2020	31.12.2019
I.	DISTRIBUTION OF CURRENT YEAR INCOME (1)		
1.1	CURRENT YEAR INCOME	123,327	210,125
1.2	TAXES AND DUTIES PAYABLE	(26,752)	(43,698)
1.2.1	Corporate Tax (Income tax)	(27,948)	(45,171)
1.2.2	Income withholding tax	-	-
1.2.3	Other taxes and duties	1,196	1,473
A.	NET INCOME FOR THE YEAR (1.1-1.2)	96,575	166,427
1.3	PRIOR YEARS LOSSES (-)(¹)	-	-
1.4	FIRST LEGAL RESERVES (-)	-	8,248
1.5	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	96,575	158,179
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	0.0022	0.0038
3.2	TO OWNERS OF ORDINARY SHARES (%)	0.22	0.38
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 2019.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION

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

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

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

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

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

New and revised Turkish Accounting Standards effective for annual periods beginning on or after 1 January 2020 have no material effect on the financial statements, financial performance and on the Parent Bank’s accounting policies. New and revised Turkish Accounting Standards issued but not yet effective as of the finalization date of the financial statements have no material effect on the financial statements, financial performance and on the Bank’s accounting policies.

The Indicator Interest Rates Reform, reference interest rates conversion will be effective from the beginning of 2021, and with the regulations published in September 2019 and December 2020 regarding the implementation of the reform, early implementation of the changes is allowed, while temporary exemption from practices related to the determination of cash flows of hedge accounting and termination of transactions has been recognized. In this context, there is no product in the Bank.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION (Continued)

Other

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

While preparing the interim financial statements dated 31 December 2020, the Parent Bank reflected the possible effects of the Covid-19 outbreak on the estimates and judgments used in the preparation of the financial statements.

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

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

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

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

The major principles applied in the consolidation of subsidiaries

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

VI. INFORMATION ON FEES AND COMMISSION

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS

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

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

a. Financial Assets at Fair Value through Profit or Loss

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured at Amortized Cost

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

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

d. Loans

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

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Fees paid for the assets received as collateral against loans, transaction costs and other costs such as transaction costs, it is a part of and charged to the customer.

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

Individual Evaluation

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

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

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

Definition of Default

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

These conditions have stated below:

- 1) To have a past due more than 90 days. (150 days for the financial leasing receivables)
- 2) The decision taken for bankruptcy or concordatum registration.
- 3) To have a loan classified as standard receivable by restructuring while monitored as non-performing loan and to have a past due more than 30 days of principal and/or interest payment delayed within the 1 year monitoring period or to have a loan restructured once more during this monitoring period.
- 4) Other neutral criteria deemed appropriate by management

Significant increase in credit risk definition

Loans are designated as the First Group (Standard loans), the Second Group (loans under close monitoring), the Third Group (loans with limited collection), the Fourth Group (loans in suspicious cases where the loss is expected) and the fifth group (Losses).

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

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

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

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

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

The Parent Bank's loans have been evaluated and classified as of 30 June 2020 in line with the Regulation on the Classification of Loans and the Procedures and Principles Regarding Provisions to be Reserved for them and taking into account the effects of Covid-19; accordingly, a provision has been set aside.

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

The Parent Bank has possibilities in accordance with the BRSA Decisions on Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside numbered 8948 dated 17 March 2020 and numbered 8970 dated 27 March 2020 and 8 December 2020, starting from 17 March 2020 until 30 June 2021, due to the disruptions in economic and commercial activities as a result of the Covid-19 pandemic;

As of 31 December 2020, the Group does not have any loans in the framework of the above circular.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Group’s intangible assets consist of software.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

Tangible assets acquired through financial leasing are recognized as assets and the related liabilities as lease payables in the Group’s assets and liabilities, respectively. In the determination of the related assets and liabilities, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs of leasing agreements are expanded in lease periods at a fixed interest rate.

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

Interest and exchange rate expenses related to financial leasing are recognized in the income statement.

Finance leasing activities as the lessor

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

Operational leases

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for other benefits to employees

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2020 is TL 7,117.17 (full TL) (31 December 2019: TL 6,379.86 (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%.

In Turkey, corporate income is subject to corporate tax at 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 5 December 2017 and their possessors and mortgage holders, all of the profits from the sale of the proceeds from the transfer to the bank or from this Fund that are used in the liquidation of these debts and 75% of the gains from the sale of the securities in such a manner so obtained by the banks are exempted from the corporation tax.

75% of the profits arising from the sale of founders' shares, usufruct shares and preferential rights that the institutions hold for at least two full years in the assets due to 5 December 2017, the immovables they own in the same period as the participation shares; is exempted from the corporation tax as long as it is kept in a special fund account until the end of the fifth year following the year in which the sale is made and collected until the end of the second calendar year.

On the other side, according to the regulation of 7061 numbered "Law on Amendments to Certain Tax Laws and Other Certain Other Laws", the tax exemption rate mentioned above is: As of 5 December 2017, 50% is applied for the gains derived from the sale of immovables and 75% for gains derived from the sale of the others.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS (Continued)

Deferred taxes

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

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

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

Transfer pricing

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

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

XVII. ADDITIONAL INFORMATION ON BORROWINGS

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

The Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

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

XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES

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

There are no acceptances presented as liabilities against any assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

None.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. CASH AND CASH EQUIVALENTS

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

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

XXII. INFORMATION ON SEGMENT REPORTING

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

XXIII. OTHER DISCLOSURES

Profit reserves and profit distribution

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

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

Related parties

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP

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

Informations about Total Capital

	Amount (Current Period)	Amounts related to treatment before 1/1/2014⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,176,982	
Share issue premiums	440,000	
Reserves	-	
Gains recognized in equity as per TAS	44,174	
Profit	107,985	
Current Period Profit	584,823	
Prior Period Profit	100,781	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	484,042	
Minorities’ shares	-	
Common Equity Tier 1 Capital Before Deductions	1,176,982	
Deductions from Common Equity Tier 1 Capital	4,304	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	147	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,157	4,157
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	4,304	
Total Common Equity Tier 1 Capital	1,172,678	

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,172,678	
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)	36,000	
Tier II Capital Before Deductions	36,000	
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	36,000	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,678	
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	1,208,278	
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 (-)	-	

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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 (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL	1208,678	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,678	
Total risk weighted amounts	4,519,775	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	25.95	
Consolidated Tier 1 Capital Adequacy Ratio (%)	25.95	
Consolidated Capital Adequacy Ratio (%) ^(*)	26.74	
BUFFERS		
Total buffer requirement	2.632	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.132	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	21.45	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,000	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
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	-	

^(*) Calculated based on the measures contained in the announcement of 8 December 2020.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,072,947	
Share issue premiums	440,000	
Reserves	-	
Gains recognized in equity as per TAS	35,276	
Profit	104,731	
Current Period Profit	492,940	
Prior Period Profit	164,509	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	328,431	
Minorities’ shares	-	
Common Equity Tier 1 Capital Before Deductions	1,072,947	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	6,647	
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	-	
Goodwill (net of related tax liability)	297	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	6,350	6,350
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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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,066,300	
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	
The sum of Tier I Capital and Tier II Capital (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 (-)	-	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL	1,101,953	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,101,953	
Total risk weighted amounts	5,294,862	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	20.14	
Consolidated Tier 1 Capital Adequacy Ratio (%)	20.14	
Consolidated 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 mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
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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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)**

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

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

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

	Balance sheet value	Amount of adjustment	Value at capital report
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	99,383	-	99,383
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	8,602	-	8,602
Profit Reserves	44,174	-	44,174
Profit or Loss	584,823	-	584,823
Prior Periods’ Profit/Loss	484,042	-	484,042
Current Period Net Profit/Loss	100,781	-	100,781
Deductions from Common Equity Tier I Capital (*)	-	4,304	(4,304)
Common Equity Tier 1 capital			1,172,678
Tier 1 capital			1,172,678
Provisions	-	(36,000)	36,000
Tier 2 capital (**)	-	(36,000)	36,000
Shareholders’s Equity Adjustments (***)	-	-	-
Total Shareholders’s Equity	1,176,982	(31,696)	1,208,678

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

The table below shows the distribution of corporate and commercial loans grades in respect of weight as of 31 December 2020:

Grade ^{(1),(2)}	Description	Current Period	Prior Period
		Weight	
AA	Maximum Reliability	-	% 1
AA-	Maximum Reliability	% 5	% 2
A+	Very Good Firm	% 8	% 10
A	Very Good Firm	% 15	% 11
A-	Very Good Firm	% 11	% 17
BBB+	Reliable and Qualified	% 16	% 15
BBB	Reliable and Qualified	% 20	% 13
BBB-	Reliable and Qualified	% 10	% 13
BB+	Low Reliably and risky	% 7	% 11
BB	Low Reliably and risky	% 6	% 9
BB-	Low Reliably and risky	-	% 2
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	1,077,555	1,217,397	1,289,227	1,300,026	1,090,578	1,150,316	1,330,078	1,293,168	1,163,022	1,210,225	1,180,683	1,423,917	1,227,183
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	3,334,521	3,667,116	3,460,253	3,120,251	3,086,714	2,923,179	2,719,533	2,540,510	2,800,073	2,585,190	2,573,169	2,990,627	2,983,428
Contingent and Non-Contingent Corporate Receivables	1,917,022	1,956,882	1,944,804	1,956,817	1,853,509	1,843,909	1,779,537	1,693,496	1,602,081	1,602,827	1,634,488	1,822,944	1,800,693
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Property	21,450	21,450	20,000	1,100	23,600	23,600	23,600	23,600	23,600	23,600	23,600	23,600	21,067
Past Due Loans	10,472	7,701	7,777	7,937	7,428	4,234	4,431	3,671	2,663	2,307	1,849	1,635	5,175
Higher-Risk Receivables Defined by BRS ^A	421,515	429,656	361,399	353,426	372,590	411,247	600,178	492,493	386,153	264,643	281,015	249,876	385,349
Marketable Securities Collateralized	-	-	-	-	-	-	-	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitization Exposures	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Receivables	229,909	235,703	251,780	243,589	259,054	217,608	223,368	214,890	215,118	226,206	220,596	226,689	230,376
Total exposure to risks	7,012,444	7,535,905	7,335,240	6,983,146	6,693,473	6,574,093	6,680,725	6,261,828	6,192,710	5,914,998	5,915,400	6,739,288	6,653,271

SECTION FOUR

II. INFORMATION ON CREDIT RISK (Continued)

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

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

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

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

4. **For Credit Risk Analysis;**

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

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

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

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

5. **For Credit Risk Analysis;**

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

6. For Credit Risk Analysis;

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

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

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

The share of the top 100 and 200 non-cash loan customers comprises 99.74% 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 9,090 (31 December 2019: TL 10,700).

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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	1,423,917	2,795,410	1,822,928	23,600	1,635	9,150	226,689	6,303,329
European Union Countries	-	51,954	-	-	-	-	-	51,954
OECD Countries ⁽²⁾	-	-	-	-	-	-	-	-
Off-Shore Banking Regions	-	-	-	-	-	-	-	-
USA, Canada	-	11,096	-	-	-	-	-	11,096
Other Countries	-	132,167	16	-	-	240,726	-	372,909
Associates, subsidiaries and jointly controlled partnership	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ⁽³⁾	-	-	-	-	-	-	-	-
Total	1,423,917	2,990,627	1,822,944	23,600	1,635	249,876	226,689	6,739,288

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	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

⁽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	-	-	126,384	-	24	-	-	54,727	71,681	126,408
Farming and Stockbreeding	-	-	109,283	-	24	-	-	53,317	55,990	109,307
Forestry	-	-	17,101	-	-	-	-	1,410	15,691	17,101
Fishing	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	517,655	-	533	-	-	128,525	389,663	518,188
Mining	-	-	15,264	-	-	-	-	15,264	-	15,264
Production	-	-	502,391	-	533	-	-	113,261	389,663	502,924
Electric, gas and water	-	-	-	-	-	-	-	-	-	-
Construction	-	-	946,988	23,600	1,078	9,150	-	178,274	802,542	980,816
Services	1,423,917	2,990,627	230,033	-	-	240,726	-	397,909	4,487,394	4,885,303
Wholesale and retail trade	-	-	78,313	-	-	-	-	34,075	44,238	78,313
Hotel, food and beverage services	-	-	200	-	-	-	-	115	85	200
Transportation and telecommunication	-	-	4,956	-	-	-	-	1,632	3,324	4,956
Financial institutions	1,423,917	2,990,627	-	-	-	240,726	-	348,839	4,306,431	4,655,270
Real estate and Leasing services	-	-	136,813	-	-	-	-	3,597	133,216	136,813
“Self-employment” type Services	-	-	-	-	-	-	-	-	-	-
Education services	-	-	1,353	-	-	-	-	1,353	-	1,353
Health and social services	-	-	8,398	-	-	-	-	8,298	100	8,398
Other	-	-	1,884	-	-	-	226,689	185,772	42,801	228,573
Total	1,423,917	2,990,627	1,822,944	23,600	1,635	249,876	226,689	945,207	5,794,081	6,739,288

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

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

SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****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	-	518,990	7,276	168,896	513,714
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	705,649	140,839	471,104	742,969	622,710
Contingent and Non-Contingent Corporate Receivables	348,026	77,627	116,703	240,346	911,315
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-
Contingent and Non-Contingent Receivables Secured by Residential Property	-	-	1,100	-	-
Past Due Loans	-	-	-	-	-
Higher-Risk Receivables Defined by BRSA	22,249	78,283	95,438	22,191	-
Marketable Securities Collateralized Mortgages	-	-	-	-	-
Securitization Exposures	-	-	-	-	-
Short-Term Receivables from Banks and Corporate Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-
Other Receivables	-	-	-	-	-
Total	1,075,924	815,739	691,621	1,174,402	2,047,739

⁽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.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

II. INFORMATION ON CREDIT RISK (Continued)

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

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

OECD Country Risk Classification Credit

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

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

Risk amount based on weight of risks

Risk weights	Before credit risk mitigation	After credit risk mitigation
0%	1,452,307	1,452,307
10%	-	-
20%	1,030,009	658,158
35%	-	-
50%	2,180,664	2,180,664
75%	-	-
100%	2,198,284	2,198,284
150%	249,876	249,876
200%	-	-
1250%	-	-
Deductible form Equity	5,335	5,335

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	9,919	122	99
Farming and Stockbreeding	9,919	122	99
Forestry	-	-	-
Fishing	-	-	-
Manufacturing	70,453	3,093	2,560
Mining	-	-	-
Production	70,453	3,093	2,560
Electric, gas and water	-	-	-
Construction	185	5,040	3,961
Services	36,871	7	7
Wholesale and retail trade	2,214	-	-
Hotel, food and beverage services	-	-	-
Transportation and telecommunication	-	-	-
Financial institutions	-	-	-
Real estate and Leasing services	34,654	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	89,333	1,099	5,204	(78,601)	6,627
Stage 1 & 2 provisions	13,037	7,669	8,770	-	11,936

⁽¹⁾ Includes loans written off.

14. Other information on credit risk

Sectoral concentrations for cash loans

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	53,135	9.33	-	-	20,658	4.52	-	-
Farming and stockbreeding	53,135	9.33	-	-	20,658	4.52	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	66,483	11.67	48,466	4.20	120,022	26.28	41,299	3.24
Mining	7,844	1.38	-	-	10,020	2.19	7,612	0.60
Production	58,639	10.30	48,466	4.20	110,002	24.08	33,687	2.65
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	158,925	27.90	399,286	34.57	127,724	27.96	319,826	25.11
Services	289,456	50.82	695,790	60.24	187,269	41.00	890,339	69.91
Wholesale and retail trade	20,080	3.53	-	-	21,242	4.65	-	-
Hotel, food and beverage Services	-	-	-	-	-	-	-	-
Transportation and Telecommunication	1,255	0.22	-	-	1,253	0.27	-	-
Financial institutions	261,117	45.84	597,060	51.69	164,774	36.08	785,249	61.66
Real estate and Leasing Services	-	-	98,730	8.55	-	-	105,090	8.25
“Self-employment” type Services	-	-	-	-	-	-	-	-
Education services	-	-	-	-	-	-	-	-
Health and social services	7,004	1.23	-	-	-	-	-	-
Other	1,574	0.28	11,466	0.99	1,074	0.24	22,032	1.73
Total	569,573	100	1,155,008	100	456,747	100	1,273,496	100

Sectoral and regional concentration of impaired loans and receivables

Sectoral	Current Period	Prior Period
Farming and Stockbreeding	122	22,616
Manufacturing	3,093	46,555
Construction	5,040	24,040
Financial institutions	-	3,864
Hotel and Restaurant Services	-	-
Wholesale and retail trade	7	7
Total impaired loans and receivables	8,262	97,082

Regional	Current Period	Prior Period
Turkey	8,262	93,218
Azerbaijan	-	3,764
Algeria	-	100
Total impaired loans and receivables	8,262	97,082

Past due but not impaired loans and receivables

None. (31 December 2019: TL 8,879).

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

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

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

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

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

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

Foreign exchange risk management policy

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

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

Date	US Dollars	Euro
24 December 2020	7.6321 TL	9.3030 TL
25 December 2020	7.6190 TL	9.2948 TL
28 December 2020	7.5517 TL	9.2037 TL
29 December 2020	7.4738 TL	9.1370 TL
30 December 2020	7.4063 TL	9.0697 TL
31 December 2020	7.3405 TL	9.0079 TL

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 2020 is TL 7,7329 for USD, TL 9,399 for EURO.

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

Current Period	Euro	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	540,374	287,442	1,017	828,833
Banks	250,698	184,782	13,892	449,372
Financial Assets Measured at Fair Value through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	390,909	324,618	-	715,527
Loans	1,014,629	140,379	-	1,155,008
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	689,337	501,838	-	1,191,175
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	224,315	15,626	-	239,941
Total Assets	3,110,262	1,454,685	14,909	4,579,856
Liabilities				
Bank Deposits	1,044,656	464,318	2,117	1,511,091
Foreign Currency Deposits	715,490	580,404	12,026	1,307,920
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	1,321,148	382,294	-	1,703,442
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	18,567	7,876	464	26,907
Total Liabilities ⁽¹⁾	3,099,861	1,434,892	14,607	4,549,360
Net Balance Sheet Position	10,401	19,793	302	30,496
Net Off Balance Sheet Position	5,405	(5,415)	-	(10)
Financial Derivatives (Assets)	5,405	-	-	5,405
Financial Derivatives (Liabilities)	-	(5,415)	-	(5,415)
Non-Cash Loans	1,647,504	1,589,194	1,027,651	4,264,349
Prior Period				
Total Assets	2,498,094	1,544,485	9,805	4,052,384
Total Liabilities	2,492,688	1,541,699	10,276	4,044,663
Balance Sheet Position, net	5,406	2,786	(471)	7,721
Off Balance Sheet Position, net	(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

(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 9,027.

(2) Includes financial lease receivables.

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

The possible increases or decreases in the shareholders’ equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 31 December 2020 and 31 December 2019 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	(1,581)	(2,091)	337	337
US Dollar	(1,438)	(1,831)	(359)	(359)
Other Currencies	(30)	(30)	47	47
Total	(3,049)	(3,952)	25	25

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	1,581	2,091	(337)	(337)
US Dollar	1,438	1,831	359	359
Other Currencies	30	30	(47)	(47)
Total	3,049	3,952	(25)	(25)

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

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

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

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

⁽³⁾ Includes financial lease receivables

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
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) (3)}	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, 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 Available for Sale Financial Assets amounting to TL 1,000 of other undistributed amounts.

⁽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 other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 36,929.

⁽³⁾ Includes financial lease receivables

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	-	-	7.27
Banks	0.25	0.20	17.31
Financial Assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	17.87
Financial Assets at Fair Value Through Other Comprehensive Income	2.90	5.98	9.86
Loans	3.65	4.64	13.96
Financial Assets Measured at Amortized Cost	-	-	11.36
Financial Lease Receivables	6.15	7.04	17.06
Liabilities			
Interbank Deposits	1.00	2.87	15.59
Other Deposits	0.33	0.56	8.70
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	1.09	3.25	12.78
Prior Period			
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	-

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED STOCK POSITION RISK

Equity investment risk due from banking book

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

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

None.

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

None.

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

None.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

The Parent Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Parent Bank’s largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the Group’s risk group have a 27% share in liabilities.

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

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

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

A large portion of the Parent Bank’s liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 48% of these funds are US Dollars, 51% are EUR and 1% are TRY.

Information regarding to the liquidity risk mitigation techniques used

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

Information regarding to the usage of Stress Tests

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

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

The Liquidity Emergency Action Plan prepared by the Parent Bank’s Assets Liabilities Committee was presented to the Board of Directors and approved by Council Decision No. 316-A/6/18 at 5 October 2018. Decisions on the plan;

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

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

Liquidity coverage ratio

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

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

	Month	FC	Month	FC+TL
Lowest	December	127	December	174
Highest	November	270	November	417

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	3,010,739	2,573,513	2,542,508	2,105,283
CASH OUTFLOWS				
2 Real person deposits and retail deposits	571,204	535,867	55,378	53,587
3 Stable deposit	34,840	-	1,742	-
4 Deposit with low stability	536,364	535,867	53,636	53,587
5 Unsecured debts except real person deposits and retail deposits	2,214,955	2,078,000	1,684,477	1,552,408
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,055,242	2,039,743	1,524,764	1,514,151
8 Other unsecured debts	159,713	38,257	159,713	38,257
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin obligations	-	-	-	-
12 Debt from structured financial instruments	-	-	-	-
13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets	-	-	-	-
14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
15 Other irrevocable or provisory revocable off-balance sheet liabilities	4,748,325	4,646,026	262,401	246,568
16 TOTAL CASH OUTFLOW	7,534,484	7,259,893	2,002,256	1,852,563
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,177,956	713,890	1,008,383	676,090
19 Other cash inflows	4,273	4,273	4,273	4,273
20 TOTAL CASH INFLOWS	1,182,229	718,163	1,012,656	680,363
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			2,542,508	2,105,283
22 TOTAL NET CASH OUTFLOWS			989,601	1,172,201
23 LIQUIDITY COVERAGE RATIO (%)			256.92	179.60

⁽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. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

Prior Period	Consideration Ratio Not Applied Total Value(1)		Consideration Ratio Applied Total Value(1)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1	2,450,631	1,908,503	2,060,923	1,518,796
CASH OUTFLOWS				
2	448,471	413,355	43,141	41,335
3	34,120	-	1,706	-
4	414,351	413,355	41,435	41,335
5	2,146,442	2,021,375	1,790,114	1,670,408
6	-	-	-	-
7	2,006,490	1,991,871	1,650,162	1,640,904
8	139,952	29,504	139,952	29,504
9	-	-	-	-
10	1	1	1	1
11	1	1	1	1
12	-	-	-	-
13	-	-	-	-
14	-	-	-	-
15	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	-	-	-	-
18	1,292,841	984,313	1,147,551	940,392
19	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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

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

Sections High-quality liquid assets comprised of

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 33% of high-quality liquid assets of the Parent Bank, while 65% 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. 49% 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. As of 31 December 2020, the group has no 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. 49% 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. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	33,471	799,966	-	-	-	-	-	833,437
Banks	77,185	416,493	6,227	-	-	-	-	499,905
Financial Assets at Fair Value through Profit or Loss	-	-	-	16,724	-	-	-	16,724
Money Market Placements	-	374,182	-	-	-	-	-	374,182
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	195,464	530,802	-	3,185	729,451
Loans	-	587,792	50,438	441,702	639,916	-	4,733	1,724,581
Investment securities held-to-maturity	-	-	-	36,720	1,162,249	-	-	1,198,969
Other assets ^{(1) (3)}	237	24,349	23,573	101,178	162,694	-	172,056	484,087
Total Assets	110,893	2,202,782	80,238	791,788	2,495,661	-	179,974	5,861,336
Liabilities								
Interbank Deposits	446,269	454,541	90,110	526,267	-	-	-	1,517,187
Other Deposits	1,264,873	37,871	23,819	10,647	103	-	-	1,337,313
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	460,594	591,919	516,650	139,195	-	-	1,708,358
Other liabilities ⁽²⁾	-	2,496	1,186	1,059	919	-	1,292,818	1,298,478
Total Liabilities	1,711,142	955,502	707,034	1,054,623	140,217	-	1,292,818	5,861,336
Net Liquidity Gap	(1,600,249)	1,247,280	(626,796)	(262,835)	2,355,444	-	(1,112,844)	-
Prior Period								
Total Assets	97,667	2,663,005	256,320	1,055,718	983,928	28,886	164,119	5,249,643
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)	-

⁽¹⁾ Other Assets: The amount of TL 172,056 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 153,449, Expected credit loss amounting to TL 22,652, Intangible Assets amounting to TL 4,157, Deferred Tax Assets amounting to TL 339 and other Non-Interest Bearing amounting to TL 35,553 and Available for Sale Financial Assets amounting to TL 1,210 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 1,292,818 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 1,176,982, Provisions amounting to TL 62,382, Deferred Tax Liabilities amounting to TL 12,869 Deferred Tax Liability amounting to TL 1,214 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 39,371.

⁽³⁾ Includes financial lease receivables

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

SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****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⁾	10,866	8,959
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	1,412	7,125
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	1,581,677	746,769
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	45,398	19,648
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	1,639,353	782,501

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

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

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

SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****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)	5,854,437	5,044,910
2 (Assets deducted from main capital)	(5,237)	(4,481)
3 Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	5,849,200	5,040,429
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	2	443
6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	2	443
Security or secured financing transactions		
7 Risk amount of security or secured financing transactions (Except balance sheet)	46,292	20,411
8 Risk amount due to intermediated transactions	-	-
9 Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	46,292	20,411
Off-balance sheet transactions		
10 Gross nominal amount of off-balance sheet transactions	4,553,529	4,003,679
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)	4,553,529	4,003,679
Equity and total risk		
13 Main capital	1,115,587	985,586
14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	10,449,023	9,064,962
Leverage ratio		
15 Leverage ratio	%10.70	%10.89

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VIII. INFORMATION ON FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

Fair value hierarchy

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

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

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

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

	Carrying Value		Fair Value	
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	5,641,709	5,081,824	5,508,465	5,024,470
Banks	1,302,674	1,795,331	1,302,674	1,795,331
Money market receivables	374,182	535,166	374,182	535,166
Financial assets available-for-sale	729,451	249,070	729,451	249,070
Investment securities held-to- maturity	1,198,969	478,737	808,452	545,028
Loans	1,724,581	1,730,243	1,995,546	1,612,519
Leasing receivables	311,852	293,277	298,159	287,357
Financial Liabilities	4,605,221	4,104,693	4,605,221	4,104,693
Bank deposits	2,321,434	1,995,337	2,321,434	1,995,337
Other Deposits	533,067	460,584	533,067	460,584
Funds provided from other financial institutions	1,708,358	1,611,843	1,708,358	1,611,843
Money market borrowings	-	-	-	-
Marketable securities issued	-	-	-	-
Miscellaneous Payables	42,363	36,929	42,363	36,929

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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	16,724	-	-	16,724
<i>Public sector debt securities</i>	16,724	-	-	16,724
<i>Equity Securities</i>	-	-	-	-
<i>Other financial assets</i>	-	-	-	-
Financial Assets Measured at Fair Value				
Through Other Comprehensive Income	726,266	-	3,185	729,451
<i>Public sector debt securities</i>	378,605	-	-	378,605
<i>Equity Securities</i>	-	-	3,185	3,185
<i>Other financial assets</i>	347,661	-	-	347,661
Prior Period				
Financial Assets				
Financial assets 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 available for sale	246,464	-	2,606	249,070
<i>Public sector debt securities</i>	107,666	-	-	107,666
<i>Equity Securities</i>	-	-	2,606	2,606
<i>Other financial assets</i>	138,798	-	-	138,798

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

	Current Period	Prior Period
Balances at beginning of period	2,606	2,336
Purchases during the period	-	-
Disposals through sale/redemption	-	-
Valuation effect	579	270
Transfers	-	-
Balances at end of period	3,185	2,606

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. INFORMATION ON RISK MANAGEMENT****Overview of Risk Weighted Amount**

	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	3,794,596	4,756,615	303,568
2 Standardised approach (SA)	3,794,596	4,756,615	303,568
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	466	672	37
5 Standardised approach for counterparty credit risk (SA-CCR)	466	672	37
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	152,438	73,925	12,195
17 Standardised approach (SA)	152,438	73,925	12,195
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	572,275	463,650	45,782
20 Basic Indicator Approach	572,275	463,650	45,782
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,519,775	5,294,862	361,582

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

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

	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Gross Carrying Values of TAS				
			Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash And Balances With The Central Bank Of Turkey	833,437	833,437	833,437	-	-	828,833	-
Financial assets held for trading	16,724	16,724	-	-	-	16,724	-
Financial Assets At Fair Value Through Profit Or Loss	-	-	-	-	-	-	-
Banks	499,905	499,905	499,905	-	-	449,372	-
Money Market Placements	374,182	374,182	-	-	-	-	-
Investment Securities Available-for-Sale (net)	729,451	729,451	3,185	-	-	729,451	-
Loans And Receivables	1,724,581	1,724,581	1,724,581	-	-	1,724,581	-
Factoring Receivables	-	-	-	-	-	-	-
Investment Securities Held-to-Maturity (net)	1,198,969	1,198,969	1,198,969	-	-	1,191,175	-
Associates (net)	-	-	-	-	-	-	-
Subsidiaries (net)	-	-	-	-	-	-	-
Joint Ventures (net)	-	-	-	-	-	-	-
Lease Receivables	311,852	311,852	311,852	-	-	311,852	-
Derivative Financial Assets Held For Hedging	-	-	-	-	-	-	-
Tangible Assets (net)	153,449	153,449	153,449	-	-	-	147
Intangible Assets (net)	4,157	4,157	-	-	-	-	4,157
Investment Property (net)	-	-	-	-	-	-	-
Tax Asset	339	339	-	-	-	-	-
Asset Held For Sale And Assets Of Discontinued Operations (Net)	1,210	1,210	-	-	-	-	1,210
Other Assets	13,080	13,080	25,392	-	-	14,713	-
Total Assets	5,861,336	5,861,336	4,750,770	-	-	5,266,701	5,514
Liabilities							
Deposits	2,854,500	2,854,500	-	-	-	2,819,011	-
Derivative Financial Liabilities Held For Trading	-	-	-	-	-	-	-
Funds Borrowed	1,708,358	1,708,358	-	-	-	1,703,442	-
Interbank Money Market	-	-	-	-	-	-	-
Marketable Securities Issued (Net)	-	-	-	-	-	-	-
Funds	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Other External Resources	42,363	42,363	-	-	-	25,347	-
Factoring Payables	-	-	-	-	-	-	-
Leasing Transactions Payables	2,668	2,668	-	-	-	-	-
Derivative Financial Liabilities Held For Hedging	-	-	-	-	-	-	-
Provisions	62,382	62,382	-	-	-	1,145	-
Tax Liability	14,083	14,083	-	-	-	-	-
Liabilities For Assets Held For Resale And Assets Of Discontinued Operations	-	-	-	-	-	-	-
Subordinated Loans	-	-	-	-	-	-	-
Shareholders` Equity	1,176,982	1,176,982	-	-	-	-	-
Total Liabilities	5,861,336	5,861,336	-	-	-	4,548,945	-

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

X. INFORMATION ON RISK MANAGEMENT (Continued)

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

	Total	Subject to credit risk framework	Subject to the securitisation framework	Subject to the counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of TAS	10,017,471	4,750,770	-	-	5,266,701
Liabilities carrying value amount under TAS of consolidation	4,548,945	-	-	-	4,548,945
Total net amount under regulatory scope of consolidation	-	-	-	-	-
Off-balance sheet amounts	5,498,106	2,322,679	-	-	4,280,131
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	20,064,522	7,073,449	-	-	14,095,777

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	8,262	7,635,368	13,823	7,629,807
2	Debt Securities	-	1,198,970	-	1,198,970
3	Of which defaulted	-	4,384,982	43,466	4,341,516
4	Total	8,262	13,219,320	57,289	13,170,293

Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	97,082
2	Loans and debt securities that have defaulted since the last reporting period	2,134
3	Returned to non-defaulted status	(12,353)
4	Amounts written off	(78,601)
5	Other changes	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	8,262

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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	7,629,807	-	-	386,209	371,851	-	-
2	Debt Securities	1,198,970	-	-	-	-	-	-
3	Total	8,828,777	-	-	386,209	371,851	-	-
4	Of which defaulted	8,262	-	-	-	-	-	-

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 2020 the amount subject to operational risk is TL 572,275 (31.12.2019: 463,650 TL).

Current Period	2 PP Total	1 PP Total	CP Total	Total/No. of years of positive gross	Rate (%)	Total
Gross income	235,105	298,186	382,349	305,213	15	45,782
Value at operational risk (Total*12.5)						572,275

Prior 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

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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	1,423,917	-	1,423,917	-	-	-
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	2,022,240	2,583,414	1,650,389	1,340,238	1,373,769	%46
7 Contingent and Non-Contingent Corporate Receivables	1,082,264	1,178,095	1,082,264	740,680	1,822,944	%100
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-
10 Secured by commercial real estate	-	46,100	-	23,600	23,600	%100
11 Past Due Loans	1,635	-	1,635	-	1,635	%100
12 Higher-Risk Receivables Defined by BRSA	31,715	232,708	31,715	218,161	374,813	%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	226,689	-	226,689	-	198,299	%87
17 Equity Investments	-	-	-	-	-	-
18 Total	4,788,460	4,040,317	4,416,609	2,322,679	3,795,060	%56

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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	1,423,917	-	-	-	-	-	-	-	-	-	1,423,917
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	-	-	658,158	-	2,180,664	-	151,806	-	-	-	2,990,627
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	1,822,944	-	-	-	1,822,944
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	23,600	-	-	-	23,600
11 Past Due Loans	-	-	-	-	-	-	1,635	-	-	-	1,635
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	249,876	-	-	249,876
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	28,390	-	-	-	-	-	198,299	-	-	-	226,689
18 Total	1,452,307	-	658,158	-	2,180,664	-	2,198,284	249,876	-	-	6,739,288

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)					2,332	466
Total						466

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	-	-	2,332	-	-	-	-	-	-	-	466
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past Due Loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	-	-	-	-
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-	-
18 Total	-	-	2,332	-	-	-	-	-	-	-	466

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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	-	-	-	-	371,851	-
Total	-	-	-	-	371,851	-

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)	125,675
2	Equity risk (general and specific)	-
3	Foreign exchange risk	26,763
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
9	Total	152,438

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	(1,621)	(%0.14)
	(400)	1,378	%0.12
2 EURO	200	5,470	%0.46
	(200)	(5,604)	(%0.47)
3 USD	200	8,274	%0.70
	(200)	(8,550)	(%0.72)
Total (of negative shocks)		12,123	%1.03
Total (of positive shocks)		(12,776)	(%1.08)

Prior Period

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

XI. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS

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

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

Information on operational segments on 31 December 2020 and 31 December 2019 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)	(631)	113,005	106,116	27,948	-	246,438
Commission Income (Net)	-	53,404	-	1,448	-	54,852
Unallocated Income/Expenses (Net)	-	-	-	(13,651)	(156,565)	(170,216)
Operating Income	(631)	166,409	106,116	15,745	(156,565)	131,074
Income from Subsidiaries	-	-	-	-	-	-
Income before tax	-	-	-	-	131,074	131,074
Tax Provision	-	-	-	-	(30,293)	(30,293)
Net Profit for the period	-	-	-	-	100,781	100,781

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

Prior 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

Prior 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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

(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	1,803	28,867	1,332	15,426
Central Bank of Turkey	2,801	799,966	3,245	546,563
Other	-	-	-	-
Total	4,604	828,833	4,577	561,989

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	2,801	-	3,245	-
Unrestricted Time Deposits	-	344,623	-	239,743
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	455,343	-	306,820
Total	2,801	799,966	3,245	546,563

⁽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 6% (31 December 2019: rates between 1% and 7%) , and for US Dollars or EUR at the rates of 5% and 21% respectively (31 December 2019: rates between 5% and 21%) according to their maturities as per the Communique no.2005/1 “Reserve Deposits” of the Central Bank of Turkey.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FIVE

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

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

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

As of the current period, TL 3,593 (31 December 2019: None) are given as collateral/blocked from financial assets at fair value through profit or loss and there are no financial assets that are subject to repo transactions (31 December 2019: None).

Positive differences related to derivative financial assets

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	50,533	380,988	76,583	1,097,991
Foreign banks	-	68,384	-	54,191
Branches and head office abroad	-	-	-	-
Total	50,533	449,372	76,583	1,152,182

	Free Amount	Restricted Amount	Free Amount	Restricted Amount
	Current Period	Current Period	Prior Period	Prior Period
EU Countries	17,407	44,902	-	-
USA, Canada	11,712	1,322	-	-
OECD Countries	-	-	-	-
Off-shore Banking	-	-	-	-
Regions	-	-	-	-
Other	39,265	7,967	-	-
Total	68,384	54,191	-	-

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

Information on Expected Credit Losses Information on Expected Loss Provisions

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	2,024	-	-	2,024
Additions during the Period (+)	814	-	-	814
Disposal (-)	(2,010)	-	-	(2,010)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	828	-	-	828

Prior 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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****4. Information on financial assets at fair value through other comprehensive income*****Information on transaction of repo and collateral/blocked financial assets (Net)***

As of 31 December 2020, the Bank does not have any financial assets at fair value through other comprehensive income that are subject to repo transactions.

As of 31 December 2020, the Bank does not have any financial assets at fair value through other comprehensive income, which are given as collateral / blocked from assets (31 December 2019: TL 2,566).

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

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

Information on Financial assets at fair value through other comprehensive income

	Current Period	Prior Period
Debt Securities	730,767	247,566
Quoted in stock exchange	730,767	247,566
Not quoted in stock exchange	-	-
Share Certificates	3,185	2,606
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	3,185	2,606
Impairment provision (-)	4,501	1,102
Total	729,451	249,070

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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

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
Corporate Shareholders	-	-	59,486	11,700
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	1,574	131	1,074	106
Total	1,574	131	60,560	11,806

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

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms Refinancing
Non-Specialized Loans	1,719,848	-	-
Commercial Loans	-	-	-
Export Loans	30,274	-	-
Import Loans	-	-	-
Loans Given to Financial Sector	858,177	-	-
Consumer Loans	1,574	-	-
Credit Cards	-	-	-
Other	829,823	-	-
Specialized Lending	-	-	-
Other Receivables	-	-	-
Toplam	1,719,848	-	-

	Standard Loan ^(*)	Loans Under Close Monitoring ^(*)
12-Month expected credit losses	10,096	-
Significant increase in credit risk	-	1,830

^(*) Includes lease receivables.

Cash Loans	Standard Loans	Loans Under Close Monitoring	
		Not Restructured	Standard Loans
Short Term Loans	792,653	-	-
Medium and Long Term Loans	927,195	-	-
Total	1,719,848	-	-

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****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	260	1,314	1,574
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	260	1,314	1,574
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	260	1,314	1,574

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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 installment commercial loans and commercial credit cards*

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	-	44,537	44,537
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	44,537	44,537
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	-	44,537	44,537

Allocation of loans according to customer type

	Current Period	Prior Period
Public	-	-
Private	1,724,581	1,730,243
Total	1,724,581	1,730,243

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,713,073	1,708,210
Foreign loans	11,508	22,033
Total	1,724,581	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)***Specific provisions for loans⁽¹⁾*

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	6,627	89,320
Total	6,627	89,320

(1) Includes Financial lease receivables

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

None.

Information on movement of total non-performing loans

	III. Group Loans and receivables with limited collectibles	IV. Group Loans and receivables with doubtful collectibles	V. Group Uncollectible loans and receivables
Balances at Beginning of Period	-	-	97,082
Additions (+)	-	-	2,134
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	12,353
Write-offs (-)	-	-	78,601
Institutional and commercial credits	-	-	78,601
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	8,262
Specific provisions (-)	-	-	6,627
Net Balance on Balance Sheet	-	-	1,635

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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 foreign currency non-performing loans

There are non-performing loan receivables in foreign currency amounting TL 964 which is followed in Turkish Lira accounts (31 December 2019: TL 26,712).

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)	-	-	1,635
Loans granted to real persons and legal entities (Gross)	-	-	8,262
Specific provisions (-)	-	-	6,627
Loans granted to real persons and legal entities (Net)	-	-	1,635
Banks (Gross) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior 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) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Current Period (Net)	1	-	-
Interest Accruals, Rediscounts and Valuation Differences	2	-	-
Provision Amount (-)	1	-	-
Prior Period (Net)	339	-	-
Interest Accruals, Rediscounts and Valuation Differences	638	-	-
Provision Amount (-)	299	-	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Collection policy on loans determined as loss and other receivables*

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

Information on write-off policy

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

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

Within the scope of TFRS 9, the Bank has written off loans amounting to TL 78,601 (31 December 2019: TL 4,417), and its effect on NPL ratio is 4.56% (31 December 2019: 0.22%).

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	10,700	-	84,219	94,919
Additions during the Period	5,673	-	-	5,673
Disposal	(7,283)	-	(885)	(8,168)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	(78,601)	(78,601)
Balances at End of Period	9,090	-	4,733	13,823
Prior 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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,370	980	5,101	7,451
Additions during the Period	625	1,598	1,355	3,578
Disposal	(495)	(4,643)	(1,161)	(6,299)
Transfer to Stage 1	87	(87)	-	-
Transfer to Stage 2	(580)	4,024	(3,444)	-
Transfer to Stage 3	(1)	(42)	43	-
Write-offs	-	-	-	-
Balances at End of Period	1,006	1,830	1,894	4,730

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,000	766	721	2,487
Additions during the Period	876	636	5,006	6,518
Disposal	(374)	(633)	(400)	(1,407)
Transfer to Stage 1	60	(60)	-	-
Transfer to Stage 2	(160)	315	(155)	-
Transfer to Stage 3	(32)	(44)	76	-
Write-offs	-	-	(147)	(147)
Balances at End of Period	1,370	980	5,101	7,451

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****6. Information on financial assets measured at amortised cost***Information on transaction of repo and collateral/blocked financial assets (Net)*

None.

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	7,794	758,375	1,322	329,700
Treasury Bonds	-	-	-	-
Other Public Bonds	-	432,800	-	147,715
Total	7,794	1,191,175	1,322	477,415

Information on financial assets measured at amortised cost

	Current Period	Prior Period
Debt Instruments	1,198,969	478,737
Quoted at stock exchange	1,198,969	478,737
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	1,198,969	478,737

Movement of financial assets measured at amortised cost

	Current Period	Prior Period
Balances at the Beginning of the Period	478,737	484,323
Foreign Currency Gains / Losses on Monetary assets	248,519	48,586
Purchases during the Period	748,875	145,427
Disposals through sales and redemptions ⁽¹⁾	(277,162)	(199,599)
Impairment loss provision	-	-
Period end balance	1,198,969	478,737

⁽¹⁾ In the current period redemption amounting to TL 277,162 has been realized from the portfolio (31 December 2019: TL 199,599).

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

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

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	1,300	-	-	1,300
Additions during the Period	624	-	-	624
Disposals	(644)	-	-	(644)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balance at End of Period	1,280	-	-	1,280

7. Information on associates

The Group does not have an associate.

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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)***Information on subsidiaries***A&T Finansal Kiralama A.Ş.****Information on Shareholder’s Equity**

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	116,000	108,000
Capital Reserves	228	228
Legal Reserves	5,293	4,643
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	13,661	10,107
<i>Net Profit</i>	<i>12,204</i>	<i>10,580</i>
<i>Prior Period Profit/Loss</i>	<i>1,457</i>	<i>(473)</i>
Intangible Assets (-)	179	197
Total Core Capital	135,004	122,782
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	135,004	122,782
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL⁽¹⁾	135,004	122,782

⁽¹⁾ There is no restriction on shareholders’ equity of subsidiary. After deduction from the capital, the total net available equity is TL 135,004.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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)

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

1	Description	Address (City/Country)	Bank's share percentage- If different voting percentage (%)	Bank's risk group share percentage (%)	Income from marketable securities portfolio			Fair Value ^(*)
					Current Period Profit / Loss	Prior Period Profit / Loss		
	A&T Finansal Kiralama A.Ş.	İstanbul	99.98	99.98				
	Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Current Period Profit / Loss	Prior Period Profit / Loss		
	406,137	140,397	10,542	36,022	12,204	1,457	-	-

⁽¹⁾ The related subsidiary has no fair value as of 31 December 2020.

Movement related to subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	108,205	95,708
Movements during the Period	7,999	12,497
Purchases	-	-
Bonus Shares Received	7,999	12,497
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase, Effect of Inflation and F/X Difference	-	-
Impairment Provision (+)	-	-
Balance at the End of the Period	116,204	108,205
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

Valuation of investments in subsidiaries

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

Sectoral Information on the subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	116,204	108,205
Finance Companies	-	-
Other Affiliates	-	-

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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)***Quoted Subsidiaries**The Parent Bank does not have a subsidiary that is quoted.**Subsidiaries sold and acquired in the current year**None.***9. Information on joint ventures**

The Parent Bank has no joint ventures.

10. Information on Financial Lease Receivables (Net)

	Current Period	Prior Period
Gross Financial Lease Investment	350,660	328,637
Earned Financial Lease Income (-)	38,808	35,360
Cancelled Leasing Amounts	-	-
Net Investment on Leases	311,852	293,277

	Current Period	Prior Period
Stage 1	190,898	258,722
Stage 2	117,425	23,666
Stage 3	3,529	10,889
Total	311,852	293,277

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	170,684	149,158	158,839	140,996
Between 1-4 years	179,976	162,694	169,798	152,281
Over 4 years	-	-	-	-
Total	350,660	311,852	328,637	293,277

11. Information on financial derivatives for hedging

The Bank has no financial derivatives for hedging.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

SECTION FIVE

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

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

12. Information on tangible assets

Current Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Balance at the End of the Prior Period- 31 December 2019					
Cost	140,723	3,956	1,113	18,315	164,107
Accumulated Depreciation (-)	(299)	(3,956)	(656)	(12,408)	(17,319)
Net Book Value	140,424	-	457	5,907	146,788
Balance at the End of the Current Period - 31 December 2020					
Net Book Value at the Beginning of the Current Period	140,723	3,956	1,113	18,315	164,107
Additions	-	6,026	88	3,221	9,335
Disposals (-)	-	-	(84)	(1)	(85)
Revaluation Surplus	413	-	-	-	413
Cost at the End of the Current Period	141,136	9,982	1,117	21,535	173,770
Accumulated Depreciation (-)	(299)	(3,956)	(656)	(12,408)	(17,319)
Depreciation Expense (-)	(414)	-	(196)	(2,471)	(3,081)
Depreciation of Disposals (-)	-	-	78	1	79
Accumulated Depreciation at the End of the Current Period (-)	(713)	(3,956)	(774)	(14,878)	(20,321)
Net Book Value at the End of the Current	140,423	6,026	343	6,657	153,449

Prior Period	Real Estates	Leased Tangible Assets	Vehicles	Other Tangible Assets	Total
Önceki Dönem Sonu - 31 Aralık 2018					
Balance at the End of the Prior Period- 31 December 2019					
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 2019	114,587	3,956	1,113	13,594	133,250
Net Book Value at the Beginning of the Current Period	-	-	-	4,734	4,734
Additions	-	-	-	(13)	(13)
Disposals (-)	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)	(656)	(12,408)	(17,319)
Net Book Value at the End of the Current Period	140,424	-	457	5,907	146,788

SECTION FIVE

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

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

13. Information on intangible assets

	Current Period	Prior Period
Balance at the End of the Prior Period – 31 December 2019		
Cost	20,946	16,810
Accumulated Depreciation (-)	(14,596)	(12,546)
Net Book Value	6,350	4,264
Balance at the End of the Current Period – 31 December 2020		
Net Book Value at the Beginning of the Current Period	20,946	16,810
Additions	526	4,136
Disposals (-)	-	-
Impairment(-)	-	-
Cost at the Beginning of the current period	21,472	20,946
Accumulated Depreciation (-)	(14,596)	(12,546)
Amortization and amortization expense of disposals(-)	(2,719)	(2,050)
Impairment Depreciation(-)	-	-
Accumulated Amortization at end of the current period	(17,315)	(14,596)
Net Book Value at end of the current period	4,157	6,350

14. Information on investment property

The Group has no investment property.

15. Information on tax assets

The Bank's deferred tax assets calculated over tax deductions and exceptions as of December 31, 2020, and the amounts that arise between the book value of the assets or liabilities in the balance sheet and the tax base determined in accordance with the tax legislation and to be taken into account in the calculation of financial profit / loss in the following periods. The deferred tax assets calculated amounting to TL 17,094 and deferred tax liability amounting to TL 17,969 were netted off.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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)

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

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/	Accumulated temporary differences	Deferred tax asset/
Provisions for employee rights	26,214	5,293	20,620	4,278
Unearned revenues	2,271	454	6,605	1,453
Interest rediscounts	18,516	3,703	5,942	1,307
Provisions	34,629	6,926	40,593	8,930
Other	3,362	718	3,193	703
Deferred tax asset	84,992	17,094	76,953	16,671
Revaluation differences on tangible assets	123,851	16,770	119,058	15,899
Other	5,668	1,199	12,081	2,622
Deferred tax liability	129,519	17,969	131,138	18,520
Deferred tax asset / (liability) net		(875)		(1,849)

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

	Current Period	Prior Period
Opening balance	(1,849)	1,566
Deferred tax income/(expense)(Net)	-	-
Deferred tax accounted under shareholder's equity	1,647	1,489
Net Deferred Tax Asset/(Liability)	(673)	(4,904)
Opening balance	(875)	(1,849)

16. Information about fixed assets held for sale

	Current Period	Prior Period
Cost	1,000	17
Impairment (-)	-	11
Accumulated Depreciation (-)	-	-
Prior Period Net Book Value	1,000	6
Opening Balance	1,000	17
Additions	210	987
Disposals (-)	-	4
Accumulated Impairment (-)	-	-
Impairment (-)	-	-
Accumulated Depreciation (-)	-	-
Depreciation of disposals	-	-
Depreciation Expenses (-)	-	-
Closing Net Book Value	1,210	1,000

17. Information on other assets

Other assets is amounting to TL 35,731 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2019: TL 25,103).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FIVE

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

II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Vadesiz	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	18,984	-	678	1,011	2,234	-	-	-	22,907
Foreign Currency Deposits	1,239,744	-	339	33,115	21,093	5,985	7,644	-	1,307,920
Residents in Turkey	396,003	-	339	11,227	5,279	752	3,032	-	416,632
Residents Abroad	843,741	-	-	21,888	15,814	5,233	4,612	-	891,288
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	4,430	-	170	171	-	-	-	-	4,771
Other Ins. Deposits	1,715	-	-	-	-	-	-	-	1,715
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	446,269	-	182,617	180,206	22,023	-	686,072	-	1,517,187
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	93,683	-	-	-	-	-	93,683
Foreign Banks	446,269	-	88,934	180,206	22,023	-	686,072	-	1,423,504
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,711,142	-	183,804	214,503	45,350	5,985	693,716	-	2,854,500

Prior Period	Demand Vadesiz	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	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

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****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	9,559	10,618	13,348	29,333
Foreign Currency Saving Deposits	145,694	143,790	364,452	280,923
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	155,253	154,408	377,800	310,256

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 RELATED TO CONSOLIDATED LIABILITIES (Continued)****1. Information on maturity profile of deposits (Continued)***Amounts not covered by deposit insurance*

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	5,941	3,508
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	5,941	3,508

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

None.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	4,916	49,708	-	64,999
From Foreign Banks, Institutions and Funds	-	1,653,734	-	1,546,844
Total	4,916	1,703,442	-	1,611,843

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	4,916	556,917	-	432,993
Long-Term	-	1,146,525	-	1,178,850
Total	4,916	1,703,442	-	1,611,843

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 51% of deposits.

SECTION FIVE

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

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

4. Information on other liabilities

Other liabilities in the balance sheet amounts to TL 42,363 and does not exceed 10% of the total balance sheet (31 December 2019: TL 36,929).

5. Information on financial lease obligations

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	1,558	925	637	610
Between 1 – 4 years	1,166	682	1,320	932
More than four years	2,799	1,061	352	284
Total	5,523	2,668	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 unused vacation provision amount as at 31 December 2020 is TL 11,815 (31 December 2019: TL 7,777). In addition to this, the employee termination benefit liability amount is TL 14,399 (31 December 2019: TL 12,411).

Information on other provisions

As of 31 December 2020, the Group has free provisions for possible risks is TL 15,000 (31 December 2019: TL 15,000).

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

	Current Period	Prior Period
Free provisions for possible risks	15,000	15,000
Expected credit losses for non-cash loans	20,779	21,685
Provisions for law suits	389	631
Total	36,168	37,316

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

As of 31 December 2020, the Bank’s corporate tax payable is TL 5,381 (31 December 2019 : TL 6,177) after offsetting prepaid corporate tax.

	Current Period	Prior Period
Corporate Taxes Payable	5,381	6,177
Banking Insurance Transaction tax (BITT)	821	588
Taxation on Securities Income	419	270
Value Added Tax Payable	1,606	174
Value Added Tax Payable (Limited tax payer)	-	27
Foreign exchange transaction tax	-	-
Taxation on real estate income	9	18
Other	3,141	2,304
Total	11,377	9,558

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	563	479
Social Security Premiums-Employer	809	685
Bank Pension Fund Premium-Employee	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	40	34
Unemployment Insurance-Employer	80	68
Others	-	-
Total	1,492	1,266

Information on deferred tax liability

None.

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

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

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

The Parent Bank has no subordinated loans.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FIVE

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

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

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)

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

9. Information on Shareholders’ Equity (Continued)

Information on the privileges given to stocks representing the capital

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Valuation Differences	(425)	9,027	381	4,686
Exchange Rate Differences	-	-	-	-
Toplam	(425)	9,027	381	4,686

Information on legal reserve

There are TL 8,898 legal reserve amount from prior years’ profits in the current period (31 December 2019: TL 5,827).

Information on Minority Shares

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

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

The Group has TL 17,553 as irrevocable commitments (31 December 2019: TL 25,816).

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 1,145 over total non-cash loans (31 December 2019: TL 267).

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 568,589 (31 December 2019: TL 912,075).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Group’s guarantee letters is TL 3,772,927 (31 December 2019 : TL 3,156,146).

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

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	252,259	645,997
Less Than or Equal to One Year with Original Maturity	65,662	394,120
More Than One Year with Original Maturity	186,597	251,877
Other Non-Cash Loans	4,089,257	3,422,224
Total	4,341,516	4,068,221

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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	-	-	58,612	1.37	1,135	0.55	67,920	1.76
Farming and Raising livestock	-	-	58,612	1.37	1,135	0.55	67,920	1.76
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	21,071	27.31	244,097	5.72	49,694	23.98	514,000	13.31
Mining	14,759	19.13	-	-	15,870	7.66	-	-
Production	6,312	8.18	244,097	5.72	33,824	16.32	514,000	13.31
Electric, gas and water	-	-	-	-	-	-	-	-
Construction	30,088	38.99	935,890	21.95	42,111	20.32	731,943	18.96
Services	26,008	33.70	3,025,121	70.94	114,330	55.16	2,546,982	65.97
Wholesale and Retail Trade	245	0.32	39,293	0.92	245	0.12	2,014	0.05
Hotel, Food and Beverage Services	7	0.01	-	-	7	0.00	-	-
Transportation and Telecommunication	-	-	4,467	0.10	-	-	33,179	0.86
Financial Institutions	25,756	33.38	2,981,136	69.91	114,040	55.02	2,511,623	65.05
Real Estate and Renting Services	-	-	-	-	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	38	0.02	-	-
Health and Social Services	-	-	225	0.01	-	-	166	0.00
Other	-	-	629	0.01	-	-	106	0.00
Total	77,167	100.00	4,264,349	100.00	207,270	100.00	3,860,951	100.00

	Group I		Group II	
	TL	FC	TL	FC
Letters of guarantee	76,922	3,690,760	245	-
Bank acceptances	-	-	-	-
Letters of credit	-	304,478	-	-
Endorsements	-	-	-	-
Underwriting commitments	-	-	-	-
Factoring commitments	-	-	-	-
Other commitments and contingencies	-	264,111	-	-
Non-Cash Loans	76,922	4,259,349	245	-

4. Information on derivative transactions

The Group does not have any credit derivative contract.

5. Information on credit derivatives and related imposed risks

The Group does not have any credit derivative contract.

Information on contingent liabilities and assets

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

6. Services supplied on behalf of others

None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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)

7. Information on Expected Loss Provisions

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	21,418	-	267	21,685
Additions during the Period	6,058	-	878	6,936
Disposal	(7,842)	-	-	(7,842)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	19,634	-	1,145	20,779

Prior 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 Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	21,418	-	267	21,685

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	56,539	20,302	96,779	21,690
Medium and Long- Term Loans	8,820	33,553	1,145	26,029
Interest Received From Non-Performing Loans	127	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	65,486	53,855	97,924	47,719

⁽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	6,769	3,519	11,795	13,915
From Foreign Banks	-	223	-	1,787
From Foreign Headquarter and Branches	-	-	-	-
Total	6,769	3,742	11,795	15,702

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FIVE

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

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

1. Information on interest income (Continued)

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value Through Profit or Loss	2,238	5,163	-	14,239
Financial Assets Measured at Fair Value Through Other Comprehensive Income	734	34,972	436	11,709
Financial Assets Measured at Amortised Cost	714	43,117	1,282	21,141
Total	3,686	83,252	1,718	47,089

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	193	30,210	-	32,831
Central Bank	-	-	-	-
Domestic Banks	193	2,925	-	3,170
Foreign Banks	-	27,285	-	29,661
Other Institutions	-	-	-	-
Total	193	30,210	-	32,831

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	-	27	-	-	-	-	-	27
Saving deposits	-	166	104	188	49	40	-	547
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	38	5	8	-	-	-	51
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	231	109	196	49	40	-	625
Foreign Currency								
Foreign currency deposits	-	5	327	114	52	103	-	601
Interbank deposits	123	1,006	2,039	250	-	7,764	-	11,182
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	123	1,011	2,366	364	52	7,867	-	11,783
Grand Total	123	1,242	2,475	560	101	7,907	-	12,408

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

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

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets measured at amortized cost	-	-
Financial assets at fair value through other comprehensive income	33	15
Other ⁽¹⁾	-	-
Total	33	15

4. Information on trading gain/loss

	Current Period	Prior Period
Gain	28,816,156	22,717,851
Gain from money market transactions	-	-
Gain from financial derivative transactions	9	505
Gain from exchange transactions	28,816,147	22,717,346
Loss (-)	(28,810,489)	(22,710,098)
Loss from money market transactions	(162)	-
Loss from financial derivative transactions	(51)	(30)
Loss from exchange transactions	(28,810,276)	(22,710,068)
Net Trading Gain/Loss	5,667	7,753

5. Information on income from other operations

	Current Period	Prior Period
Provisions of prior year	9,513	2,406
Provision for communication expenses	3,117	4,203
Gain on sales of assets	168	-
Other income	871	1,492
Total	13,669	8,101

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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SECTION FIVE

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

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

6. Information on impairment in loans

	Current Period	Prior Period
Expected Credit Loss Provisions	3,909	12,919
12 month expected credit loss (stage 1)	645	7,373
Significant increase in credit risk (stage 2)	1,350	214
Non-performing loans (stage 3)	1,914	5,332
Marketable Securities Impairment Expense ¹	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control Provision	-	-
Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	3,909	12,919

7. Information on Other Provision Expenses

	Current Period	Prior Period
Securities Depreciation Expenses	16,319	12,522
Free Provision	-	5,000
Provisions Lawsuits	-	212
Total	16,319	17,734

8. Information on other operating expense

	Current Period	Prior Period
Employee Termination Benefits Expense	2,302	1,455
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	3,508	3,324
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	2,720	2,050
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	25,973	20,999
<i>Operating Lease Expenses</i>	77	85
<i>Maintenance Expenses</i>	7,379	5,988
<i>Advertisement Expenses</i>	262	299
<i>Other Expenses</i>	18,255	14,627
Losses from sales of Assets	-	15
Other ⁽¹⁾	17,458	18,411
Total	51,961	46,254

⁽¹⁾ The amount of 17,458; 5,680 TL communication expense, 1,876 TL cleaning cost 1,362 TL vehicle expense, 1,095 TL heating lighting and water expense, 1,033 TL insurance expense and 6,412 TL Other amounts.

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)

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

The pre-tax income amount from continued operations is TL 131,074 (31 December 2019: TL 210,624).

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

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

Current period, current taxation provision is TL 31,940 (31 December 2019 : TL 47,604) and the net impact of deferred tax income is TL 1,647 (31 December 2019 : TL 1,489 deferred tax income).

Deferred tax charge arising from origination or reversal of temporary differences

The deferred tax income arising from origination of temporary differences is TL 1,647 (31 December 2019: TL 1,489 deferred tax income).

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

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 1,647 (31 December 2019 : TL 1,489 deferred tax income).

11. Information on net profit or loss of the period including profit/loss from continued and discontinued operations

Current period profit from continued operations is TL 100,781 (31 December 2019: TL 164,509).

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 39,753 consist of transfer commissions, letter of credit commissions and other. (31 December 2019: TL 41,302).

	Current Period	Prior Period
Letter of Credit Commissions	26,046	27,590
Transfer Commissions	11,806	10,844
Other	1,901	2,868
Total	39,753	41,302

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 3,535 net increase in value of assets available –for-sale (31 December 2019: TL 4,567).

2. Increases due to cash flow hedges

None.

3. Confirmation on exchange rate differences between beginning and ending

None.

4. Information on issuance of common stock

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

None.

5. Information on dividend

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

None.

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

None.

6. Amounts transferred to reserves

In the current period, amount of TL 8,898 have been transferred to legal reserves (31 December 2019: TL 5,827).

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.

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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 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

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

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

The TL (1,050,227) 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 2019 : (TL 206,088)).

The “Net increase/decrease in other assets” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (10,855) is composed of changes in fixed assets, associates, tax assets and other assets (31 December 2019 : TL (2,664)).

The “Net increase/decrease in other debts” account under the “Changes in assets and liabilities subject to banking activities” amounting to TL (145,707) is composed of changes in miscellaneous debts, other foreign resources and tax, duty, fees and premiums payable (31 December 2019 : TL 313,055).

“Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents” is computed by TL 300,335 which includes effects of changes in currency of monthly foreign currency denominated cash and cash equivalents translated to Turkish Lira (31 December 2019 : TL 65,394).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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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	-	-	59,486	11,700	-	88,731
Balance at the end of the period	-	-	-	202,385	-	20,150
Interest and Commission Income received ⁽²⁾	-	-	-	-	42	-

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

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

Prior Period						
Group’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	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	-	-	-	-	2,783	-

⁽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.

The Group has a loan amounting to TL 547,183 (31 December 2019: TL 671,182) from the risk group. There was an interest expense of TL 21,974 in the current period related to the loans used. (31 December 2019: TL 23,501).

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	-	-	1,688	2,038,148	777,686	658,394
Balance at the end of the period	-	-	19,697	1,688	1,026,132	777,686
Interest expense on deposits	-	-	13	16,030	5,672	17,916

⁽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 2020, TL 20,559 has been paid to the top level management of the Group as salaries and fringe benefit (31 December 2019: 25,572 TL).

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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)****VIII. DOMESTIC, FOREIGN AND OFF SHORE BRANCHES OR INVESTMENTS AND FOREIGN REPRESENTATIVE OFFICES****1. Information on Bank’s domestic branches, foreign branches and representatives**

	Number of branches	Number of employees			
Domestic Branch	7	279			
			Country		
Foreign representative office	-	-	-	-	-
				Total assets	Legal capital
Foreign branch	-	-	-	-	-
Off shore branches	-	-	-	-	-

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

None.

IX. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

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

As of 31 December 2020, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative) and Independent Auditor’s Review Report is presented preceding the financial statements. The independent audit report dated 31 December 2020 is presented before the consolidated financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.