

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

Arap Türk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of and For The Three-Month Period Ended 31 March 2020
With Auditors' Review Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

14 May 2020

This report contains "Independent Auditors' Review Report" comprising 2 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 85 pages.



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Convenience Translation of the Independent Auditor's Review Report Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Arap Türk Bankası A.Ş.;

Introduction

We have reviewed the accompanying unconsolidated balance sheet of Arap Türk Bankası A.Ş. (the "Bank") as at 31 March 2020 and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in shareholders' equity, the unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial information for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "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 published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly, in all material respects, the financial position of Arap Türk Bankası A.Ş. at 31 March 2020, and its financial performance and its cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the accompanying interim activity report in section seven, are not consistent with the reviewed unconsolidated interim financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

The accounting principles summarized in Note 1 Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated interim financial information is 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 unconsolidated interim financial information and IFRS.

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

Erdal Tıkmak, SMMM
Partner

14 May 2020
Istanbul, Turkey



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**ARAP TÜRK BANKASI A.Ş. UNCONSOLIDATED INTERIM FINANCIAL REPORT
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 unconsolidated interim financial report as of and for the three month period ended 31 March 2020 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Notes 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 BANK
- UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
- DISCLOSURES AND FOOTNOTES RELATED TO UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS
- OTHER DISCLOSURES
- INDEPENDENT AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

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


Bilgehan Kuru
*Chairman of the Board of
Directors*

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


Wail J. A. Belgasem
General Manager


Salih Hatipoğlu
*Assistant General Manager
Responsible For Financial Reporting*


Feyzullah Küpeli
Manager

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

Name / Title: Feyzullah Küpeli / Manager

Phone No : 0 212 225 05 00

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ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

II. 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 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 March 2020, the 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	67,900	15.43%
Kuwait Investment	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 UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 MARCH 2020**

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

SECTION ONE**GENERAL INFORMATION ABOUT THE BANK (Continued)****III. INFORMATION ABOUT THE 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**

İsim	Görev ve Sorumluluk Alanı
Bilgehan Kuru	Chairman of the Board of Directors
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Mohamed Masoud A. Aldrogi	Member of the Board of Directors and Chairman of Audit Committee
Fatma Nur Çetinel	Member of the Board of Directors and Audit Committee
Salah Bandi	Member of the Board of Directors and Audit Committee
Aflah Omar Magsi	Member of the Board of Directors
Abdulhakim 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 and Surname	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 BANK

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

The Bank was established to incorporate commercial activities among Turkey, Middle East and North African countries. The Bank is authorized to collect deposits and operates in corporate banking areas. The Bank has seven branches; three in Istanbul, one in Ankara, one in Kayseri, one in Konya and one in Gaziantep and has share participations in a subsidiary operating in financial leasing business.

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

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

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

None.

SECTION TWO

Unconsolidated Financial Statements

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

ARAP TÜRK BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 MARCH 2020
(Thousands of Turkish Lira ("TL"))

ASSETS		Dipnot	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			31.03.2020			31.12.2019		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (Net)		326,944	2,137,277	2,464,221	541,497	2,035,262	2,576,759
1.1	Cash and Cash Equivalents	1	300,654	1,497,219	1,797,873	538,193	1,695,244	2,233,437
1.1.1	Cash and Balances with Central Bank		6,051	834,380	840,431	4,575	561,989	566,564
1.1.2	Banks	3	449	662,839	663,288	476	1,133,255	1,133,731
1.1.3	Money Markets		295,573	-	295,573	535,166	-	535,166
1.1.4	Expected Credit Loss (-)		1,419	-	1,419	2,024	-	2,024
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	26,066	101,741	127,807	-	94,252	94,252
1.2.1	Government Securities		26,066	101,741	127,807	-	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	224	538,317	538,541	3,304	245,766	249,070
1.3.1	Government Securities		-	241,017	241,017	3,079	104,587	107,666
1.3.2	Equity Securities		224	2,611	2,835	225	2,381	2,606
1.3.3	Other Financial Assets		-	294,689	294,689	-	138,798	138,798
1.4	Derivative Financial Assets		-	-	-	-	-	-
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)	5	596,818	2,403,533	3,000,351	361,870	1,750,911	2,112,781
2.1	Loans (Net)		610,628	1,455,420	2,066,048	456,747	1,273,496	1,730,243
2.2	Lease Receivables		-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	7,216	948,113	955,329	1,322	477,415	478,737
2.4.1	Government Securities		7,216	586,226	593,442	1,322	329,700	331,022
2.4.2	Other Financial Assets		-	361,887	361,887	-	147,715	147,715
2.5	Expected Credit Loss (-)		21,026	-	21,026	96,199	-	96,199
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	14	1,000	-	1,000	1,000	-	1,000
3.1	Held for Sale Purpose		1,000	-	1,000	1,000	-	1,000
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		108,205	-	108,205	108,205	-	108,205
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	108,205	-	108,205	108,205	-	108,205
4.2.1	Unconsolidated Financial Subsidiaries		108,205	-	108,205	108,205	-	108,205
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.	TANGIBLE ASSETS (Net)		135,873	-	135,873	136,265	-	136,265
VI.	INTANGIBLE ASSETS (Net)		5,481	-	5,481	6,153	-	6,153
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		5,481	-	5,481	6,153	-	6,153
VII.	INVESTMENT PROPERTY (Net)	12	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	13	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	13	4,280	-	4,280	-	-	-
X.	OTHER ASSETS (Net)	15	23,379	5,361	28,740	11,970	4,861	16,831
	TOTAL ASSETS		1,201,980	4,546,171	5,748,151	1,166,960	3,791,034	4,957,994

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

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD 31.03.2020			PRIOR PERIOD 31.12.2019		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	50,700	3,146,764	3,197,464	49,534	2,406,632	2,456,166
II. FUNDS BORROWED	3	-	1,389,809	1,389,809	-	1,353,190	1,353,190
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	2	-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	5	1,116	432	1,548	1,040	786	1,826
X. PROVISIONS	7	54,327	222	54,549	55,008	267	55,275
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		19,174	-	19,174	17,959	-	17,959
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		35,153	222	35,375	37,049	267	37,316
XI. CURRENT TAX LIABILITY	8	9,318	-	9,318	9,528	-	9,528
XII. DEFERRED TAX LIABILITY		-	-	-	1,719	-	1,719
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	15,816	20,768	36,584	9,870	17,503	27,373
XVI. SHAREHOLDERS' EQUITY	9	1,072,278	(13,399)	1,058,879	1,048,231	4,686	1,052,917
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		94,324	-	94,324	94,382	-	94,382
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		6,237	(13,399)	(7,162)	381	4,686	5,067
16.5 Profit Reserves		30,632	-	30,632	30,632	-	30,632
16.5.1 Legal Reserves		30,632	-	30,632	30,632	-	30,632
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		-	-	-	-	-	-
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or (Loss)		501,085	-	501,085	482,836	-	482,836
16.6.1 Prior Periods' Profit or (Loss)		482,836	-	482,836	316,409	-	316,409
16.6.2 Current Period Profit or (Loss)		18,249	-	18,249	166,427	-	166,427
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,203,555	4,544,596	5,748,151	1,174,930	3,783,064	4,957,994

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

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		31.03.2020			31.12.2019		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		119,398	4,304,613	4,424,011	215,573	3,870,529	4,086,102
I. GUARANTEES AND WARRANTIES	2	119,114	4,301,439	4,420,553	207,270	3,860,951	4,068,221
1.1. Letters of Guarantee		119,114	3,184,079	3,303,193	207,270	2,948,876	3,156,146
1.1.1. Guarantees Subject to State Tender Law		7,380	-	7,380	7,415	-	7,415
1.1.2. Guarantees Given for Foreign Trade Operations		1,150	3,176,143	3,177,293	1,150	2,941,666	2,942,816
1.1.3. Other Letters of Guarantee		110,584	7,936	118,520	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		-	498,563	498,563	-	450,008	450,008
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	498,563	498,563	-	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		-	618,797	618,797	-	462,067	462,067
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	1	284	3,174	3,458	8,303	9,578	17,881
2.1. Irrevocable Commitments		284	3,174	3,458	8,303	9,578	17,881
2.1.1. Asset Purchase and Sale Commitments		-	3,174	3,174	7,993	9,578	17,571
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		284	-	284	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		-	-	-	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
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)		378,467	314,834	693,301	284,072	285,929	570,001
IV. ITEMS HELD IN CUSTODY		3,282	-	3,282	2,755	-	2,755
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	-	-	-
4.3. Checks Received for Collection		3,282	-	3,282	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		375,185	314,834	690,019	281,317	285,929	567,246
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		71,612	152,018	223,630	73,062	137,029	210,091
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		19,964	161,597	181,561	20,059	147,317	167,376
5.6. Other Pledged Items		283,609	1,219	284,828	188,196	1,583	189,779
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		497,865	4,619,447	5,117,312	499,645	4,156,458	4,656,103

ARAP TÜRK BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2020

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2020-31/03/2020)	(01/01/2019-31/03/2019)
I. INTEREST INCOME	1	52,291	83,405
1.1 Interest on Loans		26,909	45,003
1.2 Interest on Reserve Requirements		-	2,669
1.3 Interest on Banks		3,114	5,421
1.4 Interest on Money Market Transactions		13,145	17,155
1.5 Interest on Marketable Securities Portfolio		9,122	8,818
1.5.1 Fair Value Through Profit or Loss		444	1,336
1.5.2 Fair Value Through Other Comprehensive Income		2,802	1,685
1.5.3 Measured at Amortised Cost		5,876	5,797
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		1	4,339
II. INTEREST EXPENSE (-)	2	9,204	12,417
2.1 Interest on Deposits		2,210	6,847
2.2 Interest on Funds Borrowed		6,243	5,462
2.3 Interest Expense on Money Market Transactions		-	-
2.4 Interest on Securities Issued		-	-
2.5 Lease Interest Expenses		56	108
2.6 Other Interest Expenses		695	-
III. NET INTEREST INCOME (I - II)		43,087	70,988
IV. NET FEES AND COMMISSIONS INCOME		17,974	20,259
4.1 Fees and Commissions Received		18,710	20,597
4.1.1 Non-cash Loans		7,854	8,830
4.1.2 Other	11	10,856	11,767
4.2 Fees and Commissions Paid		736	338
4.2.1 Non-cash Loans		2	2
4.2.2 Other		734	336
V. DIVIDEND INCOME		3	3
VI. TRADING INCOME /(LOSS) (Net)	3	2,106	3,082
6.1 Trading Gains / (Losses) on Securities		-	(467)
6.2 Gains / (Losses) on Derivative Financial Transactions		-	-
6.3 Foreign Exchange Gains / (Losses)		2,106	3,549
VII. OTHER OPERATING INCOME	4	2,130	1,385
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		65,300	95,717
IX. EXPECTED CREDIT LOSS (-)	5	3,310	389
X. OTHER PROVISION EXPENSE (-)		1,222	186
XI. PERSONNEL EXPENSE (-)		27,029	20,612
XII. OTHER OPERATING EXPENSES (-)	6	10,362	10,678
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)	7	23,377	63,852
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XVI. INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	8	23,377	63,852
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)		(5,128)	(13,187)
18.1 Current Tax Provision		(7,124)	(12,914)
18.2 Deferred Tax Income Effect (+)		2,409	2,399
18.3 Deferred Tax Expense Effect (-)		4,405	2,126
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	9	18,249	50,665
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)	10	18,249	50,665
Earning/(Loss) per share (in TL full)		0.0004	0.0012

ARAP TÜRK BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2020

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2020-31/03/2020)	(01/01/2019-31/03/2019)
I.	CURRENT PERIOD PROFIT/LOSS	18,249	50,665
II.	OTHER COMPREHENSIVE INCOME	(12,287)	(1,056)
2.1	Not Reclassified to Profit or Loss	(58)	(734)
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(72)	(917)
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	14	183
2.2	Reclassified to Profit or Loss	(12,229)	(322)
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	(16,218)	(370)
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	3,989	48
III.	TOTAL COMPREHENSIVE INCOME (I+II)	5,962	49,609

ARAP TÜRK BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Other Comprehensive Income/ Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/ Expense Items to be Recycled to Profit or Loss			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
					Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)						
PRIOR PERIOD																
31.03.2019																
I. Balance at the beginning of the period	440,000	-	-	-	82,751	(3,504)	-	-	500	-	25,676	220,387	100,978	866,788	-	866,788
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	-	-	-	82,751	(3,504)	-	-	500	-	25,676	220,387	100,978	866,788	-	866,788
IV. Total comprehensive income (loss)	-	-	-	-	-	(734)	-	-	(322)	-	-	-	50,665	49,609	-	49,609
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	-	-	-	-	-	-	-	-	-	-	-	100,978	(100,978)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	100,978	(100,978)	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	100,978	(100,978)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,751	(4,238)	-	-	178	-	25,676	321,365	50,665	916,397	-	916,397
CURRENT PERIOD																
31.03.2020																
I. Balance at the beginning of the period	440,000	-	-	-	99,699	(5,317)	-	-	5,067	-	30,632	316,409	166,427	1,052,917	-	1,052,917
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	-	-	-	99,699	(5,317)	-	-	5,067	-	30,632	316,409	166,427	1,052,917	-	1,052,917
IV. Total comprehensive income (loss)	-	-	-	-	-	(58)	-	-	(12,229)	-	-	-	18,249	5,962	-	5,962
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	-	-	-	-	-	-	-	-	-	-	-	166,427	(166,427)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	166,427	(166,427)	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	166,427	(166,427)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	99,699	(5,375)	-	-	(7,162)	-	30,632	482,836	18,249	1,058,879	-	1,058,879

ARAP TÜRK BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2020

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2020-31/03/2020)	PRIOR PERIOD (01/01/2019-31/03/2019)
	Notes		
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	(136,971)	117,385
1.1.1	Interest Received	50,338	78,448
1.1.2	Interest Paid	(10,012)	(2,345)
1.1.3	Dividend Received	-	3
1.1.4	Fees and Commissions Received	18,710	20,597
1.1.5	Other Income	2,295	7,559
1.1.6	Collections from Previously Written-off Loans and Other Receivables	94	161
1.1.7	Payments to Personnel and Service Suppliers	(31,128)	(21,446)
1.1.8	Taxes Paid	(11,337)	(13,131)
1.1.9	Other	(155,931)	47,539
1.2	Changes in Operating Assets and Liabilities	63,531	(1,045,703)
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss	(181,833)	72,969
1.2.2	Net (increase) / decrease in due from banks and other financial institutions	(142,670)	-
1.2.3	Net (increase) / decrease in loans	(181,774)	667,594
1.2.4	Net (increase) / decrease in other assets	(11,924)	7,126
1.2.5	Net increase / (decrease) in bank deposits	180,278	(1,730,097)
1.2.6	Net increase / (decrease) in other deposits	482,482	(187,375)
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	(844)	(64,953)
1.2.9	Net increase / (decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	(80,184)	189,033
I.	Net Cash Provided from Banking Operations	(73,440)	(928,318)
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
II.	Net Cash Provided from Investing Activities	(553,882)	47,441
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	(291)	(2,447)
2.4	Disposals of property and equipment	-	13
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(141,198)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	12,774	10,528
2.7	Purchase of Financial Assets Measured at Amortised Cost	(467,822)	-
2.8	Sale of Financial Assets Measured at Amortised Cost	43,328	39,796
2.9	Other	(673)	(449)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	(56)	-
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	(56)	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	36,129	213,138
V.	Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)	(591,249)	(667,739)
VI.	Cash and Cash Equivalents at the Beginning of the Period	1,928,353	2,473,727
VII.	Cash and Cash Equivalents at the End of the Period	1,337,104	1,805,988

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION

The unconsolidated 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 unconsolidated 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.

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

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

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

Other

A new type of coronavirus (Covid-19) first emerging in China, has been classified as an epidemic among countries where the World Health Organization was global on 11 March 2020. The Covid-19 epidemic 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 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 Bank's Management. The bank takes necessary precautions to control and to maintain the negative effects at the lowest level although the effects of the situation is not known exactly.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Subsidiaries are the entities that the Bank has the power to govern the financial and operating policies of those so as to obtain benefits from its activities. Subsidiaries are accounted in accordance with “TAS 27 - Individual Financial Statements” in the unconsolidated financial statements. Subsidiaries are recorded at fair value. Subsidiaries which are not traded in an active market and whose fair value cannot be reliably set are reflected in financial statements with their costs after deducting impairment losses, if any.

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

Derivative financial instruments of the Bank are classified under “TFRS 9 Financial Instruments” (“TFRS 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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

VII. INFORMATION ON FINANCIAL ASSETS

Financial assets are recognized or derecognized according to the provisions of "Financial Statement Acquisition and Disclosure of Financial Statements" in the third part of TFRS 9 standard. Financial assets are measured at their fair value for the first time when included in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of the Bank, if the Bank is a legal party to these instruments.

The Bank 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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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/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.

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 recognised by an acquirer in a business combination to which TFRS 3 applies.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income (Continued)

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.

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 considered to be a part of and charged to the customer.

Bank's loans are recorded under the "Measured at Amortized Cost" account.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment For Expected Loss

The Bank recognizes an Impairment For Expected Loss 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 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 For Expected Loss (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.
- 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 (criteria and explanations)

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

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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment For Expected Loss (Continued)

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

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

The Bank's loans have been evaluated and classified as of 31 March 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 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, starting from 17 March 2020, due to the disruptions in economic and commercial activities as a result of the Covid-19 pandemic;

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

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

X. INFORMATION ON ASSETS HELD FOR SALE AND 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.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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 Bank’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.

XII. INFORMATION ON TANGIBLE ASSETS

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

While the Bank is using the cost model under the TAS 16 "Property, Plant and Equipment" for the valuation of the property under tangible assets, 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.

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

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

XIII. INFORMATION ON LEASING ACTIVITIES*Finance leasing activities as the lessor*

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES (Continued)

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.

XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for other benefits to employees

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 March 2020 is TL 6,730.15 (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 Bank reserved for employee severance indemnities in the accompanying unconsolidated 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 Bank has provided provision for undiscounted short-term employee benefits earned during the financial period as per services rendered in compliance with the updated TAS 19 in the accompanying unconsolidated financial statements.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

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

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

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

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

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

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

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

The liabilities of subsidiaries, founding shares and preferential rights of the institutions, which have been legally borrowed or owed to the SDIF due to the bank borrowing 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 profit or loss. 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 Bank 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 Bank did not issue any stocks convertible into bonds.

The Bank does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

The Bank 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

There are no government incentives utilized by the Bank as of 31 March 2020 and 31 December 2019.

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 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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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK

I. INFORMATION ON SHAREHOLDER’S EQUITY

Information about Total Capital (Current Period)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
TIER II CAPITAL	1,058,879	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,000	
Share issue premiums	-	
Reserves	30,632	
Gains recognized in equity as per TAS	87,162	
Profit	501,085	
Current Period Profit	18,249	
Prior Period Profit	482,836	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,058,879	
Deductions from Common Equity Tier 1 Capital	5,730	
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	249	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	5,481	5,481
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	5,730	
Total Common Equity Tier 1 Capital	1,053,149	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial	-	-
Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,053,149	-
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)	37,053	-
Tier II Capital Before Deductions	37,053	-
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	37,053	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,090,202	-
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	1,090,202	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
TOTAL CAPITAL	1,090,202	
Total Capital	1,090,202	
Total risk weighted amounts	5,264,378	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	20.26	
Tier 1 Capital Adequacy Ratio (%)	20.26	
Capital Adequacy Ratio (%) ⁽²⁾	20.96	
BUFFERS		
Total buffer requirement	2.692	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.192	
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	15.76	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	37,053	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	37,053	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

⁽²⁾ Calculated based on the measures contained in the announcement of 23 March 2020.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

Information about Total Capital (Prior Period)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
TIER II CAPITAL	1,052,917	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,000	
Share issue premiums	-	
Reserves	30,632	
Gains recognized in equity as per TAS	99,449	
Profit	482,836	
Current Period Profit	166,427	
Prior Period Profit	316,409	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,052,917	
Deductions from Common Equity Tier 1 Capital	6,450	
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	297	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	6,153	6,153
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	6,450	
Total Common Equity Tier 1 Capital	1,046,467	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial	-	
Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,046,467	
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)	1,082,120	
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	1,082,120	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	

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INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
TOTAL CAPITAL	1,082,120	
Total Capital	1,082,120	
Total risk weighted amounts	5,026,481	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	20.82	
Tier 1 Capital Adequacy Ratio (%)	20.82	
Capital Adequacy Ratio (%)	21.53	
BUFFERS		
Total buffer requirement	2.673	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.173	
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	16.32	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
Limits related to provisions considered in Tier II calculation		
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	35,653	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

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

The 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 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 qualitative 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.

Information Related to the Components which Subject to Temporary Implementation in the Calculation of Equity

None.

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

Current Period	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	94,324	-	94,324
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(7,162)	-	(7,162)
Profit Reserves	30,632	-	30,632
Profit or Loss	501,085	-	501,085
Prior Periods’ Profit/Loss	482,836	-	482,836
Current Period Net Profit/Loss	18,249	-	18,249
Deductions from Common Equity Tier I Capital (*)	-	5,730	(5,730)
Common Equity Tier 1 capital	-	-	1,053,149
Tier 1 capital	-	-	1,053,149
Provisions	-	(37,053)	37,053
Tier 2 capital (**)	-	(37,053)	37,053
Shareholders’ Equity Adjustments (***)	-	-	-
Total Shareholders’ Equity	1,058,879	(31,323)	1,090,202

(*) 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’ Equity adjustments within the framework of paragraphs 9-8-ç.

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

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

Within the context of the market risk management work of the Risk Management Department, the 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 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 Bank 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 Bank, are as follows

Date	US Dollars	Euro
24 March 2020	TL 6.5864	TL 7.0484
25 March 2020	TL 6.4943	TL 7.0455
26 March 2020	TL 6.4024	TL 6.9271
27 March 2020	TL 6.4560	TL 7.0610
30 March 2020	TL 6.4346	TL 7.0896
31 March 2020	TL 6.5160	TL 7.2150

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

The basic arithmetical average of the Bank’s foreign exchange bid rate for March 2020 is TL 6.3105 for USD, TL 6.9775 for EURO.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

Information on Currency Risk

Current Period	Euro	USD Dollars	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	501,454	332,808	118	834,380
Banks	277,896	369,688	15,255	662,839
Financial Assets Measured at Fair Value through Profit or Loss	101,741	-	-	101,741
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	255,186	283,131	-	538,317
Loans ⁽¹⁾	1,086,206	369,214	-	1,455,420
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	524,021	424,092	-	948,113
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	3,376	1,985	-	5,361
Total Assets ⁽¹⁾	2,749,880	1,780,918	15,373	4,546,171
Liabilities				
Bank Deposits	962,112	585,961	1,949	1,550,022
Foreign Currency Deposits	855,339	726,481	14,922	1,596,742
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	922,390	467,419	-	1,389,809
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	11,048	9,989	385	21,422
Total Liabilities ⁽¹⁾	2,750,889	1,789,850	17,256	4,557,995
Net Balance Sheet Position	(1,009)	(8,932)	(1,883)	(11,824)
Net Off Balance Sheet Position	(1,587)	1,587	-	-
Financial Derivatives (Assets)	-	1,587	-	1,587
Financial Derivatives (Liabilities)	(1,587)	-	-	(1,587)
Non-Cash Loans	1,575,307	1,847,264	878,868	4,301,439
Prior Period				
Total Assets	2,252,682	1,528,547	9,805	3,791,034
Total Liabilities	2,242,998	1,525,104	10,276	3,778,378
Balance Sheet Position, net	9,684	3,443	(471)	12,656
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 13,399.

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

The possible increases or decreases in the shareholders’ equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 31 March 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	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	260	884	(91)	(91)
US Dollar	735	1,451	(424)	(424)
Other Currencies	188	188	47	47
Total	1,183	2,523	(468)	(468)

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	(260)	(884)	91	91
US Dollar	(735)	(1,451)	424	424
Other Currencies	(188)	(188)	(47)	(47)
Total	(1,183)	(2,523)	468	468

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

III. INFORMATION ON INTEREST RATE RISK

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

Within the context of the market risk management of the Risk Management Department, the 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 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 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.

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

III. INFORMATION ON INTEREST RATE RISK (Continued)

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	-	-	-	-	-	840,431	840,431
Banks	663,288	-	-	-	-	-	663,288
Financial assets at fair value through Profit or Loss	-	101,741	15,757	10,309	-	-	127,807
Interbank Money Market Placements	295,573	-	-	-	-	-	295,573
Financial Assets at Fair Value Through Other Comprehensive Income	6,696	85,850	73,069	370,092	-	2,834	538,541
Loans	579,546	341,447	573,297	564,261	-	7,497	2,066,048
Financial Assets Measured at Amortized Cost	5,606	211,667	13,764	724,292	-	-	955,329
Other assets ⁽¹⁾	-	-	-	-	-	261,134	261,134
Total assets	1,550,709	740,705	675,887	1,668,954	-	1,111,896	5,748,151
Liabilities							
Bank deposits	1,326,988	32,924	190,736	-	-	103	1,550,751
Other deposits	130,559	30,911	9,991	-	-	1,475,252	1,646,713
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	173,904	361,487	854,418	-	-	-	1,389,809
Other liabilities ⁽²⁾	932	17	143	456	-	1,159,330	1,160,878
Total liabilities	1,632,383	425,339	1,055,288	456	-	2,634,685	5,748,151
Long Position in the Balance Sheet	-	315,366	-	1,668,498	-	-	1,983,864
Short Position in the Balance Sheet	(81,674)	-	(379,401)	-	-	(1,522,789)	(1,983,864)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	(81,674)	315,366	(379,401)	1,668,498	-	(1,522,789)	-

⁽¹⁾ Other Assets: The amount of TL 261,134 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 135,873, Subsidiaries amounting to TL 108,205, Expected Credit Loss amounting to TL 22,445, Intangible Assets amounting to TL 5,481, Deferred Tax Asset amounting to TL 4,280, Other Assets amounting to TL 28,740 and Available for Sale Financial Assets amounting to TL 1,000 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 1,159,330 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,058,879, Provisions amounting to TL 54,549, Current Tax Liability amounting to TL 9,318 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 36,584.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

III. INFORMATION ON INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	566,564	566,564
Banks	1,133,731	-	-	-	-	-	1,133,731
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⁾	-	-	-	-	-	170,231	170,231
Total assets	2,094,067	223,599	954,202	831,648	28,886	825,592	4,957,994
Liabilities							
Bank deposits	1,027,216	59,608	187,265	17,844	-	-	1,291,933
Other deposits	123,973	22,803	8,508	83	-	1,008,866	1,164,233
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	-	154,854	865,731	332,605	-	-	1,353,190
Other liabilities ⁽²⁾	75	94	69	464	1,124	1,146,812	1,148,638
Total liabilities	1,151,264	237,359	1,061,573	350,996	1,124	2,155,678	4,957,994
Long Position in the Balance Sheet	942,803	-	-	480,652	27,762	-	1,451,217
Short Position in the Balance Sheet	-	(13,760)	(107,371)	-	-	(1,330,086)	(1,451,217)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	942,803	(13,760)	(107,371)	480,652	27,762	(1,330,086)	-

⁽¹⁾ Other Assets: The amount of TL 170,231 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 136,265, Subsidiaries amounting to TL 108,205, Expected Credit Loss amounting to TL 98,223, Intangible Assets amounting to TL 6,153, Other Assets amounting to TL 16,831 and Available for Sale Financial Assets amounting to TL 1,000 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 1,146,812 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,052,917, Provisions amounting to TL 55,275, Current Tax Liability amounting to TL 9,528, Deferred Tax Liability amounting to TL 1,719 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 27,373.

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	-	-
Banks	0.01	2.27	-
Financial assets at fair value through profit or loss	2.52	-	10.83
Money Market Placements	-	-	9.05
Financial Assets at Fair Value Through Other Comprehensive Income	2.78	6.02	-
Loans	3.50	5.33	12.27
Financial Assets Measured at Amortized Cost	2.87	6.70	11.36
Liabilities			
Interbank Deposits	0.74	0.94	-
Other Deposits	0.22	0.93	8.58
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	0.80	3.63	-
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	-
Financial assets at fair value through profit or loss	2.52	-	-
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
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	0.81	4.07	-

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

IV. INFORMATION ON STOCK POSITION RISK

Equity investment risk due from banking book

The 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.

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

One of the important components of liquidity management is management information system which is created to offer information about the liquidity position of the 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 Bank also makes short-term and long-term assumptions. Another important consideration is that the 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.

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

The Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Bank's largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has the Bank. Funds received from the Bank's risk group have a 21% share in liabilities.

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

The 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 Bank's liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 53% of these funds are USD and 47% are Euro.

Information regarding to the liquidity risk mitigation techniques used

The 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 BANK (Continued)****V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****General information on the emergency and contingency plan of Liquidity**

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

- Bank-specific crisis and general market crisis has been described,
- The decision of proportional and structural changes of assets and liabilities in the balance sheet is delegated to 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 and 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 and Liabilities Committee.

The 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 Bank’s liquidity need is in minimum level. Measures have been taken by the 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 unconsolidated foreign currency and total liquidity coverage ratio by weeks are as follows:

	Week	FC	Week	FC+TL
Lowest	27 March 2020	149	27 March 2020	178
Highest	03 January 2020	281	03 January 2020	380

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,279,983	1,796,750	1,875,012	1,391,778
CASH OUTFLOWS				
2 Real person deposits and retail deposits	522,428	481,471	50,232	48,147
3 Stable deposit	40,213	-	2,011	-
4 Deposit with low stability	482,215	481,471	48,221	48,147
5 Unsecured debts except real person deposits and retail deposits	2,047,925	1,908,124	1,498,662	1,363,287
6 Operational deposit	-	-	-	-
7 Non-operating deposits	1,894,378	1,882,810	1,345,115	1,337,973
8 Other unsecured debts	153,547	25,314	153,547	25,314
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	4,129,240	3,949,633	249,436	207,960
16 TOTAL CASH OUTFLOW	6,699,593	6,339,228	1,798,330	1,619,394
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,172,667	878,735	1,049,931	850,133
19 Other cash inflows	16,095	16,095	16,095	16,095
20 TOTAL CASH INFLOWS	1,188,762	894,830	1,066,026	866,228
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			1,875,012	1,391,778
22 TOTAL NET CASH OUTFLOWS			738,645	756,539
23 LIQUIDITY COVERAGE RATIO (%)			253.84	183.97

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Prior Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TC+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,467,170	1,921,542	2,075,871	1,530,243
CASH OUTFLOWS				
2 Real person deposits and retail deposits	447,958	413,177	43,106	41,318
3 Stable deposit	33,786	-	1,689	-
4 Deposit with low stability	414,172	413,177	41,417	41,318
5 Unsecured debts except real person deposits and retail deposits	2,135,443	2,020,115	1,780,669	1,670,716
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,009,117	1,994,742	1,654,343	1,645,343
8 Other unsecured debts	126,326	25,373	126,326	25,373
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	3,967,177	3,715,665	253,077	196,253
16 TOTAL CASH OUTFLOW	6,550,578	6,148,957	2,076,852	1,908,287
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,193,355	955,004	1,058,282	918,972
19 Other cash inflows	12,959	12,959	12,959	12,959
20 TOTAL CASH INFLOWS	1,206,314	967,963	1,071,241	931,931
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			2,075,871	1,530,243
22 TOTAL NET CASH OUTFLOWS			1,009,726	979,032
23 LIQUIDITY COVERAGE RATIO (%)			205.59	156.30

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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

High-quality liquid assets and cash outflows are one of the most important factors affecting the calculation of the liquidity coverage ratio for banks. A major portion of high-quality liquid assets of the 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 38% of high-quality liquid assets of the Bank, while 60% 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. 56% of the total liabilities are deposits received. 48% of these deposits are deposits obtained from banks.

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

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. 31 March 2020, the bank has no derivative transactions. Therefore, there is no net cash outflow arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 56% of the liability is deposits and 48% 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 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 BANK (Continued)

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	35,795	804,636	-	-	-	-	-	840,431
Banks	56,985	606,303	-	-	-	-	-	663,288
Financial Assets at Fair Value through Profit or Loss	-	-	101,742	15,756	10,309	-	-	127,807
Money Market Placements	-	295,573	-	-	-	-	-	295,573
Financial Assets at Fair Value through Other Comprehensive Inc.	-	6,696	85,852	73,068	370,091	-	2,834	538,541
Loans	-	579,545	324,486	590,259	564,261	-	7,497	2,066,048
Financial Assets Measured at Amortized Cost	-	5,606	211,662	13,764	724,297	-	-	955,329
Other assets ⁽¹⁾	-	-	-	-	-	-	261,134	261,134
Total Assets	92,780	2,298,359	723,742	692,847	1,668,958	-	271,465	5,748,151
Liabilities								
Interbank Deposits	774,602	552,489	32,924	190,736	-	-	-	1,550,751
Other Deposits	1,475,252	130,559	30,911	9,991	-	-	-	1,646,713
Money market borrowings	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Funds provided from other financial institutions	-	173,904	361,487	854,418	-	-	-	1,389,809
Other liabilities ⁽²⁾	-	932	17	143	456	-	1,159,330	1,160,878
Total Liabilities	2,249,854	857,884	425,339	1,055,288	456	-	1,159,330	5,748,151
Net Liquidity Gap	(2,157,074)	1,440,475	298,403	(362,441)	1,668,502	-	(887,865)	-
Prior Period								
Total Assets	79,876	2,562,712	230,254	965,591	831,647	28,886	259,028	4,957,994
Total Liabilities	1,642,093	518,037	237,358	1,061,574	350,996	1,124	1,146,812	4,957,994
Net Liquidity Gap	(1,562,217)	2,044,675	(7,104)	(95,983)	480,651	27,762	(887,784)	-

1) Other Assets: The amount of TL 261,134 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 135,873, Subsidiaries amounting to TL 108,205, Intangible Assets amounting to TL 5,481, Expected Credit Loss amounting to TL 22,445, Deferred Tax Asset amounting to TL 4,280, Other Assets amounting to TL 28,740 and Available for Sale Financial Assets amounting to TL 1,000 of other undistributed amounts.

2) Other Liabilities: The amount of TL 1,159,330 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,058,879, Provisions amounting to TL 54,549, Current Tax Liability amounting to TL 9,318 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 36,584.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

VI. 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.

Leverage ratio disclosure as follows

Balance sheet assets	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
1 Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	5,286,878	4,765,304
2 (Assets deducted from main capital)	(5,969)	(5,149)
3 Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	5,280,909	4,760,155
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	-	-
6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	-	-
Security or secured financing transactions		
7 Risk amount of security or secured financing transactions (Except balance sheet)	41,043	40,456
8 Risk amount due to intermediated transactions	-	-
9 Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	41,043	40,456
Off-balance sheet transactions		
10 Gross nominal amount of off-balance sheet transactions	4,268,740	3,986,307
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)	4,268,740	3,986,307
Equity and total risk		
13 Main capital	1,056,900	1,033,259
14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	9,590,692	8,786,918
Leverage ratio		
15 Leverage ratio	%11.05	%11.77

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

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

VII. INFORMATION ON RISK MANAGEMENT

Overview of Risk Weighted Amount (Current Period)

	Risk Weighted Amount		Minimum capital Requirement
	Current		Current Period
	Period	Prior Period	
1 Credit risk (excluding counterparty credit risk) (CCR)	4,578,760	4,531,546	366,301
2 Standardised approach (SA)	4,578,760	4,531,546	366,301
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	355	672	28
5 Standardised approach for counterparty credit risk (SA-CCR)	355	672	28
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	153,438	68,700	12,275
17 Standardised approach (SA)	153,438	68,700	12,275
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	531,825	425,563	42,546
20 Basic Indicator Approach	531,825	425,563	42,546
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)	5,264,378	5,026,481	421,150

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

None.

RWA flow statements of market risk exposures under an IMA

None.

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NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

VIII. INFORMATION ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

The Bank has operations in retail banking, corporate and commercial banking, treasury, investment banking and international banking areas.

Information on operational segments on 31 March 2020, 31 March 2019 and 31 December 2019 are presented in the table below:

Current Period 31 March 2020	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Interest Income (Net)	(351)	24,372	19,066	-	43,087
Commission Income (Net)	-	17,974	-	-	17,974
Unallocated Income/Expenses (Net)	-	-	-	(37,684)	(37,684)
Operating Income	(351)	42,346	19,066	(37,684)	23,377
Income from Subsidiaries	-	-	-	-	-
Income before tax	-	-	-	23,377	23,377
Tax Provision	-	-	-	(5,128)	(5,128)
Net Profit for the period				18,249	18,249

Current Period 31 March 2020	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Segment Assets	1,643	551,056	3,805,650	-	4,358,349
Associates and Subsidiaries	-	-	-	-	-
Unallocated assets	-	-	-	1,389,802	1,389,802
Total Assets	1,643	551,056	3,805,650	1,389,802	5,748,151
Segment Liabilities	589,740	1,059,455	2,938,078	-	4,587,273
Unallocated Liabilities	-	-	-	101,999	101,999
Equity	-	-	-	1,058,879	1,058,879
Total Liabilities	589,740	1,059,455	2,938,078	1,160,878	5,748,151

Prior Period 31 March 2019	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Interest Income (Net)	(513)	43,578	27,923	-	70,988
Commission Income (Net)	-	20,259	-	-	20,259
Unallocated Income/Expenses (Net)	-	-	-	(27,395)	(27,395)
Operating Income	(513)	63,837	27,923	(27,395)	63,852
Income from Subsidiaries	-	-	-	-	-
Income before tax	-	-	-	63,852	63,852
Tax Provision	-	-	-	(13,187)	(13,187)
Net Profit for the period				50,665	50,665

Prior Period 31 March 2019	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Segment Assets	1,074	107,685	3,421,390	-	3,530,149
Associates and Subsidiaries	-	-	-	-	-
Unallocated assets	-	-	-	1,427,845	1,427,845
Total Assets	1,074	107,685	3,421,390	1,427,845	4,957,994
Segment Liabilities	464,664	700,981	2,643,711	-	3,809,356
Unallocated Liabilities	-	-	-	95,721	95,721
Equity	-	-	-	1,052,917	1,052,917
Total Liabilities	464,664	700,981	2,643,711	1,148,638	4,957,994

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	2,190	29,744	1,330	15,426
Central Bank of Turkey	3,861	804,636	3,245	546,563
Other	-	-	-	-
Total	6,051	834,380	4,575	561,989

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	3,861	-	3,245	-
Unrestricted Time Deposits	-	344,435	-	239,743
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	460,201	-	306,820
Total	3,861	804,636	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 7% (31 December 2019: rates between 1% and 7%) , and for USD 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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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS****2. Information on financial assets at fair value through profit or loss**

As of the current period, 3,293 TL 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 trading derivative financial assets;

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	449	617,346	476	1,079,064
Foreign banks	-	45,493	-	54,191
Branches and head office abroad	-	-	-	-
Total	449	662,839	476	1,133,255

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 (+)	1,391	-	-	1,391
Disposal (-)	(1,996)	-	-	(1,996)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	1,419	-	-	1,419
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 Stage1	-	-	-	-
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 UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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 March 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 March 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: 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	549,213	247,566
Quoted in stock exchange	549,213	247,566
Not quoted in stock exchange	-	-
Share Certificates	2,835	2,606
Quoted in stock exchange	-	-
Not quoted in stock exchange	2,835	2,606
Impairment provision (-)	13,507	1,102
Total	538,541	249,070

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FIVE

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

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

5. Information on Loans

Information on all types of loans and advances given to shareholders and employees of the Bank

	Current period		Prior Period	
	Cash	Non- Cash	Cash	Non- Cash
Direct Loans Granted to Shareholders	65,948	31,345	59,486	11,700
Corporate Shareholders	65,948	31,345	59,486	11,700
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	1,643	116	1,074	106
Total	67,591	31,461	60,560	11,806

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

	Standard Loans	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Cash Loans				
Non-Specialized Loans	2,058,551	-	-	-
Commercial Loans	-	-	-	-
Export Loans	57,428	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,220,816	-	-	-
Consumer Loans	1,643	-	-	-
Credit Cards	-	-	-	-
Other	778,664	-	-	-
Specialized Lending	-	-	-	-
Other Receivables	-	-	-	-
Total	2,058,551	-	-	-

	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	11,546	-
Significant increase in credit risk	-	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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	404	1,239	1,643
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	404	1,239	1,643
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Deposits with Credit Limit-TL (Individual)	-	-	-
Deposits with Credit Limit-FC (Individual)	-	-	-
Total	404	1,239	1,643

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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	-	50,727	50,727
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	50,727	50,727
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	-	50,727	50,727

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	2,038,300	1,708,210
Foreign loans	20,251	22,033
Total	2,058,551	1,730,243

Loans granted to subsidiaries and associates

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****5. Information on Loans (Continued)***Specific provisions for loans*

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	5,455	84,219
Total	5,455	84,219

Information related to non-performing loans*Information on restructured loans of non-performing loans*

None.

Information on movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectibles	collectibles	
Balances at Beginning of Period	-	-	86,192
Additions (+)	-	-	-
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	94
Write-offs (-)	-	-	78,601
Institutional and commercial credits	-	-	78,601
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	7,497
Specific provisions (-)	-	-	5,455
Net Balance on Balance Sheet	-	-	2,042

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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 4,196 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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Non-performing Loans and receivables
Current Period (Net)	-	-	2,042
Loans granted to real persons and legal entities(Gross)	-	-	7,497
Specific provisions (-)	-	-	5,455
Loans granted to real persons and legal entities(Net)	-	-	2,042
Banks (Gross) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	1,973
Loans granted to real persons and legal entities(Gross)	-	-	86,092
Specific provisions (-)	-	-	84,119
Loans granted to real persons and legal entities(Net)	-	-	1,973
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

⁽¹⁾ Contains Foreign Banks.

SECTION FIVE

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

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

5. Information on Loans (Continued)

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

None.

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 bank 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, and its effect on NPL ratio is 3.8%.

Expected credit loss for loans

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	10,700	-	84,219	94,919
Additions during the Period	3,222	-	-	3,222
Disposal	(2,376)	-	(163)	(2,539)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	(78,601)	(78,601)
Balances at End of Period	11,546	-	5,455	17,001

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 Stage1	-	-	-	-
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 UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

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

As of 31 March 2020, the Bank does not have marketable securities subjected to repurchase transactions on financial assets measured at amortised cost.

As of 31 March 2020, the Bank does not have securities which are collateralized/blocked from held to maturity financial assets (31 December 2019: None).

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	7,216	586,226	1,322	329,700
Treasury Bonds	-	-	-	-
Other Public Bonds	-	361,887	-	147,715
Total	7,216	948,113	1,322	477,415

	Current Period	Prior Period
Debt Instruments	955,329	478,737
Quoted at stock exchange	955,329	478,737
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	955,329	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	52,098	48,586
Purchases during the period	467,822	145,427
Disposals through sales and redemptions ⁽¹⁾	(43,328)	(199,599)
Impairment loss provision	-	-
Period end balance	955,329	478,737

⁽¹⁾ In the current period redemption amounting to TL 43,328 has been realized from the portfolio (31 December 2019: 199,599).

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****Expected credit loss for financial assets measured at amortised cost**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,280	-	-	1,280
Additions during the Period	2,823	-	-	2,823
Disposal	(78)	-	-	(78)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	4,025	-	-	4,025

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,300	-	-	1,300
Additions during the Period	624	-	-	624
Disposal	(644)	-	-	(644)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	1,280	-	-	1,280

7. Information on associates

The Bank does not have an associate.

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

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	108,000	108,000
Capital Reserves	228	228
Legal Reserves	4,643	4,643
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	11,695	10,107
<i>Net Profit</i>	<i>1,588</i>	<i>10,580</i>
<i>Prior Period Profit/Loss</i> ⁽²⁾	<i>10,107</i>	<i>(473)</i>
Intangible Assets (-)	175	197
Total Core Capital	124,392	122,782
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	124,392	122,782
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL ⁽¹⁾	124,392	122,782

⁽¹⁾ There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 124,392.

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

Summary information on basic features of equity items

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

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

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

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

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

Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Year Profit / Loss	Prior Year Profit/Loss	Fair value ⁽¹⁾
398,461	129,801	10,649	8,814	-	1,588	10,107	-

⁽¹⁾ The related subsidiary has no fair value as of 31 March 2019.*Movement related to subsidiaries*

	Current Period	Prior Period
Balance at the Beginning of the Period	108,205	95,708
Movements during the Period	-	12,497
Purchases	-	-
Bonus Shares Received	-	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	108,205	108,205
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

Sectoral Information on the subsidiaries

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

Quoted Subsidiaries

There is no subsidiaries quoted at stock exchange of the bank.

9. Information on joint ventures

The Bank has no joint ventures.

10. Information on Financial lease receivables (Net)

The Bank has no financial lease operation.

ARAP TÜRK BANKASI A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020
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SECTION FIVE

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

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

11. Information on financial derivatives for hedging

The Bank has no financial derivatives for hedging.

12. Information on investment property

The Bank has no investment property.

13. Information on tax assets

As of 31 March 2020, there is no current tax asset.

Information on deferred tax asset

As of 31 Mart 2020, the Bank calculated net deferred tax liability of TL 4,280 by netting off deferred tax asset of TL 20,959 and deferred tax liability of TL 16,679 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

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

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/liability	Accumulated temporary differences	Deferred tax asset/liability
Provisions for employee rights	19,175	3,944	17,959	3,693
Unearned revenues	4,176	919	6,605	1,453
Interest rediscounts	32,096	7,061	5,942	1,307
Provisions	40,343	8,875	37,033	8,147
Other	728	161	1,650	363
Deferred tax asset	96,518	20,960	69,189	14,963
Tangible assets revaluation surplus	114,622	14,923	114,622	14,923
Other	8,168	1,757	8,160	1,759
Deferred tax liability	122,790	16,680	122,782	16,682
Deferred tax asset/(liability) (net)		4,280		(1,719)

Movement of deferred tax asset and liability:

	Current Period	Prior Period
Opening balance	(1,719)	940
Deferred tax income/(expense)(Net)	1,996	1,473
Deferred tax accounted under shareholder's equity	4,003	(4,132)
Net Deferred Tax Asset/(Liability)	4,280	(1,719)

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****14. 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	-	987
Disposals (-)	-	4
Accumulated Provision (-)	-	-
Provision Expense (-)	-	-
Accumulated Amortization (-)	-	-
Depreciation of disposals	-	-
Depreciation Expenses (-)	-	-
Closing Net Book Value	1,000	1,000

15. Information on other assets

Other assets is amounting to TL 28,740 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2019: TL 16,831).

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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SECTION FIVE

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

II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	32,551	-	2,682	2,264	2,329	-	-	-	39,826
Foreign Currency Deposits	1,432,772	-	1,627	128,035	24,153	5,679	4,476	-	1,596,742
Residents in Turkey	435,199	-	1,627	96,121	13,870	789	393	-	547,999
Residents Abroad	997,573	-	-	31,914	10,283	4,890	4,083	-	1,048,743
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	6,199	-	-	216	-	-	-	-	6,415
Other Ins. Deposits	3,730	-	-	-	-	-	-	-	3,730
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits^(*)	774,602	-	335,028	72,154	-	178,231	190,736	-	1,550,751
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	228,062	-	-	-	-	-	228,062
Foreign Banks	774,602	-	106,966	72,154	-	178,231	190,736	-	1,322,689
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2,249,854	-	339,337	202,669	26,482	183,910	195,212	-	3,197,464

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	31,451	-	2,319	4,004	2,177	-	-	-	39,951
Foreign Currency Deposits	968,755	-	5,032	111,442	21,316	4,929	3,987	-	1,115,461
Residents in Turkey	343,527	-	5,032	91,802	6,825	718	274	-	448,178
Residents Abroad	625,228	-	-	19,640	14,491	4,211	3,713	-	667,283
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	4,886	-	-	161	-	-	-	-	5,047
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	1,642,093	-	121,423	182,123	216,365	248,488	45,674	-	2,456,166

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****1. Information on maturity profile of deposits (Continued)***Information on saving 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	Prior Period	Current Period
Saving Deposits	11,405	10,618	28,421	29,333
Foreign Currency Saving Deposits	176,921	143,790	372,993	280,923
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	188,326	154,408	401,414	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 Bank’s headquarter is located in Turkey.

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF 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	4,424	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 December 2004	-	-
Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	4,424	3,508

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

None.

3. Information on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	-	3,661	-	3,347
From Foreign Banks, Institutions and Funds	-	1,386,148	-	1,349,843
Total	-	1,389,809	-	1,353,190

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	379,583	-	335,968
Long-Term	-	1,010,226	-	1,017,222
Total	-	1,389,809	-	1,353,190

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

Bank's liabilities come from 56% of deposits which mainly come from Libyan Foreign Bank and its subsidiaries.

4. Information on other liabilities

Other liabilities is amounting to TL 36,584 and this amount does not exceed 10% of total the balance sheet (31 December 2019: TL 27,373).

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****5. Information on financial lease obligations**

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	168	159	637	610
1 – 4 years	1,560	1,147	1,320	932
More than 4 years	300	242	352	284
Total	2,028	1,548	2,309	1,826

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

None.

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

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated “TAS 19 - Employee Benefits”. Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability of the Bank is the amount as at 31 March 2020 is TL 7,843 (31 December 2019: TL 6,717). In addition to this, the unused vacation provision and other employee benefits amount as at 31 March 2020 is TL 11,331 (31 December 2019: TL 11,242).

Other Provisions

As of 31 March 2020, the reserve for contingent risks for the Bank 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
Provisions for non-cash loans	19,879	21,685
Provisions for law suits	496	631
Total	35,375	37,316

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SECTION FIVE

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

II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

8. Information on tax payables

Information on current tax liability

As of 31 March 2020, the Bank’s corporate tax payable is TL 5,315 after offsetting prepaid corporate tax (31 December 2019: TL 5,639).

	Current Period	Prior Period
Corporate Taxes Payable	5,315	5,639
Banking Insurance Transaction tax (BITT)	472	588
Taxation on Securities Income	33	270
Value Added Tax Payable	35	119
Value Added Tax Payable (Limited tax payer)	34	27
Foreign exchange transaction tax	-	-
Taxation on real estate income	20	18
Other	1,729	1,731
Total	7,638	8,392

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	624	422
Social Security Premiums-Employer	924	624
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	44	30
Unemployment Insurance-Employer	88	60
Others	-	-
Total	1,680	1,136

Information on deferred tax liability

None.

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

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

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

The Banks has no subordinated loans.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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SECTION FIVE

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

II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

9. Information on Shareholders’ Equity

Presentation of Paid-in Capital

	Current Period
Common Stock	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 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 Bank’s prior periods income, profitability, and liquidity indicators and uncertainty, to shareholders’ equity

None.

Explanations on dividend distribution

None.

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 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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****9. Information on Shareholders’ Equity (Continued)*****Gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income***

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Valuation Differences	6,237	(13,399)	381	4,686
Exchange Rate Differences	-	-	-	-
Total	6,237	(13,399)	381	4,686

Information on legal reserve

In the current period there is no amount which is transferred to legal reserve.

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

The Bank has TL 3,458 as irrevocable commitments (31 December 2019: TL 17,881).

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

As of the balance sheet date, the Bank has allocated the provision amounting TL 222 over total Stage 3 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 1,117,360 (31 December 2019: TL 912,075).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Bank’s guarantee letters is TL 3,303,193 (31 December 2019: TL 3,156,146).

2. Total amount of Non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	499,246	645,997
Less Than or Equal to One Year with Original Maturity	291,965	394,120
More Than One Year with Original Maturity	207,281	251,877
Other Non-Cash Loans	3,921,307	3,422,224
Total	4,420,553	4,068,221

3. Expected losses for non-cash loans and irrevocable commitments

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	21,418	-	267	21,685
Additions during the period	2,251	-	-	2,251
Disposal	(4,012)	-	(45)	(4,057)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at end of period	19,657	-	222	19,879

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO 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	12,630	6,370	32,045	5,226
Medium and Long-Term Loans	981	6,928	50	11,317
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	13,611	13,298	32,095	12,908

⁽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 CRBT	-	-	-	-
From Domestic Banks	5	2,938	1,219	4,113
From Foreign Banks	-	126	-	89
Overseas Headquarters and Branches	-	-	-	-
Total	5	3,109	1,219	4,202

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	444	-	-	1,336
Financial Assets at Fair Value Through Other Comprehensive Income	72	2,730	-	1,685
Financial Assets Measured at Amortised Cost	109	5,767	618	5,179
Total	625	8,497	618	8,200

Information on interest income received from associates and subsidiaries

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FIVE

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

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

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	6,243	-	5,462
Central Bank	-	-	-	-
Domestic Banks	-	28	-	40
Foreign Banks	-	6,215	-	5,422
Overseas Headquarters and Branches	-	-	-	-
Total	-	6,243	-	5,462

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								
Bank deposits	-	1	-	-	-	-	-	1
Saving deposits	-	62	54	52	13	11	-	192
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	5	2	2	-	-	-	9
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	68	56	54	13	11	-	202
Foreign Currency								
Foreign currency deposits	-	4	157	68	24	27	-	280
Interbank deposits	96	319	215	1	531	566	-	1,728
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	96	323	372	69	555	593	-	2,008
Grand Total	96	391	428	123	568	604	-	2,210

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF PROFIT OR LOSS (Continued)****3. Information on trading gain/loss**

	Current Period	Prior Period
Gain	5,287,942	6,034,879
Gain from money market transactions	-	-
Gain from financial derivative transactions	-	-
Gain from exchange transactions	5,287,942	6,034,879
Loss (-)	(5,285,836)	(6,031,797)
Loss from money market transactions	-	(467)
Loss from financial derivative transactions	-	-
Loss from exchange transactions	(5,285,836)	(6,031,330)
Net Trading Gain/Loss	2,106	3,082

4. Information on income from other operations

	Current Period	Prior Period
From Reversal of Provisions of Prior Year	366	436
From Communication Income	1,123	926
Gain on sales of assets	-	-
Other Income	641	23
Total	2,130	1,385

5. Information on expected credit loss expenses

	Current Period	Prior Period
Expected Credit Loss Provisions	3,310	389
<i>12 month expected credit loss (stage 1)</i>	3,310	355
<i>Significant increase in credit risk (stage 2)</i>	-	-
<i>Non-performing loans (stage 3)</i>	-	34
Marketable Securities Impairment Expense	-	-
<i>Financial Assets at Fair Value through Profit or Loss</i>	-	-
<i>Financial Assets at Fair Value Through Other Comprehensive Income</i>	-	-
Subsidiaries, Associates and Entities under Common Control	-	-
Provision Expenses for Impairment	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint Ventures</i>	-	-
Other	-	-
Total	3,310	389

6. Information on Other Provision Expenses

	Current Period	Prior Period
Securities Depreciation Expenses	1,222	-
Free Provision	-	-
Provisions Lawsuits	-	-
Total	1,222	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF PROFIT OR LOSS (Continued)****7. Information on other operating expense**

	Current Period	Prior Period
Employee Termination Benefits Expense	529	291
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	863	730
Intangible Fixed Asset Impairment Expense	-	-
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	672	448
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	4,797	3,879
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	12	13
<i>Maintenance Expenses</i>	1,580	1,223
<i>Advertisement Expenses</i>	49	25
<i>Other Expenses</i>	3,156	2,618
Losses from sales of Assets	-	-
Other	3,501	5,330
Total	10,362	10,678

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

The pre-tax income amount from continued operations is TL 23,377 (31 March 2019: TL 63,852).

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

As of 31 March 2020, current taxation expense is TL 7,124 (31 March 2019: TL 12,914 current tax expense) and the net impact of deferred tax income is TL 1,996 (31 March 2019: TL 273 deferred tax expense).

Deferred tax charge arising from origination or reversal of temporary differences

The Bank has TL 1,996 as deferred tax income arising from origination of temporary differences (31 March 2019: TL 273 deferred tax income).

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

The Bank has TL 1,996 as deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions (31 March 2019: TL 273 deferred tax income).

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

Current period profit from continued operations is TL 18,249 (31 March 2019: TL 50,665).

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FIVE

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

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

10. Information on net profit or loss of the period

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

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

Apart from other operating income and other operating expenses explained above, the details of other commission income items exceeding 10% of the total income statement are as follows.

	Current Period	Prior Period
Letter of Credit Commissions	7,386	8,819
Transfer Commissions	3,392	2,792
Other	78	156
Total	10,856	11,767

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

SECTION FIVE

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

V. INFORMATION ON THE BANK’S RISK GROUP

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

Information on the loans of the Bank’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	-	564	59,486	11,700	-	88,731
Balance at the end of the period	-	544	65,948	31,345	1	49,339
Interest and Commission Income received ⁽²⁾	-	-	-	-	20	-

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

Prior Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	606	1,395	26,049	431,005	247,752
Balance at the end of the period	-	564	59,486	11,700	-	88,731
Interest and Commission Income received ⁽²⁾	-	-	-	-	738	-

⁽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 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 Bank has a loan amounting to TL 650,925 (31 December 2019: TL 671,182) from the risk group. There was an interest expense of TL 5,554 in the current period related to the loans used (31 March 2019: TL 5,615).

Information on deposits of the Bank’s risk group

Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	245	334	1,688	2,038,148	777,686	658,394
Balance at the end of the period	170	245	2,203	1,688	534,105	777,686
Interest expense on deposits	-	-	7	16,024	1,176	2,794

⁽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 Bank’s risk group

None.

Information on benefits provided for top level management:

As of 31 March 2020, TL 4,216 has been paid to the top level management of the Bank as salaries and fringe benefit (31 March 2019: TL 3,850).

SECTION FIVE

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

According to BRSA's article dated 18 April 2020, and the second paragraph of Article 43 and 93 of the Banking Law (Law) No. 5411, it has been decided that the Banks shall calculate Asset Ratio (AR) on a weekly basis, and as of the end of each month, the monthly average of the Asset Ratio should not fall below 100% for deposit banks and below 80% for participation banks. In accordance with subparagraph (a) of the first paragraph of Article 148 of the Law, as of the end of the relevant month, it was decided to calculate the excess amount that constitutes a contradiction to be taken as the amount of change in the share that will bring the ratio to 100% and 80%, respectively, for banks with an active ratio below 100% and participation banks below 80%. This regulation is valid as of May 1, 2020.

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 March 2020, unconsolidated 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 March 2020 is presented before the unconsolidated financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. Evaluation of the Chairman and General Manager for the Period

In The Covid-19 epidemic, which started in China in December and had an increasing severity especially in Europe and the USA in March by gaining “pandemic” dimension, is considered to increase risks on economies on the global basis. In this context, while downward revisions are repeatedly made in the estimations of the global economic outlook, opinions regarding the contraction of the world economy in 2020 are becoming widespread. According to the Global Economic Growth Report published by the IMF in April, developed economies are expected to contract by 6.1% in 2020 (Euro zone - 6.6%, USA - 5.9%). However, depending on the growth of China and India, the contraction in developing countries is expected to be limited at 1.0% level.

The World Trade Organization estimates that there may be a contraction of 13% to 32% in commercial activities on a global basis in 2020. Within this framework, oil prices also declined rapidly due to concerns about global demand and price wars.

In such a conjuncture, governments and central banks declare comprehensive measures to support the real sector and financial system. In March, the Fed lowered its policy rate by 150 basis points to 0-0.25% band. Announcing that it will purchase unlimited bonds, the Fed continues to cooperate with other central banks through swap and repo transactions so that the global dollar liquidity is not interrupted.

In such a global conjuncture, economic activity in Turkey is also affected negatively. The European countries became the center of the epidemic and considering the direct interaction of Turkey's economy to those countries, such situation adversely affect the predictions for the coming period. While the weak outlook in the financial markets continues, the rise in the 5-year CDS premium causes TL assets to remain under significant sales pressure. In this context, it is observed that the monetary and fiscal policies that are being followed and the regulations adopted by the relevant institutions in coordination are implemented without delay. In this context, a resource set of TL 100 billion has been put into operation under the name of Economic Stability Shield Package in order to eliminate the negative effects of the outbreak on economic activity and especially to prevent production and employment. Additionally, strong statements are made for improving the scope of this package further, in case of need.

Despite the capital outflows from developing countries and rising risk premiums as well as the risk of a sudden slowdown in economic activity, the strong outlook in the capital adequacy and liquidity performance of the Turkish banking sector continues. Compared to the same period of the previous year, the net term profit of the Turkish banking sector noticeably increased to TL 15,1 billion at the end of the first two months of the year. On the other hand, the fees and commissions income expected to decrease in the rest of the year and thus a weakening in core banking revenues. Also, it is considered that the negative effects of Covid-19 outbreak will be felt in the banks’ balance sheets in the medium and long term starting from the second quarter of the year.

While we are passing through a period in which combating the Covid-19 epidemic is the most important agenda item, all suggestions and instructions of legal authorities are closely followed and implemented by our Bank since the beginning of the outbreak. In this context, all necessary measures have been taken to ensure that the epidemic does not adversely affect the health of our customers, our employees and our banking operations. We are proud to underline that all the banking operations of A&T Bank have been maintained without any interruption.

As of March 2020, the asset size of our Bank increased by 15.9% compared to the end of the previous year and reached TL 5,7 billion. In this period, while the Bank’s shareholders' equity and net profit reached TL 1,059 million and TL 18,2 million, respectively, capital adequacy standard ratio maintains its strong outlook by 20.96%.

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION SEVEN**EXPLANATIONS ON INTERIM ACTIVITY REPORT****I. Evaluation of the Chairman and General Manager for the Period**

Our core operating principles will continue to be pursuit of “sustainable healthy growth in corporate banking” while remaining steadfast to effective risk and liquidity management and adding value to the country's economy in the forthcoming period, as it was in the past. In addition, we will continue improving our information technology systems and automation processes, boosting our service quality and increasing operational efficiency by ensuring full compliance to corporate governance principles.

Best regards,

Wail J. A. BELGESAEM
General Manager

Bilgehan KURU
Chairman

II. Unconsolidated Financial Highlights for the Period

Assets (Thousand TL) (1)	31.12.2019	31.03.2020
Financial Assets (Net) (2)	2,576,759	2,464,221
Financial Assets Measured at Amortised Cost (Net) (3)	2,112,781	3,000,351
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	1,000	1,000
Equity Investments	108,205	108,205
Property and Equipment (Net)	136,265	135,873
Intangible Assets (Net)	6,153	5,481
Deferred Tax Assets	-	4,280
Other Assets (Net)	16,831	28,740
Total Assets	4,957,994	5,748,151
Liabilities (Thousand TL) (1)	31.12.2019	31.03.2020
Deposits	2,456,166	3,197,464
Funds Borrowed	1,353,190	1,389,809
Lease Liabilities (Net)	1,826	1,548
Provisions	55,275	54,549
Current Tax Liability	9,528	9,318
Deferred Tax Liability	1,719	-
Shareholders' Equity	1,052,917	1,058,879
Other Liabilities	27,373	36,584
Total Liabilities	4,957,994	5,748,151
Off Balance Sheet Commitments (Thousand TL)	31.12.2019	31.03.2020
Guarantees and Warranties	4,068,221	4,420,553
Commitments	17,881	3,458
Total Off Balance Sheet Commitments	4,086,102	4,424,011

ARAP TÜRK BANKASI A.Ş.**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020**

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

SECTION SEVEN**EXPLANATIONS ON INTERIM ACTIVITY REPORT****II. Unconsolidated Financial Highlights for the Period (Continued)**

Statement of Profit / Loss (Thousand TL)	31.03.2019	31.03.2020
Interest Income	83,405	52,291
Interest Expense (-)	12,417	9,204
Net Interest Income	70,988	43,087
Net Fees & Commission Income	20,259	17,974
Dividend Income	3	3
Trading Income / Loss (Net) (+/-)	3,082	2,106
Other Operating Income	1,385	2,130
Gross Operating Income	95,717	65,300
Expected Credit Loss (-)	389	3,310
Other Provisions Expenses (-)	186	1,222
Personnel Expense (-)	20,612	27,029
Other Operating Expenses (-)	10,678	10,362
Net Operating Income / Loss	63,852	23,377
Tax Provision (-)	13,187	5,128
Net Term Profit	50,665	18,249

Unconsolidated Financial Ratios (%)	31.03.2019	31.03.2020
Return on Assets (4)	2.24	2.73
Return on Equity (4)	16.10	14.66
Capital Adequacy Standard Ratio	21.34	20.96
Loans / Total Assets	34.90	35.94
Deposits / Total Liabilities	49.54	55.63

(1) Rate sensitive assets and liabilities include rediscounts.

(2) Cash and Cash Equivalents, Financial Assets Measured at Fair Value through Profit or Loss, Financial Assets Measured at Fair Value through other Comprehensive Income and Derivative Financial Assets.

(3) Loans, Lease Receivables, Factoring Receivables, Financial Assets Measured at Amortized Cost and Allowance for Expected Credit Losses.

(4) The ratios are annualized.

III. Evaluation of the Bank's Financial Position and Performance

- Compared to the end of the previous year, total assets of the Bank increased by 15.9% to TL 5,748 million at end-March 2020. In the period examined, the most significant investment instruments of the Bank included financial assets (net) by 43% share totaling TL 2,464 million and financial assets measured at amortized cost (net) by 52% share totaling TL 3,000 million.
- External sources constituted 81.6% of the Bank's total liabilities. Total deposits, which was the most significant part of the external sources, realized as TL 3,197 million. Shareholders' equity stood at TL 1,059 million and constituted 18.4% of total liabilities.
- Guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees, went up by 8.3% compared to the previous year-end and stood at TL 4,424 million.
- At end-March 2020, cumulative net term profit of A&T Bank realized as TL 18,2 thousands.
- Net interest income and net fees & commissions income of the Bank realized as TL 43,1 thousands and TL 18 thousands, respectively, in the period examined.
- Annualized return on assets and return on equity ratios at end- March 2020 are 2.73% and 14.66%, respectively.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

IV. Amendments to the Articles of Association

In the first quarter of 2020, no amendments were made to the Bank’s Articles of Association.

V. Changes in the Membership Structure of the Board of Directors

No changes were made in the membership structure of the Board of Directors at this period.

Bilgehan KURU	Chairman of the Board of Directors
Wail J. A. BELGASEM	Member of the Board of Directors and the General Manager
Mohamed Masoud Ali ALDROGI	Member of the Board of Directors Chairman of Audit Committee
Salah BANDI	Member of the Board of Directors and Audit Committee
Fatma Nur ÇETİNEL	Member of the Board of Directors
Aflah Omar MAGSI	Member of the Board of Directors
Abdulahkim Ali E. KHAMAG	Member of the Board of Directors
Volkan KUBLAY	Member of the Board of Directors
Tülin İNHAN	Member of the Board of Directors

VI. Changes in the Membership Structure of the Audit Committee and Managers of the Units responsible for the Internal Systems

In the first quarter of 2020, Mr. Mohamed Masoud Ali ALDROGI was appointed as the Chairman of the Audit Committee on 31.01.2020. As of the same date, Mr. Salah BANDI was appointed as the Member of the Audit Committee.

The membership structure of the Audit Committee is as follows as of March 31, 2020:

Mohamed Masoud Ali ALDROGI / Chairman
Salah BANDI / Member
Fatma Nur ÇETİNEL / Member

In the first quarter of 2020, there was no change in the Managers of the Units responsible for the Internal Systems.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

VII. Changes in the Membership Structure of Other Governance Committees

The membership structure of Other Governance Committees is as follows as of March 31, 2020:

Corporate Governance Committee

Bilgehan KURU / Chairman of the Board / Chairman

Wail J. A. BELGASEM / General Manager and the Member of the Board / Member

Aflah Omar MAGSI / Member of the Board / Member

Volkan KUBLAY / Member of the Board / Member

Salih HATIPOGLU / Asst. General Manager of Financial Management and Planning Division / Member

Compensation Committee

Aflah Omar MAGSI / Member of the Board / Chairman

Fatma Nur ÇETINEL / Member of the Board / Member

Volkan KUBLAY / Member of the Board / Member

Abdulahkim A. E. KHAMAG / Member of the Board / Member

Credit Committee

Bilgehan KURU / Chairman of the Board / Chairman

Wail J. A. BELGASEM / General Manager and the Member of the Board / Member

Abdulahkim A. E. KHAMAG / Member of the Board / Member

Tülin INHAN / Member of the Board / Member

Mohamed Masoud A. ALDROGI / Member of the Board / Associate Member

Aflah Omar MAGSI / Member of the Board / Associate Member

VIII. Other Issues

There is no significant changes apart from the above mentioned explanations compared to the 2019 Annual Activity Report of the Bank, which has been prepared according to “the Regulations on the Principles and Procedures relating to the Preparation and Publication of the Annual Activity Report prepared by the Banks”.