

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

Arap Türk Bankası Anonim Şirketi

Consolidated Financial Statements
As of and For The Nine-Month Period Ended 30 September 2021
With Auditors' Review Report
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

10 November 2021

This report contains "Independent Auditors' Review Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 91 pages.



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

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Arap Türk Bankası Anonim Şirketi;

Introduction

We have reviewed the accompanying consolidated balance sheet of Arap Türk Bankası A.Ş. (the "Bank") and its financial subsidiary (together referred to as the "Group") as at 30 September 2021 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated interim financial information do not present fairly, in all material respects, the consolidated financial position of Arap Türk Bankası A.Ş. and its financial subsidiary at 30 September 2021, and its consolidated financial performance and its consolidated cash flows for the nine-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 consolidated financial information provided in the accompanying interim activity report in section seven, are not consistent with the reviewed consolidated 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 consolidated interim financial information is to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated 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 consolidated interim financial information and IFRS.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Erdal Tıkmak SMMM
Partner

10 November 2021
Istanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED INTERIM FINANCIAL REPORT
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2021**

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
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The consolidated interim financial report as of and for the nine month period ended 30 September 2021 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public” by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

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

The consolidated financial statements for the nine-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**.

*Dr. Ertan Altıkulaç
Chairman of the Board of
Directors*

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

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

*Dr. Sinan Şahin
Member of The Board of
Directors and The Audit
Committee*

*Wail J. A. Belgasem
General Manager*

*Salih Hatipoğlu
Assistant General Manager
Responsible For Financial Reporting*

*F.Betül Yörelİ
Manager*

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

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ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

As of 30 September 2021, the Parent Bank’s share capital at the balance sheet date as follows:

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

⁽¹⁾ Emek İnşaat ve İşletme A.Ş. has 0.0000014% share in the paid capital by TL 6.20 (full digit in TL) (31 December 2020: 0.0000014% share and TL 6.20 (full digit in TL).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

Name	Job Title – Description
Dr. Ertan Altıkulaç	Chairman of the Board of Directors
Aflah Omar Magsi	Deputy Chairman of the Board of Directors
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Dr. Mohamed Masoud A. Aldrogi	Member of the Board of Directors and Chairman of Audit Committee
Salah Bandi	Member of the Board of Directors and Audit Committee
Dr. Sinan Şahin	Member of the Board of Directors and Audit Committee
Abdulahkim A. E. Khamag	Member of the Board of Directors
Hüseyin Serdar Yücel	Member of the Board of Directors
İmge Hilal Soyluoğlu Canlı	Member of the Board of Directors

General Manager and Deputies

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

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

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

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

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

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

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

SECTION ONE

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

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

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

None.

SECTION TWO

Consolidated Financial Statements

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

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30.09.2021			31.12.2020		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		323,169	3,004,248	3,327,417	459,142	1,993,729	2,452,871
1.1	Cash and Cash Equivalents	1	297,631	1,984,526	2,282,157	428,494	1,278,202	1,706,696
1.1.1	Cash and Balances with Central Bank		9,508	1,067,668	1,077,176	4,604	828,833	833,437
1.1.2	Banks	3	48,013	916,860	964,873	50,533	449,372	499,905
1.1.3	Money Markets		241,123	-	241,123	374,182	-	374,182
1.1.4	Expected Credit Loss (-)		1,013	2	1,015	825	3	828
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	-	-	-	16,724	-	16,724
1.2.1	Government Securities		-	-	-	16,724	-	16,724
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	-	-
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	25,538	1,019,722	1,045,260	13,924	715,527	729,451
1.3.1	Government Securities		25,315	829,699	855,014	13,700	364,905	378,605
1.3.2	Equity Securities		223	3,555	3,778	224	2,961	3,185
1.3.3	Other Financial Assets		-	186,468	186,468	-	347,661	347,661
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)		938,541	2,859,308	3,797,849	642,164	2,571,414	3,213,578
2.1	LOANS (NET)	5	646,900	1,143,694	1,790,594	569,573	1,155,008	1,724,581
2.2	Lease Receivables	10	103,033	250,008	353,041	82,710	229,142	311,852
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	201,153	1,468,831	1,669,984	7,794	1,191,175	1,198,969
2.4.1	Government Securities		11,048	920,658	931,706	7,794	758,375	766,169
2.4.2	Other Financial Assets		190,105	548,173	738,278	-	432,800	432,800
2.5	Expected Credit Loss (-)	5	12,545	3,225	15,770	17,913	3,911	21,824
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	14	1,000	-	1,000	1,210	-	1,210
3.1	Held for Sale Purpose		1,000	-	1,000	1,210	-	1,210
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		-	-	-	-	-	-
4.1	Associations (Net)	7	-	-	-	-	-	-
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2	Subsidiaries (Net)	8	-	-	-	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	JOINT VENTURES (Net)	9	-	-	-	-	-	-
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)	12	155,265	-	155,265	153,449	-	153,449
VI.	INTANGIBLE ASSETS (Net)	13	4,505	-	4,505	4,157	-	4,157
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		4,505	-	4,505	4,157	-	4,157
VII.	INVESTMENT PROPERTY (Net)	13	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	13	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	13	2,953	-	2,953	339	-	339
X.	OTHER ASSETS	15	29,774	23,401	53,175	21,019	14,713	35,732
	TOTAL ASSETS		1,455,207	5,886,957	7,342,164	1,281,480	4,579,856	5,861,336

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30.09.2021			31.12.2020		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	62,289	2,716,956	2,779,245	35,489	2,819,011	2,854,500
II. FUNDS BORROWED	3	2,327	3,100,479	3,102,806	4,916	1,703,442	1,708,358
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)	5	1,873	299	2,172	2,253	415	2,668
X. PROVISIONS	7	66,999	1,573	68,572	61,237	1,145	62,382
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		35,542	-	35,542	26,214	-	26,214
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		31,457	1,573	33,030	35,023	1,145	36,168
XI. CURRENT TAX LIABILITY	8	19,552	-	19,552	12,869	-	12,869
XII. DEFERRED TAX LIABILITY		-	-	-	1,214	-	1,214
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	29,938	42,068	72,006	17,016	25,347	42,363
XVI. SHAREHOLDERS' EQUITY	9	1,294,072	3,739	1,297,811	1,167,955	9,027	1,176,982
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		97,170	-	97,170	99,383	-	99,383
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		285	3,739	4,024	(425)	9,027	8,602
16.5 Profit Reserves		49,790	-	49,790	44,174	-	44,174
16.5.1 Legal Reserves		49,789	-	49,789	44,173	-	44,173
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		1	-	1	1	-	1
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or (Loss)		706,827	-	706,827	584,823	-	584,823
16.6.1 Prior Periods' Profit or (Loss)		579,207	-	579,207	484,042	-	484,042
16.6.2 Current Period Profit or (Loss)		127,620	-	127,620	100,781	-	100,781
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,477,050	5,865,114	7,342,164	1,302,949	4,558,387	5,861,336

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AT 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD			PRIOR PERIOD		
		30.09.2021	31.12.2020		30.09.2021	31.12.2020	
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		87,200	4,672,768	4,759,968	91,333	4,316,844	4,408,177
I. GUARANTEES AND WARRANTIES	2	50,377	4,608,413	4,658,790	77,167	4,264,349	4,341,516
1.1. Letters of Guarantee		50,377	3,566,281	3,616,658	77,167	3,695,760	3,772,927
1.1.1. Guarantees Subject to State Tender Law		7,179	-	7,179	7,329	-	7,329
1.1.2. Guarantees Given for Foreign Trade Operations		2,335	3,561,504	3,563,839	15	3,691,483	3,691,498
1.1.3. Other Letters of Guarantee		40,863	4,777	45,640	69,823	4,277	74,100
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	686,178	686,178	-	304,478	304,478
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	686,178	686,178	-	304,478	304,478
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		-	355,954	355,954	-	264,111	264,111
1.9. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	1	36,823	64,355	101,178	14,166	52,495	66,661
2.1. Irrevocable Commitments		8,214	19,945	28,159	1,771	15,782	17,553
2.1.1. Asset Purchase and Sale Commitments		5,668	5,672	11,340	-	10,820	10,820
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	1,500	-	1,500
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		389	-	389	271	-	271
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		2,157	14,273	16,430	-	4,962	4,962
2.2. Revocable Commitments		28,609	44,410	73,019	12,395	36,713	49,108
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		28,609	44,410	73,019	12,395	36,713	49,108
III. DERIVATIVE FINANCIAL INSTRUMENTS		-	-	-	-	-	-
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Transactions		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,369,880	6,217,484	7,587,364	1,262,049	5,476,534	6,738,583
IV. ITEMS HELD IN CUSTODY		2,831	-	2,831	1,846	-	1,846
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	-	-	-
4.3. Checks Received for Collection		2,831	-	2,831	1,846	-	1,846
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		1,367,049	6,217,484	7,584,533	1,260,203	5,476,534	6,736,737
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		59,262	199,272	258,534	58,012	165,162	223,174
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		14,394	219,314	233,708	17,824	182,044	199,868
5.6. Other Pledged Items		1,293,393	5,798,898	7,092,291	1,184,367	5,129,328	6,313,695
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,457,080	10,890,252	12,347,332	1,353,382	9,793,378	11,146,760

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

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS		Note	THOUSANDS OF TURKISH LIRA (TL)			
			CURRENT PERIOD	CURRENT PERIOD	PRIOR PERIOD	PRIOR PERIOD
			(01/01/2021-30/09/2021)	(01/07/2021-30/09/2021)	(01/01/2020-30/09/2020)	(01/07/2020-30/09/2020)
I.	INTEREST INCOME	1	295,672	103,404	203,321	68,257
1.1	Interest on Loans		121,112	44,759	85,505	29,183
1.2	Interest on Reserve Requirements		372	155	-	-
1.3	Interest on Banks		11,118	3,645	8,503	1,704
1.4	Interest on Money Market Transactions		54,163	14,972	31,553	9,908
1.5	Interest on Marketable Securities Portfolio		84,805	31,228	56,598	19,949
1.5.1	Fair Value Through Profit or Loss		716	-	7,063	827
1.5.2	Fair Value Through Other Comprehensive Income		24,337	6,862	20,130	6,275
1.5.3	Measured at Amortised Cost		59,752	24,366	29,405	12,847
1.6	Financial Lease Income		23,586	8,644	21,159	7,512
1.7	Other Interest Income		516	1	3	1
II.	INTEREST EXPENSE (-)	2	45,945	16,803	33,316	11,754
2.1	Interest on Deposits		14,455	3,789	7,280	3,138
2.2	Interest on Funds Borrowed		31,238	12,969	23,153	7,635
2.3	Interest Expense on Money Market Transactions		-	-	-	-
2.4	Interest on Securities Issued		-	-	-	-
2.5	Measured at Amortised Expense		-	-	256	98
2.6	Other Interest Expenses		252	45	2,627	883
III.	NET INTEREST INCOME (I - II)		249,727	86,601	170,005	56,503
IV.	NET FEES AND COMMISSIONS INCOME		49,925	11,436	44,002	13,740
4.1	Fees and Commissions Received		52,951	12,548	46,544	14,600
4.1.1	Non-cash Loans		14,823	4,132	15,684	2,897
4.1.2	Other	11	38,128	8,416	30,860	11,703
4.2	Fees and Commissions Paid		3,026	1,112	2,542	860
4.2.1	Non-cash Loans		7	2	3	1
4.2.2	Other		3,019	1,110	2,539	859
V.	DIVIDEND INCOME		41	-	33	-
VI.	TRADING INCOME /(LOSS) (Net)	3	4,113	408	6,304	1,927
6.1	Trading Gains / (Losses) on Securities		-	-	(62)	(336)
6.2	Gains / (Losses) on Derivative Financial Transactions		(45)	(9)	(38)	-
6.3	Foreign Exchange Gains / (Losses)		4,158	417	6,404	2,263
VII.	OTHER OPERATING INCOME	4	13,544	7,484	13,011	5,798
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		317,350	105,929	233,355	77,968
IX.	EXPECTED CREDIT LOSS (-)	5	934	(4,099)	3,777	(4,784)
X.	OTHER PROVISION EXPENSE (-)	6	1,774	(1,717)	9,479	(815)
XI.	PERSONNEL EXPENSE (-)		98,389	32,935	86,443	27,933
XII.	OTHER OPERATING EXPENSES (-)	7	49,317	17,693	39,014	13,241
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		166,936	61,117	94,642	42,393
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 (XIII+...+XV)	8	166,936	61,117	94,642	42,393
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)		(39,316)	(15,295)	(21,031)	(9,203)
18.1	Current Tax Provision		(41,739)	(14,062)	(24,150)	(8,931)
18.2	Deferred Tax Income Effect (+)		7,695	2,654	9,444	2,749
18.3	Deferred Tax Expense Effect (-)		10,118	1,421	12,563	2,477
XIX.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	9	127,620	45,822	73,611	33,190
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	127,620	45,822	73,611	33,190
25.1	Group Profit (Loss)		127,620	45,822	73,611	33,190
25.2	Minority shares Profit (Loss)		-	-	-	-
	Earning/(Loss) per share (in TL full)		0.0029	0.0010	0.0017	0.0008

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2021-30/09/2021)	(01/01/2020-30/09/2020)
I.	CURRENT PERIOD PROFIT/LOSS	127,620	73,611
II.	OTHER COMPREHENSIVE INCOME	(6,791)	(5,012)
2.1	Not Reclassified to Profit or Loss	(2,213)	(410)
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	(2,778)	(515)
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	565	105
2.2	Reclassified to Profit or Loss	(4,578)	(4,602)
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	(5,418)	(6,106)
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	840	1,504
III.	TOTAL COMPREHENSIVE INCOME (I+II)	120,829	68,599

ARAP TÜRK BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED AT 30 SEPTEMBER

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
PRIOR PERIOD																
30.09.2020																
I. Balance at the beginning of the period	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	440,000	-	-	-	104,679	(5,015)	-	-	5,067	-	35,276	328,431	164,509	1,072,947	-	1,072,947
IV. Total comprehensive income (loss)	-	-	-	-	-	(410)	-	-	(4,602)	-	-	-	73,611	68,599	-	68,599
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	8,898	155,611	(164,509)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	104,679	(5,425)	-	-	465	-	44,174	484,042	73,611	1,141,546	-	1,141,546
CURRENT PERIOD																
30.09.2021																
I. Balance at the beginning of the period	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	440,000	-	-	-	104,679	(5,296)	-	-	8,602	-	44,174	484,042	100,781	1,176,982	-	1,176,982
IV. Total comprehensive income (loss)	-	-	-	-	-	(2,213)	-	-	(4,578)	-	-	-	127,620	120,829	-	120,829
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	5,616	95,165	(100,781)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	104,679	(7,509)	-	-	4,024	-	49,790	579,207	127,620	1,297,811	-	1,297,811

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED AT 30 SEPTEMBER 2021

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2021-30/09/2021)	PRIOR PERIOD (01/01/2020-30/09/2020)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		179,296	(922,730)
1.1.1 Interest Received		292,181	199,882
1.1.2 Interest Paid		(56,560)	(28,514)
1.1.3 Dividend Received		-	2
1.1.4 Fees and Commissions Received		52,951	46,544
1.1.5 Other Income		18,085	20,174
1.1.6 Collections from Previously Written-off Loans and Other Receivables		4,182	11,261
1.1.7 Payments to Personnel and Service Suppliers		(122,204)	(107,994)
1.1.8 Taxes Paid		(36,461)	(23,607)
1.1.9 Other		27,122	(1,040,478)
1.2 Changes in Operating Assets and Liabilities		478,968	773,764
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		17,185	(51,615)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		48,622	669,964
1.2.4 Net (increase) / decrease in other assets		(17,068)	(11,476)
1.2.5 Net increase / (decrease) in bank deposits		(527,377)	(51,458)
1.2.6 Net increase / (decrease) in other deposits		(62,462)	(3,370)
1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net increase / (decrease) in funds borrowed		1,115,578	318,707
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		(95,510)	(96,988)
I. Net Cash Provided from Banking Operations		658,264	(148,966)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		(468,681)	(712,437)
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(8,376)	(12,568)
2.4 Disposals of property and equipment		-	(44)
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(545,593)	(327,736)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		344,685	117,899
2.7 Purchase of Financial Assets Measured at Amortised Cost		(468,937)	(748,875)
2.8 Sale of Financial Assets Measured at Amortised Cost		211,604	260,947
2.9 Other		(2,064)	(2,060)
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		(805)	(256)
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		(805)	(256)
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		241,754	366,950
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		430,532	(494,709)
VI. Cash and Cash Equivalents at the Beginning of the Period		1,251,804	2,023,195
VII. Cash and Cash Equivalents at the End of the Period		1,682,336	1,528,486

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION

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

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

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

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

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

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

The Indicator Interest Rates Reform, reference interest rates conversion will be effective from the beginning of 2021 and with the regulations published in September 2019 and December 2020 regarding the implementation of the reform, early implementation of the changes is allowed, while temporary exemption from practices related to the determination of cash flows of hedge accounting and termination of transactions has been granted. The process for the Indicator Interest Rate Reform is expected to be completed on 31 December 2021 and in the current period, the BRSA requests a bank report to LIBOR all over the world and at what stage the preparatory work has been determined. In this context, the Bank did not make any transactions indexed to new reference rate with a maturity exceeding 2021.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION (Continued)

Other

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

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

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

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

The major principles applied in the consolidation of subsidiaries

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

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

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

VI. INFORMATION ON FEES AND COMMISSION

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS

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

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

a. Financial Assets at Fair Value through Profit or Loss

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured at Amortized Cost

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

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

d. Loans

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

Individual Evaluation

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

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

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

Definition of Default

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

These conditions have stated below:

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

Significant increase in credit risk definition

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

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

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

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

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

The Parent Bank's loans have been evaluated and classified as of 30 September 2021 in line with the Regulation on the Classification of Loans and the Procedures and Principles Regarding Provisions to be Reserved for them and taking into account the effects of Covid-19; accordingly, a provision has been set aside.

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

The 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, numbered 8970 dated 27 March 2020, numbered 9312 dated 8 December 2020 and numbered 9624 dated 17 June 2020 and numbered 9795 dated 16 September 2021 starting from 17 March 2020 , due to the disruptions in economic and commercial activities as a result of the Covid-19 pandemic;

As of 30 September 2021, the Group does not have any loans in the framework of the above circular.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

There is no goodwill in the accompanying financial statements related to the acquisition of a subsidiary. The Group’s intangible assets consist of software.

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

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

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

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

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

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

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

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

Finance leasing activities as the lessor

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

Operational leases

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for other benefits to employees

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 September 2021 is TL 8,248.51 (full TL) (31 December 2020: TL 7,117.17 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

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

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

Other benefits to employees

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

In Turkey, as per the regulation of Law numbered 7316 on "The Amendments of Certain Taxes and Laws and Other Acts" published in the official gazette numbered 31462 with the Article 11 of the Law, Corporate Tax Law No. 5520 Provisional and Article 13 added to the Corporate Tax Law No. The tax rate will be applied as 25% for the corporate earnings for the 2021 taxation period, 23% for the corporate earnings for the 2022 taxation period, and 20% for the corporate earnings for the 2023 taxation period.

In Turkey, as of 30 September 2021 corporate income is subject to corporate tax at 25%. Corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

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

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

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

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

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

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS (Continued)

Deferred taxes

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

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

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

Transfer pricing

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

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

XVII. ADDITIONAL INFORMATION ON BORROWINGS

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

The Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

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

XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES

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

There are no acceptances presented as liabilities against any assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

None.

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. CASH AND CASH EQUIVALENTS

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

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

XXII. INFORMATION ON SEGMENT REPORTING

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

XXIII. OTHER DISCLOSURES

Profit reserves and profit distribution

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

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

Related parties

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP

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

Informations about Total Capital

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,297,811	
Share issue premiums	440,000	
Reserves	-	
Reserves	49,790	
Gains recognized in equity as per TAS	101,194	
Profit	706,827	
Current Period Profit	127,620	
Prior Period Profit	579,207	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities’ shares	-	
Common Equity Tier 1 Capital Before Deductions	1,297,811	
Deductions from Common Equity Tier 1 Capital	4,642	
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	137	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	4,505	4,505
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	4,642	
Total Common Equity Tier 1 Capital	1,293,169	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,293,169	
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)	28,419	
Tier II Capital Before Deductions	28,419	
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	28,419	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,321,588	
The sum of Tier I Capital and Tier II Capital (Total Capital)	1,321,588	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	
TOTAL CAPITAL	1,321,588	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,321,588	
Total risk weighted amounts	5,872,344	
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	22.02	
Consolidated Tier I Capital Adequacy Ratio (%)	22.02	
Consolidated Capital Adequacy Ratio (%) ^(*)	22.51	
BUFFERS		
Total buffer requirement	2.736	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.236	
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	17.52	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	28,419	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	28,419	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

^(*) As of 30 September 2021 in accordance with BRSA's decision dated 8 December 2020 and numbered 9312 and dated 16 September 2021 and numbered 9795, the amount subject to credit risk in capital adequacy calculations calculated by taking into account the simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the calculation date.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,172,678	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	
Tier II Capital Before Deductions	36,000	
Deductions From Tier II Capital		
Total Deductions From Tier II Capital	36,000	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	36,000	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,678	
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	1,208,278	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period	-	-
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
TOTAL CAPITAL	1,208,678	1,208,678
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,208,678	1,208,678
Total risk weighted amounts	4,519,775	4,519,775
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	25.95	
Consolidated Tier I Capital Adequacy Ratio (%)	25.95	
Consolidated Capital Adequacy Ratio (%)	26.74	
BUFFERS		
Total buffer requirement	2.632	
Capital conservation buffer requirement (%)	2.500	
Bank specific counter-cyclical buffer requirement (%)	0.132	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	21.45	
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	36,000	36,000
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	36,000	36,000
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

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

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

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

	Balance sheet value	Amount of adjustment	Value at capital report
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	97,170	-	97,170
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	4,024	-	4,024
Profit Reserves	49,790	-	49,790
Profit or Loss	706,827	-	706,827
Prior Periods’ Profit/Loss	579,207	-	579,207
Current Period Net Profit/Loss	127,620	-	127,620
Deductions from Common Equity TierI Capital (*)	-	4,642	(4,642)
Common Equity Tier 1 capital			1,293,169
Tier 1 capital			1,293,169
Provisions	-	(28,419)	28,419
Tier 2 capital (**)	-	(28,419)	28,419
Shareholders’s Equity Adjustments (***)	-	-	-
Total Shareholders’s Equity	1,297,811	(23,777)	1,321,588

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

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

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

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

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

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

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

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

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

Foreign exchange risk management policy

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

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

Date	US Dollars	Euro
23 September 2021	TL 8.6349	TL 10.1291
24 September 2021	TL 8.6584	TL 10.1456
27 September 2021	TL 8.8240	TL 10.3526
28 September 2021	TL 8.8355	TL 10.3364
29 September 2021	TL 8.8585	TL 10.3486
30 September 2021	TL 8.8433	TL 10.3135

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

The basic arithmetical average of the Bank’s foreign exchange bid rate for September 2021 is TL 8.4972 for USD, TL 10.0136 for EURO.

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

Current Period	Euro	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	556,841	510,515	312	1,067,668
Banks	142,317	759,196	15,347	916,860
Financial Assets Measured at Fair Value through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	523,993	495,729	-	1,019,722
Loans	829,134	314,560	-	1,143,694
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	776,533	692,298	-	1,468,831
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	253,325	16,857	-	270,182
Total Assets	3,082,143	2,789,155	15,659	5,886,957
Liabilities				
Bank Deposits	847,186	389,225	1,556	1,237,967
Foreign Currency Deposits	725,473	741,120	12,396	1,478,989
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	1,472,976	1,627,503	-	3,100,479
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	29,311	13,952	677	43,940
Total Liabilities ⁽¹⁾	3,074,946	2,771,800	14,629	5,861,375
Net Balance Sheet Position	7,197	17,355	1,030	25,582
Net Off Balance Sheet Position	(5,672)	-	-	(5,672)
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	(5,672)	-	-	(5,672)
Non-Cash Loans	2,327,213	1,812,241	468,959	4,608,413
Prior Period				
Total Assets	3,110,262	1,454,685	14,909	4,579,856
Total Liabilities	3,099,861	1,434,892	14,607	4,549,360
Balance Sheet Position, net	10,401	19,793	302	30,496
Off Balance Sheet Position, net	5,405	(5,415)	-	(10)
Financial Derivatives (Assets)	5,405	-	-	5,405
Financial Derivatives (Liabilities)	-	(5,415)	-	(5,415)
Non-cash Loans	1,647,504	1,589,194	1,027,651	4,264,349

(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 3,739.

(2) Includes financial lease receivables.

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

The possible increases or decreases in the shareholders’ equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 30 September 2021 and 31 December 2020 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	(153)	(98)	(1,581)	(2,091)
US Dollar	(1,736)	(2,165)	(1,438)	(1,831)
Other Currencies	(103)	(103)	(30)	(30)
Total	(1,992)	(2,366)	(3,049)	(3,952)

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾	Profit and Loss Statement	Shareholders’ Equity ⁽¹⁾
Euro	153	98	1,581	2,091
US Dollar	1,736	2,165	1,438	1,831
Other Currencies	103	103	30	30
Total	1,992	2,366	3,049	3,952

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	-	-	-	-	-	1,077,176	1,077,176
Banks	953,607	7,934	-	-	-	3,332	964,873
Financial assets at fair value through Profit or Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	241,123	-	-	-	-	-	241,123
Financial Assets at Fair Value Through Other Comprehensive Income	13,602	319,526	209,475	498,879	-	3,778	1,045,260
Loans	810,950	131,787	792,607	51,750	-	3,500	1,790,594
Financial Assets Measured at Amortized Cost	88,114	384,765	465,312	731,793	-	-	1,669,984
Other assets ⁽¹⁾	15,253	33,569	112,818	180,873	-	210,641	553,154
Total assets	2,122,649	877,581	1,580,212	1,463,295	-	1,298,427	7,342,164
Liabilities							
Bank Deposits	1,037,817	206,288	-	-	-	27	1,244,132
Other Deposits	41,238	36,302	10,578	-	-	1,466,995	1,535,113
Money Market Borrowings	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	517,828	567,971	1,798,342	218,665	-	-	3,102,806
Other liabilities ⁽²⁾	190	388	1,419	175	-	1,457,941	1,460,113
Total liabilities	1,597,073	810,949	1,810,339	218,840	-	2,904,963	7,342,164
Long Position in the Balance Sheet	525,576	66,632	-	1,244,455	-	-	1,836,663
Short Position in the Balance Sheet	-	-	(230,127)	-	-	(1,606,536)	(1,836,663)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	525,576	66,632	(230,127)	1,244,455	-	(1,606,536)	-

⁽¹⁾ Other Assets: The amount of TL 210,641 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 155,265, Expected Credit Loss amounting to TL 16,785, Intangible Assets amounting to TL 4,505, deferred tax amounting to TL 2,953, other non-interest bearing amounting to TL 63,703 Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 1,457,941 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 1,297,811, Provisions amounting to TL 68,572, Current Tax Liability amounting to TL 19,552 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 72,006.

⁽³⁾ Includes financial lease receivables

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

⁽³⁾ Includes financial lease receivables

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey	-	-	13.26
Banks	0.01	1.15	18.63
Financial Assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	18.57
Financial Assets at Fair Value Through Other Comprehensive Income	2.90	5.98	9.86
Loans	4.27	5.15	20.10
Financial Assets Measured at Amortized Cost	-	-	19.02
Financial Lease Receivables	6.21	7.58	19.55
Liabilities			
Interbank Deposits	0.52	0.42	16.84
Other Deposits	0.21	0.66	15.64
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	1.10	2.54	-
Prior Period			
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and Balances with the Central Bank of Turkey.	-	-	7.27
Banks	0.25	0.20	17.31
Financial assets at Fair Value through Profit or Loss	-	-	-
Money Market Placements	-	-	17.87
Financial Assets at Fair Value Through Other Comprehensive	2.90	5.98	9.86
Loans	3.65	4.64	13.96
Financial Assets Measured at Amortized Cost	-	-	11.36
Financial Lease Receivables	6.15	7.04	17.06
Liabilities			
Interbank Deposits	1.00	2.87	15.59
Other Deposits	0.33	0.56	8.70
Money Market Borrowings	-	-	-
Miscellaneous Payables	-	-	-
Marketable Securities Issued	-	-	-
Funds Borrowed from Other Financial Institutions	1.09	3.25	12.78

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON CONSOLIDATED STOCK POSITION RISK

Equity investment risk due from banking book

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

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

None.

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

None.

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

None.

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

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

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

The Parent Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Parent Bank’s largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the Group’s risk group have a 33% share in liabilities.

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

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

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

A large portion of the Parent Bank’s liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 78% of these funds are US Dollars, and 22% are EUR.

Information regarding to the liquidity risk mitigation techniques used

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

Information regarding to the usage of Stress Tests

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

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

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

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

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

Liquidity coverage ratio

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

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

	Month	FC	Month	FC+TL
Lowest	September	250	September	361
Highest	August	448	August	584

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	3,492,271	3,160,207	2,908,489	2,576,424
CASH OUTFLOWS				
2 Real person deposits and retail deposits	648,604	611,029	63,054	61,103
3 Stable deposit	36,132	0	1,807	0
4 Deposit with low stability	612,472	611,029	61,247	61,103
5 Unsecured debts except real person deposits and retail deposits	2,251,632	2,092,936	1,715,252	1,564,626
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,080,277	2,057,412	1,543,897	1,529,102
8 Other unsecured debts	171,355	35,524	171,355	35,524
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	4,593,745	4,543,516	251,500	246,099
16 TOTAL CASH OUTFLOW	7,493,981	7,247,481	2,029,806	1,871,828
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,596,352	1,101,502	1,444,356	1,090,516
19 Other cash inflows	52,013	7,842	52,013	7,842
20 TOTAL CASH INFLOWS	1,648,365	1,109,344	1,496,369	1,098,358
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			2,908,489	2,576,424
22 TOTAL NET CASH OUTFLOWS			638,686	778,805
23 LIQUIDITY COVERAGE RATIO (%)			455.39	330.82

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

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

Sections High-quality liquid assets comprised of

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 35% of high-quality liquid assets of the Parent Bank, while 64% 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. 38% of the total liabilities are deposits received. 45% of these deposits are deposits obtained from banks.

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

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. As of 30 September 2021, the net cash outflow from derivative transactions is none.

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

A significant part of the funding sources are comprised of deposits received. 38% of the liability is deposits and 45% of these deposits are from banks. All of these liabilities are warrantless.

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

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

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

None.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	48,488	1,028,688	-	-	-	-	-	1,077,176
Banks	112,053	844,886	7,934	-	-	-	-	964,873
Financial Assets at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	241,123	-	-	-	-	-	241,123
Financial Assets at Fair Value Through Other Comprehensive Income	-	13,602	319,527	209,478	498,875	-	3,778	1,045,260
Loans	-	810,949	100,581	823,814	51,570	-	3,500	1,790,594
Investment securities held-to-maturity	-	88,114	384,762	465,312	731,796	-	-	1,669,984
Other assets ^{(1) (3)}	12	39,185	33,569	112,818	180,873	-	186,697	553,154
Total Assets	160,553	3,006,547	846,373	1,161,422	1,463,294	-	193,975	7,342,164
Liabilities								
Interbank Deposits	650,223	387,621	206,288	-	-	-	-	1,244,132
Other Deposits	1,446,995	41,239	36,306	10,573	-	-	-	1,535,113
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	492,258	522,900	1,782,268	305,380	-	-	3,102,806
Other liabilities ⁽²⁾	-	1,074	1,543	1,419	175	-	1,455,902	1,460,113
Total Liabilities	2,097,218	922,192	767,037	1,794,260	305,555	-	1,455,902	7,342,164
Net Liquidity Gap	(1,936,665)	2,144,355	79,336	(182,838)	1,157,739	-	(1,261,927)	-
Prior Period								
Total Assets	110,893	2,202,782	80,238	791,788	2,495,661	-	179,974	5,861,336
Total Liabilities	1,711,142	955,502	707,034	1,054,623	140,217	-	1,292,818	5,861,336
Net Liquidity Gap	(1,600,249)	1,247,280	(626,796)	(262,835)	2,355,444	-	(1,112,844)	-

⁽¹⁾ Other Assets: The amount of TL 186,697 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 155,265, Expected credit loss amounting to TL 16,785, Intangible Assets amounting to TL 4,505, Deferred Tax Assets amounting to TL 2,953 and other Non-Interest Bearing amounting to TL 39,759 and Assets Held For Sale Purpose amounting to TL 1,000 of other undistributed amounts.

⁽²⁾ Other Liabilities: The amount of TL 1,455,902 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,297,811, Provisions amounting to TL 68,752, Deferred Tax Liabilities amounting to TL 19,552 and other Non-Interest Bearing amounts included in Other Liabilities amounting to TL 69,967.

⁽³⁾ Includes financial lease receivables

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (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.

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

	Current Period ⁽²⁾	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽¹⁾	9,276	10,866
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2,823	1,412
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	2,179,339	1,581,677
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	71,566	45,398
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	-	-
Total Risk Amount	2,263,004	1,639,353

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

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

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

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

	Balance sheet assets	Current Period	Prior Period
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	6,924,910	5,854,437
2	(Assets deducted from main capital)	(4,638)	(5,237)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	6,920,272	5,849,200
	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	13	2
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	13	2
	Security or secured financing transactions		
7	Risk amount of security or secured financing transactions (Except balance sheet)	60,355	46,292
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	60,355	46,292
	Off-balance sheet transactions		
10	Gross nominal amount of off-balance sheet transactions	4,506,434	4,553,529
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)	4,506,434	4,553,529
	Equity and total risk		
13	Main capital	1,238,703	1,115,587
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	11,487,074	10,449,023
	Leverage ratio		
15	Leverage ratio	% 10.81	% 10.70

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

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SECTION FOUR**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)****VII. EXPLANATIONS ON RISK MANAGEMENT****Overview of Risk Weighted Amount**

	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	4,990,717	3,794,596	399,257
2 Standardised approach (SA)	4,990,717	3,794,596	399,257
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	152	466	12
5 Standardised approach for counterparty credit risk (SA-CCR)	152	466	12
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	258,025	152,438	20,642
17 Standardised approach (SA)	258,025	152,438	20,642
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	623,450	572,275	49,876
20 Basic Indicator Approach	623,450	572,275	49,876
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)	5,872,344	4,519,775	469,787

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

None.

RWA flow statements of market risk exposures under an IMA

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VIII. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS

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

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

Information on operational segments on 30 September 2021, 31 December 2020 and 30 September 2020 are presented in the table below:

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(579)	119,619	105,314	25,373	-	249,727
Commission Income (Net)	-	49,086	-	839	-	49,925
Unallocated Income/Expenses (Net)	-	-	-	(15,512)	(117,204)	(132,716)
Operating Income	(579)	168,705	105,314	10,700	(117,204)	166,936
<i>Income from Subsidiaries</i>					-	-
<i>Income before tax</i>					166,936	166,936
<i>Tax Provision</i>					(39,316)	(39,316)
Net Profit for the period					127,620	127,620

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	2,092	1,667,892	4,919,755	429,901	-	7,019,640
Unallocated assets	-	-	-	-	322,524	322,524
Total Assets	2,092	1,667,892	4,919,755	429,901	322,524	7,342,164
Segment Liabilities	686,597	845,754	4,091,956	276,977	-	5,901,284
Unallocated Liabilities	-	-	-	-	143,069	143,069
Equity	-	-	-	-	1,297,811	1,297,811
Total Liabilities	686,597	845,754	4,091,956	276,977	1,440,880	7,342,164

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(521)	80,090	70,846	19,590	-	170,005
Commission Income (Net)	-	43,209	-	793	-	44,002
Unallocated Income/Expenses (Net)	-	-	-	(9,426)	(109,939)	(119,365)
Operating Income	(521)	123,299	70,846	10,957	(109,939)	94,642
<i>Income from Subsidiaries</i>	-	-	-	-	-	-
<i>Income before tax</i>	-	-	-	-	94,642	94,642
<i>Tax Provision</i>	-	-	-	-	(21,031)	(21,031)
Net Profit for the period	-	-	-	-	73,611	73,611

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	1,612	38,980	1,803	28,867
Central Bank of Turkey	7,896	1,028,688	2,801	799,966
Other	-	-	-	-
Total	9,508	1,067,668	4,604	828,833

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	7,896	-	2,801	-
Unrestricted Time Deposits	-	428,835	-	344,623
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	599,853	-	455,343
Total	7,896	1,028,688	2,801	799,966

⁽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 3% and 8% (31 December 2020: rates between 1% and 6%) , and for US Dollars or EUR at the rates of 5% and 23% respectively (31 December 2020: rates between 5% and 21%) according to their maturities as per the Communique no.2005/1 ‘‘Reserve Deposits’’ of the Central Bank of Turkey. CBRT, pays 12.5% (31 December 2020: 12%) interest for Reserve Deposits in Turkish Lira.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****2. Information on financial assets at fair value through profit or loss**

As of the current period, there are no financial assets given as collateral/blocked among financial assets at fair value through profit or loss. (31 December 2020: 3,593 TL) There are no financial assets subject to repo transactions (31 December 2020: None).

Positive differences related to derivative financial assets

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	34,508	811,234	50,533	380,988
Foreign banks	13,505	105,626	-	68,384
Branches and head office abroad	-	-	-	-
Total	48,013	916,860	50,533	449,372

Information on Expected Credit Losses Information on Expected Loss Provisions

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	828	-	-	828
Additions during the Period (+)	983	-	-	983
Disposal (-)	(796)	-	-	(796)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	1,015	-	-	1,015

Prior period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	2,024	-	-	2,024
Additions during the Period (+)	814	-	-	814
Disposal (-)	(2,010)	-	-	(2,010)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs (-)	-	-	-	-
Balances at End of Period	828	-	-	828

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****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 30 September 2021, the Bank does not have any financial assets at fair value through other comprehensive income that are subject to repo transactions.

As of 30 September 2021, 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 2020: TL None).

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

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

Information on Financial assets at fair value through other comprehensive income

	Current Period	Prior Period
Debt Securities	1,047,646	730,767
Quoted in stock exchange	1,047,646	730,767
Not quoted in stock exchange	-	-
Share Certificates	3,779	3,185
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	3,779	3,185
Impairment provision (-)	6,165	4,501
Total	1,045,260	729,451

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans***Information on all types of loans and advances given to shareholders and employees of the Parent Bank*

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	9,635	120,530	-	202,385
Corporate Shareholders	9,635	120,530	-	202,385
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	2,092	600	1,574	131
Total	11,727	121,130	1,574	202,516

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

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Non-Specialized Loans	1,787,094	-	-	-
Commercial Loans	-	-	-	-
Export Loans	20,280	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	761,793	-	-	-
Consumer Loans	2,092	-	-	-
Credit Cards	-	-	-	-
Other	1,002,929	-	-	-
Specialized Lending	-	-	-	-
Other Receivables	-	-	-	-
Total	1,787,094	-	-	-

	Standard Loan (*)	Loans Under Close Monitoring (*)
12-Month expected credit losses	6,048	-
Significant increase in credit risk	-	1,641

(*) Includes lease receivables.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

	Short Term	Middle and Long Term	Total
Consumer Loans-TL	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Individual Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Loans- TL	114	1,978	2,092
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	114	1,978	2,092
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Deposits with Credit Limit-TL (Individual)	-	-	-
Deposits with Credit Limit-FC (Individual)	-	-	-
Consumer Loans-TL	114	1,978	2,092

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

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

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	-	27,700	27,700
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	27,700	27,700
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	-	27,700	27,700

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,712,064	1,713,073
Foreign loans	78,530	11,508
Total	1,790,594	1,724,581

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)***Specific provisions for loans*⁽¹⁾

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	4,718	6,627
Total	4,718	6,627

(1) Includes Financial lease receivables

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

None.

Information on movement of total non-performing loans

	III. Group Loans and receivables with limited collectibles	IV. Group Loans and receivables with doubtful collectibles	V. Group Uncollectible loans and receivables
Balances at Beginning of Period	-	-	8,262
Additions (+)	-	-	916
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	4,182
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	4,996
Specific provisions (-)	-	-	4,718
Net Balance on Balance Sheet	-	-	278

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

SECTION FIVE

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

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

5. Information on Loans (Continued)

Information on foreign currency non-performing loans

There are non-performing loan receivables in foreign currency amounting TL 64 which is followed in Turkish Lira accounts (31 December 2020: TL 964).

Information on gross and net loans under follow-up according to the borrowers

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Non-performing loans and receivables
Current Period (Net)	-	-	278
Loans granted to real persons and legal entities (Gross)	-	-	4,996
Specific provisions (-)	-	-	4,718
Loans granted to real persons and legal entities (Net)	-	-	278
Banks (Gross) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	1,635
Loans granted to real persons and legal entities (Gross)	-	-	8,262
Specific provisions (-)	-	-	6,627
Loans granted to real persons and legal entities (Net)	-	-	1,635
Banks (Gross) ⁽¹⁾	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

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

	III. Group Loans with Limited Collectability	IV. Group Loans with Doubtful Collectability	V. Group Uncollectible Loans
Current Period (Net)	-	21	-
Interest Accruals, Rediscounts and Valuation Differences	-	116	-
Provision Amount (-)	-	95	-
Prior Period (Net)	1	-	-
Interest Accruals, Rediscounts and Valuation Differences	2	-	-
Provision Amount (-)	1	-	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

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

Information on write-off policy

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

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

Within the scope of TFRS 9, the Bank have written off TL 3,250 loans and its effect on NPL ratio is 0.18%) (31 December 2020: TL 78,601, and its effect on NPL ratio is 4.56%)

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	9,090	-	4,733	13,823
Additions during the Period	1,507	-	-	1,507
Disposal	(5,641)	-	(1,233)	(6,874)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	4,956	-	3,500	8,456

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,006	1,830	1,894	4,730
Additions during the Period	603	674	7,757	9,034
Disposal	(500)	(870)	(5,192)	(6,562)
Transfer to Stage1	(153)	153	-	-
Transfer to Stage 2	136	(136)	-	-
Transfer to Stage 3	-	(9)	9	-
Write-offs	-	-	(3,250)	(3,250)
Balances at End of Period	1,092	1,642	1,218	3,952

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	1,370	980	5,101	7,451
Additions during the Period	625	1,598	1,355	3,578
Disposal	(495)	(4,643)	(1,161)	(6,299)
Transfer to Stage1	87	(87)	-	-
Transfer to Stage 2	(580)	4,024	(3,444)	-
Transfer to Stage 3	(1)	(42)	43	-
Write-offs	-	-	-	-
Balances at End of Period	1,006	1,830	1,894	4,730

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

As of 30 September 2021, the Bank does not have any financial assets measured at amortised cost that are subject to repo transactions.

As of 30 September 2021, the Bank have 4,242 TL financial assets measured at amortised cost, which are given as collateral / blocked from assets (31 December 2020: TL None).

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	11,048	920,658	7,794	758,375
Treasury Bonds	-	-	-	-
Other Public Bonds	190,105	548,173	-	432,800
Total	201,153	1,468,831	7,794	1,191,175

Information on financial assets measured at amortised cost

	Current Period	Prior Period
Debt Instruments	1,669,984	1,198,969
Quoted at stock exchange	1,669,984	1,198,969
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	1,669,984	1,198,969

Movement of financial assets measured at amortised cost

	Current Period	Prior Period
Balances at the Beginning of the Period	1,198,969	478,737
Foreign Currency Gains / Losses on Monetary assets	213,682	248,519
Purchases during the Period	468,937	748,875
Disposals through sales and redemptions ⁽¹⁾	(211,604)	(277,162)
Impairment loss provision	-	-
Period end balance	1,669,984	1,198,969

⁽¹⁾ In the current period redemption amounting to TL 211,604 has been realized from the portfolio (31 December 2020: TL 277,162).

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

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

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	3,271	-	-	3,271
Additions during the Period	1,162	-	-	1,162
Disposals	(1,071)	-	-	(1,071)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balance at End of Period	3,362	-	-	3,362

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	1,280	-	-	1,280
Additions during the Period	2,386	-	-	2,386
Disposals	(395)	-	-	(395)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balance at End of Period	3,271	-	-	3,271

7. Information on associates

The Group does not have an associate.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	126,000	116,000
Capital Reserves	228	228
Legal Reserves	6,080	5,293
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	10,918	13,661
<i>Net Profit</i>	8,044	12,204
<i>Prior Period Profit/Loss</i>	2,874	1,457
Intangible Assets (-)	544	179
Total Core Capital	142,683	135,004
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	142,683	135,004
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL ⁽¹⁾	142,683	135,004

⁽¹⁾ There is no restriction on shareholders’ equity of subsidiary. After deduction from the capital, the total net available equity is TL 142,683.

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

Summary information on basic features of equity items

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

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

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

SECTION FIVE

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

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

8. Information on subsidiaries (Net) (Continued)

Summary information on basic features of equity items (Continued)

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

Information about the consolidated financial statements of the subsidiaries

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

	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value (*)
Total Assets	429,901	148,308	10,725	30,640	-	8,044	2,874

⁽¹⁾ The related subsidiary has no fair value measurement as of 30 September 2021.

Movement related to subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	116,204	108,205
Movements during the Period	9,998	7,999
Purchases	-	-
Bonus Shares Received	9,998	7,999
Dividends from Current Year Profit	-	-
Sales	-	-
Revaluation Increase, Effect of Inflation and F/X Difference	-	-
Impairment Provision (+)	-	-
Balance at the End of the Period	126,202	116,204
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

Valuation of investments in subsidiaries

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

Sectoral Information on the subsidiaries

Subsidiaries	Current Period	Prior Period
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	126,202	116,204
Finance Companies	-	-
Other Affiliates	-	-

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****8. Information on subsidiaries (Net) (Continued)***Quoted Subsidiaries**The Parent Bank does not have a subsidiary that is quoted.**Subsidiaries sold and acquired in the current year**None.***9. Information on joint ventures**

The Parent Bank has no joint ventures.

10. Information on Financial Lease Receivables (Net)

	Current Period	Prior Period
Gross Financial Lease Investment	400,657	350,660
Earned Financial Lease Income (-)	47,616	38,808
Cancelled Leasing Amounts	-	-
Net Investment on Leases	353,041	311,852

	Current Period	Prior Period
Stage 1	257,296	190,898
Stage 2	94,249	117,425
Stage 3	1,496	3,529
Total	353,041	311,852

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	198,306	172,168	170,684	149,158
Between 1-4 years	202,351	180,873	179,976	162,694
Over 4 years	-	-	-	-
Total	400,657	353,041	350,660	311,852

11. Information on financial derivatives for hedging

The Bank has no financial derivatives for hedging.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****12. Information on investment property**

The Group has no investment property.

13. Information on tax assets

The Bank's deferred tax assets calculated over tax deductions and exceptions as of 30 September 2021, and the amounts that arise between the book value of the assets or liabilities in the balance sheet and the tax base determined in accordance with the tax legislation and to be taken into account in the calculation of financial profit / loss in the following periods. The deferred tax assets calculated amounting to TL 20,794 and deferred tax liability amounting to TL 17,841 were netted off.

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	35,542	7,749	26,214	5,293
Unearned revenues	3,516	879	2,271	454
Interest rediscounts	19,174	4,793	18,516	3,703
Provisions	26,868	6,061	34,629	6,926
Other	6,267	1,312	3,362	718
Deferred tax asset	91,367	20,794	84,992	17,094
Revaluation differences on tangible assets	114,622	14,923	123,851	16,770
Other	12,272	2,918	5,668	1,199
Deferred tax liability	126,984	17,841	129,519	17,969
Deferred tax asset / (liability) net		2,953		(875)

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

	Current Period	Prior Period
Opening balance	(875)	(1,849)
Deferred tax income/(expense)(Net)	2,423	1,647
Deferred tax accounted under shareholder's equity	1,405	(673)
Net Deferred Tax Asset/(Liability)	2,953	(875)

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****14. Information about fixed assets held for sale**

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

15. Information on other assets

Other assets is amounting to TL 53,175 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2020: TL 35,732).

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

SECTION FIVE

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

II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	32,781	-	2,048	1,907	3,327	-	-	-	40,063
Foreign Currency Deposits	1,398,450	-	3,984	41,307	13,611	10,973	10,664	-	1,478,989
Residents in Turkey	389,157	-	3,984	9,068	4,605	901	3,398	-	411,113
Residents Abroad	1,009,293	-	-	32,239	9,006	10,072	7,266	-	1,067,876
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	10,059	-	-	297	-	-	-	-	10,356
Other Ins. Deposits	5,705	-	-	-	-	-	-	-	5,705
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	650,223	-	195,842	309,505	88,562	-	-	-	1,244,132
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	166,258	-	-	-	-	103,150
Foreign Banks	650,223	-	195,842	206,355	88,562	-	-	-	1,140,982
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	2,097,218	-	201,874	353,016	105,500	10,973	10,664	-	2,779,245

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

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

	Covered by Deposit Insurance Fund		Not Covered by Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	13,345	9,559	26,718	13,348
Foreign Currency Saving Deposits	196,605	145,694	449,929	364,452
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	209,950	155,253	476,647	377,800

Saving deposits not covered by deposit insurance

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

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

The Parent Bank’s headquarter is located in Turkey.

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****1. Information on maturity profile of deposits (Continued)***Amounts not covered by deposit insurance*

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	10,065	5,941
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 September 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	10,065	5,941

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

None.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	2,327	165,346	4,916	49,708
From Foreign Banks, Institutions and Funds	-	2,935,133	-	1,653,734
Total	2,327	3,100,479	4,916	1,703,442

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	2,327	1,326,976	4,916	556,917
Long-Term	-	1,773,503	-	1,146,525
Total	2,327	3,100,479	4,916	1,703,442

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

Group's liabilities come from 46% of deposits.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****4. Information on other liabilities**

Other liabilities in the balance sheet amounts to TL 93,937 and does not exceed 10% of the total balance sheet (31 December 2020: TL 42,363).

5. Information on financial lease obligations

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	359	352	1,558	925
Between 1 – 4 years	1,962	628	2,366	682
More than four years	3,013	1,192	2,799	1,061
Total	5,334	2,172	6,723	2,668

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

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

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

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the updated “TAS 19 - Employee Benefits”. Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The unused vacation provision amount as at 30 September 2021 is TL 17,780 (31 December 2020: TL 11,815). In addition to this, the employee termination benefit liability amount is TL 17,762 (31 December 2020: TL 14,399).

Information on other provisions

As of 30 September 2021, the Group has free provisions for possible risks is TL 15,000 (31 December 2020: 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	15,250	15,000
Expected credit losses for non-cash loans	17,512	20,778
Provisions for lawsuits	268	390
Total	33,030	36,168

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

As of 30 September 2021, the Bank’s corporate tax payable is TL 11,766 (31 December 2020: TL 5,381) after offsetting prepaid corporate tax.

	Current Period	Prior Period
Corporate Taxes Payable	11,766	5,381
Banking Insurance Transaction tax (BITT)	1,218	821
Taxation on Securities Income	2,085	419
Value Added Tax Payable	272	1,606
Value Added Tax Payable (Limited taxpayer)	-	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	6	9
Other	2,411	3,141
Total	17,758	11,377

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	674	563
Social Security Premiums-Employer	977	809
Bank Pension Fund Premium-Employee	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	48	40
Unemployment Insurance-Employer	95	80
Others	-	-
Total	1,794	1,492

Information on deferred tax liability

None.

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

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

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

The Parent Bank has no subordinated loans.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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SECTION FIVE

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

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

9. Information on Shareholders’ Equity

Presentation of Paid-in Capital

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

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

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

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

None.

Information on share capital increases from capital reserves

None.

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

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

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

None.

Explanations on dividend distribution

None.

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES RELATED TO CONSOLIDATED LIABILITIES (Continued)****9. Information on Shareholders’ Equity (Continued)*****Information on the privileges given to stocks representing the capital***

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Valuation Differences	285	3,739	(425)	9,027
Exchange Rate Differences	-	-	-	-
Total	285	3,739	(425)	9,027

Information on legal reserve

There are TL 5,616 legal reserve amount from prior years’ profits in the current period (31 December 2020: TL 8,898).

Information on Minority Shares

None.

SECTION FIVE

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

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

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

Type and amount of irrevocable commitments

The Group has TL 28,159 as irrevocable commitments (31 December 2020: TL 17,553).

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

As of the balance sheet date, the Group has allocated the provision amounting TL 1,573 over total non-cash loans (31 December 2020: TL 1,145).

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 1,042,132 (31 December 2020: TL 568,589).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Group’s guarantee letters is TL 3,616,658 (31 December 2020: 3,772,927).

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

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	331,498	252,259
Less Than or Equal to One Year with Original Maturity	109,657	65,662
More Than One Year with Original Maturity	221,841	186,597
Other Non-Cash Loans	4,327,292	4,089,257
Total	4,658,790	4,341,516

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. INFORMATION AND DISCLOSURES RELATED TO CONSOLIDATED OFF-BALANCE SHEETS (Continued)****7. Information on Expected Loss Provisions**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	19,634	-	1,145	20,779
Additions during the Period	5,199	-	428	5,627
Disposal	(8,894)	-	-	(8,894)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	15,939	-	1,573	17,512

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at Beginning of Period	21,418	-	267	21,685
Additions during the Period	6,058	-	878	6,936
Disposal	(7,842)	-	-	(7,842)
Transfer to Stage1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Write-offs	-	-	-	-
Balances at End of Period	19,634	-	1,145	20,779

IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS**1. Information on interest income***Information on interest income received from loans*

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans ⁽¹⁾				
Short- Term Loans	74,856	10,350	37,832	16,681
Medium and Long- Term Loans	6,679	29,227	6,416	24,449
Interest Received From Non-Performing Loans	-	-	127	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	81,535	39,577	44,375	41,130

⁽¹⁾ It contains fee and commission income related to cash loans.*Information on interest income received from banks*

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank	-	-	-	-
From Domestic Banks	6,151	4,383	4,967	3,314
From Foreign Banks	524	60	-	222
From Foreign Headquarter and Branches	-	-	-	-
Total	6,675	4,443	4,967	3,536

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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SECTION FIVE

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

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

1. Information on interest income (Continued)

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets Measured at Fair Value Through Profit or Loss	716	-	1,900	5,163
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1,115	23,222	635	19,495
Financial Assets Measured at Amortised Cost	13,827	45,925	506	28,899
Total	15,658	69,147	3,041	53,557

Information on interest income received from associates and subsidiaries

None.

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	504	30,734	45	23,108
Central Bank	-	-	-	-
Domestic Banks	504	721	45	2,573
Foreign Banks	-	30,013	-	20,535
Other Institutions	-	-	-	-
Total	504	30,734	45	23,108

Information on interest expense paid to subsidiaries and associates

None.

Information on interest expense given on securities issued

None.

Maturity structure of the interest expense on deposits

Current Period	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira								
Interbank deposits	-	698	-	-	-	-	-	698
Saving deposits	-	156	197	238	1	10	-	602
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	64	12	6	-	-	-	82
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	918	209	244	1	10	-	1,382
Foreign Currency								
Foreign currency deposits	-	6	67	34	34	131	-	272
Interbank deposits	26	5,098	5,372	2,305	-	-	-	12,801
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	26	5,104	5,439	2,339	34	131	-	13,073
Grand Total	26	6,022	5,648	2,583	35	141	-	14,455

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

	Current Period	Prior Period
Gain	26,847,352	17,639,390
Gain from money market transactions	-	-
Gain from financial derivative transactions	4	9
Gain from exchange transactions	26,847,348	17,639,381
Loss (-)	(26,843,239)	(17,633,086)
Loss from money market transactions	-	(62)
Loss from financial derivative transactions	(49)	(47)
Loss from exchange transactions	(26,843,190)	(17,632,977)
Net Trading Gain/Loss	4,113	6,304

4. Information on income from other operations

	Current Period	Prior Period
Provisions of prior year	10,661	10,347
Provision for communication expenses	2,366	2,435
Gain on sales of assets	246	71
Other income	271	158
Total	13,544	13,011

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SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****5. Information on impairment in loans**

	Current Period	Prior Period
Expected Credit Loss Provisions	934	3,777
12 month expected credit loss (stage 1)	87	74
Significant increase in credit risk (stage 2)	32	1,703
Non-performing loans (stage 3)	815	2,000
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control Provision	-	-
Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	934	3,777

6. Information on Other Provision Expenses

	Current Period	Prior Period
Securities Depreciation Expenses	1,774	9,459
Free Provision	-	-
Provisions Lawsuits	-	20
Total	1,774	9,479

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

	Current Period	Prior Period
Employee Termination Benefits Expense	1,689	1,723
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	2,216	2,486
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	2,064	2,060
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	22,188	19,886
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	62	58
<i>Maintenance Expenses</i>	6,870	5,364
<i>Advertisement Expenses</i>	138	142
<i>Other Expenses</i>	15,118	14,322
Losses from sales of Assets	-	-
Other	21,160	12,859
Total	49,317	39,014

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

The pre-tax income amount from continued operations is TL 166,936 (30 September 2020: TL 94,642).

SECTION FIVE

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

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

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

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

Current period, current taxation provision is TL 41,739 (30 September 2020: TL 24,150) and the net impact of deferred tax income is TL 2,423 (30 September 2020: TL 3,119 deferred tax income).

Deferred tax charge arising from origination or reversal of temporary differences

The deferred tax income arising from origination of temporary differences is TL 2,423 (30 September 2020: TL 3,119 deferred tax income).

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

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 2,423 (30 September 2020: TL 3,119 deferred tax income).

10. 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 127,620 (30 September 2020: TL 73,611).

11. Information on net profit or loss of the period

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

None.

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

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

Profit/loss regarding minority rights

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

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

Other accounts which exceed the 10% of the income statement, other than other operating income and other operating expense, amounting to TL 38,128 consist of transfer commissions, letter of credit commissions and other. (30 September 2020: TL 30,860).

	Current Period	Prior Period
Letter of Credit Commissions	29,475	20,680
Transfer Commissions	7,223	9,072
Other	1,430	1,108
Total	38,128	30,860

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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SECTION FIVE

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

V. INFORMATION ON THE GROUP’S RISK GROUP

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

Information on the loans of the Group’s risk group

Current Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	-	202,385	-	20,150
Balance at the end of the period	-	-	9,635	120,530	4,655	214,540
Interest and Commission Income received ⁽²⁾	-	-	-	-	17	-

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

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

Prior Period						
Group’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	59,486	11,700	-	88,731
Balance at the end of the period	-	-	-	202,385	-	20,150
Interest and Commission Income received	-	-	-	-	38	-

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

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

The Group has a loan amounting to TL 1,622,735 (31 December 2020: TL 547,183) from the risk group. There was an interest expense of TL 29,316 in the current period related to the loans used. (30 September 2020: TL 14,298).

Information on deposits of the Group’s risk group

Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	-	-	19,697	1,688	1,026,132	777,686
Balance at the end of the period	-	-	41,729	19,697	597,733	1,026,132
Interest expense on deposits	-	-	669	7	18,620	2,941

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

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

None.

Information on benefits provided for top level management:

As of 30 September 2021, TL 18,269 has been paid to the top level management of the Group as salaries and fringe benefit (30 September 2020: 13,879 TL).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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SECTION FIVE

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

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 30 September 2021, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi and Independent Auditor’s Review Report is presented preceding the financial statements. The independent audit report dated 10 November 2021 is presented before the consolidated financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

I. Evaluation of the Parent Bank’s Chairman and General Manager for the Period

For the global economy, which spent 2020 struggling with economic and financial depression due to the Covid-19 pandemic, 2021 was a year in which vaccinations accelerated and signs of recovery were observed at both growth rates and trade volumes. Considering loose monetary policies and support packages in many countries, as well as the improvement in global demand and the recovery in global economic activity, OECD increased its global economic growth forecasts. The institution forecasts that global economy will grow by 5.7% in 2021 and by 4.5% in 2022.

Spread rate of the delta variant, possibility of international restrictions again depending on the pandemic, timing of the FED’s decision on reducing asset purchase program and actions of the Central Bank towards tight monetary policies will be on the top of the global agenda to be monitored in the coming period. It is expected that although the number of Covid-19 cases continue to increase in the worldwide, the impact of the pandemic on economic activity will be limited compared to 2020 due to increasing vaccination rates.

On domestic side, following 7.2% growth in the first quarter, GDP of Turkey increased by 21.7% in the second quarter of 2021 compared to the same period of the previous year. Leading indicators point out that the growth in economic activity will continue in the coming period, although it will lose momentum depending on the fluctuations in exchange rates, downward trend in loan growth and increasing funding cost. On the other hand, the upward trend in annual inflation since September 2020 continued during the year 2021 and the annual rate of increase in the consumer price index reached 19.58% at the end of September 2021. It is evaluated that depending on the rising global commodity prices, the fluctuation in exchange rates and high level of producer price index, the pressure on core inflation will continue in the coming period. The current account deficit, which was USD 26 billion in ‘January-August’ period of the previous year, decreased to USD 14 billion level in the same period of 2021. Positive performance of export figures as a result of the strong demand from the Eurozone economies, the normalization of net gold imports and the revival in tourism activities support the positive outlook in the current account balance. On monetary policy and interest rate side, the Central Bank of the Republic of Turkey decreased the policy rate by totally 300 base points to 16% in its September and October meetings.

In order to minimize the negative effects of all the challenging conditions and economic uncertainty on a global scale as well as geopolitical developments on economic activity in Turkey, the necessary measures have been taken in coordination by all relevant authorities. It is evaluated that under such conditions, the Turkish banking sector maintains its strong outlook on both liquidity and capital adequacy and continues its core function of 'lending' activities in a healthy way. Total cash lending and deposit volume of the sector reached TL 3.9 trillion at end-August 2021. In terms of profitability, net profit increased by 12.8% compared to the same period of the previous year and realized at TL 48.5 billion depending on the increase in non-interest income, although net interest income decreased due to the climbing interest expenses.

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021

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

As of September 2021, the asset size of the Group increased by 25.3% compared to the end of the previous year and reached TL 7.3 billion. In this period, while the consolidated shareholders' equity stood at TL 1.298 million, consolidated net profit increased by 73.4% to TL 127.6 million. In addition, consolidated capital adequacy standard ratio of the Bank maintains its strong outlook by 22.5%.

Our core operating principles will continue to be pursuit of “sustainable healthy growth” 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. BELGASEM
General Manager

Dr. Ertan ALTİKULAÇ
Chairman

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2021**

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

SECTION SEVEN**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)****II. Financial Highlights of the Group**

Assets (Thousand TL) (1)	2020/12	2021/09
Financial Assets (Net) (2)	2,452,871	3,327,417
Financial Assets Measured at Amortised Cost (Net) (3)	3,213,578	3,797,849
Property and Equip. Held for Sale Purpose and Related to Discontinued Opr. (Net)	1,210	1,000
Property and Equipment (Net)	153,449	155,265
Intangible Assets (Net)	4,157	4,505
Deferred Tax Assets	339	2,953
Other Assets (Net)	35,732	53,175
Total Assets	5,861,336	7,342,164

Liabilities (Thousand TL) (1)	2020/12	2021/09
Deposits	2,854,500	2,779,245
Funds Borrowed	1,708,358	3,102,806
Lease Liabilities (Net)	2,668	2,172
Provisions	62,382	68,572
Current Tax Liability	12,869	19,552
Deferred Tax Liability	1,214	0
Shareholders' Equity	1,176,982	1,297,811
Other Liabilities	42,363	72,006
Total Liabilities	5,861,336	7,342,164

Off Balance Sheet Commitments (Thousand TL)	2020/12	2021/09
Guarantees and Warranties	4,341,516	4,658,790
Commitments	66,661	101,178
Derivative Financial Instruments	0	0
Total Off Balance Sheet Commitments	4,408,177	4,759,968

Statement of Profit / Loss (Thousand TL)	2020/09	2021/09
Interest Income	203,321	295,672
Interest Expense (-)	33,316	45,945
Net Interest Income	170,005	249,727
Net Fees & Commission Income	44,002	49,925
Dividend Income	33	41
Trading Income / Loss (Net) (+/-)	6,304	4,113
Other Operating Income	13,011	13,544
Gross Operating Income	233,355	317,350
Expected Credit Loss (-)	3,777	934
Other Provisions Expenses (-)	9,479	1,774
Personnel Expense (-)	86,443	98,389
Other Operating Expenses (-)	39,014	49,317
Net Operating Income / Loss	94,642	166,936
Tax Provision (-)	21,031	39,316
Net Term Profit	73,611	127,620

(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.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

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

- At end-September 2021, compared to the end of the previous year, total assets of the Group increased by 25.3% to TL 7.342 million. The most significant investment instruments in consolidated assets included net financial assets by 45.3% share totaling TL 3.327 million and net financial assets measured at amortized cost by 51.7% share totaling TL 3.798 million. Lease receivables totaling TL 353 million constituted 4.8% of consolidated assets.
- External sources constituted 82.3% of consolidated liabilities. External sources constituted 82.3% of consolidated liabilities. Funds borrowed by TL 3.103 million and deposits by TL 2.779 million constituted the majority of the external sources. At end-September 2021, consolidated shareholders’ equity stood at TL 1.298 million and constituted 17.7% of consolidated liabilities.
- Consolidated guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees, increased 7.3% compared to the end of the previous year to TL 4.659 million.
- In the first 9-months of 2021, cumulative net term profit of the Group realized as TL 127.6 million.

IV. Information on Subsidiary Subject to Consolidation

- The Parent Bank has a subsidiary that operates in the field of financial leasing.
- A&T Finansal Kiralama A.Ş was established to conduct domestic and foreign financial leasing operations regarding to the permission of Undersecretariat of Treasury and Foreign Trade pursuant to Law No. 3226 with the publication of the Articles of Association in the Turkish Trade Registry Gazette on July 4, 1997.
- Arap Türk Bankası A.Ş. is the main shareholder of the company by 99.98% share. Operations of the company includes leasing transactions of construction equipment, machinery and real estate.
- The company carries out its leasing activities mainly in Turkey.

V. Other Issues

- There is no significant changes apart from the above mentioned explanations compared to the 2020 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”.