

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

# **Arap Türk Bankası Anonim Şirketi**

**Unconsolidated Financial Statements  
As of and For The Six-Month Period Ended 30 June 2018  
With Auditors' Review Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

26 July 2018

*This report contains "Independent Auditors' Review  
Report" comprising 2 pages and; "Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes" comprising 121 pages.*



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

## REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### *Introduction*

We have reviewed the accompanying unconsolidated balance sheet of Arap Türk Bankası A.Ş. (the "Bank") as at 30 June 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial information for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.



### *Scope of review*

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

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly in all material respects, the financial position of Arap Türk Bankası A.Ş. and its unconsolidated financial subsidiaries at 30 June 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Report on other regulatory requirements arising from legislation*

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

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

Erdal Tıkmak, SMMM  
Partner

26 July 2018  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

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


**ARAP TÜRK BANKASI A.Ş. UNCONSOLIDATED INTERIM FINANCIAL REPORT  
AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018**

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

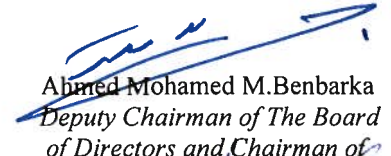
The unconsolidated interim financial report as of and for the six month period ended 30 June 2018 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

The accompanying unconsolidated interim financial statements 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 related appendices and interpretations on these. Unless stated otherwise, the accompanying unconsolidated interim financial statements are presented in thousands of Turkish Lira (TL) as of 30 June 2018 and have been subject to limited review.



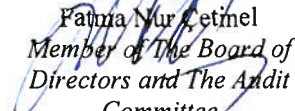
**Bilgehan Kuru**  
*Chairman of the Board of  
Directors*



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



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



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



**Abdulhakim A. E. Khamag**  
*General Manager*



**Salih Hatipoğlu**  
*Assistant General Manager  
Responsible For Financial Reporting*



**F. Betül Yörel**  
*Manager*

Contact information of the personnel for addressing questions regarding this financial report  
Name / Title: F. Betül Yörel / Manager  
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## **SECTION ONE**

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**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

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

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

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

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

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

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

As of 30 June 2018, the Bank’s share capital at the balance sheet date as follows:

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

<sup>(1)</sup> Emek İnşaat ve İşletme A.Ş. has 0,0000014% share in the paid capital by TL 6.20 (full digit in TL) (31 December 2017: 0,0000014% share and TL 6.20 (full digit in TL)).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

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

<b>Name and Surname</b>	<b>Job Title – Description</b>
Bilgehan Kuru	Chairman of the Board of Directors
Ahmed Mohamed M. Benbarka	Deputy Chairman of the Board of Directors and Head of the Audit Committee
Abdulhakim A. E. Khamag	Member of the Board of Directors and General Manager
Abdurauf İbrahim G.Shneba	Member of the Board of Directors and Audit Committee
Fatma Nur Çetinel	Member of the Board of Directors and Audit Committee
Tülin İnhan	Member of the Board of Directors
Volkan Kublay	Member of the Board of Directors
Wail J. A. Belgasem	Member of the Board of Directors
Hani Alhmali Allafi İbrahim	Member of the Board of Directors

**General Manager and Deputies**

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

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

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

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

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK (Continued)**

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

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

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

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

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

None.



## **SECTION TWO**

### **Current Period Unconsolidated Financial Statements**

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

### **Prior Period Unconsolidated Financial Statements**

- I. Balance Sheet-Assets
- II. Balance Sheet- Equity and liabilities
- III. Off-balance sheet commitments
- IV. Income statement
- V. Statement of income and expense items accounted under shareholders' equity
- VI. Statement of changes in shareholders' equity
- VII. Statement of cash flows

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 30 JUNE 2018**  
(Thousands of Turkish Lira ("TL"))

ASSETS	Note	REVIEWED		
		CURRENT PERIOD		
		(30/06/2018)		
		TL	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>99,212</b>	<b>2,876,479</b>	<b>2,975,691</b>
<b>1.1 Cash and Cash Equivalents</b>	<b>(1)</b>	<b>80,630</b>	<b>2,211,086</b>	<b>2,291,716</b>
1.1.1 Cash and Balances with Central Bank		5,336	980,148	985,484
1.1.2 Banks	<b>(3)</b>	25,241	1,230,938	1,256,179
1.1.3 Money Markets		50,053	-	50,053
<b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>(2)</b>	<b>-</b>	<b>250,054</b>	<b>250,054</b>
1.2.1 Government Securities		-	208,739	208,739
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	41,315	41,315
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>(4)</b>	<b>743</b>	<b>63,942</b>	<b>64,685</b>
1.3.1 Government Securities		519	39,545	40,064
1.3.2 Equity Securities		224	1,851	2,075
1.3.3 Other Financial Assets		-	22,546	22,546
<b>1.4 Financial Assets Measured at Amortised Cost</b>	<b>(6)</b>	<b>20,340</b>	<b>351,397</b>	<b>371,737</b>
1.4.1 Government Securities		19,850	273,871	293,721
1.4.2 Other Financial Assets		490	77,526	78,016
<b>1.5 Derivative Financial Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
1.5.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss		-	-	-
1.5.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-
<b>1.6 Non-Performing Financial Assets</b>		<b>3,764</b>	<b>-</b>	<b>3,764</b>
<b>1.7 Expected Credit Loss (-)</b>		<b>6,265</b>	<b>-</b>	<b>6,265</b>
<b>II. LOANS (NET)</b>	<b>(5)</b>	<b>643,649</b>	<b>1,316,665</b>	<b>1,960,314</b>
<b>2.1 Loans</b>		<b>646,997</b>	<b>1,316,665</b>	<b>1,963,662</b>
2.1.1 Measured at Amortised Cost		646,997	1,316,665	1,963,662
2.1.2 Fair Value Through Profit or Loss		-	-	-
2.1.3 Fair Value Through Other Comprehensive Income		-	-	-
<b>2.2 Lease Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.2.1 Financial Lease Receivables	<b>(10)</b>	-	-	-
2.2.2 Operating Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
<b>2.3 Factoring Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.3.1 Measured at Amortised Cost		-	-	-
2.3.2 Fair Value Through Profit or Loss		-	-	-
2.3.3 Fair Value Through Other Comprehensive Income		-	-	-
<b>2.4 Non-Performing Loans</b>		<b>86,166</b>	<b>-</b>	<b>86,166</b>
<b>2.5 Expected Credit Loss (-)</b>		<b>89,514</b>	<b>-</b>	<b>89,514</b>
2.5.1 12 Month Expected Credit Losses (Stage I)		5,450	-	5,450
2.5.2 Significant Increase in Credit Risk (Stage II)		24	-	24
2.5.3 Credit-Impaired Losses (Stage III / Special Provision)		84,040	-	84,040
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>(15)</b>	<b>6</b>	<b>-</b>	<b>6</b>
3.1 Held for Sale Purpose		6	-	6
3.2 Related to Discontinued Operations		-	-	-
<b>IV. EQUITY INVESTMENTS</b>		<b>95,708</b>	<b>-</b>	<b>95,708</b>
<b>4.1 Investments in Associates (Net)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Valued Based on Equity Method		-	-	-
4.1.2 Unconsolidated Associates		-	-	-
<b>4.2 Subsidiaries (Net)</b>	<b>(8)</b>	<b>95,708</b>	<b>-</b>	<b>95,708</b>
4.2.1 Unconsolidated Financial Subsidiaries		95,708	-	95,708
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-
<b>4.3 Joint Ventures (Net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>	<b>(12)</b>	<b>113,217</b>	<b>-</b>	<b>113,217</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>		<b>3,650</b>	<b>-</b>	<b>3,650</b>
6.1 Goodwill		-	-	-
6.2 Other		3,650	-	3,650
<b>VII. INVESTMENT PROPERTY (Net)</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>	<b>(14)</b>	<b>1,601</b>	<b>-</b>	<b>1,601</b>
<b>IX. DEFERRED TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>X. OTHER ASSETS</b>	<b>(16)</b>	<b>9,470</b>	<b>3,174</b>	<b>12,644</b>
<b>TOTAL ASSETS</b>		<b>966,513</b>	<b>4,196,318</b>	<b>5,162,831</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 30 JUNE 2018**

(Thousands of Turkish Lira ("TL"))

LIABILITIES AND EQUITY	Note	REVIEWED		
		CURRENT PERIOD		
		(30/06/2018)		
		TL	FC	Total
<b>I. DEPOSITS</b>	<b>(1)</b>	<b>32,468</b>	<b>3,780,502</b>	<b>3,812,970</b>
<b>II. FUNDS BORROWED</b>	<b>(3)</b>	<b>505</b>	<b>503,780</b>	<b>504,285</b>
<b>III. MONEY MARKETS</b>		-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
<b>V. FUNDS</b>		-	-	-
5.1 Borrower Funds		-	-	-
5.2 Other		-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(2,6)</b>	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-
<b>IX. LEASE LIABILITIES (Net)</b>	<b>(5)</b>	-	-	-
9.1 Financial Lease		-	-	-
9.2 Operating Lease		-	-	-
9.3 Other		-	-	-
9.4 Deferred Financial Lease Expenses ( - )		-	-	-
<b>X. PROVISIONS</b>	<b>(7)</b>	<b>28,909</b>	<b>501</b>	<b>29,410</b>
10.1 Restructuring Provisions		-	-	-
10.2 Reserve for Employee Benefits		15,283	-	15,283
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		13,626	501	14,127
<b>XI. CURRENT TAX LIABILITY</b>	<b>(8)</b>	-	-	-
<b>XII. DEFERRED TAX LIABILITY</b>	<b>(8)</b>	1,117	-	1,117
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-
13.1 Held for Sale Purpose		-	-	-
13.2 Related to Discontinued Operations		-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>		-	-	-
14.1 Loans		-	-	-
14.2 Other Debt Instruments		-	-	-
<b>XV. OTHER LIABILITIES</b>		<b>6,940</b>	<b>14,033</b>	<b>20,973</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>(9)</b>	<b>794,361</b>	<b>(285)</b>	<b>794,076</b>
16.1 Paid-in capital		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		79,522	-	79,522
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(1)	(285)	(286)
16.5 Profit Reserves		25,676	-	25,676
16.5.1 Legal Reserves		25,676	-	25,676
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		-	-	-
16.5.4 Other Profit Reserves		-	-	-
16.6 Profit or (Loss)		249,164	-	249,164
16.6.1 Prior Periods' Profit or (Loss)		220,387	-	220,387
16.6.2 Current Period Profit or (Loss)		28,777	-	28,777
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>864,300</b>	<b>4,298,531</b>	<b>5,162,831</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS**  
**AS OF 30 JUNE 2018**

(Thousands of Turkish Lira ("TL"))

		REVIEWED		
		CURRENT PERIOD		
		(30/06/2018)		
	Note	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>258,109</b>	<b>3,430,805</b>	<b>3,688,914</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>255,588</b>	<b>3,286,317</b>	<b>3,541,905</b>
1.1. Letters of Guarantee		255,588	2,395,763	2,651,351
1.1.1. Guarantees Subject to State Tender Law		409	-	409
1.1.2. Guarantees Given for Foreign Trade Operations		43,352	2,034,925	2,078,277
1.1.3. Other Letters of Guarantee		211,827	360,838	572,665
1.2. Bank Acceptances		-	5,760	5,760
1.2.1. Import Letter of Acceptance		-	-	-
1.2.2. Other Bank Acceptances		-	5,760	5,760
1.3. Letters of Credit		-	433,703	433,703
1.3.1. Documentary Letters of Credit		-	-	-
1.3.2. Other Letters of Credit		-	433,703	433,703
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		-	451,091	451,091
1.9. Other Collaterals		-	-	-
<b>II. COMMITMENTS</b>	<b>(2)</b>	<b>2,521</b>	<b>144,488</b>	<b>147,009</b>
2.1. Irrevocable Commitments		2,521	144,488	147,009
2.1.1. Asset Purchase and Sale Commitments		1,330	6,239	7,569
2.1.2. Deposit Purchase and Sales Commitments		-	138,249	138,249
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4. Loan Granting Commitments		200	-	200
2.1.5. Securities Issue Brokerage Commitments		-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-
2.1.7. Commitments for Cheques		991	-	991
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-
2.2. Revocable Commitments		-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-
2.2.2. Other Revocable Commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		-	-	-
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>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>487,916</b>	<b>315,434</b>	<b>803,350</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>5,459</b>	<b>18,876</b>	<b>24,335</b>
4.1. Customer Fund and Portfolio Balances		-	-	-
4.2. Investment Securities Held in Custody		-	-	-
4.3. Checks Received for Collection		5,424	18,876	24,300
4.4. Commercial Notes Received for Collection		35	-	35
4.5. Other Assets Received for Collection		-	-	-
4.6. Assets Received for Public Offering		-	-	-
4.7. Other Items Under Custody		-	-	-
4.8. Custodians		-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>482,457</b>	<b>296,558</b>	<b>779,015</b>
5.1. Marketable Securities		-	-	-
5.2. Guarantee Notes		85,062	182,017	267,079
5.3. Commodity		-	-	-
5.4. Warranty		-	-	-
5.5. Immovable		23,037	114,286	137,323
5.6. Other Pledged Items		374,358	255	374,613
5.7. Pledged Items-Depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>746,025</b>	<b>3,746,239</b>	<b>4,492,264</b>

As mentioned in Note 1 of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AS OF 30 JUNE 2018**

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	REVIEWED	
		CURRENT PERIOD (01/01/2018-30/06/2018)	PRIOR PERIOD (01/04/2018-30/06/2018)
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>130,258</b>	<b>74,570</b>
1.1 Interest on Loans		80,989	42,685
1.2 Interest on Reserve Requirements		3,183	1,732
1.3 Interest on Banks		23,317	13,078
1.4 Interest on Money Market Transactions		248	248
1.5 Interest on Marketable Securities Portfolio		22,521	16,827
1.5.1 Fair Value Through Profit or Loss		13,599	12,257
1.5.2 Fair Value Through Other Comprehensive Income		1,294	1,294
1.5.3 Measured at Amortised Cost		7,628	3,276
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		-	-
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>38,942</b>	<b>21,902</b>
2.1 Interest on Deposits		29,166	16,890
2.2 Interest on Funds Borrowed		9,768	5,004
2.3 Interest Expense on Money Market Transactions		8	8
2.4 Interest on Securities Issued		-	-
2.5 Other Interest Expenses		-	-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>91,316</b>	<b>52,668</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>24,524</b>	<b>13,178</b>
4.1 Fees and Commissions Received		25,084	13,467
4.1.1 Non-cash Loans		12,952	6,613
4.1.2 Other		12,132	6,854
4.2 Fees and Commissions Paid		560	289
4.2.1 Non-cash Loans		4	2
4.2.2 Other		556	287
<b>V. PERSONNEL EXPENSE (-)</b>		<b>31,203</b>	<b>15,471</b>
<b>VI. DIVIDEND INCOME</b>		<b>10,642</b>	<b>10,642</b>
<b>VII. TRADING INCOME /(LOSS) (Net)</b>	<b>(3)</b>	<b>(14,523)</b>	<b>(16,408)</b>
7.1 Trading Gains / (Losses) on Securities		(18,831)	(18,831)
7.2 Gains / (Losses) on Derivative Financial Transactions		(263)	-
7.3 Foreign Exchange Gains / (Losses)		4,571	2,423
<b>VIII. OTHER OPERATING INCOME</b>	<b>(4)</b>	<b>21,028</b>	<b>17,816</b>
<b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>101,784</b>	<b>62,425</b>
<b>X. EXPECTED CREDIT LOSS (-)</b>	<b>(5)</b>	<b>57,457</b>	<b>56,034</b>
<b>XI. OTHER OPERATING EXPENSES (-)</b>	<b>(6)</b>	<b>13,753</b>	<b>7,020</b>
<b>XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>30,574</b>	<b>(629)</b>
<b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED</b>		<b>-</b>	<b>-</b>
<b>BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>	<b>(7)</b>	<b>30,574</b>	<b>(629)</b>
<b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>(1,797)</b>	<b>4,974</b>
17.1 Current Tax Provision		(1,536)	4,785
17.2 Deferred Tax Income Effect (+)		5,536	3,598
17.3 Deferred Tax Expense Effect (-)		5,797	3,409
<b>XVIII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>		<b>28,777</b>	<b>4,345</b>
<b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
19.1 Income from Non-current Assets Held for Sale		-	-
19.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
19.3 Income from Other Discontinued Operations		-	-
<b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1 Expenses for Non-current Assets Held for Sale		-	-
20.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Expenses for Other Discontinued Operations		-	-
<b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Expense Effect (+)		-	-
22.3 Deferred Tax Income Effect (-)		-	-
<b>XXIII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
<b>XXIV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>	<b>(10)</b>	<b>28,777</b>	<b>4,345</b>
Earning/(Loss) per share (in TL full)		0.0007	0.0001

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**ARAP TÜRK BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 30 JUNE 2018**

(Thousands of Turkish Lira ("TL"))

		REVIEWED
		CURRENT PERIOD 01/01/2018-30/06/2018
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>28,777</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>(4,332)</b>
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(4,139)</b>
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	(517)
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(3,622)
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>(193)</b>
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	(289)
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	96
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>24,445</b>

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**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AS OF 30 JUNE 2018**  
(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY														
	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Other Accumulated Comprehensive Income			Other Accumulated Comprehensive Income			Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity
					Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other	Other (Accumulated Gains or Losses or 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				
<b>REVIEWED CURRENT PERIOD (30/06/2018)</b>														
<b>I. Balance at the beginning of the period</b>	440,000	-	-	-	86,476	(2,815)	-	-	(96)	-	21,662	159,889	80,268	785,384
<b>II. Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	3	-	-	6,244	-	6,247
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	3	-	-	6,244	-	6,247
<b>III. New balance (I+II)</b>	440,000	-	-	-	86,476	(2,815)	-	-	(93)	-	21,662	166,133	80,268	791,631
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	(3,724)	(415)	-	-	(193)	-	-	-	28,777	24,445
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	4,014	54,254	(80,268)	(22,000)
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(22,000)	-	(22,000)
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4,014	76,254	(80,268)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Balances (III+IV+.....+X+XI)</b>	<b>440,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>82,752</b>	<b>(3,230)</b>	<b>-</b>	<b>-</b>	<b>(286)</b>	<b>-</b>	<b>25,676</b>	<b>220,387</b>	<b>28,777</b>	<b>794,076</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**ARAP TÜRK BANKASI A.Ş.****UNCONSOLIDATED STATEMENT OF CASH FLOWS****AS OF 30 JUNE 2018**

(Thousands of Turkish Lira ("TL"))

		REVIEWED THOUSAND TURKISH LIRA
	Note	CURRENT PERIOD 01/01/2018-30/06/2018
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>32,086</b>
1.1.1 Interest Received		112,822
1.1.2 Interest Paid		(26,148)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		25,084
1.1.5 Other Income		3,591
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1,267
1.1.7 Payments to Personnel and Service Suppliers		(37,545)
1.1.8 Taxes Paid		(16,685)
1.1.9 Other		(30,300)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(46,333)</b>
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		84,313
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		(53,689)
1.2.3 Net (increase) / decrease in loans		19,057
1.2.4 Net (increase) / decrease in other assets		(2,985)
1.2.5 Net increase / (decrease) in bank deposits		(89,341)
1.2.6 Net increase / (decrease) in other deposits		8,097
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		(22,689)
1.2.9 Net increase / (decrease) in payables		-
1.2.10 Net increase / (decrease) in other liabilities		10,904
<b>I. Net Cash Provided from Banking Operations</b>		<b>(14,247)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II. Net Cash Provided from Investing Activities</b>		<b>47,437</b>
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		(2,960)
2.4 Disposals of property and equipment		486
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(23,657)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-
2.7 Purchase of Financial Assets Measured at Amortised Cost		(83,049)
2.8 Sale of Financial Assets Measured at Amortised Cost		157,089
2.9 Other		(472)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III. Net Cash Provided from Financing Activities</b>		<b>(22,000)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-
3.3 Issued Equity Instruments		-
3.4 Dividends Paid		(22,000)
3.5 Payments for Finance Leases		-
3.6 Other		-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>68,740</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>79,930</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>1,421,898</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>1,501,828</b>

As mentioned in Note 1 of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.



# ARAP TÜRK BANKASI ANONİM ŞİRKETİ

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AS OF 31 DECEMBER 2017

(Thousands of Turkish Lira)

ASSETS	Notes	AUDITED		
		PRIOR PERIOD (31/12/2017)		
		TL	FC	TOTAL
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK OF TURKEY</b>	(1)	<b>6,774</b>	<b>883,017</b>	<b>889,791</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(2)	-	<b>324,334</b>	<b>324,334</b>
2.1 Financial assets held for trading		-	324,334	324,334
2.1.1 Public sector debt securities		-	282,081	282,081
2.1.2 Securities representing a share in capital		-	-	-
2.1.3 Derivatives held for trading		-	-	-
2.1.4 Other marketable securities		-	42,253	42,253
2.2 Financial assets designated at fair value through profit or loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Equity securities		-	-	-
2.2.3 Loans granted		-	-	-
2.2.4 Other marketable securities		-	-	-
<b>III. BANKS</b>	(3)	<b>19,854</b>	<b>1,212,437</b>	<b>1,232,291</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	(4)	<b>224</b>	<b>34,561</b>	<b>34,785</b>
5.1 Securities representing a share in capital		224	1,534	1,758
5.2 Public sector debt securities		-	33,027	33,027
5.3 Other marketable securities		-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	(5)	<b>688,133</b>	<b>1,295,982</b>	<b>1,984,115</b>
6.1 Loans and Receivables		685,996	1,295,982	1,981,978
6.1.1 Loans granted to the Bank's risk group		-	78,129	78,129
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		685,996	1,217,853	1,903,849
6.2 Loans under follow-up		33,048	-	33,048
6.3 Specific provisions (-)		30,911	-	30,911
<b>VII. FACTORING RECEIVABLES</b>		-	-	-
<b>VIII. INVESTMENTS HELD TO MATURITY (Net)</b>	(6)	<b>47,570</b>	<b>341,190</b>	<b>388,760</b>
8.1 Public sector debt securities		28,744	307,150	335,894
8.2 Other marketable securities		18,826	34,040	52,866
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-
9.1 Consolidated by equity method		-	-	-
9.2 Unconsolidated associates		-	-	-
9.2.1 Financial investments in associates		-	-	-
9.2.2 Non-financial investments in associates		-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	(8)	<b>85,210</b>	-	<b>85,210</b>
10.1 Financial subsidiaries		85,210	-	85,210
10.2 Non-financial subsidiaries		-	-	-
<b>XI. INVESTMENTS IN JOINT- VENTURES (Net)</b>	(9)	-	-	-
11.1 Consolidated by equity method		-	-	-
11.2 Unconsolidated joint ventures		-	-	-
11.2.1 Financial investments in joint ventures		-	-	-
11.2.2 Non-financial investments in joint ventures		-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operational leasing receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned Revenue (-)		-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGING</b>	(11)	-	-	-
13.1 Fair value hedges		-	-	-
13.2 Cash flow hedges		-	-	-
13.3 Hedges for investments made in foreign countries		-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	(12)	<b>112,639</b>	-	<b>112,639</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	<b>2,566</b>	-	<b>2,566</b>
15.1 Goodwill		-	-	-
15.2 Other		2,566	-	2,566
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-
<b>XVII. TAX ASSET</b>	(15)	-	-	-
17.1 Current tax asset		-	-	-
17.2 Deferred tax asset		-	-	-
<b>XVIII. ASSET HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>6</b>	-	<b>6</b>
18.1 Held for sale purpose		6	-	6
18.2 Held from discontinued operations		-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	<b>7,012</b>	<b>2,250</b>	<b>9,262</b>
<b>TOTAL ASSETS</b>		<b>969,988</b>	<b>4,093,771</b>	<b>5,063,759</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

# ARAP TÜRK BANKASI ANONİM ŞİRKETİ

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

### AS OF 31 DECEMBER 2017

(Thousands of Turkish Lira)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	AUDITED		
		PRIOR PERIOD (31/12/2017)		
		TL	FC	TOTAL
<b>I. DEPOSITS</b>	(1)	<b>28,662</b>	<b>3,666,670</b>	<b>3,695,332</b>
1.1 Deposits held by the Bank's risk group		6,519	2,637,948	2,644,467
1.2 Other		22,143	1,028,722	1,050,865
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	(2)	-	-	-
<b>III. FUNDS BORROWED</b>	(3)	<b>1,313</b>	<b>498,640</b>	<b>499,953</b>
<b>IV. INTERBANK MONEY MARKET</b>		-	-	-
4.1 Interbank money market payables		-	-	-
4.2 Istanbul Stock Exchange money market payables		-	-	-
4.3 Funds provided under repurchase agreements		-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-
5.1 Bills		-	-	-
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
<b>VI. FUNDS</b>		-	-	-
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		<b>204</b>	<b>4,336</b>	<b>4,540</b>
<b>VIII. OTHER EXTERNAL RESOURCES</b>	(4)	<b>4,731</b>	<b>5,520</b>	<b>10,251</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-
<b>X. LEASING TRANSACTIONS PAYABLES</b>	(5)	-	-	-
10.1 Finance leasing payables		-	-	-
10.2 Operational leasing payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance leasing expenses ( - )		-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES HELD FOR HEDGING</b>	(6)	-	-	-
11.1 Fair value hedges		-	-	-
11.2 Cash flow hedges		-	-	-
11.3 Hedges for investments made in foreign countries		-	-	-
<b>XII. PROVISIONS</b>	(7)	<b>52,817</b>	<b>1,078</b>	<b>53,895</b>
12.1 General provisions		30,274	-	30,274
12.2 Restructuring reserves		-	-	-
12.3 Reserves for employee benefit		12,543	-	12,543
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		10,000	1,078	11,078
<b>XIII. TAX LIABILITY</b>	(8)	<b>14,404</b>	-	<b>14,404</b>
13.1 Current tax liability		10,203	-	10,203
13.2 Deferred tax liability		4,201	-	4,201
<b>XIV. LIABILITIES FOR ASSETS HELD FOR RESALE AND ASSETS OF DISCONTINUED OPERATIONS</b>		-	-	-
14.1 Held for sale purpose		-	-	-
14.2 Held from discontinued operations		-	-	-
<b>XV. SUBORDINATED LOANS</b>		-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(9)	<b>785,480</b>	<b>(96)</b>	<b>785,384</b>
16.1 Paid-in capital		440,000	-	440,000
16.2 Supplementary capital		83,661	(96)	83,565
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Securities Value Increase Fund		-	(96)	(96)
16.2.4 Revaluation surplus on tangible assets		86,476	-	86,476
16.2.5 Revaluation surplus on intangible assets		-	-	-
16.2.6 Revaluation surplus on investment property		-	-	-
16.2.7 Bonus shares of associates, subsidiaries and joint-ventures		-	-	-
16.2.8 Hedging reserves (effective portion)		-	-	-
16.2.9 Revaluation surplus on assets held for sale and assets of discontinued operations		-	-	-
16.2.10 Other capital reserves		(2,815)	-	(2,815)
16.3 Profit reserves		21,662	-	21,662
16.3.1 Legal reserves		21,662	-	21,662
16.3.2 Status reserves		-	-	-
16.3.3 Extraordinary reserves		-	-	-
16.3.4 Other profit reserves		-	-	-
16.4 Profit or loss		240,157	-	240,157
16.4.1 Prior years income/loss		159,889	-	159,889
16.4.2 Current year income/loss		80,268	-	80,268
<b>TOTAL LIABILITIES</b>		<b>887,611</b>	<b>4,176,148</b>	<b>5,063,759</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**ARAP TÜRK BANKASI ANONİM ŞİRKETİ**  
**STATEMENT OF UNCONSOLIDATED OFF BALANCE SHEET ITEMS**  
**AS OF 31 DECEMBER 2017**

(Thousands of Turkish Lira)

	Notes	AUDITED		
		PRIOR PERIOD (31/12/2017)		
		TL	FC	TOTAL
<b>A. OFF BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>255,404</b>	<b>2,726,166</b>	<b>2,981,570</b>
<b>I. GUARANTEES AND WARRANTIES</b>	(1),(2),(3),(4)	<b>254,034</b>	<b>2,706,838</b>	<b>2,960,872</b>
1.1. Letters of guarantee		246,909	2,040,219	2,287,128
1.1.1. Guarantees subject to State Tender Law		82,979	-	82,979
1.1.2. Guarantees given for foreign trade operations		43,927	1,767,562	1,811,489
1.1.3. Other letters of guarantee		120,003	272,657	392,660
1.2. Bank acceptances		-	42,867	42,867
1.2.1. Import letter of acceptance		-	-	-
1.2.2. Other bank acceptances		-	42,867	42,867
1.3. Letters of credit		-	268,582	268,582
1.3.1. Documentary letters of credit		-	-	-
1.3.2. Other letters of credit		-	268,582	268,582
1.4. Prefinancing given as guarantee		-	-	-
1.5. Endorsements		-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-
1.5.2. Other endorsements		-	-	-
1.6. Securities issue purchase guarantees		-	-	-
1.7. Factoring guarantees		-	-	-
1.8. Other guarantees		7,125	355,170	362,295
1.9. Other warranties		-	-	-
<b>II. COMMITMENTS</b>	(1)	<b>1,370</b>	<b>19,328</b>	<b>20,698</b>
2.1. Irrevocable commitments		1,370	19,328	20,698
2.1.1. Asset purchase and sales commitments		-	19,328	19,328
2.1.2. Deposit purchase and sales commitments		-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-
2.1.4. Loan granting commitments		400	-	400
2.1.5. Securities issue brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Payment commitments for checks		970	-	970
2.1.8. Tax and fund liabilities from export commitments		-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-
2.1.10. Commitments for credit cards and banking services promotions		-	-	-
2.1.11. Receivables from short sale commitments		-	-	-
2.1.12. Payables for short sale commitments		-	-	-
2.1.13. Other irrevocable commitments		-	-	-
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	(5)	-	-	-
3.1. Derivative financial instruments held for hedging		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Hedges for investments made in foreign countries		-	-	-
3.2. Trading transactions		-	-	-
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 swaps-buy		-	-	-
3.2.2.4. Interest rate swaps-sell		-	-	-
3.2.3. Foreign currency, interest rate and security options		-	-	-
3.2.3.1. Foreign currency options-buy		-	-	-
3.2.3.2. Foreign currency options-sell		-	-	-
3.2.3.3. Interest rate options-buy		-	-	-
3.2.3.4. Interest rate options-sell		-	-	-
3.2.3.5. Securities options-buy		-	-	-
3.2.3.6. Securities options-sell		-	-	-
3.2.4. Foreign currency futures		-	-	-
3.2.4.1. Foreign currency futures-buy		-	-	-
3.2.4.2. Foreign currency futures-sell		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-
3.2.6. Other		-	-	-
<b>B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)</b>		<b>475,485</b>	<b>254,957</b>	<b>730,442</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4,077</b>	<b>5,074</b>	<b>9,151</b>
4.1. Assets under management		-	-	-
4.2. Investment securities held in custody		-	-	-
4.3. Checks received for collection		4,012	5,074	9,086
4.4. Commercial notes received for collection		65	-	65
4.5. Other assets received for collection		-	-	-
4.6. Assets received for public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
<b>V. PLEDGED ITEMS</b>		<b>471,408</b>	<b>249,883</b>	<b>721,291</b>
5.1. Marketable securities		-	-	-
5.2. Guarantee notes		85,062	150,724	235,786
5.3. Commodity		-	-	-
5.4. Warranty		-	-	-
5.5. Immovables		23,539	94,498	118,037
5.6. Other pledged items		362,807	4,661	367,468
5.7. Pledged items-depository		-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>730,889</b>	<b>2,981,123</b>	<b>3,712,012</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**Arap Türk Bankası Anonim Şirketi**  
**Statement of Unconsolidated Income**  
**For The Period Ended 30 June 2017**

(Thousands of Turkish Lira)

INCOME AND EXPENSES		Notes	REVIEWED	
			PRIOR PERIOD (01/01/2017-30/06/2017)	PRIOR PERIOD (01/04/2017-30/06/2017)
<b>I.</b>	<b>INTEREST INCOME</b>	(1)	<b>113,814</b>	<b>60,963</b>
1.1	Interest on loans		58,162	31,338
1.2	Interest received from reserve deposits		2,412	1,496
1.3	Interest received from banks		14,125	6,714
1.4	Interest received from money market transactions		22	-
1.5	Interest received from marketable securities portfolio		39,092	21,415
1.5.1	Financial assets held for trading		23,405	10,988
1.5.2	Financial assets where value change is reflected to income statement		-	-
1.5.3	Financial assets available for sale		7	7
1.5.4	Investments held to maturity		15,680	10,420
1.6	Finance lease income		-	-
1.7	Other interest income		1	-
<b>II.</b>	<b>INTEREST EXPENSE</b>	(2)	<b>26,467</b>	<b>13,920</b>
2.1	Interest on deposits		24,314	12,044
2.2	Interest on funds borrowed		1,869	1,824
2.3	Interest on money market transactions		284	52
2.4	Interest on securities issued		-	-
2.5	Other interest expense		-	-
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>87,347</b>	<b>47,043</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>21,734</b>	<b>10,575</b>
4.1	Fees and commissions received		22,263	10,847
4.1.1	Non-cash loans		11,154	5,452
4.1.2	Other	(11)	11,109	5,395
4.2	Fees and commissions paid		529	272
4.2.1	Non-cash loans		1	-
4.2.2	Other		528	272
<b>V.</b>	<b>DIVIDEND INCOME</b>		<b>8,116</b>	<b>8,116</b>
<b>VI.</b>	<b>NET TRADING INCOME/EXPENSE</b>	(3)	<b>590</b>	<b>(436)</b>
6.1	Capital markets transactions		-	-
6.2	Profit/losses on trading account securities		(757)	(1,281)
6.3	Foreign exchange profit/losses		1,347	845
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	(4)	<b>15,248</b>	<b>14,784</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME/EXPENSE (III+IV+V+VI+VII)</b>		<b>133,035</b>	<b>80,082</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	(5)	<b>41,025</b>	<b>32,571</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	(6)	<b>41,783</b>	<b>21,068</b>
<b>XI.</b>	<b>NET OPERATING INCOME/LOSS (VIII-IX-X)</b>		<b>50,227</b>	<b>26,443</b>
<b>XII.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-
<b>XIII.</b>	<b>INCOME/LOSS FROM CONTINUING OPERATIONS</b>		-	-
<b>XIV.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>		-	-
<b>XV.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	(7)	<b>50,227</b>	<b>26,443</b>
<b>XVI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>		<b>(7,308)</b>	<b>(2,363)</b>
16.1	Current tax provision	(8)	(6,149)	(2,477)
16.2	Deferred tax provision		(1,159)	114
<b>XVII.</b>	<b>NET PROFIT/LOSSES FROM CONTINUING OPERATIONS (XV±XVI)</b>	(9)	<b>42,919</b>	<b>24,080</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
18.1	Income from asset held for sale		-	-
18.2	Income from sale of associates, subsidiaries and joint-ventures		-	-
18.3	Other income from discontinued operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1	Expenses on asset held for sale		-	-
19.2	Expenses on sale of associates, subsidiaries and joint ventures		-	-
19.3	Other expense from discontinued operations		-	-
<b>XX.</b>	<b>INCOME/EXPENSE BEFORE TAXES FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>		-	-
<b>XXI.</b>	<b>PROVISION FOR TAXES ON INCOME FROM DISCONTINUED OPERATIONS (±)</b>		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET PROFIT/LOSSES FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSSES (XVII+XXII)</b>	(10)	<b>42,919</b>	<b>24,080</b>
Earning/Loss Per Share			0.0010	0.0005

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**Arap Türk Bankası Anonim Şirketi****Statement of Recognized Income and Expense in Unconsolidated Shareholders' Equity  
For The Period Ended 30 June 2017**

(Thousands of Turkish Lira)

INCOME AND EXPENSE ITEMS ACCOUNTED IN SHAREHOLDERS' EQUITY		REVIEWED
		PRIOR PERIOD
		(01/01/2017-30/06/2017)
I.	I. MARKET VALUE GAINS ON AVAILABLE FOR SALE ASSETS ACCOUNTED UNDER "SECURITIES VALUE INCREASE FUND"	(27)
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	94,128
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-
IV.	TRANSLATION DIFFERENCES FOR TRANSACTIONS IN FOREIGN CURRENCIES	-
V.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR CASH FLOW HEDGES (effective portion)	-
VI.	GAIN/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR HEDGES OF NET INVESTMENT (effective portion)	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS	-
VIII.	OTHER INCOME/EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY AS PER TAS	(303)
IX.	DEFERRED TAXES ON VALUE INCREASES/DECREASES	(7,585)
X.	NET INCOME/EXPENSE ITEMS ACCOUNTED DIRECTLY UNDER SHAREHOLDERS' EQUITY (I+II+...+IX)	86,213
XI.	CURRENT PROFIT/LOSSES	42,919
11.1	Net changes in fair value of securities (transferred to income statement)	-
11.2	Gains/losses on hedges of cash flow hedges, reclassified and recorded in income statement	-
11.3	Gains/losses on hedges of net investment in foreign operations, reclassified and recorded in income statement	-
11.4	Other	42,919
XII.	TOTAL PROFIT/(LOSS) ACCOUNTED FOR THE CURRENT PERIOD (X+XI)	129,132

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**Arap Türk Bankası Anonim Şirketi**  
**Statement of Changes In Unconsolidated Shareholders' Equity**  
**For The Period Ended 30 June 2017**

(Thousands of Turkish Lira)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY		Notes	Paid-in Capital Capital	Capital Reserves from Inflation Adjustments	Share premium Premium	Share Cancellation	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Profit/Loss	Prior Period Net Profit/Loss	Securities Value Increase Fund	Revaluation Surplus on Tangible and Intangible	Bonus Shares of Equity Participations	Hedging Reserves	Accu. Rev.Surp. on Assets Held for Sale and Assets of	Total Shareholders'
<b>REVIEWED PRIOR PERIOD (30/06/2017)</b>																		
I.	Balances at end of prior period		440,000	-	-	-	18,662	-	-	(2,795)	61,597	123,292	-	-	-	-	-	640,756
	Changes within the period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.	Mergers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Securities Value Increase Fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Hedges for Risk Management		-	-	-	-	-	-	-	-	-	-	(21)	-	-	-	-	(21)
4.1	Net Cash Flow Hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Net Foreign Investment Hedges		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation surplus on tangible assets		-	-	-	-	-	-	-	-	-	-	-	86,476	-	-	-	86,476
VI.	Revaluation surplus on intangible assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares of associates, subsidiaries and joint ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes resulted from disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes resulted from reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effect of change in equities of associates on Bank's Equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share issuance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Capital Reserves From Inflation Adjustments To Paid-in Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Others		-	-	-	-	-	-	-	(242)	-	-	-	-	-	-	-	-
XVII.	Current Period Net Profit		-	-	-	-	-	-	-	-	42,919	-	-	-	-	-	-	42,919
XVIII.	Profit distribution		-	-	-	-	3,000	-	-	-	(61,597)	36,597	-	-	-	-	-	(22,000)
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	(22,000)	-	-	-	-	-	(22,000)
18.2	Transfers to legal reserves		-	-	-	-	3,000	-	-	-	(61,597)	58,597	-	-	-	-	-	-
18.3	Others		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Balances at end of period (I+II+III+...+XVI+XVII+XVIII)		440,000	-	-	-	21,662	-	-	(3,037)	42,919	159,889	(21)	86,476	-	-	-	747,888

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

# Arap Türk Bankası Anonim Şirketi

## Statement of Unconsolidated Cash Flow

### For The Period Ended 30 June 2017

(Thousands of Turkish Lira ("TL"))

	Notes	REVIEWED PRIOR PERIOD (30/06/2017)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b> Operating Profit Before Changes in Operating Assets and Liabilities		<b>71,973</b>
1.1.1 Interests Received		111,351
1.1.2 Interest Paid		(8,834)
1.1.3 Dividend Received		117
1.1.4 Fees and Commissions Received		22,263
1.1.5 Other Income		3,056
1.1.6 Collections From Previously Written-off Loans and Other Receivables		4,800
1.1.7 Payments to Personnel and Service Suppliers		(36,301)
1.1.8 Taxes Paid		(3,302)
1.1.9 Other		(21,177)
<b>1.2</b> Changes in Operating Assets and Liabilities		<b>(377,032)</b>
1.2.1 Net Decrease in Financial Assets Held For Trading		125,212
1.2.2 Net (Increase) Decrease in Financial Assets Valued at Fair Value Through Profit or Loss		-
1.2.3 Net Decrease in Due From Banks and Other Financial Institutions		(54,990)
1.2.4 Net (Increase) in Loans		(538,347)
1.2.5 Net Decrease in Other Assets		(24,657)
1.2.6 Net Increase / (Decrease) in Bank Deposits		(89,984)
1.2.7 Net Increase (Decrease) in Other Deposits		(43,371)
1.2.8 Net Increase/ (Decrease) in Funds Borrowed		261,548
1.2.9 Net Increase/ (Decrease) in Matured Payables		-
1.2.10 Net Increase in Other Liabilities		(12,443)
<b>I.</b> Net Cash Flow From Banking Operations		<b>(305,059)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b> Net Cash Flow From Investing Activities		<b>(20,830)</b>
2.1 Cash Paid For Purchase of Associates, Subsidiaries, and Joint-Ventures		-
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-
2.3 Purchases of Tangible Assets		(398)
2.4 Sales of Tangible Assets		172
2.5 Cash Paid For Purchase of Financial Assets Available-For-Sale		(12,664)
2.6 Cash Obtained From Sale of Financial Assets Available-For-Sale		-
2.7 Cash Paid For Purchase of Investments Held-to-Maturity		(58,264)
2.8 Cash Obtained From Sale of Investments Held-to-Maturity		50,741
2.9 Other		(417)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b> Net Cash Flows From Financing Activities		<b>(22,000)</b>
3.1 Cash Obtained From Funds Borrowed and Securities Issued		-
3.2 Cash Used For Repayment of Funds Borrowed and Securities Issued		-
3.3 Equity Instruments Issued		-
3.4 Dividends Paid		(22,000)
3.5 Payments For Financial Leases		-
3.6 Other		-
<b>IV.</b> Effect of Change in Foreign Exchange Rate On Cash and Cash Equivalents		<b>10,385</b>
<b>V.</b> Net (Decrease)/Increase in Cash and Cash Equivalents		<b>(337,504)</b>
<b>VI.</b> Cash and Cash Equivalents at Beginning of Period		<b>1,644,352</b>
<b>VII.</b> Cash and Cash Equivalents at the End of Period		<b>1,306,848</b>

As mentioned in Note I of Section Three, the current period financial statements have been prepared by using different accounting policies from the accounting policies used in the preparation of the prior period financial statements and the prior period financial statements and footnotes have not been restated. Prior period financial statements are presented separately in this report.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS FOR BASIS OF PRESENTATION**

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

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

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

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

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

**CHANGES IN ACCOUNTING POLICIES**

As of 1 January 2018 the Bank has applied TFRS 9 Financial Instruments (TFRS 9) published by POA according to “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 for the first time in attached unconsolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to prior years' profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIV of Section Three.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Bank's accounting policies, financial position and performance.



**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****II. INFORMATION ON STRATEGY FOR THE USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

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

The transactions in foreign currency are recorded in accordance with "TAS 21 - Effects of Exchange Rate Changes" Related gain and loss occurred due to the changes in exchange rates resulted by the foreign currency transactions are translated into Turkish Lira over the effective exchange rate prevailing at the date of the transaction and is recorded accordingly. At the end of the related periods, foreign currency assets and liability balances outstanding are translated into Turkish Lira over the Bank's exchange rates prevailing at the balance sheet date and the resulting exchange rate differences are accounted as foreign exchange gains and losses.

**III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES**

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

**IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

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

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

The derivative transactions are measured at fair value subsequent to initial recognition and if the fair value of a derivative financial instrument is positive, it is disclosed under the main account fair values of financial assets through profit or loss" in trading derivative financial instruments and if the fair value difference is negative, it is disclosed under trading derivative financial liabilities.

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**V. INFORMATION ON INTEREST INCOME AND EXPENSE**

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

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

**VI. INFORMATION ON FEES AND COMMISSION**

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

**VII. INFORMATION ON FINANCIAL ASSETS**

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

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**a. Financial Assets at Fair Value through Profit or Loss**

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

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

Government bonds and treasury bills included in Financial Assets at Fair Value through Profit or Loss and Financial Assets at Fair Value Through Other Comprehensive Income portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at prices of the Central Bank of the Republic of Turkey. Eurobonds are carried at prices in the over the counter markets. All gains and losses arising from these valuations are reflected in the income statement.

**b. Financial Assets at Fair Value Through Other Comprehensive Income**

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

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

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

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**e. Impairment For Expected Loss**

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

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

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and finance lease receivables) 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.

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

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

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

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

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

*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.

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. INFORMATION ON FINANCIAL ASSETS (Continued)**

**e. Impairment For Expected Loss (Continued)**

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

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

**VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

The Bank's intangible assets consist of software.

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

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

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

**XII. INFORMATION ON TANGIBLE ASSETS**

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

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

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



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

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

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

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

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

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

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

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

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

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

*Operational leases*

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

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

**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 Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 June 2018 is TL 5,001.76 (full TL) (31 December 2017: TL 4,732.48 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

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

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

*Other benefits to employees*

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

**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XVI. INFORMATION ON TAX APPLICATIONS****Corporate tax**

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

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

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

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

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

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

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

The liabilities of subsidiaries, founding shares and preferential rights of the institutions, which have been legally borrowed or owed to the SDIF due to the bank borrowing between 1 January 2017 and 4 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 for the period between 1 January 2017 and 4 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 income, then the related tax effects are also recognized in the statement of income. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

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

**Transfer Pricing**

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

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. ADDITIONAL INFORMATION ON BORROWINGS**

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

The Bank did not issue any stocks convertible into bonds.

The Bank does not have borrowing instruments issued by itself.

**XVIII. INFORMATION ON SHARE ISSUANCES**

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

**XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES**

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

There are no acceptances presented as liabilities against any assets.

**XX. INFORMATION ON GOVERNMENT INCENTIVES**

There are no government incentives utilized by the Bank as of 30 June 2018 and 31 December 2017.

**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.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXII. INFORMATION ON SEGMENT REPORTING**

Operating segment is the unit that operates in only one product or service of the 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”.

## SECTION THREE

## EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

## XXIII. OTHER DISCLOSURES

## TFRS 9 Financial Instruments Standart

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest."

Explanations on the impact of TFRS 9 implementation of the Bank are below.

## Reconciliation of statement of financial position balances to TFRS 9

ASSETS	31 December 2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement impact	1 January 2018
<b>FINANCIAL ASSETS (Net)</b>	<b>2,869,961</b>	<b>(2,293)</b>	<b>763</b>	<b>2,868,431</b>
Cash and cash equivalents	2,122,082	-	-	2,122,082
Financial assets measured at fair value to profit or loss	324,334	-	-	324,334
Financial assets measured at fair value to other comprehensive income	-	34,785	-	34,785
Financial assets measured at amortised cost	-	388,760	-	388,760
Non-performing financial assets	-	3,764	-	3,764
Allowance for expected credit losses (-)	-	(6,057)	763	5,294
12-Month expected credit losses (Stage 1)	-	(2,293)	763	1,530
Credit-Impaired (Stage 3)	-	(3,764)	-	3,764
Marketable Securities (Net)	34,785	(34,785)	-	-
Investments held to maturity (Net)	388,760	(388,760)	-	-
<b>LOANS (Net)</b>	<b>1,984,115</b>	<b>(22,018)</b>	<b>5,838</b>	<b>1,967,935</b>
<b>Loans</b>	<b>1,981,978</b>	<b>-</b>	<b>-</b>	<b>1,981,978</b>
Non-performing loans	33,048	(3,764)	-	29,284
Allowance for expected credit losses (-)	(30,911)	(18,254)	5,838	(43,327)
12-Month expected credit losses (Stage 1)	-	(19,594)	10,807	(8,787)
Significant increase in credit risk (Stage 2)	-	(2,424)	(4,717)	(7,141)
Credit-Impaired (Stage 3)	(30,911)	3,764	(252)	(27,399)
<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>6</b>
<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>	<b>85,210</b>	<b>-</b>	<b>-</b>	<b>85,210</b>
<b>TANGIBLE ASSETS (Net)</b>	<b>112,639</b>	<b>-</b>	<b>-</b>	<b>112,639</b>
<b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>2,566</b>	<b>-</b>	<b>-</b>	<b>2,566</b>
<b>DEFERRED TAX ASSET</b>	<b>-</b>	<b>-</b>	<b>2,670</b>	<b>2,670</b>
<b>OTHER ASSETS</b>	<b>9,262</b>	<b>-</b>	<b>-</b>	<b>9,262</b>
<b>TOTAL ASSETS</b>	<b>5,063,759</b>	<b>(24,311)</b>	<b>9,271</b>	<b>5,048,719</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION THREE****EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XXIII. OTHER DISCLOSURES (Continued)****Reconciliation of statement of financial position balances to TFRS 9**

<b>LIABILITIES AND EQUITY</b>	<b>31 December 2017</b>	<b>TFRS-9 Reclassification impact</b>	<b>TFRS-9 Remeasurement impact</b>	<b>1 January 2018</b>
<b>DEPOSITS</b>	<b>3,695,332</b>	-	-	<b>3,695,332</b>
<b>FUNDS BORROWED</b>	<b>499,953</b>	-	-	<b>499,953</b>
<b>PAYABLES TO MONEY MARKET</b>	-	-	-	-
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	-	-	-	-
<b>DERIVATIVE FINANCIAL LIABILITIES</b>	-	-	-	-
<b>PROVISIONS</b>	<b>53,895</b>	<b>(24,311)</b>	<b>7,225</b>	<b>36,809</b>
General Provision	30,274	(30,274)	-	-
Reserve for Employee Benefits	12,543	-	-	12,543
Other provision	11,078	5,963	7,225	24,266
<b>CURRENT TAX LIABILITY</b>	<b>10,203</b>	-	-	<b>10,203</b>
<b>DEFERRED TAX LIABILITY</b>	<b>4,201</b>	-	<b>(4,201)</b>	-
<b>MISCELLANEOUS PAYABLES</b>	<b>4,540</b>	-	-	<b>4,540</b>
<b>OTHER LIABILITIES</b>	<b>10,251</b>	-	-	<b>10,251</b>
<b>SHAREHOLDER'S EQUITY</b>	<b>785,384</b>	-	<b>6,247</b>	<b>791,631</b>
Paid in capital	440,000	-	-	440,000
Capital reserves	83,565	-	3	83,568
Other capital reserves	(2,815)	2,815	-	-
Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss	-	83,661	-	83,661
Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss	-	(96)	3	(93)
Marketable Securities Valuation Differences	(96)	96	-	-
Tangible Assets Revaluation Reserves	86,476	(86,476)	-	-
Bonus Shares of Subsidiaries Associates and Entities Under Common Control	-	-	-	-
Profit Reserves	21,662	-	-	21,662
Legal Reserves	21,662	-	-	21,662
Extraordinary Reserves	-	-	-	-
Other Profit Reserves	-	-	-	-
Profit or (Loss)	240,157	-	6,244	246,401
Prior Periods' Profit or (Loss)	159,889	-	6,244	166,133
Current Period Profit or (Loss)	80,268	-	-	80,268
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,063,759</b>	<b>(24,311)</b>	<b>9,271</b>	<b>5,048,719</b>



## SECTION THREE

## EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

## XXIII. OTHER DISCLOSURES (Continued)

## Reconciliation of the opening balances of the provision to TFRS 9

	Book value before TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 1 January 2018
<b>Loans Provision (Allowance for expected credit losses)</b>	<b>49,165</b>	<b>(5,838)</b>	<b>43,327</b>
Stage 1 (*)	19,594	(10,807)	8,787
Stage 2 (*)	2,424	4,717	7,141
Stage 3	27,147	252	27,399
<b>Financial Assets (**)</b>	<b>6,057</b>	<b>(763)</b>	<b>5,294</b>
<b>Non-Cash Loans (***)</b>	<b>7,041</b>	<b>7,228</b>	<b>14,269</b>
Stage 1 and 2	5,963	7,814	13,777
Stage 3	1,078	(586)	492
<b>Total</b>	<b>62,263</b>	<b>627</b>	<b>62,890</b>

(\*) Represents general provisions for stage 1 and 2 loans before TFRS 9.

(\*\*) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

(\*\*\*) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "12.1. General Provision" and expected credit loss for stage 3 non-cash loans is classified "12.5. Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "10.4 Other Provisions" column in the liabilities.

## The Impact of TFRS 9 Transition to Equity

According to paragraph 15 of Article 7 of TFRS 9 Financial Instruments Standards published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, it is stated that the difference between the book value of 1 January 2018 at the date of application should be reflected in the retained earnings of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are given below.

The difference between the provision for impairment of the prior period and allowance for expected credit losses that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 amounting to TL 626 as expense is recorded to "Prior years' profits or losses" in shareholders' equity.

As stated in the Communiqué on "Uniform Chart of Accounts and Prospectus" issued on 20 September 2017, for general provisions (TFRS 9 expected loss provisions for the loans at first and second stages), deferred tax assets calculation has started as of 1 January 2018. Within this scope, deferred tax assets amounting to TL 6,871 have been reflected to the opening financials of 1 January 2018 and the related amount has been recorded to "Prior years' profits or losses" in shareholders' equity.

The general provision amounting to TL 3 relating to equity investments in available-for-sale financial assets, which were presented under general provision in before TFRS 9, has been started to be recognized in "Other accumulated comprehensive income that will be reclassified in profit or loss" under equity.

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD**

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

**Financial Assets at Fair Value through Profit or Loss**

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

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

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

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

**Financial Assets Available-for-Sale**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIV. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT AVAILABLE FOR THE CURRENT PERIOD (Continued)**

**Financial Assets Available-for-Sale (Continued)**

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

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

**Loans and Receivables**

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

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

**Financial Assets Held to Maturity**

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

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

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK****I. INFORMATION ON SHAREHOLDER'S EQUITY****Information about Total Capital (Current Period)**

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>TIER II CAPITAL</b>	<b>789,898</b>	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	439,714	
Share issue premiums	-	
Reserves	25,676	
Gains recognized in equity as per TAS	79,522	
Profit	249,164	
Current Period Profit	28,777	
Prior Period Profit	220,387	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>794,076</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>4,178</b>	<b>4,178</b>
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	528	528
Goodwill (net of related tax liability)	3,650	3,650
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>4,178</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>789,898</b>	

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds(-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	789,898	
<b>TIER II CAPITAL</b>		
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)	21,808	
<b>Tier II Capital Before Deductions</b>	21,808	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	21,808	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	811,706	
<b>Deductions from Total Capital</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	-	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
<b>TOTAL CAPITAL</b>	<b>811,706</b>	<b>811,700</b>
Total Capital	811,706	811,700
Total risk weighted amounts	5,103,414	5,103,414
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	15.48	-
Tier 1 Capital Adequacy Ratio (%)	15.48	-
Capital Adequacy Ratio (%)	15.91	15.90
<b>BUFFERS</b>		
Total buffer requirement	2,015	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.140	-
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	10.97	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	21,808	21,808
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	21,808	21,808
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	-	-
<sup>(1)</sup> The amounts of items in accordance with transition provisions	-	-

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

##### Information about Total Capital (Prior Period)

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>TIER II CAPITAL</b>	<b>782,885</b>	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	437,089	
Share issue premiums	-	
Reserves	21,662	
Gains recognized in equity as per TAS	86,476	
Profit	240,157	
Current Period Profit	80,268	
Prior Period Profit	159,889	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>785,384</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>2,499</b>	<b>3,012</b>
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	446	446
Goodwill (net of related tax liability)	2,053	2,566
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>2,499</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>782,885</b>	

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	<b>513</b>	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds(-)	513	-
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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	
<b>Total Additional Tier I Capital</b>	<b>-</b>	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>782,372</b>	
<b>TIER II CAPITAL</b>		
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)	30,274	
<b>Tier II Capital Before Deductions</b>	<b>30,274</b>	
<b>Deductions From Tier II Capital</b>		
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 (-)	-	-
<b>Total Deductions from Tier II Capital</b>	<b>-</b>	
<b>Total Tier II Capital</b>	<b>30,274</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>812,646</b>	
<b>Deductions from Total Capital</b>	<b>812,646</b>	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	6	
Other items to be defined by the BRSA (-)	-	
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>	<b>-</b>	
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-



# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018

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

### SECTION FOUR

#### INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

#### I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
<b>TOTAL CAPITAL</b>	<b>812,640</b>	<b>822,640</b>
Total Capital	812,640	822,640
Total risk weighted amounts	4,474,987	4,474,987
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	17.50	-
Tier 1 Capital Adequacy Ratio (%)	17.48	-
Capital Adequacy Ratio (%)	18.16	18.38
<b>BUFFERS</b>		
Total buffer requirement	1.345	-
Capital conservation buffer requirement (%)	1.250	-
Bank specific counter-cyclical buffer requirement (%)	0.095	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	12.99	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	30,274	30,274
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	30,274	30,274
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	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
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	-	-
<sup>(2)</sup> The amounts of items in accordance with transition provisions	-	-

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

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

None.

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

Current Period 30 June 2018	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	79,522	-	79,522
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	(286)	-	(286)
Profit Reserves	25,676	-	25,676
Profit or Loss	249,164	-	249,164
Prior Periods' Profit/Loss	220,387	-	220,387
Current Period Net Profit/Loss	28,777	-	28,777
Deductions from Common Equity Tier 1 Capital (*)	-	4,178	(4,178)
<b>Common Equity Tier 1 capital</b>	-	-	<b>789,898</b>
Tier 1 capital	-	-	789,898
Provisions	-	(21,808)	21,808
<b>Tier 2 capital (**)</b>	-	<b>(21,808)</b>	<b>21,808</b>
Shareholders' Equity Adjustments (***)	-	-	-
<b>Total Shareholders' Equity</b>	<b>794,076</b>	<b>(17,630)</b>	<b>811,706</b>

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

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

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

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

The Bank has procedures and reports under the name of internal capital assessment process. In order to assess the capital adequacy of the 2018, the Bank analyse the legal ratios and budget expectations to qualitative them for the effect on the legal capital adequacy and economic capital of the Bank. With these procedures and reports the Bank covers all risk in capital adequacy requirements.

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

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

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

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

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

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

**Foreign exchange risk management policy**

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

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

<b>Date</b>	<b>US Dollars</b>	<b>Euro</b>
24 June 2018	4.7524 TL	5.4843 TL
25 June 2018	4.7077 TL	5.4848 TL
26 June 2018	4.6397 TL	5.4071 TL
27 June 2018	4.6740 TL	5.4576 TL
28 June 2018	4.6349 TL	5.3960 TL
30 June 2018	4.6083 TL	5.3310 TL

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

The basic arithmetical average of the Bank’s foreign exchange bid rate for June 2018 is TL 4.6227 for USD, TL 5.4022 for EURO.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

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

<b>Current Period</b>	<b>Euro</b>	<b>USD Dollars</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	518,777	461,198	173	980,148
Banks	249,848	964,632	16,458	1,230,938
Financial Assets through Profit or Loss	207,230	42,824	-	250,054
Interbank Money Market Placements	-	-	-	-
Investment Securities Available-for-Sale	123	63,819	-	63,942
Loans <sup>(1)</sup>	996,159	432,219	-	1,428,378
Investments in Subsidiaries and Associates	-	-	-	-
Investment Securities Held-to-Maturity	192,245	159,152	-	351,397
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	800	2,374	-	3,174
<b>Total Assets</b>	<b>2,165,182</b>	<b>2,126,218</b>	<b>16,631</b>	<b>4,308,031</b>
<b>Liabilities</b>				
Bank Deposits	1,767,899	1,352,971	2,755	3,123,625
Foreign Currency Deposits	310,860	333,696	12,321	656,877
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	81,958	421,822	-	503,780
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	3,010	11,292	232	14,534
<b>Total Liabilities <sup>(2)</sup></b>	<b>2,163,727</b>	<b>2,119,781</b>	<b>15,308</b>	<b>4,298,816</b>
<b>Net Balance Sheet Position</b>	<b>1,455</b>	<b>6,437</b>	<b>1,323</b>	<b>9,215</b>
<b>Net Off Balance Sheet Position</b>	<b>1,119</b>	<b>(2,454)</b>	<b>-</b>	<b>(1,335)</b>
Financial Derivatives (Assets)	2,452	-	-	2,452
Financial Derivatives (Liabilities)	(1,333)	(2,454)	-	(3,787)
Non-Cash Loans	1,080,103	1,543,855	662,359	3,286,317
<b>Prior Period</b>				
Total Assets	2,204,740	1,965,933	8,008	4,178,681
Total Liabilities	2,193,715	1,975,146	7,383	4,176,244
Balance Sheet Position, net	11,025	(9,213)	625	2,437
Off Balance Sheet Position, net	(9,664)	9,664	-	-
Financial Derivatives (Assets)	-	9,664	-	9,664
Financial Derivatives (Liabilities)	(9,664)	-	-	(9,664)
Non-cash Loans	903,681	1,276,879	526,278	2,706,838

<sup>(1)</sup> As of 30 June 2018, it also includes loans with indexed accounts amounting to TL 111,713 (31 December 2017: TL 84,910).<sup>(2)</sup> 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 285.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018**

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

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

The possible increases or decreases in the shareholders' equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 30 June 2018 and 31 December 2017 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;

	<b>Current Period</b>	
	<b>Income Statement</b>	<b>Shareholders' Equity<sup>(1)</sup></b>
Euro	(257)	(257)
US Dollar	(398)	(398)
Other Currencies	(132)	(132)
<b>Total</b>	<b>(787)</b>	<b>(787)</b>

	<b>Prior Period</b>	
	<b>Income Statement</b>	<b>Shareholders' Equity<sup>(1)</sup></b>
Euro	(136)	(136)
US Dollar	(45)	(45)
Other Currencies	(63)	(63)
<b>Total</b>	<b>(244)</b>	<b>(244)</b>

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

Assuming 10 percent depreciation of TL;

	<b>Current Period</b>	
	<b>Income Statement</b>	<b>Shareholders' Equity<sup>(1)</sup></b>
Euro	257	257
US Dollar	398	398
Other Currencies	132	132
<b>Total</b>	<b>787</b>	<b>787</b>

	<b>Prior Period</b>	
	<b>Income Statement</b>	<b>Shareholders' Equity<sup>(1)</sup></b>
Euro	136	136
US Dollar	45	45
Other Currencies	63	63
<b>Total</b>	<b>244</b>	<b>244</b>

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

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**III. INFORMATION ON INTEREST RATE RISK**

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

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

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

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

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

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

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

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**III. INFORMATION ON INTEREST RATE RISK (Continued)**
**Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items**
*Based on re-pricing dates*

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	460,150	-	-	-	-	525,334	985,484
Banks	1,001,648	254,531	-	-	-	-	1,256,179
Financial assets at fair value through Profit or Loss	-	-	174,530	75,524	-	-	250,054
Interbank Money Market Placements	50,053	-	-	-	-	-	50,053
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	53,064	-	11,621	64,685
Loans	751,634	559,202	625,461	27,365	-	-	1,963,662
Financial Assets Measured at Amortized Cost	16,279	2,452	100,534	230,062	22,410	-	371,737
Other assets <sup>(1)</sup>	-	-	-	-	-	220,977	220,977
<b>Total assets</b>	<b>2,279,764</b>	<b>816,185</b>	<b>900,525</b>	<b>386,015</b>	<b>22,410</b>	<b>757,932</b>	<b>5,162,831</b>
<b>Liabilities</b>							
Bank deposits	1,740,511	227,942	1,161,860	-	-	70	3,130,383
Other deposits	29,304	10,541	36,908	-	-	605,834	682,587
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	-	167,301	336,984	-	-	-	504,285
Other liabilities <sup>(2)</sup>	-	-	-	-	-	845,576	845,576
<b>Total liabilities</b>	<b>1,769,815</b>	<b>405,784</b>	<b>1,535,752</b>	<b>-</b>	<b>-</b>	<b>1,451,480</b>	<b>5,162,831</b>
Long Position in the Balance Sheet	509,949	410,401	-	386,015	22,410	-	1,328,775
Short Position in the Balance Sheet	-	-	(635,227)	-	-	(693,548)	(1,328,775)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>509,949</b>	<b>410,401</b>	<b>(635,227)</b>	<b>386,015</b>	<b>22,410</b>	<b>(693,548)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 220,977 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 113,217, Subsidiaries amounting to TL 95,708, Net Expected Credit Loss amounting to TL 5,849, Intangible Assets amounting to TL 3,650, Current Tax Asset amounting to TL 1,601, Assets Available for Sale amounting to TL 6 and Other Assets amounting to TL 12,644.

<sup>(2)</sup> Other Liabilities: The amount of TL 845,576 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 794,076, Provisions amounting to TL 29,410, Deferred Tax Liability amounting to TL 1,117 and other Non-Interest Bearing amounting to TL 20,973.

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**III. INFORMATION ON INTEREST RATE RISK (Continued)**

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	371,024	-	-	-	-	518,767	889,791
Banks	1,079,039	153,252	-	-	-	-	1,232,291
Financial assets at fair value through Profit or Loss	-	15,334	87,465	221,535	-	-	324,334
Interbank Money Market Placements	-	-	-	-	-	-	-
Financial assets available-for-sale	-	-	-	33,027	-	1,758	34,785
Loans	680,839	163,954	933,729	151,204	52,252	2,137	1,984,115
Investment securities held-to-maturity	10,043	28,997	80,968	250,223	18,529	-	388,760
Other assets <sup>(1)</sup>	-	-	-	-	-	209,683	209,683
<b>Total assets</b>	<b>2,140,945</b>	<b>361,537</b>	<b>1,102,162</b>	<b>655,989</b>	<b>70,781</b>	<b>732,345</b>	<b>5,063,759</b>
<b>Liabilities</b>							
Bank deposits	1,872,668	293,004	854,709	-	-	-	3,020,381
Other deposits	41,538	14,122	27,093	53	-	592,145	674,951
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	4,540	4,540
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	223	298	499,432	-	-	-	499,953
Other liabilities <sup>(2)</sup>	-	-	-	-	-	863,934	863,934
<b>Total liabilities</b>	<b>1,914,429</b>	<b>307,424</b>	<b>1,381,234</b>	<b>53</b>	<b>-</b>	<b>1,460,619</b>	<b>5,063,759</b>
Long Position in the Balance Sheet	226,516	54,113	-	655,936	70,781	-	1,007,346
Short Position in the Balance Sheet	-	-	(279,072)	-	-	(728,274)	(1,007,346)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>226,516</b>	<b>54,113</b>	<b>(279,072)</b>	<b>655,936</b>	<b>70,781</b>	<b>(728,274)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 209,683 in the Non-Interest Bearing column is composed of Subsidiaries amounting to TL 85,210, Tangible Assets amounting to TL 112,639, Intangible Assets amounting to TL 2,566, Assets Held for Sale amounting to TL 6, and Non-Bearing amounts of Other Asset amounting to TL 9,262.

<sup>(2)</sup> Other Liabilities: The amount of TL 863,934 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 785,384, Provisions amounting to TL 53,895, Tax amounting to 14,404, and Non-Interest Bearing amounts of Other Foreign Resources amounting to TL 10,251.



## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## III. INFORMATION ON INTEREST RATE RISK (Continued)

## Average interest rates applied to monetary financial instruments (%)

Current Period	EURO	USD	TL
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.50	4.59
Banks	2.29	3.92	18.14
Financial assets at fair value through profit or loss	2.30	4.04	-
Money Market Placements	-	-	19.18
Financial Assets at Fair Value Through Other Comprehensive Income	-	2.83	4.97
Loans	4.11	5.31	20.66
Financial Assets Measured at Amortized Cost	2.77	7.19	14.64
<b>Liabilities</b>			
Interbank deposits	1.05	4.39	18.50
Other deposits	0.93	2.42	12.32
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.15	3.89	6.84
Prior Period	EURO	USD	TL
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	0.94	4.00
Banks	2.25	3.18	12.78
Financial assets at fair value through profit or loss	2.30	3.49	-
Money Market Placements	-	-	-
Financial assets available-for-sale	-	2.83	-
Loans	3.78	4.95	15.50
Investment securities held-to-maturity	2.75	5.77	13.28
<b>Liabilities</b>			
Interbank deposits	0.69	2.84	-
Other deposits	1.19	2.45	9.53
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.15	3.37	6.78

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**IV. INFORMATION ON STOCK POSITION RISK**

**Equity investment risk due from banking book**

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

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

None.

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

None.

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

None.

**V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

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

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

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

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

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

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

One of the important aspects of liquidity management is making assumptions on prospective funding needs. Although final cash inflows and outflows can be easily calculated or estimated, the Bank also makes short-term and long-term assumptions.

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

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

The Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Bank's largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the main shareholder Libyan Foreign Bank correspond to 41% of total liabilities. On the other hand, funds received from the Bank's risk group have a 62% share in liabilities.

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

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

**Currencies constituting minimum five percent of the Bank's total liabilities**

A large portion of the Bank's liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 52% of these funds are USD and 48% are Euro.

**Information regarding to the liquidity risk mitigation techniques used**

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

**Information regarding to the usage of Stress Tests**

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

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

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

Decisions on the plan;

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

**Liquidity coverage ratio**

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

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

	<b>Week</b>	<b>FC</b>	<b>Week</b>	<b>FC+LC</b>
<b>Lowest</b>	15.06.2018	104	15.06.2018	131
<b>Highest</b>	04.05.2018	146	04.05.2018	206

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	LC+FC	FC	LC+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	2,294,088	2,267,418	1,523,964	1,497,294
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	344,277	328,632	33,841	32,863
3 Stable deposit	11,743	-	587	-
4 Deposit with low stability	332,534	328,632	33,254	32,863
5 Unsecured debts except real person deposits and retail deposits	2,841,137	2,763,228	2,479,329	2,411,879
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,768,063	2,748,723	2,406,255	2,397,373
8 Other unsecured debts	73,074	14,505	73,074	14,506
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin obligations	-	-	-	-
12 Debt from structured financial instruments	-	-	-	-
13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets	-	-	-	-
14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
15 Other irrevocable or provisory revocable off-balance sheet liabilities	3,372,026	3,131,638	203,906	164,004
<b>16 TOTAL CASH OUTFLOW</b>	<b>6,557,439</b>	<b>6,223,498</b>	<b>2,717,076</b>	<b>2,608,746</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	8,830	-
18 Unsecured claims	1,943,602	1,412,184	1,756,535	1,349,619
19 Other cash inflows	5,969	854	5,969	854
<b>20 TOTAL CASH INFLOWS</b>	<b>1,949,571</b>	<b>1,413,038</b>	<b>1,771,334</b>	<b>1,350,473</b>
<b>Upper limit applied amounts</b>				
<b>21 TOTAL HQLA STOCK</b>			<b>1,523,964</b>	<b>1,497,294</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>950,029</b>	<b>1,258,273</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>160.41</b>	<b>119.00</b>

<sup>(1)</sup> The monthly simple arithmetic average calculated consolidated liquidity coverage ratio of the last three months average, the weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

Prior Period	Consideration Ratio Not Applied Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	LC+FC	FC	LC+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	2,203,054	2,173,163	1,521,356	1,491,466
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	295,483	281,703	28,964	28,170
3 Stable deposit	11,688	-	584	-
4 Deposit with low stability	283,795	281,703	28,380	28,170
5 Unsecured debts except real person deposits and retail deposits	2,779,436	2,694,376	2,479,569	2,404,363
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,700,216	2,677,110	2,400,349	2,387,097
8 Other unsecured debts	79,220	17,266	79,220	17,266
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	2,970,436	2,724,891	178,665	140,909
<b>16 TOTAL CASH OUTFLOW</b>	<b>6,045,354</b>	<b>5,700,970</b>	<b>2,687,198</b>	<b>2,573,442</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,715,122	1,146,964	1,544,845	1,128,178
19 Other cash inflows	43,786	35,146	43,786	35,146
<b>20 TOTAL CASH INFLOWS</b>	<b>1,758,908</b>	<b>1,182,110</b>	<b>1,588,631</b>	<b>1,163,324</b>
			<b>Upper limit applied amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>1,521,356</b>	<b>1,491,466</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1,098,567</b>	<b>1,410,118</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>138.49</b>	<b>105.77</b>

<sup>(1)</sup> 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.

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**

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

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

**Sections High-quality liquid assets comprised of**

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 63% of high-quality liquid assets of the Bank, while 36% 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. 74% of the total liabilities are deposits received. 82% 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. 30 June 2018, the bank has no derivative transactions. Therefore, there is no net cash outflow arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 74% of the liability is deposits and 82% of these deposits are from banks. All of these liabilities are warrantless.

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

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

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

*None.*

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**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**V. LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**
**Presentation of assets and liabilities based on their outstanding maturities**

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
<b>Assets</b>								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	13,290	972,194	-	-	-	-	-	985,484
Banks	69,017	932,634	254,528	-	-	-	-	1,256,179
Financial Assets at Fair Value through Profit or Loss	-	-	-	174,530	75,524	-	-	250,054
Money Market Placements	-	50,053	-	-	-	-	-	50,053
Financial assets available-for-sale	-	-	-	53,064	-	-	11,621	64,685
Loans	-	751,634	529,734	654,929	27,365	-	-	1,963,662
Investment securities held-to-maturity	-	16,279	2,452	100,536	230,060	22,410	-	371,737
Other assets <sup>(1)</sup>	-	-	-	-	-	-	220,977	220,977
<b>Total Assets</b>	<b>82,307</b>	<b>2,722,794</b>	<b>786,714</b>	<b>983,059</b>	<b>332,949</b>	<b>22,410</b>	<b>232,598</b>	<b>5,162,831</b>
<b>Liabilities</b>								
Interbank Deposits	402,291	1,338,290	227,942	1,161,860	-	-	-	3,130,383
Other Deposits	605,829	29,310	10,540	36,908	-	-	-	682,587
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	167,301	336,984	-	-	-	504,285
Other liabilities <sup>(2)</sup>	-	-	-	-	-	-	845,576	845,576
<b>Total Liabilities</b>	<b>1,008,120</b>	<b>1,367,600</b>	<b>405,783</b>	<b>1,535,752</b>	<b>-</b>	<b>-</b>	<b>845,576</b>	<b>5,162,831</b>
<b>Net Liquidity Gap</b>	<b>(925,813)</b>	<b>1,355,194</b>	<b>380,931</b>	<b>(552,693)</b>	<b>332,949</b>	<b>22,410</b>	<b>(612,978)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	64,106	2,595,605	289,402	1,209,464	622,960	70,781	211,441	5,063,759
Total Liabilities	1,043,214	1,466,786	314,201	1,381,234	53	-	858,271	5,063,759
<b>Net Liquidity Gap</b>	<b>(979,108)</b>	<b>1,128,819</b>	<b>(24,799)</b>	<b>(171,770)</b>	<b>622,907</b>	<b>70,781</b>	<b>(646,830)</b>	<b>-</b>

<sup>(3)</sup> Other Assets: The amount of TL 220,977 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 113,217, Subsidiaries amounting to TL 95,708, Intangible Assets amounting to TL 3,650, Expected credit loss amounting to TL 5,849, Current Tax Asset amounting to TL 1,601, Other Assets amounting to TL 12,644 and Available for Sale Financial Assets amounting to TL 6 of other undistributed amounts.

<sup>(4)</sup> Other Liabilities: The amount of TL 845,576 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 794,076, Provisions amounting to TL 29,410, Deferred Tax Liability amounting to TL 1,117 and Non-Interest Bearing amounts of Other Foreign Resources amounting to TL 20,973.



## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VI. EXPLANATIONS ON LEVERAGE RATIO

## Leverage Ratio

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

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

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

## Leverage ratio disclosure as follows

Balance sheet assets	Current Period <sup>(1)</sup>
1 Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	5,315,405
2 (Assets deducted from main capital)	(3,257)
3 Total risk amount of the balance sheet assets ( Sum of 1st and 2nd rows)	5,312,148
<b>Derivative financial instruments and credit derivatives</b>	
4 Replacement cost of derivative financial instruments and credit derivatives	-
5 Potential credit risk amount of derivative financial instruments and credit derivatives	-
6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	-
<b>Security or secured financing transactions</b>	
7 Risk amount of security or secured financing transactions ( Except balance sheet)	1,252
8 Risk amount due to intermediated transactions	-
9 Total risk amount of security or secured financing transactions ( Sum of 7th and 8th rows)	1,252
<b>Off-balance sheet transactions</b>	
10 Gross nominal amount of off-balance sheet transactions	3,455,594
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)	3,455,594
<b>Equity and total risk</b>	
13 Main capital	788,543
14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	8,768,994
<b>Leverage ratio</b>	
15 Leverage ratio	9.00%

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

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VI. EXPLANATIONS ON LEVERAGE RATIO (Continued)

## Leverage ratio disclosure as follows

	Balance sheet assets	Prior Period <sup>(1)</sup>
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	5,188,913
2	(Assets deducted from main capital)	(2,663)
3	Total risk amount of the balance sheet assets ( Sum of 1st and 2nd rows)	5,186,250
	<b>Derivative financial instruments and credit derivatives</b>	
4	Replacement cost of derivative financial instruments and credit derivatives	-
5	Potential credit risk amount of derivative financial instruments and credit derivatives	-
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	-
	<b>Security or secured financing transactions</b>	
7	Risk amount of security or secured financing transactions ( Except balance sheet)	-
8	Risk amount due to intermediated transactions	-
9	Total risk amount of security or secured financing transactions ( Sum of 7th and 8th rows)	-
	<b>Off-balance sheet transactions</b>	
10	Gross nominal amount of off-balance sheet transactions	3,162,005
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)	3,162,005
	<b>Equity and total risk</b>	
13	Main capital	778,427
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	8,348,255
	<b>Leverage ratio</b>	
15	Leverage ratio	9.33%

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

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VII. INFORMATION ON RISK MANAGEMENT

## Overview of Risk Weighted Amount (Current Period)

		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	4,545,314	4,065,112	363,625
2	Standardised approach (SA)	4,545,314	4,065,112	363,625
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	-	-	-
5	Standardised approach for counterparty credit risk (SA-CCR)	-	-	-
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	208,650	94,050	16,692
17	Standardised approach (SA)	208,650	94,050	16,692
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	349,450	315,825	27,956
20	Basic Indicator Approach	349,450	315,825	27,956
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	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>5,103,414</b>	<b>4,474,987</b>	<b>408,273</b>

## Additional disclosure related to the credit quality of assets

None.

## Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	29,284
2	Loans and debt securities that have defaulted since the last reporting period	58,149
3	Returned to non-defaulted status	(1,267)
4	Amounts written off	-
5	Other changes	-
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>89,930</b>

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**VII. INFORMATION ON RISK MANAGEMENT (Continued)**

**The main sources of the differences between the risk amounts and the TAS valuation amounts in the financial statements**

	Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured credit derivatives	Exposures secured credit derivatives, of which: secured amount
1 Loans	8,167,330	-	-	-	-	-	-
2 Debt Securities	371,737	-	-	-	-	-	-
3 <b>Total</b>	<b>8,539,067</b>	-	-	-	-	-	-
4 Of which defaulted	89,930	-	-	-	-	-	-

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

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA	RWA density
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	1,265,366	-	1,265,366	-	136,661	11%
2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-
3 Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
4 Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-
5 Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-
6 Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	2,124,467	1,849,395	2,124,467	1,031,326	1,530,531	48%
7 Contingent and Non-Contingent Corporate Receivables	1,217,571	1,370,635	1,217,571	991,589	2,209,160	100%
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-
10 Secured by commercial real estate	-	47,717	-	24,384	24,384	100%
11 Past Due Loans	2,125	-	2,125	-	2,125	100%
12 Higher-Risk Receivables Defined by BRSA	6,585	420,665	6,585	274,217	421,202	150%
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-
16 Other Receivables	234,541	-	234,541	-	221,251	94%
17 Equity Investments	-	-	-	-	-	-
<b>18 Total</b>	<b>4,850,655</b>	<b>3,688,412</b>	<b>4,850,655</b>	<b>2,321,516</b>	<b>4,545,314</b>	<b>63%</b>

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION FOUR**
**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**VII. INFORMATION ON RISK MANAGEMENT (Continued)**
**Standardised approach – exposures by asset classes and risk weights**

											Total credit exposures amount (post CCF and post-CRM)
Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	992,045	-	-	-	273,321	-	-	-	-	-	1,265,366
2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-	-	-	-	-	-
3 Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-	-	-	-	-	-
4 Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
5 Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-	-
6 Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	50,053	-	270,118	-	2,718,230	-	117,392	-	-	-	3,155,793
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	2,209,160	-	-	-	2,209,160
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	24,384	-	-	-	24,384
11 Past Due Loans	-	-	-	-	-	-	2,125	-	-	-	2,125
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	280,802	-	-	280,802
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	13,290	-	-	-	-	-	221,251	-	-	-	234,541
<b>18 Total</b>	<b>1,055,388</b>	<b>-</b>	<b>270,118</b>	<b>-</b>	<b>2,991,551</b>	<b>-</b>	<b>2,574,312</b>	<b>280,802</b>	<b>-</b>	<b>-</b>	<b>7,172,171</b>

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**

**VII. INFORMATION ON RISK MANAGEMENT (Continued)**

**Credit valuation adjustment (CVA) capital charge**

None.

**Composition of collateral for CCR exposure**

None.

**Credit derivatives exposures**

None.

**Exposures to central counterparties**

None.

**Securitisation exposures in the banking book**

None.

**Securitisation exposures in the trading book**

None

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

None.

## SECTION FOUR

## INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

## VI. INFORMATION ON RISK MANAGEMENT (Continued)

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

None

## Standardised approach

		RWA
<b>Outright products</b>		
1	Interest rate risk (general and specific)	74,838
2	Equity risk (general and specific)	-
3	Foreign exchange risk	133,812
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>208,650</b>

## Qualitative disclosures related to IRB models

None.

## IRB - Credit risk exposures by portfolio and PD range

None.

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

None.

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

None.

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

None.

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

None.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION FOUR****INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****VIII. INFORMATION ON OPERATING SEGMENTS**

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

The Bank has operations in corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Information on operational segments on 30 June 2018, 30 June 2017 and 31 December 2017 are presented in the table below

<b>Current Period 30 June 2018</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Unallocated</b>	<b>Total Operations</b>
Interest Income (Net)	(889)	80,681	11,524	-	91,316
Commission Income (Net)	-	24,524	-	-	24,524
Unallocated Income/Expenses (Net)	-	-	-	(95,764)	(95,764)
<b>Operating Income</b>	<b>(889)</b>	<b>105,205</b>	<b>11,524</b>	<b>(95,764)</b>	<b>20,076</b>
<b>Income from Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,498</b>	<b>10,498</b>
Income before tax	-	-	-	30,574	30,574
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,797)</b>	<b>(1,797)</b>
<b>Net Profit for the period</b>				<b>28,777</b>	<b>28,777</b>

<b>Current Period 30 June 2018</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Unallocated</b>	<b>Total Operations</b>
Segment Assets	862	1,959,452	2,962,838	-	4,923,152
Associates and Subsidiaries	-	-	-	95,708	95,708
Unallocated assets	-	-	-	143,971	143,971
<b>Total Assets</b>	<b>862</b>	<b>1,959,452</b>	<b>2,962,838</b>	<b>239,679</b>	<b>5,162,831</b>
Segment Liabilities	341,370	341,889	3,633,996	-	4,317,255
Unallocated Liabilities	-	-	-	51,500	51,500
Equity	-	-	-	794,076	794,076
<b>Total Liabilities</b>	<b>341,370</b>	<b>341,889</b>	<b>3,633,996</b>	<b>845,576</b>	<b>5,162,831</b>

<b>Prior Period 30 June 2017</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Unallocated</b>	<b>Total Operations</b>
Interest Income (Net)	(677)	54,772	33,252	-	87,347
Commission Income (Net)	-	21,734	-	-	21,734
Unallocated Income/Expenses (Net)	-	-	-	(66,852)	(66,852)
<b>Operating Income</b>	<b>(677)</b>	<b>76,506</b>	<b>33,252</b>	<b>(66,852)</b>	<b>42,229</b>
<b>Income from Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,998</b>	<b>7,998</b>
Income before tax	-	-	-	50,227	50,227
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,308)</b>	<b>(7,308)</b>
<b>Net Profit for the period</b>				<b>42,919</b>	<b>42,919</b>

<b>Prior Period 31 December 2017</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Unallocated</b>	<b>Total Operations</b>
Segment Assets	692	1,895,174	2,696,153	-	4,592,019
Associates and Subsidiaries	-	-	-	85,210	85,210
Unallocated assets	-	-	-	386,530	386,530
<b>Total Assets</b>	<b>692</b>	<b>1,895,174</b>	<b>2,696,153</b>	<b>471,740</b>	<b>5,063,759</b>
Segment Liabilities	274,332	647,972	3,272,981	-	4,195,285
Unallocated Liabilities	-	-	-	83,090	83,090
Equity	-	-	-	785,384	785,384
<b>Total Liabilities</b>	<b>274,332</b>	<b>647,972</b>	<b>3,272,981</b>	<b>868,474</b>	<b>5,063,759</b>



## SECTION FIVE

## INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS

## I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Current Period)

## 1. Information on cash equivalents and Central Bank of Turkey

## Information on cash equivalents

	Current Period	
	TL	FC
Cash/Effective	1,827	11,463
Central Bank of Turkey	3,509	968,685
Other	-	-
<b>Total</b>	<b>5,336</b>	<b>980,148</b>

## Information related to the account of Central Bank of Turkey

	Current Period	
	TL	FC
Unrestricted Demand Deposits <sup>(1)</sup>	3,509	-
Unrestricted Time Deposits	-	181,573
Restricted Time Deposits	-	-
Reserve Deposits	-	787,112
<b>Total</b>	<b>3,509</b>	<b>968,685</b>

<sup>(1)</sup> General reserve amount requirements maintained at CBRT

## Information on Reserve Deposits

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency at the rates of between 4% and 10.5%, and for USD or EUR at the rates of 4% and 24% respectively according to their maturities as per the Communique no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

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

## Positive differences related to trading derivative financial assets;

None.

## 3. Information on banks

	Current Period	
	TL	FC
<b>Banks</b>		
Domestic banks	25,241	1,166,749
Foreign banks	-	64,189
<b>Total</b>	<b>25,241</b>	<b>1,230,938</b>

## SECTION FIVE

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

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

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

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

None.

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

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

*Information on Financial assets at fair value through other comprehensive income*

	Current period
<b>Debt Securities</b>	<b>64,094</b>
Quoted in stock exchange	40,945
Not quoted in stock exchange	23,149
<b>Share Certificates</b>	<b>2,075</b>
Quoted in stock Exchange	-
Not quoted in stock Exchange	2,075
<b>Impairment provision (-)</b>	<b>1,484</b>
<b>Total</b>	<b>64,685</b>

## 5. Information on Loans

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

	Current period	
	Cash	Non- Cash
<b>Direct Loans Granted to Shareholders</b>	<b>1</b>	<b>52,890</b>
Corporate Shareholders	1	52,890
Individual Shareholders	-	-
<b>Indirect Loans Granted to Shareholders</b>	<b>-</b>	<b>-</b>
<b>Loans Granted to the Bank's personnel</b>	<b>862</b>	<b>-</b>
<b>Total</b>	<b>863</b>	<b>52,890</b>

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

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

Cash Loans	Standard Loans	Not Under the Scope of Restructuring or Rescheduling	Loans Under Close Monitoring	
			Restructured or Rescheduled Loans with revised contract terms	Refinancing
<b>Non-Specialized Loans</b>	<b>1,962,489</b>	-	<b>1,173</b>	-
Commercial Loans	-	-	-	-
Export Loans	202,877	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	745,839	-	-	-
Consumer Loans	862	-	-	-
Credit Cards	-	-	-	-
Other	1,012,911	-	1,173	-
<b>Specialized Lending <sup>(1) (2)</sup></b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>1,962,489</b>	-	<b>1,173</b>	-

	Standard Loans	Y Loans Under Close Monitoring
12-Month expected credit losses	5,450	-
Significant increase in credit risk	-	24

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

Number of Extension	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	-	1,173
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-

*The time extended via the amendment on payment plan*

Extension periods	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	-	1,173
2 - 5 Years	-	-
5 Years and over	-	-

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

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

	Short Term	Middle and Long Term	Total
<b>Consumer Loans-TL</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Loans- TL</b>	98	764	862
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	98	764	862
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Deposits with Credit Limit-TL (Individual)</b>	-	-	-
<b>Deposits with Credit Limit-FC (Individual)</b>	-	-	-
<b>Total</b>	<b>98</b>	<b>764</b>	<b>862</b>

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

## Information on installment commercial loans and commercial credit cards

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	<b>1,228</b>	<b>-</b>	<b>1,228</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	1,228	-	1,228
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(1)</sup></b>	<b>1,228</b>	<b>-</b>	<b>1,228</b>

*Allocation of domestic and foreign loans*

	Current Period
Domestic loans	1,958,464
Foreign loans	5,198
<b>Total</b>	<b>1,963,662</b>

*Loans granted to subsidiaries and associates*

None.

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

*Specific provisions for loans*

Specific provisions	Current Period
Loans and receivables with limited collectibles	-
Loans and receivables with doubtful collectibles	-
Uncollectible loans and receivables	84,040
<b>Total</b>	<b>84,040</b>

## Information related to non-performing loans

*Information on restructured loans of non-performing loans*

None.

*Information on movement of total non-performing loans*

	III. Group Loans and receivables with limited collectibles	IV. Group Loans and receivables with doubtful collectibles	V. Group Uncollectible loans and receivables
<b>Balances at Beginning of Period</b>	-	-	<b>29,284</b>
Additions (+)	-	-	57,457
Transfers from other categories of nonperforming loans (+)	-	-	692
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	1,267
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
<b>Balances at End of the Period</b>	-	-	<b>86,166</b>
Specific provisions (-)	-	-	84,040
<b>Net Balance on Balance Sheet</b>	-	-	<b>2,126</b>

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

*Information on foreign currency non-performing loans*

There are non-performing loan receivables in foreign currency amounting TL 5,871 which is followed in Turkish Lira accounts.

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Non-performing loans and receivables
<b>Current Period (Net)</b>	-	-	<b>2,126</b>
Loans granted to real persons and legal entities (Gross)	-	-	86,066
Specific provisions (-)	-	-	83,940
Loans granted to real persons and legal entities (Net)	-	-	2,126
Banks (Gross) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	-	-	<b>2,137</b>
Loans granted to real persons and legal entities (Gross)	-	-	29,184
Specific provisions (-)	-	-	27,047
Loans granted to real persons and legal entities (Net)	-	-	2,137
Banks (Gross) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) <sup>(2)</sup>	-	-	3,764
Specific provisions (-)	-	-	3,764
Other Loans and receivables (Net)	-	-	-

<sup>(1)</sup> Contains Foreign Banks.

<sup>(2)</sup> Financial assets was classified after TFRS 9.

## SECTION FIVE

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

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

## 5. Information on Loans (Continued)

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

Loan interest accrual amounting to TL 8,133 is accrued for the loans that are started to be followed up in the non-performing loans in the current period.

*Collection policy on loans determined as loss and other receivables*

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

*Information on write-off policy*

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

## 6. Information on financial assets measured at amortised cost

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

As of 30 June 2018, the Bank does not have marketable securities subjected to repurchase transactions on financial assets measured at amortised cost.

As of 30 June 2018, the Bank has securities amounting to TL 1,694 which are collateralized / blocked from held to maturity financial assets.

*Information on government financial assets measured at amortised cost*

	Current Period	
	TL	FC
Government bonds	19,850	273,871
Treasury Bonds	-	-
Other Public Bonds	490	77,526
<b>Total</b>	<b>20,340</b>	<b>351,397</b>



## SECTION FIVE

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

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

## 6. Information on financial assets measured at amortised cost

	Current Period
<b>Debt Instruments</b>	<b>371,737</b>
Quoted at stock exchange	293,721
Not-quoted at stock exchange	78,016
Impairment loss provision (-)	-
<b>Total</b>	<b>371,737</b>

*Movement of financial assets measured at amortised cost*

	Current Period
Balances at the beginning of the period	388,760
Foreign currency gains / losses on monetary assets	57,017
Purchases during the period	83,049
Disposals through sales and redemptions <sup>(1)</sup>	(157,089)
Impairment loss provision <sup>(2)</sup>	-
<b>Period end balance</b>	<b>371,737</b>

<sup>(1)</sup> In the current period redemption amounting to TL 157,089 has been realized from the portfolio.

<sup>(2)</sup> Represents provisions allocated for impairment in the current year.

## 7. Information on associates

The Bank does not have an associate.

## SECTION FIVE

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

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

## 8. Information on subsidiaries (Net)

*Information on unconsolidated subsidiaries*

The Bank does not have an unconsolidated subsidiary.

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

	Current Period
<b>CORE CAPITAL</b>	
Paid in Capital	95,500
Capital Reserves	228
Legal Reserves	3,772
Extraordinary Reserves – Legal Reserve per General Legislation	1
Profit / Loss	5,395
<i>Net Profit</i>	5,265
<i>Prior Period Profit/Loss <sup>(2)</sup></i>	130
Intangible Assets (-)	167
<b>Total Core Capital</b>	<b>104,729</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>
<b>CAPITAL</b>	<b>104,729</b>
<b>DEDUCTION FROM CAPITAL</b>	<b>-</b>
<b>NET AVAILABLE CAPITAL<sup>(1)</sup></b>	<b>104,729</b>

<sup>(1)</sup> There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 104,729.

<sup>(2)</sup> As decided in the Annual General Meeting which is held on 29 March 2018, amount of TL 588 have been reserved as legal reserves.

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

*Summary information on basic features of equity items*

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

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

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

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

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

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

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

Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Year Profit / Loss	Prior Year Profit/Loss	Fair value <sup>(1)</sup>
419,222	104,784	4,653	16,726	-	5,265	130	-

<sup>(1)</sup> The related subsidiary has no fair value as of 30 June 2018.*Movement related to subsidiaries*

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

*Sectoral Information on the subsidiaries*

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

*Quoted Subsidiaries*

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

**9. Information on joint ventures**

The Bank has no joint ventures.

**10. Information on Financial Lease Receivables (Net)**

The Bank has no financial lease operation.

## SECTION FIVE

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

**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Current Period) (Continued)****11. Information on financial derivatives for hedging**

The Bank has no financial derivatives for hedging.

**12. Information on tangible assets**

Not prepared according to the 25<sup>th</sup> provisional clause of "Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements".

**13. Information on investment property**

The Bank has no investment property.

**14. Information on tax assets**

As of 30 June 2018, there is TL 1,601 tax receivable under current tax asset after the deduction of tax liability.

	Current Period
Prepaid Taxes	6,350
Taxes Payable (-)	3,213
Reserve for corporation tax (-)	1,536
<b>Total</b>	<b>1,601</b>

**15. Information about fixed assets held for sale**

	Current Period
Cost	17
Impairment (-)	11
Accumulated Depreciation (-)	-
<b>Prior Period Net Book Value</b>	<b>6</b>
Opening Balance	17
Additions	-
Disposals (-)	4
Accumulated Impairment (-)	7
Impairment (-)	-
Accumulated Depreciation (-)	-
Depreciation of disposals	-
Depreciation Expenses (-)	-
<b>Closing Net Book Value</b>	<b>6</b>

**16. Information on other assets**

Other assets is amounting to TL 12,664 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments.

## SECTION FIVE

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

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

## 17. Information on cash equivalents and Central Bank of Turkey

## Information on cash equivalents

	Prior Period	
	TL	FC
Cash/Effective	1,809	12,544
Central Bank of Turkey	4,965	870,473
Other	-	-
<b>Total</b>	<b>6,774</b>	<b>883,017</b>

## Information related to the account of Central Bank of Turkey

	Prior Period	
	TL	FC
Unrestricted Demand Deposits <sup>(1)</sup>	4,965	-
Unrestricted Time Deposits	-	172,807
Restricted Time Deposits	-	-
Reserve Deposits	-	697,666
<b>Total</b>	<b>4,965</b>	<b>870,473</b>

<sup>(1)</sup> General reserve amount requirements maintained at CBRT.

## Information on Reserve Deposits

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency at the rates of between 4% and 10.5%, and for USD or EUR at the rates of 4% and 24% respectively according to their maturities as per the Communique no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

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

## Positive differences related to trading derivative financial assets:

None.

## 19. Information on banks

	Prior Period	
	TL	FC
<b>Banks</b>		
Domestic banks	19,854	1,150,043
Foreign banks	-	62,394
<b>Total</b>	<b>19,854</b>	<b>1,212,437</b>

## 20. Information on available for sale financial assets

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

None.

## SECTION FIVE

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

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

## 20. Information on available for sale financial assets (Continued)

*Major types of available for sale financial assets*

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

*Information on available for sale financial assets*

	Prior period
<b>Debt Securities</b>	<b>33,427</b>
Quoted in stock exchange	33,427
Not quoted in stock exchange	-
<b>Share Certificates</b>	<b>1,758</b>
Quoted in stock Exchange	-
Not quoted in stock Exchange	1,758
<b>Impairment provision (-)</b>	<b>400</b>
<b>Total</b>	<b>34,785</b>

## 21. Information on Loans

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

	Prior period	
	Cash	Non- Cash
<b>Direct Loans Granted to Shareholders</b>	-	<b>41,801</b>
Corporate Shareholders	-	41,801
Individual Shareholders	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-
<b>Loans Granted to the Bank's personnel</b>	<b>692</b>	-
<b>Total</b>	<b>692</b>	<b>41,801</b>

## SECTION FIVE

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

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

## 21. Information on Loans (Continued)

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Total Loans and Other Receivables	Restructured or Rescheduled		Total Loans and Other Receivables	Restructured or Rescheduled	
		Extended compensation plans	Other		Extended compensation plans	Other
<b>Cash Loans</b>						
<b>Non-specialized loans</b>	1,928,283	-	-	-	53,695	-
Corporate loans	-	-	-	-	-	-
Export loans	188,285	-	-	-	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	889,229	-	-	-	-	-
Consumer loans	692	-	-	-	-	-
Credit cards	-	-	-	-	-	-
Other	850,077	-	-	-	53,695	-
<b>Specialized loans</b>	-	-	-	-	-	-
<b>Other receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>1,928,283</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,695</b>	<b>-</b>

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

	Standard loans and other receivables	Loans and other receivables under close monitoring
<b>Number of Extension</b>		
Extended by 1 or 2 times	-	53,695
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-

*The time extended via the amendment on payment plan*

	Standard loans and other receivables	Loans and other receivables under close monitoring
<b>Extension periods</b>		
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	-	1,455
2 - 5 Years	-	-
5 Years and over	-	52,240

## SECTION FIVE

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

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

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

	Short Term	Middle and Long Term	Total
<b>Consumer Loans-TL</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Loans- TL</b>	108	584	692
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	108	584	692
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Deposits with Credit Limit-TL (Individual)</b>	-	-	-
<b>Deposits with Credit Limit-FC (Individual)</b>	-	-	-
<b>Total</b>	<b>108</b>	<b>584</b>	<b>692</b>



## SECTION FIVE

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

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

*Information on installment commercial loans and commercial credit cards*

None.

*Allocation of domestic and foreign loans*

	Prior Period
Domestic loans	1,979,974
Foreign loans	2,004
<b>Total</b>	<b>1,981,978</b>

*Loans granted to subsidiaries and associates*

None

*Specific provisions for loans*

Specific provisions	Prior Period
Loans and receivables with limited collectibles	-
Loans and receivables with doubtful collectibles	-
Uncollectible loans and receivables	30,911
<b>Total</b>	<b>30,911</b>

## Information related to non-performing loans

*Information on restructured loans of non-performing loans*

None.

*Information on movement of total non-performing loans*

	III. Group Loans and receivables with limited collectibles	IV. Group Loans and receivables with doubtful collectibles	V. Group Uncollectible loans and receivables
<b>Balances at Beginning of Period</b>	-	4,521	16,528
Additions (+)	-	8,062	17,317
Transfers from other categories of nonperforming loans (+)	-	-	12,445
Transfers to other categories of nonperforming loans (-)	-	12,445	-
Collections (-)	-	138	9,421
Write-offs (-)	-	-	3,821
Institutional and commercial credits	-	-	3,821
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
<b>Balances at End of the Period</b>	-	-	<b>33,048</b>
Specific provisions (-)	-	-	30,911
<b>Net Balance on Balance Sheet</b>	-	-	<b>2,137</b>

## SECTION FIVE

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

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

*Information on foreign currency non-performing loans*

There are non-performing loan receivables in foreign currency amounting TL 5,757 which is followed in Turkish Lira accounts.

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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Non-performing loans and receivables
<b>Current Period (Net)</b>	-	-	<b>2,137</b>
Loans granted to real persons and legal entities (Gross)	-	-	29,184
Specific provisions (-)	-	-	27,047
Loans granted to real persons and legal entities (Net)	-	-	2,137
Banks (Gross) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	3,764
Specific provisions (-)	-	-	3,764
Other Loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	-	<b>2,260</b>	<b>2,040</b>
Loans granted to real persons and legal entities (Gross)	-	-	16,428
Specific provisions (-)	-	-	14,388
Loans granted to real persons and legal entities (Net)	-	-	2,040
Banks (Gross) <sup>(1)</sup>	-	4,521	100
Specific provisions (-)	-	2,261	100
Banks (Net)	-	2,260	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

<sup>(1)</sup> Foreign bank

*Collection policy on loans determined as loss and other receivables*

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

*Information on write-off policy*

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

## SECTION FIVE

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

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

## 22. Information on held to maturity financial assets

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

As of 31 December 2017, the Bank does not have marketable securities subjected to repurchase transactions on financial assets available-for-sale.

As of 31 December 2017, the Bank has securities amounting to TL 2,035 which are collateralized / blocked from held to maturity financial assets.

*Information on government held to maturity financial assets*

	Prior Period	
	TL	FC
Government bonds	28,744	-
Treasury Bonds	-	-
Other Public Bonds	-	307,150
<b>Total</b>	<b>28,744</b>	<b>307,150</b>

*Information of investments held to maturity*

	Prior Period
<b>Debt Instruments</b>	<b>399,298</b>
Quoted at stock exchange	346,386
Not-quoted at stock exchange	52,912
Impairment loss provision (-)	(10,538)
<b>Total</b>	<b>388,760</b>

*Movement of marketable securities held to maturity*

	Prior Period
Balances at the Beginning of the Period	399,543
Foreign Currency Gains / Losses on Monetary assets	56,700
Purchases during the Period	111,756
Disposals through sales and redemptions <sup>(1)</sup>	(168,701)
Impairment loss provision <sup>(2)</sup>	(10,538)
<b>Period end balance</b>	<b>388,760</b>

<sup>(1)</sup> In the current period redemption amounting to TL 168,701 has been realized from the portfolio.

<sup>(2)</sup> Represents provisions allocated for impairment in the current year.

## 23. Information on associates

The Bank does not have an associate.

## SECTION FIVE

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

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

## 24. Information on subsidiaries (Net)

*Information on unconsolidated subsidiaries*

The Bank does not have an unconsolidated subsidiary.

*Information on subsidiaries*Information on shareholder's equity for  
A&T Finansal Kiralama A.Ş.

	Prior Period
<b>CORE CAPITAL</b>	
Paid in Capital	85,000
Capital Reserves	124
Legal Reserves	3,185
Extraordinary Reserves – Legal Reserve per General Legislation	1
Profit / Loss	11,435
<i>Net Profit</i>	9,145
<i>Prior Period Profit/Loss <sup>(2)</sup></i>	2,290
Intangible Assets (-)	159
<b>Total Core Capital</b>	<b>99,586</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>-</b>
<b>CAPITAL</b>	<b>99,586</b>
<b>DEDUCTION FROM CAPITAL</b>	<b>-</b>
<b>NET AVAILABLE CAPITAL<sup>(1)</sup></b>	<b>99,586</b>

<sup>(1)</sup> There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 99,586.

<sup>(2)</sup> As decided in the Annual General Meeting which is held on 27 March 2017, the capital is increased amount of TL 8,000 and amount of TL 536 have been reserved as legal reserves.

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

*Summary information on basic features of equity items*

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

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

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

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

## SECTION FIVE

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

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

## 24. Information on subsidiaries (Net) (Continued)

*Summary information on basic features of equity items (Continued)*

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

Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Prior Years Profit / Loss	Fair value <sup>(1)</sup>
383,814	99,745	4,792	27,633	-	9,145	-

<sup>(1)</sup> The related subsidiary has no fair value as of 31 December 2017.

*Movement related to subsidiaries*

	Prior Period
<b>Balance at the Beginning of the Period</b>	77,211
<b>Movements during the Period</b>	7,999
Purchases	-
Bonus Shares Received	7,999
Dividends from Current Year Profit	-
Sales	-
Revaluation Increase, Effect of Inflation and F/X Difference	-
Impairment Provision (+)	-
<b>Balance at the End of the Period</b>	85,210
<b>Capital Commitments</b>	-
<b>Share Percentage at the end of Period (%)</b>	99.98

*Sectoral Information on the subsidiaries*

Subsidiaries	Prior Period
Banks	-
Insurance Companies	-
Factoring Companies	-
Leasing Companies	85,210
Finance Companies	-
Other Affiliates	-

*Quoted Subsidiaries*

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

## 25. Information on joint ventures

The Bank has no joint ventures.

## 26. Information on Financial Lease Receivables (Net)

The Bank has no financial lease operation.

## SECTION FIVE

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

**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Prior Period) (Continued)****27. Information on financial derivatives for hedging**

The Bank has no financial derivatives for hedging.

**28. Information on tangible assets**

The revaluation difference amounting to TL 94,128 is accounted under equity as a result of the valuation made by the licensed valuation company. The portion of TL 79,586 of this amount is increased from the cost of real estate and TL 14,542 is deducted from the accumulated depreciation of the real estate and reflected to the financial statements. The net book value before the change of accounting policy of the valuation subject real estate is TL 15,700.

**29. Information on investment property**

The Bank has no investment property.

**30. Information on tax assets**

As of 31 December 2017, there is no tax receivable under current tax asset after the deduction of tax liability.

The Bank has no calculated tax asset and TL 4,201 deferred tax liability over taxable temporary differences as of 31 December 2017 and recorded the net amount of asset and liability to the financial statement. It is given in Footnote No. 5, Part II-8.

**31. Information about fixed assets held for sale**

	Prior Period
Cost	17
Impairment (-)	9
Accumulated Depreciation (-)	-
<b>Prior Period Net Book Value</b>	<b>8</b>
Opening Balance	17
Additions	-
Disposals (-)	4
Accumulated Impairment (-)	7
Impairment (-)	-
Accumulated Depreciation (-)	-
Depreciation of disposals	-
Depreciation Expenses (-)	-
<b>Closing Net Book Value</b>	<b>6</b>

**32. Information on other assets**

Other assets is amounting to TL 9,262 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments.

## SECTION FIVE

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

## II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Current Period)

## 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
<b>Saving Deposits</b>	<b>10,069</b>	-	<b>2,145</b>	<b>2,168</b>	<b>2,031</b>	-	-	-	<b>16,413</b>
<b>Foreign Currency Deposits</b>	<b>586,611</b>	-	<b>3,786</b>	<b>21,147</b>	<b>8,203</b>	<b>3,100</b>	<b>34,030</b>	-	<b>656,877</b>
Residents in Turkey	211,625	-	3,264	6,978	2,059	249	207	-	224,382
Residents Abroad	374,986	-	522	14,169	6,144	2,851	33,823	-	432,495
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>7,657</b>	-	-	<b>148</b>	-	-	-	-	<b>7,805</b>
<b>Other Ins. Deposits</b>	<b>1,492</b>	-	-	-	-	-	-	-	<b>1,492</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>402,291</b>	-	<b>206,487</b>	<b>1,224,034</b>	<b>133,364</b>	<b>626,646</b>	<b>537,561</b>	-	<b>3,130,383</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	6,006	-	-	-	-	-	6,006
Foreign Banks	402,291	-	200,481	1,224,034	133,364	626,646	537,561	-	3,124,377
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,008,120</b>	-	<b>212,418</b>	<b>1,247,497</b>	<b>143,598</b>	<b>629,746</b>	<b>571,591</b>	-	<b>3,812,970</b>

*Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit*

	Covered by Deposit Insurance Fund	Not covered by Deposit Insurance Fund
	Current Period	Current Period
Saving Deposits	9,652	6,761
Foreign Currency Saving Deposits	93,871	231,086
Other Saving Deposits	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
<b>Total</b>	<b>103,523</b>	<b>237,847</b>

*Amounts not covered by deposit insurance*

Individual deposits not covered by deposit insurance

	Current 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	2,564
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 December 2004	-
Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey	-
<b>Total</b>	<b>2,564</b>

## SECTION FIVE

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

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

## 2. Information on financial derivatives through profit or loss

None

## 3. Information on Funds Borrowed

*Information on banks and other financial institutions*

	Current Period	
	TL	FC
From Domestic Banks and Institutions	505	1,338
From Foreign Banks, Institutions and Funds	-	502,442
<b>Total</b>	<b>505</b>	<b>503,780</b>

*Presentation of funds borrowed based on maturity profile*

	Current Period	
	TL	FC
Short-Term	505	1,320
Long-Term	-	502,460
<b>Total</b>	<b>505</b>	<b>503,780</b>

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

Bank's liabilities come from 74% of deposits which mainly come from Libyan Foreign Bank and its subsidiaries.

## 4. Information on other foreign resources

None.

## 5. Information on financial lease obligations

None.

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

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

## 7. Information on provisions

*Reserve for employee termination benefits*

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability of the Bank is the amount as at 30 June 2018 is TL 7,703. In addition to this, the unused vacation provision and other employee benefits amount as at 30 June 2018 is TL 7,580.



## SECTION FIVE

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

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

## 7. Information on provisions (Continued)

## Information on other provisions

As of 30 June 2018, the expected credit loss for stage 1 and stage 3 non-cash loans is TL 14,127.

## 8. Information on tax payables

## Information on corporate tax liability

None.

## Information on deferred tax liability

As of 30 June 2018, the deferred tax assets and liabilities of the Bank are calculated on the basis of the net book value of the assets and liabilities arising between the tax bases determined in accordance with tax legislation and the amounts to be taken into consideration in the calculation of financial profit / deferred tax asset amounting to TL 11,088 and deferred tax liability amounting to TL 12,205. Deferred tax assets and liabilities were offset and net deferred tax liability amounting to TL 1,117 was reflected in the balance sheet.

The details of deferred tax assets and liabilities are as follows:

	Current Period	
	Accumulated temporary differences	Deferred tax asset/(liability)
Provisions for employee rights	15,283	3,114
Unearned Income	4,248	935
Interest accruals	8,662	1,906
Depreciation difference for tangible and intangible assets	-	-
Provisions	21,948	4,829
Other	1,387	304
<b>Deferred tax asset</b>	<b>51,528</b>	<b>11,088</b>
Tangible assets revaluation surplus	97,613	12,117
Other	398	88
<b>Deferred tax liability</b>	<b>98,011</b>	<b>12,205</b>
<b>Deferred tax asset / (liability), net</b>		<b>(1,117)</b>

## SECTION FIVE

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

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

## 8. Information on tax payables (Continued)

The movement of deferred tax assets is as follows:

	Current Period
Net Book Note at the beginning of the period	4,201
Opening Impact of TFRS 9	(6,871)
Deferred Tax Revenue / (Direct) (Net)	261
Deferred Tax Accounted Under Shareholders' Equity	3,526
<b>Net Deferred Tax (Active) / Passive</b>	<b>1,117</b>

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

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

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

The Banks has no subordinated loans.

## 9. Information on Shareholders' Equity

*Presentation of Paid-in Capital*

	Current Period
Common Stock	440,000
Preferred Stock	-

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

Registered share capital system is not implemented in the Bank.

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

None.

*Information on share capital increases from capital reserves*

None.

## SECTION FIVE

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

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

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

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

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

None.

*Explanations on dividend distribution*

At the Ordinary General Assembly meeting held on 30 March, 2018, the Bank decided to distribute the dividend amounting to TL 22,000 from the net profit for the year ended 31 December 2017 as of 27 April, 2018.

*Information on the privileges given to stocks representing the capital*

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

	Current Period	
	TI	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)		
Valuation Differences	(1)	(285)
Exchange Rate Differences	-	-
<b>Total</b>	<b>(1)</b>	<b>(285)</b>

*Information on legal reserve*

In accordance with Article 519 of the Turkish Commercial Code No: 6102, the decision taken in the Ordinary General Assembly Meeting held on 30 March 2018, profits of previous years were transferred to the legal reserves amounting to TL 4,013,396.43 (full TL) in the current period.

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2018**

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

**SECTION FIVE**
**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Prior Period)**
**10. Information on maturity profile of deposits**

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
<b>Saving Deposits</b>	<b>5,604</b>	-	<b>160</b>	<b>5,217</b>	<b>320</b>	-	-	-	<b>11,301</b>
<b>Foreign Currency Deposits</b>	<b>576,305</b>	-	<b>916</b>	<b>19,128</b>	<b>28,182</b>	<b>2,368</b>	<b>25,859</b>	-	<b>652,758</b>
Residents in Turkey	197,304	-	386	8,464	21,900	228	170	-	228,452
Residents Abroad	379,001	-	530	10,664	6,282	2,140	25,689	-	424,306
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>7,135</b>	-	<b>340</b>	<b>316</b>	-	-	-	-	<b>7,791</b>
<b>Other Ins. Deposits</b>	<b>3,101</b>	-	-	-	-	-	-	-	<b>3,101</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	<b>451,069</b>	-	<b>354,837</b>	<b>402,000</b>	<b>171,070</b>	<b>304,769</b>	<b>1,336,636</b>	-	<b>3,020,381</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	122,855	-	-	-	-	-	122,855
Foreign Banks	451,069	-	231,982	402,000	171,070	304,769	1,336,636	-	2,897,526
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,043,214</b>	-	<b>356,253</b>	<b>426,661</b>	<b>199,572</b>	<b>307,137</b>	<b>1,362,495</b>	-	<b>3,695,332</b>

**Information on saving deposits insured by Saving Deposit Insurance Fund and the total amount of the deposits exceeding the insurance coverage limit**

	Covered by Deposit Insurance Fund	Not covered by Deposit Insurance Fund
	Prior Period	Prior Period
Saving Deposits	6,414	4,887
Foreign Currency Saving Deposits	77,776	185,255
Other Saving Deposits	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-
<b>Total</b>	<b>84,190</b>	<b>190,142</b>

**Amounts not covered by deposit insurance**

Individual deposits not covered by deposit insurance

	Prior Period
Deposits and Other Accounts held at Foreign Branches	-
Deposits and Other Accounts held by Shareholders and their Relatives	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	1,768
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 December 2004	-
Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey	-
<b>Total</b>	<b>1,768</b>

## SECTION FIVE

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

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

## 11. Information on financial derivatives through profit or loss

None.

## 12. Information on Funds Borrowed

*Information on banks and other financial institutions*

	Prior Period	
	TL	FC
From Domestic Banks and Institutions	1,313	2,861
From Foreign Banks, Institutions and Funds	-	495,779
<b>Total</b>	<b>1,313</b>	<b>498,640</b>

*Presentation of funds borrowed based on maturity profile*

	Prior Period	
	TL	FC
Short-Term	1,313	2,861
Long-Term	-	495,779
<b>Total</b>	<b>1,313</b>	<b>498,640</b>

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

Bank's liabilities come from 73% of deposits which mainly come from Libyan Foreign Bank and its subsidiaries.

## 13. Information on other foreign resources

The other external resources is amounting to TL 10,251 and this amount does not exceed 10% of the total balance sheet.

## 14. Information on financial lease obligations

None.

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

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

## 16. Information on provisions

*Information on general provisions*

	Prior Period
Provisions for Loans and Receivables in Group I	21,887
Additional provisions for the loans with extended payment plan	21,887
Provisions for Loans and Receivables in Group II	2,424
Additional provisions for the loans with extended payment plan	2,424
Provisions for Non-Cash Loans	5,963
Other	-
<b>Total</b>	<b>30,274</b>

## SECTION FIVE

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

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

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

	Prior Period
Foreign Exchange Provisions for Foreign Currency Indexed Loans <sup>(1)</sup>	411

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

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

As of 31 December 2017, special provisions set aside for non-funded and non-cash loans amounting to TL 1,078.

*Reserve for employee termination benefits*

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

As at 31 December 2017, the major actuarial assumptions used in the calculation of the total liability are as follows:

	Prior Period
Discount Rate	4.67%
Expected Rate of Salary/Limit Increase	7.00%
Estimated Employee Turnover Rate	5.58%

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 31 December 2017 is TL 4,732.48 (full TL). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

Movement of employee termination benefits are as follows:

	Prior Period
Balances at Beginning of Period	7,170
Provision booked in current period	1,070
Gains and losses accounted under Shareholder's equity	25
Provision paid in current period (-)	1,229
<b>Balances at End of the Period</b>	<b>7,036</b>

The employee termination benefit liability of the Bank is the amount as at 31 December 2017 is TL 7,036. In addition to this, the unused vacation provision and other employee benefits amount as at 31 December 2017 is TL 5,507.

## SECTION FIVE

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

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

*Information on other provisions**Provisions for probable risks*

As of 31 December 2017, the reserve for contingent risks for the Bank is TL 10,000.

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

	Prior Period
Free provisions for possible risks	10,000
Provisions for non-cash loans	1,078
Provisions for law suits	-
<b>Total</b>	<b>11,078</b>

## 17. Information on tax payables

*Information on corporate tax liability*

As of 31 December 2017, corporate tax payable after deducting the prepaid tax is TL 6,777.

*Information on tax payables*

	Prior Period
Corporate Tax	6,777
Banking Insurance Transaction Tax (BITT)	814
Taxation of Securities	627
Value added taxes payable	82
Corporate tax payable-limited	17
Foreign Exchange Legislation Tax	-
Property tax	15
Other	1,123
<b>Total</b>	<b>9,455</b>

*Information on premiums*

	Prior Period
Social Security Premiums - Employee	278
Social Security Premiums - Employer	411
Bank Social Aid Pension Fund Premium - Employee	-
Bank Social Aid Pension Fund Premium - Employer	-
Pension Fund Membership Fees and Provisions - Employee	-
Pension Fund Membership Fees and Provisions - Employer	-
Unemployment Insurance - Employee share	20
Unemployment Insurance - Employer share	39
Other	-
<b>Total</b>	<b>748</b>

## SECTION FIVE

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

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

*Information on deferred tax liability*

As of 31 December 2017, the deferred tax assets and liabilities of the Bank are calculated on the basis of the net book value of the assets and liabilities arising between the tax bases determined in accordance with tax legislation and the amounts to be taken into consideration in the calculation of financial profit / deferred tax asset amounting to TL 3,747 and deferred tax liability amounting to TL 7,948.

The details of deferred tax assets and liabilities are as follows:

	Prior Period	
	Accumulated temporary differences	Deferred tax asset/(liability)
Provisions for employee rights	12,543	2,509
Unearned Income	3,409	682
Interest accruals	2,777	555
Depreciation difference for tangible and intangible assets	-	-
Derivative financial instruments	-	-
Other	7	1
<b>Deferred tax asset</b>	<b>18,736</b>	<b>3,747</b>
Tangible assets revaluation surplus e	94,128	7,652
Interest accruals	-	-
Other	1,483	296
<b>Deferred tax liability</b>	<b>95,611</b>	<b>7,948</b>
<b>Deferred tax asset / (liability), net</b>		<b>(4,201)</b>

The movement of deferred tax assets is as follows:

	Prior Period
Net Book Note at the beginning of the period	(4,599)
Deferred Tax Revenue / (Direct) (Net)	1,177
Deferred Tax Accounted Under Shareholders' Equity	7,623
<b>Net Deferred Tax (Active) / Passive</b>	<b>4,201</b>

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

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

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

The Banks has no subordinated loans.



**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Prior Period) (Continued)****18. Information on Shareholders' Equity*****Presentation of Paid-in Capital***

	<b>Prior Period</b>
Common Stock	440,000
Preferred Stock	-

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

Registered share capital system is not implemented in the Bank.

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

None.

***Information on share capital increases from capital reserves***

None.

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

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

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

None.

***Explanations on dividend distribution***

At the Ordinary General Assembly meeting held on 28 March 2017, the Bank decided to distribute the dividend amounting to TL 22,000 from the net profit for the year ended 31 December 2016 as of 27 April 2017.

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Prior Period) (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 Bank may not finance the acquisition of its own shares whether directly or indirectly.

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

***Information on marketable securities value increase fund***

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-
Valuation Differences	-	(96)
Exchange Rate Differences	-	-
<b>Total</b>	<b>-</b>	<b>(96)</b>

***Information on legal reserve***

As decided in the 39<sup>th</sup> Annual General Meeting which is held on 28 March 2017, in the current period, amount of TL 2,999,737.73 (Full TL) have been transferred to legal reserves from profits of previous years according to 519<sup>th</sup> amendment of Turkish Commercial Code no 6102.

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

The Bank has TL 147,009 as irrevocable commitments.

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

As of the balance sheet date, the Bank has allocated the provision amounting TL 501 over total non-cash loans.

***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 890,554.

***Final guarantees, temporary guarantees, commitments and similar transactions***

The total amount of the Bank's guarantee letters is TL 2,651,351.

**2. Total amount of Non-cash loans**

	<b>Current Period</b>
Non-Cash Loans granted for Cash Loan Assurance	635,894
Less Than or Equal to One Year with Original Maturity	487,965
More Than One Year with Original Maturity	147,929
Other Non-Cash Loans	2,906,011
<b>Total</b>	<b>3,541,905</b>

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****III. INFORMATION AND DISCLOSURES RELATED TO OFF-BALANCE SHEETS (Prior Period) (Continued)****3. Information on contingent liabilities in the off-balance sheets as of 31 December 2017***Type and amount of irrevocable commitments*

The Bank has TL 20,698 as irrevocable commitments.

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

As of the balance sheet date, the Bank has allocated the provision amounting TL 1,078 over total non-cash loans.

*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 673,744.

*Final guarantees, temporary guarantees, commitments and similar transactions*

The total amount of the Bank's guarantee letters is TL 2,287,128.

**4. Total amount of Non-cash loans as of 31 December 2017**

	<b>Prior Period</b>
Non-Cash Loans granted for Cash Loan Assurance	578,082
Less Than or Equal to One Year with Original Maturity	414,441
More Than One Year with Original Maturity	163,641
Other Non-Cash Loans	2,382,790
<b>Total</b>	<b>2,960,872</b>

## SECTION FIVE

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

## IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Current Period)

## 1. Information on interest income

*Information on interest income received from loans*

	Current Period	
	TL	FC
Interest Received from Loans <sup>(1)</sup>		
Short- Term Loans	52,991	4,678
Medium and Long- Term Loans	293	23,027
Interest Received From Non-Performing Loans	-	-
Premiums Received From Resource Utilization Support Fund	-	-
<b>Total</b>	<b>53,284</b>	<b>27,705</b>

<sup>(1)</sup> It contains fee and commission income related to cash loans.

*Information on interest income received from banks*

	Current Period	
	TL	FC
From Domestic Banks	3,229	19,888
From Foreign Banks	-	200
<b>Total</b>	<b>3,229</b>	<b>20,088</b>

*Information on interest income on marketable securities*

	Current Period	
	TL	FC
Financial assets held for trading	-	13,599
Financial assets where fair value change is reflected to income statement	9	1,285
Investments measured at amortised cost	2,180	5,448
<b>Total</b>	<b>2,189</b>	<b>20,332</b>

*Information on interest income received from associates and subsidiaries*

None.

## SECTION FIVE

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

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

## 2. Interest Expense

*Information on interest paid for funds borrowed*

	Current Period	
	TL	FC
<b>Banks</b>	<b>36</b>	<b>9,732</b>
Central Bank	-	-
Domestic Banks	36	12
Foreign Banks	-	9,720
<b>Other Institutions</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>36</b>	<b>9,732</b>

*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		
<b>Turkish Lira</b>								
Interbank deposits	3	9	-	-	-	-	-	12
Saving deposits	-	20	160	92	-	3	-	275
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	2	2	3	-	-	-	7
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3</b>	<b>31</b>	<b>162</b>	<b>95</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>294</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	32	286	69	29	422	-	838
Interbank deposits	67	2,060	12,576	1,370	6,438	5,523	-	28,034
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>67</b>	<b>2,092</b>	<b>12,862</b>	<b>1,439</b>	<b>6,467</b>	<b>5,945</b>	<b>-</b>	<b>28,872</b>
<b>Grand Total</b>	<b>70</b>	<b>2,123</b>	<b>13,024</b>	<b>1,534</b>	<b>6,467</b>	<b>5,948</b>	<b>-</b>	<b>29,166</b>

## 3. Explanations on dividend income

	Current Period
Financial assets measured at fair value to profit or loss	-
Financial assets measured at amortized cost	-
Financial assets at fair value through other comprehensive income	144
Other <sup>(1)</sup>	10,498
<b>Total</b>	<b>10,642</b>

<sup>(1)</sup> It represents the dividends received by the Bank from its subsidiary.

## SECTION FIVE

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

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

## 4. Information on trading gain/loss

	Current Period
<b>Gain</b>	<b>9,316,036</b>
Gain from money market transactions	-
Gain from financial derivative transactions	185
Gain from exchange transactions	9,315,851
<b>Loss (-)</b>	<b>(9,330,559)</b>
Loss from money market transactions	(18,831)
Loss from financial derivative transactions	(448)
Loss from exchange transactions	(9,311,280)
<b>Net Trading Gain/Loss</b>	<b>(14,523)</b>

## 5. Information on income from other operations

	Current Period
From Reversal of Provisions of Prior Year	20,169
From Communication Income	722
Gain on sales of assets	29
Other Income	108
<b>Total</b>	<b>21,028</b>

## 6. Information on impairment in loans

	Current Period
Expected Credit Loss Provisions	57,457
12 month expected credit loss (stage 1)	-
Significant increase in credit risk (stage 2)	-
Non-performing loans (stage 3)	57,457
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	-
<b>Total</b>	<b>57,457</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

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

	<b>Current Period</b>
Personnel Expenses	31,203
Employee Termination Benefits Expense	432
Tangible Fixed Asset Impairment Expense	-
Amortization Expenses of Tangible Assets	680
Intangible Fixed Asset Impairment Expense	-
<i>Goodwill Impairment Expense</i>	-
Amortization Expenses of Intangible Assets	615
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	7,144
<i>Operating Lease Expenses</i>	732
<i>Maintenance Expenses</i>	2,098
<i>Advertisement Expenses</i>	130
<i>Other Expenses</i>	4,184
Losses from sales of Assets	-
Other	4,882
<b>Total</b>	<b>44,956</b>

<sup>(1)</sup> “Personnel Expenses” which is not included in “Other Operating Expenses” in the income statement, is included in this table.**8. Information on profit/loss before taxes including profit/loss from discontinued operations**

The pre-tax income amount from continued operations is TL 30,574.



## SECTION FIVE

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

## IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Current Period) (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*

As of 30 June 2018, current taxation expense is TL 1,536 and the net impact of deferred tax expense is TL 261.

*Deferred tax charge arising from origination or reversal of temporary differences*

The Bank has TL 261 as deferred tax expense arising from origination of temporary differences.

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

The Bank has TL 261 as deferred tax expense reflected in the income statement computed over temporary difference and tax deductions and exemptions.

## 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 28,777.

## 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.

## 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 12,132 consist of transfer commissions, letter of credit commissions and other.

	Current Period
Letter of Credit Commissions	8,910
Transfer Commissions	2,808
Other	414
<b>Total</b>	<b>12,132</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**SECTION FIVE****INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Prior Period) (Continued)****13. Information on interest income*****Information on interest income received from loans***

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
Interest Received from Loans <sup>(1)</sup>		
Short- Term Loans	42,619	5,339
Medium and Long- Term Loans	20	10,184
Interest Received From Non-Performing Loans	-	-
Premiums Received From Resource Utilization Support Fund	-	-
<b>Total</b>	<b>42,639</b>	<b>15,523</b>

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

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
From Domestic Banks	805	13,080
From Foreign Banks	-	240
<b>Total</b>	<b>805</b>	<b>13,320</b>

***Information on interest income on marketable securities***

	<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>
Financial assets held for trading	902	22,503
Financial assets where fair value change is reflected to income statement	-	-
Financial assets available for sale	-	7
Investments held to maturity	1,639	14,041
<b>Total</b>	<b>2,541</b>	<b>36,551</b>

***Information on interest income received from associates and subsidiaries***

None.

## SECTION FIVE

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

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

## 14. Interest expense

*Information on interest paid for funds borrowed*

	Prior Period	
	TL	FC
<b>Banks</b>	<b>34</b>	<b>1,835</b>
Domestic Banks	34	32
Foreign Banks	-	1,803
<b>Total</b>	<b>34</b>	<b>1,835</b>

*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*

Prior Period	Time Deposit							Total
	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Cumulative Deposit	
<b>Turkish Lira</b>								
Interbank deposits	5	1,188	-	-	-	-	-	1,193
Saving deposits	-	29	121	33	-	-	-	183
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	14	37	3	-	-	-	54
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>1,231</b>	<b>158</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,430</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	31	176	151	9	378	-	745
Interbank deposits	211	1,065	4,751	1,620	3,561	10,931	-	22,139
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>211</b>	<b>1,096</b>	<b>4,927</b>	<b>1,771</b>	<b>3,570</b>	<b>11,309</b>	<b>-</b>	<b>22,884</b>
<b>Grand Total</b>	<b>216</b>	<b>2,327</b>	<b>5,085</b>	<b>1,807</b>	<b>3,570</b>	<b>11,309</b>	<b>-</b>	<b>24,314</b>

## 15. Explanations on dividend income

	Prior Period
Financial assets measured at fair value to profit or loss	-
Financial assets measured at amortized cost	-
Financial assets at fair value through other comprehensive income	144
Other <sup>(1)</sup>	10,498
<b>Total</b>	<b>10,642</b>

<sup>(1)</sup> It represents the dividends received by the Bank from its subsidiary.

## SECTION FIVE

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

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

## 16. Information on trading gain/loss

	Prior Period
<b>Gain</b>	<b>6,230,506</b>
Gain from money market transactions	-
Gain from financial derivative transactions	877
Gain from exchange transactions	6,229,629
<b>Loss (-)</b>	<b>(6,229,916)</b>
Loss from money market transactions	-
Loss from financial derivative transactions	(1,634)
Loss from exchange transactions	(6,228,282)
<b>Net Trading Gain/Loss</b>	<b>590</b>

## 17. Information on income from other operations

	Prior Period
From Reversal of Provisions of Prior Year	14,455
From Communication Income	672
Gain on sales of assets	74
Other Income	47
<b>Total</b>	<b>15,248</b>

## 18. Information on impairment in loans

	Prior Period
Specific Provisions on Loans and Other Receivables	17,083
<i>Loans and Receivables in Group III</i>	-
<i>Loans and Receivables in Group IV</i>	-
<i>Loans and Receivables in Group V</i>	17,083
<i>Doubtful Receivables</i>	-
General Provision Expenses	5,351
Provision for Possible Losses	-
Foreign Exchange Losses on Foreign Currency Indexed Loans	-
Impairment Losses on Securities	12,507
<i>Financial Assets through Profit or Loss</i>	12,507
<i>Investment Securities Available-for-Sale</i>	-
Other Impairment Losses	6,084
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint Ventures</i>	-
<i>Investment Securities Held-to-Maturity</i>	6,084
Other	-
<b>Total</b>	<b>41,025</b>

## SECTION FIVE

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

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

## 19. Information on other operating expense

	Prior Period
Personnel Expenses	29,434
Employee Termination Benefits Expense	666
Tangible Fixed Asset Impairment Expense	-
Amortization Expenses of Tangible Assets	839
Intangible Fixed Asset Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	737
Shareholders Equity Procedure Applied Equity Interest Impairment Expense	-
Disposible 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	6,494
Operating Lease Expenses	805
Maintenance Expenses	1,742
Advertisement Expenses	212
Other Expenses	3,735
Losses from sales of Assets	18
Other	3,595
<b>Total</b>	<b>41,783</b>

## 20. Information on profit/loss before taxes including profit/loss from discontinued operations as of 30 June 2017

The pre-tax income amount from continued operations is TL 50,227.

## 21. Information on tax provision related to continued operations and discontinued operations as of 30 June 2017

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

As of 30 June 2017, taxation charge is TL 6,149 and deferred tax expense is TL 1,159.

*Deferred tax charge arising from origination or reversal of temporary differences*

The Bank has TL 1,159 as deferred tax expense arising from origination of temporary differences.

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

The Bank has TL 1,159 as deferred tax expense reflected in the income statement computed over temporary difference and tax deductions and exemptions.

## SECTION FIVE

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

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

## 22. 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 42,919.

## 23. 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.

## 24. 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 11,109 consist of transfer commissions, letter of credit commissions and other.

	Prior Period
Letter of Credit Commissions	8,274
Transfer Commissions	2,437
Other	398
<b>Total</b>	<b>11,109</b>

## SECTION FIVE

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

## V. INFORMATION ON THE BANK'S RISK GROUP

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

*Information on the loans of the Bank's risk group*

Current Period						
Bank's Risk Group <sup>(1)</sup>	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
<b>Loans and Other Receivables</b>						
Balance at the beginning of the period	-	1,316	-	41,801	78,129	98,157
Balance at the end of the period	-	939	1	52,890	440	240,136
Interest and Commission Income received <sup>(2)</sup>	29	-	-	-	829	-

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

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

Prior Period						
Bank's Risk Group <sup>(1)</sup>	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
<b>Loans and Other Receivables</b>						
Balance at the beginning of the period	-	1,002	-	32,850	151,292	93,085
Balance at the end of the period	-	1,316	-	41,801	78,129	98,157
Interest and Commission Income received	-	-	-	-	4,150	-

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

*Information on deposits of the Bank's risk group*

Bank's Risk Group <sup>(1)</sup>	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
<b>Deposits</b>						
Balance at the beginning of the period	115	1,098	2,250,314	2,022,581	394,038	875,385
Balance at the end of the period	136	115	2,339,087	2,250,314	392,161	394,038
Interest expense on deposits	-	-	43,419	2,032	5,823	2,825

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

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

None.

*Information on benefits provided for top level management:*

As of 30 June 2018, TL 5,520 has been paid to the top level management of the Bank as salaries and fringe benefit (30 June 2017: TL 5,031).

**SECTION FIVE**

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

**VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**SECTION SIX**

**INDEPENDENT AUDITORS’ REPORT**

**I. INFORMATION ON INDEPENDENT AUDITORS’ REPORT**

As of 30 June 2018, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative) and Auditors’ Review Report dated 26 July 2018 is presented preceding the financial statements.

**II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR**

None.



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

The ongoing moderate recovery from the mid-year of 2016 in the global economy continued stronger in the first half of 2018. In this period when protectionist measures in foreign trade continued to be on the agenda, the US Federal Reserve raised the policy rate to 1.75-2.00% in line with market expectations. In the first half of the year, while the US dollar displayed a strong outlook against currencies of other countries, fund flows to emerging markets were low due to high volatility in the markets and geopolitical developments. In the Eurozone, strong and general economic growth has been observed, while the European Central Bank (ECB) has not made any changes in monetary policy in the second quarter of the year. According to the IMF report released in April, global economic growth is expected to be 3.9% for 2018 and 2019.

The data announced at the level of 7.4% in 2017 after growth of Turkey's economy in the first half of 2018 indicate a slowdown in the economic growth rate. Due to the depreciation of the Turkish lira against the US dollar and the euro at the levels of 21% and 17% respectively, the annual increase in the Consumer Price Index reached 15.39% at the end of June 2018 and reached its highest level in recent years. In the first five months of the year, current account deficit increased by 59% compared to the same period of the previous year, due to the expansion of foreign trade deficit, to 57.6 billion USD. On the interest front, the CBRT Monetary Policy Board raised the repo interest rate to 17.75% and the late liquidity window lending rate to 20.75%, pointing to the TL depreciation and the upward trend in the inflation. In addition, S&P reduce Turkey's foreign currency issuer default rating from "BB" to "BB-" due to the deterioration in the inflation and current account and fiscal balances, S & P also stated that the view of the note is "stable"

Partly due to exchange rate effect; growth in the banking sector continues. As of May 2018, total assets of the sector increased by 11.7% compared to the end of the year and reached TL 3,640 billion. During this period, growth in loan and deposit volumes was 11.5% and 10.7%, respectively. The decline in the ratio of gross follow-up receivables to total cash loans continues, partly due to the effect of the increase in loan origination resulting from the exchange rate effect. While this ratio is expected to increase with conjunctural effects, being at the feasible and manageable limits, the conversion rate is 2.82%. Indicators related to the profitability and capital level of the sector maintained horizontal trend compared to the same period of the previous year and net profit and return on equity were 23.8 billion TL and 15.64% (annual) respectively. The capital adequacy ratio of the sector is 15.93%.

As of June 2018, our Bank's asset size and equity were realized as TL 5.2 billion and TL 0.8 billion, respectively. In this period, the sizes of "cash loans" and "guarantees and warranties" portfolios reached TL 2.0 billion and TL 3.5 billion, respectively. Our net profit for the period was TL 28.8 million, while our return on equity was 10.08% on an annual basis. Our bank's capital adequacy maintains a strong outlook with a standard rate of 15.91%.

A & T Bank will continue in the coming period as it continues to maintain healthy growth without sacrificing effective risk management and to add value to the country's economy by making a difference with its boutique banking approach and keeping its customer satisfaction at the highest level with its competent human resources and service quality.

Best regards,

Abdulahkim A. E. KHAMAG  
General Manager

Bilgehan KURU  
Chairman

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

**II. Unconsolidated Financial Highlights for the Period**

<b>Assets (TL Thousand) (1)</b>	<b>2018/06</b>
Financial Assets (Net) (2)	2,975,691
Loans (Net)	1,960,314
Investments in Associates, Subsidiaries and Joint Ventures	95,708
Tangible Assets (Net)	113,257
Intangible Assets and Goodwill (Net)	3,650
Current Tax assets	1,601
Other (3)	12,650
<b>Total Assets</b>	<b>5,162,831</b>

<b>Liabilities (TL Thousand) (1)</b>	<b>2018/06</b>
Deposits	3,812,970
Funds Borrowed	504,285
Provisions	29,410
Deferred Tax Liabilities	1,117
Shareholders' Equity	794,076
Other Liabilities	20,973
<b>Total Liabilities</b>	<b>5,162,831</b>

<b>Off-Balance Sheet Commitments (TL Thousand)</b>	<b>2018/06</b>
Guarantees and Suretyships	3,541,905
Commitments	147,009
<b>Total Off-Balance Sheet Commitments</b>	<b>3,688,914</b>

<b>Income Statement (TL Thousand)</b>	<b>2018/06</b>
Interest Income	130,258
Interest Expense (-)	38,942
Net Interest Income	91,316
Net Fees and Commission Income	24,524
Personnel Expenses (-)	31,203
Dividend Income	10,642
Net Trading Profit / Loss (+ / -)	(14,523)
Other Operating Income	21,028
Gross Profit from Operating Activities	101,784
Allowances for Expected Credit Losses (-)	57,457
Other Operating Expenses (-)	13,753
Net Operating Profit / Loss	30,574
Tax Provision (-)	1,797
<b>Net Profit / Loss</b>	<b>28,777</b>

(1) Rate sensitive assets and liabilities include rediscounts.

(2) Cash and Cash Equivalents, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through other Comprehensive Income, Financial Assets Measured at Amortized Cost, Non-performing Financial Assets and Allowance for Expected Credit Losses.

(3) Consists of Non-Current Assets or Disposal Groups "Held for Sale" and "from Discounted Operations (Net) and Other Assets.

## SECTION SEVEN

## EXPLANATIONS ON INTERIM ACTIVITY REPORT

## III. Unconsolidated Main Financial Ratios

	(%)	2018/06
Return on Assets (1)		1.29
Return on Equity (1)		10.08
Capital Adequacy Standard Ratio		15.91
Loans / Total Assets		37.97
Deposits / Total Assets		73.85
Non-Performing Loans (Gross) / Total Loans		4.47

(1) Rate sensitive assets and liabilities include rediscounts.

(2) Consist of Cash and Cash Equivalents, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through other Comprehensive Income, Financial Assets Measured at Amortized Cost, Non-performing Financial Assets and Allowance for Expected Credit Losses.

(3) Consists of Non-Current Assets or Disposal Groups "Held for Sale" and "from Discountinued Operations (Net) and Other Assets.

(4) The ratios are annualized.

## IV. Unconsolidated Main Financial Indicators (P)

<b>Assets (TL Thousand ) (1)</b>	<b>2017/12</b>
Cash Balances with the central bank of Turkey (2)	889,791
Banks	1,232,291
Securities Portfolio (Net) (3)	747,879
Loans and receivables	1,984,115
Invesments in subsidiaries (Net)	85,210
Tangible and Intangible assets	115,205
Others (4)	9,268
<b>Total Assets</b>	<b>5,063,759</b>
<b>Liabilities and Equity(TL Thousand) (1)</b>	<b>2017/12</b>
Deposits	3,695,332
Funds Borrowed	499,953
Provisions	53,895
Shareholders' Equity	785,384
Others (5)	29,195
<b>Total Liabilities and Equity</b>	<b>5,063,759</b>
<b>Off-Balance sheet commitments (TL Thousand)</b>	<b>2017/12</b>
Guarantees and warranties	2,960,872
Commitments	20,698
<b>Total Off-Balance sheet commitments</b>	<b>2,981,570</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2018**

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

<b>Income and expense items (TL Thousand)</b>	<b>2017/06</b>
Interest Income	113,814
Interest Expense (-)	26,467
Net Interest Income	87,347
Net Fees and Commission Income	21,734
Dividend Income	8,116
Net Trading Profit / Loss (+ / -)	590
Other Operating Income	15,248
Gross Profit from Operating Activities	133,035
Allowances for Expected Credit Losses (-)	41,025
Other Operating Expenses (-)	41,783
Net Operating Profit / Loss	50,227
Tax Provision (-)	7,308
<b>Net Profit / Loss</b>	<b>42,919</b>
<b>Unconsolidated Main Financial Ratios (%)</b>	<b>2017/06</b>
Return on Assets (6)	1.45
Return on Equity (6)	11.44
Capital Adequacy Standard Ratio	18.69
Loans and Receivables / Total Assets	38.14
Deposits / Total Assets	78.30
Non-Performing Loans (Gross)	1.94

(1) *Rate sensitive assets and liabilities include rediscounts.*

(2) Consist of cash in vault, effectives, cheques purchased, Central Bank of Turkey and required reserves

(3) Consist of Fair Value through Profit or Loss (Net), held to maturity securities (Net) and securities available for sale (Net).

(4) Consist of Tax assets, Income from non-current assets held for sale and other assets.

(5) Marketable derivate liability in the tradebook, other debts, other foreign liabilities, leasing payables and tax liability

(6) The ratios are annualized.

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

Total assets of the Bank realized as TL 5,163 million. In the period examined, the most significant investment instruments of the Bank included financial assets by 57.6% share totaling TL 2,976 million and loans by 38.0% share totaling TL 1,960 million at the end of June 2018.

External sources constituted 84.6% of the Bank's total liabilities. Total deposits, which was the most significant part of the external sources, realized as TL 3,813 million. Shareholders' equity stood at TL 794 million and constituted 15.4% of total liabilities at the end of June 2018.

Guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees, realized as TL 3,542 million.

Net term profit of A&T Bank realized as TL 28.8 million. Return on assets and return on equity ratios are 1.29% and 10.08%, respectively for the first half of 2018.

**SECTION SEVEN****EXPLANATIONS ON INTERIM ACTIVITY REPORT****IV. Amendments to the Articles of Association**

No amendments were made to the Bank's Articles of Association at this period.

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

With the resolution of the Board of Directors dated 19/04/2018 and CRC / 313-B / 3/18, Tülin İNHAN has been appointed as a member of the Board of Directors with Yılmaz ERTÜRK's resignation

With the resolution of the Board of Directors dated 19/04/2018 and CRC / 313-B / 3/18, Volkan KUBLAY has been appointed as a member of the Board of Directors with Kemal ŞAHİN's resignation

With the resolution of the Board of Directors dated 19/04/2018 and CRC / 313-B / 3/18, Bilgehan KURU has been appointed as a Chairman of the Board of Directors with Yılmaz ERTÜRK's resignation

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

- With the resolution of the Board of Directors dated 25/05/2018 and 1/313-J/3/18, The Chairman and Members of the Audit Committee are defined as follows:

Ahmed Mohamed M. Benbarka	Chairman
Abdurauf Ibrahim G. Shneba	Member
Fatma Nur Çetinel	Member

- Simay Ünal was appointed as the "Deputy Director" to the Risk Management Department on 24/05/2018 in recognition of the approval of the Audit Committee.

**VII. Changes in the Membership Structure of Other Governance Committees**

With the resolution of the Board of Directors dated 25/05/2018 and 10/313/3/18, other Governance Committees have been amended and the Chairman and Members of the Committees have been defined as follows:

**Corporate Governance Committee**

Bilgehan Kuru	Chairman
Ahmed Mohamed M. Benbarka	Member
Abdulhakim Ali Emhemed Khamag	Member
Volkan Kublay	Member

**Pricing Committee**

Wail J. A. Belgasem	Chairman
Fatma Nur Çetinel	Member
Volkan Kublay	Member
Hani Alhmali Allafi Ibrahim	Member

**SECTION SEVEN****EXPLANATIONS ON INTERIM ACTIVITY REPORT****VII. Changes in the Membership Structure of Other Governance Committees (Continued)****Loan Committee**

Bilgehan Kuru	Chairman
Abdulahkim Ali Emhemed Khamag	Member
Wail J. A. Belgasem	Member
Tülin İnhan	Member

**VIII. Other Issues**

Pursuant to the decision regarding the distribution of the profit of the year 2017 in the Ordinary General Meeting held on 30/03/2018, on 27/04/2018, a profit share of TL 22,000,000.00 was distributed to the shareholders from the year of 2017.

The address of the Güneşli branch has been changed and is as follows:

15 Temmuz Mah. Gülbahar Caddesi  
No:7/31, Bağcılar, 34212, İstanbul - Türkiye  
T: +90 (212) 515 38 09 /10/11/13  
F: +90 (212) 515 38 20

There is no significant changes apart from the above mentioned explanations compared to the 2017 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"