

*(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 30 June 2019  
With Auditors' Report Thereon**  
*(Convenience Translation of Unconsolidated  
Financial Statements and Related Disclosures and Footnotes  
Originally Issued in Turkish)*

26 July 2019

*This report contains “Independent Auditors’ Review  
Report” comprising 2 pages and; “Unconsolidated  
Financial Statements and Related Disclosures and  
Footnotes” comprising 87 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 2019 and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, the unconsolidated statement of changes in shareholders' equity, the unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial information for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### *Scope of review*

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



## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information do not present fairly, in all material respects, the financial position of Arap Türk Bankası A.Ş. at 30 June 2019, and its financial performance and its 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 2019  
Istanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. UNCONSOLIDATED INTERIM FINANCIAL REPORT  
AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019****Address of the Bank's Headquarters :** Valikonağı Caddesi No:10, 34367 – ŞİŞLİ/İSTANBUL**Telephone and Fax Numbers :** Tel : 0 212 225 05 00 Faks: 0 212 225 05 26**Website of the Bank :** http://www.atbank.com.tr**E-mail address of the Bank :** corp@atbank.com.tr

The unconsolidated interim financial report as of and for the six month period ended 30 June 2019 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Notes to be Announced to Public by Banks” as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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



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



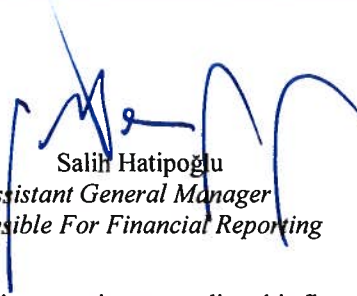
**Abdurauuf Ibrahim G. Shneba**  
*Deputy Chairman of The Board  
of Directors and Chairman of  
The Audit Committee*



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



**Wail J. A. Belgasem**  
*General Manager*



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



**F.Betül Yörel**  
*Manager*

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

Name / Title: F.Betül Yörel / Manager

Phone No : 0 212 225 05 00

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## ARAP TÜRK BANKASI A.Ş.

### NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019 (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 2019, the Bank's share capital at the balance sheet date as follows:

Current Period		
Shareholders	Share amounts	Share percentages <sup>(1)</sup>
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 2018: 0,0000014% share and TL 6.20 (full digit in TL)).

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 JUNE 2019** (Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated. )**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
Abdurauf İbrahim G.Shneba	Deputy Chairman of the Board of Directors and Head of the Audit Committee
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Fatma Nur Çetinel	Member of the Board of Directors and Audit Committee
Abdülhakim A. E. Khamag	Member of the Board of Directors
Volkan Kublay	Member of the Board of Directors
Hani Alhmalı Allafi Ibrahim	Member of the Board of Directors
Tülin Inhan	Member of the Board of Directors
Aflah Omar Magsı	Member of the Board of Directors

**General Manager and Deputies**

<b>Name and Surname</b>	<b>Job Title – Description</b>
Wail J. A. Belgasem	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	-

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

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

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

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

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

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

None.



## **SECTION TWO**

### **Unconsolidated Financial Statements**

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

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 30 JUNE 2019**  
(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I. FINANCIAL ASSETS (NET)</b>			<b>372,017</b>	<b>2,221,781</b>	<b>2,593,798</b>	<b>208,980</b>	<b>3,163,782</b>	<b>3,372,762</b>
<b>1.1 Cash and Cash Equivalents</b>		<b>1</b>	<b>368,930</b>	<b>1,978,444</b>	<b>2,347,374</b>	<b>208,756</b>	<b>2,774,914</b>	<b>2,983,670</b>
1.1.1 Cash and Balances with Central Bank			10,027	1,316,239	1,326,266	8,555	1,240,718	1,249,273
1.1.2 Banks		<b>3</b>	225	662,205	662,430	287	1,534,196	1,534,483
1.1.3 Money Markets			360,209	-	360,209	202,139	-	202,139
1.1.4 Expected Credit Loss (-)			1,531	-	1,531	2,225	-	2,225
<b>1.2 Financial Assets Measured at Fair Value Through Profit or Loss</b>		<b>2</b>	<b>-</b>	<b>91,539</b>	<b>91,539</b>	<b>-</b>	<b>282,166</b>	<b>282,166</b>
1.2.1 Government Securities			-	91,539	91,539	-	238,569	238,569
1.2.2 Equity Securities			-	-	-	-	-	-
1.2.3 Other Financial Assets			-	-	-	-	43,597	43,597
<b>1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>		<b>4</b>	<b>3,087</b>	<b>151,798</b>	<b>154,885</b>	<b>224</b>	<b>106,702</b>	<b>106,926</b>
1.3.1 Government Securities			2,863	84,740	87,603	-	15,970	15,970
1.3.2 Equity Securities			224	2,313	2,537	224	2,112	2,336
1.3.3 Other Financial Assets			-	64,745	64,745	-	88,620	88,620
<b>1.4 Derivative Financial Assets</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit or Loss			-	-	-	-	-	-
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income			-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>		<b>5</b>	<b>495,295</b>	<b>1,249,766</b>	<b>1,745,061</b>	<b>532,550</b>	<b>1,854,689</b>	<b>2,387,239</b>
<b>2.1 LOANS (NET)</b>			<b>589,959</b>	<b>869,745</b>	<b>1,459,704</b>	<b>616,694</b>	<b>1,383,398</b>	<b>2,000,092</b>
2.2 Lease Receivables			-	-	-	-	-	-
2.3 Factoring Receivables			-	-	-	-	-	-
<b>2.4 Other Financial Assets Measured at Amortised Cost</b>		<b>6</b>	<b>2,188</b>	<b>380,021</b>	<b>382,209</b>	<b>13,032</b>	<b>471,291</b>	<b>484,323</b>
2.4.1 Government Securities			2,188	266,364	268,552	13,032	320,830	333,862
2.4.2 Other Financial Assets			-	113,657	113,657	-	150,461	150,461
<b>2.5 Expected Credit Loss (-)</b>			<b>96,852</b>	<b>-</b>	<b>96,852</b>	<b>97,176</b>	<b>-</b>	<b>97,176</b>
<b>III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		<b>14</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>
3.1 Held for Sale Purpose			6	-	6	6	-	6
3.2 Related to Discontinued Operations			-	-	-	-	-	-
<b>IV. EQUITY INVESTMENTS</b>			<b>108,205</b>	<b>-</b>	<b>108,205</b>	<b>95,708</b>	<b>-</b>	<b>95,708</b>
<b>4.1 Associations (Net)</b>		<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Accounted Based on Equity Method			-	-	-	-	-	-
4.1.2 Unconsolidated Financial Subsidiaries			-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>8</b>	<b>108,205</b>	<b>-</b>	<b>108,205</b>	<b>95,708</b>	<b>-</b>	<b>95,708</b>
4.2.1 Unconsolidated Financial Subsidiaries			108,205	-	108,205	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>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Accounted Based on Equity Method			-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures			-	-	-	-	-	-
<b>V. PROPERTY AND EQUIPMENT (Net)</b>			<b>117,477</b>	<b>-</b>	<b>117,477</b>	<b>113,282</b>	<b>-</b>	<b>113,282</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>			<b>3,640</b>	<b>-</b>	<b>3,640</b>	<b>4,131</b>	<b>-</b>	<b>4,131</b>
6.1 Goodwill			-	-	-	-	-	-
6.2 Other			3,640	-	3,640	4,131	-	4,131
<b>VII. INVESTMENT PROPERTY (Net)</b>		<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSET</b>		<b>13</b>	<b>186</b>	<b>-</b>	<b>186</b>	<b>940</b>	<b>-</b>	<b>940</b>
<b>X. OTHER ASSETS</b>		<b>15</b>	<b>11,161</b>	<b>3,538</b>	<b>14,699</b>	<b>16,048</b>	<b>4,960</b>	<b>21,008</b>
<b>TOTAL ASSETS</b>			<b>1,107,987</b>	<b>3,475,085</b>	<b>4,583,072</b>	<b>971,645</b>	<b>5,023,431</b>	<b>5,995,076</b>

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 30 JUNE 2019**

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. DEPOSITS</b>	<b>1</b>	<b>68,684</b>	<b>2,763,518</b>	<b>2,832,202</b>	<b>44,297</b>	<b>4,356,237</b>	<b>4,400,534</b>
<b>II. FUNDS BORROWED</b>	<b>3</b>	-	<b>674,069</b>	<b>674,069</b>	-	<b>634,524</b>	<b>634,524</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>		-	-	-	-	-	-
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>1,581</b>	<b>1,613</b>	<b>3,194</b>	-	-	-
<b>X. PROVISIONS</b>	<b>7</b>	<b>47,329</b>	<b>384</b>	<b>47,713</b>	<b>45,747</b>	<b>461</b>	<b>46,208</b>
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefit		16,223	-	16,223	16,334	-	16,334
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		31,106	384	31,490	29,413	461	29,874
<b>XI. CURRENT TAX LIABILITY</b>	<b>8</b>	<b>15,729</b>	-	<b>15,729</b>	<b>13,806</b>	-	<b>13,806</b>
<b>XII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<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 Operation		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>		<b>7,331</b>	<b>26,221</b>	<b>33,552</b>	<b>15,340</b>	<b>17,876</b>	<b>33,216</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>9</b>	<b>974,476</b>	<b>2,137</b>	<b>976,613</b>	<b>866,288</b>	<b>500</b>	<b>866,788</b>
16.1 Paid-in capital		440,000	-	440,000	440,000	-	440,000
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		77,912	-	77,912	79,247	-	79,247
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(6)	2,137	2,131	-	500	500
16.5 Profit Reserves		30,632	-	30,632	25,676	-	25,676
16.5.1 Legal Reserves		30,632	-	30,632	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)		425,938	-	425,938	321,365	-	321,365
16.6.1 Prior Periods' Profit or (Loss)		316,409	-	316,409	220,387	-	220,387
16.6.2 Current Period Profit or (Loss)		109,529	-	109,529	100,978	-	100,978
16.7 Minority shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>1,115,130</b>	<b>3,467,942</b>	<b>4,583,072</b>	<b>985,478</b>	<b>5,009,598</b>	<b>5,995,076</b>

**ARAP TRK BANKASI A..**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS**  
**AS OF 30 JUNE 2019**

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		273,027	3,684,242	3,957,269	296,073	3,752,847	4,048,920
<b>I. GUARANTEES AND WARRANTIES</b>	<b>2</b>	267,368	3,673,620	3,940,988	289,028	3,656,399	3,945,427
1.1. Letters of Guarantee		267,368	3,036,185	3,303,553	289,028	2,725,394	3,014,422
1.1.1. Guarantees Subject to State Tender Law		150	-	150	150	-	150
1.1.2. Guarantees Given for Foreign Trade Operations		32,099	909,413	941,512	39,117	2,689,341	2,728,458
1.1.3. Other Letters of Guarantee		235,119	2,126,772	2,361,891	249,761	36,053	285,814
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	228,680	228,680	-	503,629	503,629
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	228,680	228,680	-	503,629	503,629
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Purchase Guarantees on Marketable Security Issuance		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	408,755	408,755	-	427,376	427,376
1.9. Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	<b>1</b>	5,659	10,622	16,281	7,045	96,448	103,493
2.1. Irrevocable Commitments		5,659	10,622	16,281	7,045	96,448	103,493
2.1.1. Asset Purchase and Sale Commitments		4,739	10,622	15,361	6,060	6,028	12,088
2.1.2. Deposit Purchase and Sales Commitments		-	-	-	-	90,420	90,420
2.1.3. Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4. Loan Granting Commitments		-	-	-	-	-	-
2.1.5. Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7. Commitments for Cheques		920	-	920	985	-	985
2.1.8. Tax and Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-	-	-	-
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>		232,033	278,084	510,117	292,565	346,098	638,663
<b>IV. ITEMS HELD IN CUSTODY</b>		842	1,625	2,467	5,041	6,871	11,912
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	-	-	-
4.3. Checks Received for Collection		842	1,625	2,467	5,041	6,871	11,912
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		231,191	276,459	507,650	287,524	339,227	626,751
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		75,062	133,136	208,198	92,062	208,469	300,531
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		22,618	143,009	165,627	22,827	130,470	153,297
5.6. Other Pledged Items		133,511	314	133,825	172,635	288	172,923
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		505,060	3,962,326	4,467,386	588,638	4,098,945	4,687,583

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE PERIOD ENDED 30 JUNE 2019**

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD	CURRENT PERIOD	PRIOR PERIOD	PRIOR PERIOD
		(01/01/2019-30/06/2019)	(01/04/2019-30/06/2019)	(01/01/2018-30/06/2018)	(01/04/2018-30/06/2018)
<b>I. INTEREST INCOME</b>	<b>1</b>	<b>180,293</b>	<b>96,888</b>	<b>130,258</b>	<b>74,570</b>
1.1 Interest on Loans		90,509	45,506	80,989	42,685
1.2 Interest on Reserve Requirements		4,934	2,265	3,183	1,732
1.3 Interest on Banks		9,546	4,125	23,317	13,078
1.4 Interest on Money Market Transactions		38,398	21,243	248	248
1.5 Interest on Marketable Securities Portfolio		32,567	23,749	22,521	16,827
1.5.1 Fair Value Through Profit or Loss		14,239	12,903	13,599	12,257
1.5.2 Fair Value Through Other Comprehensive Income		6,595	4,910	1,294	1,294
1.5.3 Measured at Amortised Cost		11,733	5,936	7,628	3,276
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		4,339	-	-	-
<b>II. INTEREST EXPENSE (-)</b>	<b>2</b>	<b>25,196</b>	<b>12,779</b>	<b>38,942</b>	<b>21,902</b>
2.1 Interest on Deposits		13,074	6,227	29,166	16,890
2.2 Interest on Funds Borrowed		11,916	6,454	9,768	5,004
2.3 Interest Expense on Money Market Transactions		-	-	8	8
2.4 Interest on Securities Issued		-	-	-	-
2.5 Measured at Amortised Expense		206	98	-	-
2.6 Other Interest Expenses		-	-	-	-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>155,097</b>	<b>84,109</b>	<b>91,316</b>	<b>52,668</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>38,852</b>	<b>18,593</b>	<b>24,524</b>	<b>13,178</b>
4.1 Fees and Commissions Received		39,804	19,207	25,084	13,467
4.1.1 Non-cash Loans		19,226	10,396	12,952	6,613
4.1.2 Other		20,578	8,811	12,132	6,854
4.2 Fees and Commissions Paid		952	614	560	289
4.2.1 Non-cash Loans		4	2	4	2
4.2.2 Other		948	612	556	287
<b>V. DIVIDEND INCOME</b>	<b>3</b>	<b>12,513</b>	<b>12,510</b>	<b>10,642</b>	<b>10,642</b>
<b>VI. TRADING INCOME /(LOSS) (Net)</b>	<b>4</b>	<b>(9,213)</b>	<b>(12,295)</b>	<b>(14,523)</b>	<b>(16,408)</b>
6.1 Trading Gains / (Losses) on Securities		(13,940)	(13,473)	(18,831)	(18,831)
6.2 Gains / (Losses) on Derivative Financial Transactions		-	-	(263)	-
6.3 Foreign Exchange Gains / (Losses)		4,727	1,178	4,571	2,423
<b>VII. OTHER OPERATING INCOME</b>	<b>5</b>	<b>2,277</b>	<b>892</b>	<b>21,028</b>	<b>17,816</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>199,526</b>	<b>103,809</b>	<b>132,987</b>	<b>77,896</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>6</b>	<b>867</b>	<b>478</b>	<b>57,457</b>	<b>56,034</b>
<b>X. DİĞER KARŞILIK GİDERLERİ (-)</b>		<b>101</b>	<b>(85)</b>	<b>-</b>	<b>-</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>41,499</b>	<b>20,887</b>	<b>31,203</b>	<b>15,471</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>7</b>	<b>21,225</b>	<b>10,547</b>	<b>13,753</b>	<b>7,020</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>	<b>8</b>	<b>135,834</b>	<b>71,982</b>	<b>30,574</b>	<b>(629)</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>		<b>135,834</b>	<b>71,982</b>	<b>30,574</b>	<b>(629)</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>		<b>(26,305)</b>	<b>(13,118)</b>	<b>(1,797)</b>	<b>4,974</b>
18.1 Current Tax Provision		(25,699)	(12,785)	(1,536)	4,785
18.2 Deferred Tax Income Effect (+)		5,278	2,879	5,536	3,598
18.3 Deferred Tax Expense Effect (-)		4,672	2,546	5,797	3,409
<b>XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>	<b>10</b>	<b>109,529</b>	<b>58,864</b>	<b>28,777</b>	<b>4,345</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
20.1 Income from Non-current Assets Held for Sale		-	-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3 Income from Other Discontinued Operations		-	-	-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Expenses for Non-current Assets Held for Sale		-	-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Expenses for Other Discontinued Operations		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1 Current Tax Provision		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>		<b>109,529</b>	<b>58,864</b>	<b>28,777</b>	<b>4,345</b>
Earning/(Loss) per share (in TL full)		0.0025	0.0013	0.0007	0.0001

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019**  
(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-30/06/2019)	(01/01/2018-30/06/2018)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>109,529</b>	<b>28,777</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>		
		296	(4,332)
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(1,335)</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	(1,667)	(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	332	(3,622)
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>1,631</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	2,111	(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	(480)	96
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>109,825</b>	<b>24,445</b>

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2019**  
(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
	Paid-in capital	Share premium	Share certificate cancel profits	Other capital reserves	Tangible and Intangible Assets Revaluation Reserve	Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans	Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)	Exchange Differences on Translation	Accumulated gains (losses) due to revaluation and/or reclassification of financial assets measured at fair value through other comprehensive income	Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)	Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total Equity
PRIOR PERIOD 30.06.2018																
I. Balance at the beginning of the period	440,000	-	-	-	86,476	(2,815)	-	-	(96)	-	21,662	159,889	80,268	785,384	-	785,384
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	3	-	-	6,244	-	6,247	-	6,247
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	3	-	-	6,244	-	6,247	-	6,247
III. New balance (I+II)	440,000	-	-	-	86,476	(2,815)	-	-	(93)	-	21,662	166,133	80,268	791,631	-	791,631
IV. Total comprehensive income (loss)	-	-	-	-	(3,724)	(415)	-	-	(193)	-	-	-	28,777	24,445	-	24,445
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	4,014	54,254	(80,268)	22,000	-	22,000
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	22,000	-	22,000	-	22,000
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4,014	76,254	(80,268)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,752	(3,230)	-	-	(286)	-	25,676	220,387	28,777	794,076	-	794,076
CURRENT PERIOD (30/06/2019)																
I. Balance at the beginning of the period	440,000	-	-	-	82,751	(3,504)	-	-	500	-	25,676	220,387	100,978	866,788	-	866,788
II. Adjustment in accordance with TMS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I+II)	440,000	-	-	-	82,751	(3,504)	-	-	500	-	25,676	220,387	100,978	866,788	-	866,788
IV. Total comprehensive income (loss)	-	-	-	-	-	(1,335)	-	-	1,631	-	-	109,529	-	109,825	-	109,825
V. Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	-	-	-	-	-	-	-	-	-	-	4,956	96,022	(100,978)	-	-	-
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4,956	96,022	(100,978)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,751	(4,839)	-	-	2,131	-	30,632	316,409	109,529	976,613	-	976,613

**ARAP TÜRK BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2019**

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		Note	
		CURRENT PERIOD (01/01/2019-30/06/2019)	PRIOR PERIOD (01/01/2018-30/06/2018)
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>113,656</b>	<b>32,086</b>
1.1.1	Interest Received	173,431	112,822
1.1.2	Interest Paid	(16,084)	(26,148)
1.1.3	Dividend Received	16	-
1.1.4	Fees and Commissions Received	39,804	25,084
1.1.5	Other Income	-	3,591
1.1.6	Collections from Previously Written-off Loans and Other Receivables	33	1,267
1.1.7	Payments to Personnel and Service Suppliers	(50,734)	(37,545)
1.1.8	Taxes Paid	(23,628)	(16,685)
1.1.9	Other	(9,182)	(30,300)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>	<b>(837,529)</b>	<b>(46,333)</b>
1.2.1	Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss	205,042	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	595,445	19,057
1.2.4	Net (increase) / decrease in other assets	6,061	(2,985)
1.2.5	Net increase / (decrease) in bank deposits	(1,809,528)	(89,341)
1.2.6	Net increase / (decrease) in other deposits	4,286	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	4,701	(22,689)
1.2.9	Net increase / (decrease) in payables	-	-
1.2.10	Net increase / (decrease) in other liabilities	156,464	10,904
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>	<b>(723,873)</b>	<b>(14,247)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>	<b>94,269</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	(2,313)	(2,960)
2.4	Disposals of property and equipment	13	486
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(108,389)	(23,657)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	69,500	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	-	(83,049)
2.8	Sale of Financial Assets Measured at Amortised Cost	136,367	157,089
2.9	Other	(909)	(472)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>(206)</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	(206)	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>120,146</b>	<b>68,740</b>
<b>V.</b>	<b>Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>(509,664)</b>	<b>79,930</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>2,473,727</b>	<b>1,421,898</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period</b>	<b>1,964,063</b>	<b>1,501,828</b>



**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**

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

**VI. INFORMATION ON FEES AND COMMISSION**

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

**VII. INFORMATION ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to the provisions of "Financial Statement Acquisition and Disclosure of Financial Statements" in the third part of TFRS 9 standard. 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.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

**c. Financial Assets Measured at Amortized Cost**

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

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

**d. Loans**

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

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. 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.

**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 securities) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, credit commitments and financial guarantee contracts.

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

- 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.

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

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

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

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

*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.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

*Definition of Default*

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

These conditions have stated below:

- Degradation in financial structure of the opposite party and economic conditions
- Other neutral criteria deemed appropriate by management
- To have a past due more than 90 days.
- To have past due over 30 days or reconstruction of loans after passing from Stage 3 to Stage 2.

*Significant increase in credit risk definition (criterias and explanations)*

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

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

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

1. Past due more than 30 days,
2. Reconstruction,
3. The rating decline in the period from the date of the loan to the reporting date,
4. Early warning signal,
5. Bankruptcy / concordatum registration,
6. Negative investigation and consolidated loan risk records

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

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

Under the 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.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

**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.



**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.

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</b>	
	<b>(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.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON LEASING ACTIVITIES**

*Finance leasing activities as the lessor*

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

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

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the alternative borrowing interest rate at the effective date of the modification. The carrying amount of the right-of-use asset is decreased to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. A corresponding adjustment to the right-of-use asset is made for all other lease modifications.

**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 2019 is TL 6,017.60 (full TL) (31 December 2018: TL 5,434.42 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

The 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.

**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.

**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.

**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 2019 and 31 December 2018.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)****XXI. CASH AND CASH EQUIVALENTS**

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

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

**XXII. INFORMATION ON SEGMENT REPORTING**

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

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

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

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

**Related parties**

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

**Reclassifications**

Reclassifications and remeasurements during the first time application of TFRS 16 Leases Standard dated 1 January 2019 are presented in the below table:

		31 December	TFRS 16	1 January
	Note	2018	Transition	2019
			Effect	
Tangible assets (net)	(1)	113,282	4,034	117,316
Other assets (net)	-	21,008	-	21,008
Lease payables (net)	(1),(2)	-	4,034	4,034

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

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

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

(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>972,578</b>	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,005	
Share issue premiums	-	
Reserves	30,632	
Gains recognized in equity as per TAS	80,043	
Profit	425,938	
Current Period Profit	109,529	
Prior Period Profit	316,409	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>976,613</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>4,035</b>	<b>4,035</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	395	395
Goodwill (net of related tax liability)	3,640	3,640
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>4,035</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>972,578</b>	

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

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

### 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>	972,578	-
<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)	30,506	-
<b>Tier II Capital Before Deductions</b>	30,506	-
<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>	30,506	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	1,003,084	-
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	1,003,084	-
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 2019

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

### 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>1,003,084</b>	<b>1,013,599</b>
Total Capital	1,003,084	1,013,599
Total risk weighted amounts	4,297,357	4,297,357
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	22.63	-
Tier 1 Capital Adequacy Ratio (%)	22.63	-
Capital Adequacy Ratio (%)	23.34	23.59
<b>BUFFERS</b>		
Total buffer requirement	2,591	-
Capital conservation buffer requirement (%)	2.500	-
Bank specific counter-cyclical buffer requirement (%)	0.091	-
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	18.13	-
<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)	30,506	30,506
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	30,506	30,506
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 2019**

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

**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>862,150</b>	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,500	
Share issue premiums	-	
Reserves	25,676	
Gains recognized in equity as per TAS	79,247	
Profit	321,365	
Current Period Profit	100,978	
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>866,788</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>	<b>4,638</b>	<b>4,638</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	507	507
Goodwill (net of related tax liability)	4,131	4,131
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>4,638</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>862,150</b>	

# ARAP TÜRK BANKASI A.Ş.

## NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019

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

### 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>	862,150	
<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)	29,573	-
<b>Tier II Capital Before Deductions</b>	29,573	-
<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>	29,573	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	891,723	
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	891,723	-
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 2019

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

### 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>891,723</b>	<b>902,137</b>
Total Capital	891,723	902,137
Total risk weighted amounts	4,961,395	4,961,395
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	17.38	-
Tier 1 Capital Adequacy Ratio (%)	17.38	-
Capital Adequacy Ratio (%)	17.97	18.18
<b>BUFFERS</b>		
Total buffer requirement	2.034	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.159	-
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	12.88	-
<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)	29,573	29,573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	29,573	29,573
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

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

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

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

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

None.

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

<b>Current Period 30 June 2019</b>	<b>Balance sheet value</b>	<b>Amount of adjustment</b>	<b>Value at capital report</b>
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	77,912	-	77,912
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	2,131	-	2,131
Profit Reserves	30,632	-	30,632
Profit or Loss	425,938	-	425,938
Prior Periods' Profit/Loss	316,409	-	316,409
Current Period Net Profit/Loss	109,529	-	109,529
Deductions from Common Equity Tier I Capital (*)	-	4,035	(4,035)
<b>Common Equity Tier 1 capital</b>	-	-	<b>972,578</b>
Tier 1 capital	-	-	<b>972,578</b>
Provisions	-	(30,506)	30,506
<b>Tier 2 capital (**)</b>	-	(30,506)	30,506
Shareholders' Equity Adjustments (***)	-	-	-
<b>Total Shareholders' Equity</b>	<b>976,613</b>	<b>(26,471)</b>	<b>1,003,084</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.

**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>
21 June 2019	5.7311 TL	6.4742 TL
24 June 2019	5.7915 TL	6.5470 TL
25 June 2019	5.7444 TL	6.5409 TL
26 June 2019	5.7904 TL	6.5935 TL
27 June 2019	5.7630 TL	6.5476 TL
30 June 2019	5.7665 TL	6.5571 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 2019 is 5.8160 for USD, 6.5471 for EURO.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**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</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	888,763	427,364	112	1,316,239
Banks	313,541	338,175	10,489	662,205
Financial Assets Measured at Fair Value through Profit or Loss	91,539	-	-	91,539
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	47,347	104,451	-	151,798
Loans <sup>(1)</sup>	688,065	181,680	-	869,745
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	184,569	195,452	-	380,021
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1,516	2,022	-	3,538
<b>Total Assets <sup>(1)</sup></b>	<b>2,215,340</b>	<b>1,249,144</b>	<b>10,601</b>	<b>3,475,085</b>
<b>Liabilities</b>				
Bank Deposits	1,487,211	225,313	1,615	1,714,139
Foreign Currency Deposits	535,373	505,554	8,452	1,049,379
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	172,189	501,880	-	674,069
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	13,586	14,285	347	28,218
<b>Total Liabilities <sup>(1)</sup></b>	<b>2,208,359</b>	<b>1,247,032</b>	<b>10,414</b>	<b>3,465,805</b>
<b>Net Balance Sheet Position</b>	<b>6,981</b>	<b>2,112</b>	<b>187</b>	<b>9,280</b>
<b>Net Off Balance Sheet Position</b>	<b>(4,919)</b>	<b>198</b>	<b>-</b>	<b>(4,721)</b>
Financial Derivatives (Assets)	655	2,295	-	2,950
Financial Derivatives (Liabilities)	(5,574)	(2,097)	-	(7,671)
Non-Cash Loans	1,344,708	1,498,000	830,912	3,673,620
<b>Prior Period</b>				
Total Assets	2,398,354	2,620,091	10,006	5,028,451
Total Liabilities	2,390,264	2,610,082	8,752	5,009,098
Balance Sheet Position, net	8,090	10,009	1,254	19,353
Off Balance Sheet Position, net	(6,028)	-	-	(6,028)
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	(6,028)	-	-	(6,028)
Non-cash Loans	1,216,077	1,704,738	735,584	3,656,399

<sup>(1)</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 2,137.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**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 2019 and 31 December 2018 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders' Equity <sup>(1)</sup>	Income Statement	Shareholders' Equity <sup>(1)</sup>
Euro	(206)	(206)	(206)	(206)
US Dollar	(231)	(231)	(1,001)	(1,001)
Other Currencies	(19)	(19)	(125)	(125)
<b>Total</b>	<b>(456)</b>	<b>(456)</b>	<b>(1,332)</b>	<b>(1,332)</b>

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders' Equity <sup>(1)</sup>	Income Statement	Shareholders' Equity <sup>(1)</sup>
Euro	206	206	206	206
US Dollar	231	231	1,001	1,001
Other Currencies	19	19	125	125
<b>Total</b>	<b>456</b>	<b>456</b>	<b>1,332</b>	<b>1,332</b>

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



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**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 2019

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

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

#### Information related to interest rate sensitivity of assets, liabilities and off-balance sheet items

*Based on re-pricing dates*

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	426,618	-	-	-	-	899,648	1,326,266
Banks	575,731	86,699	-	-	-	-	662,430
Financial assets at fair value through Profit or Loss	-	-	91,539	-	-	-	91,539
Interbank Money Market Placements	360,209	-	-	-	-	-	360,209
Financial Assets at Fair Value Through Other Comprehensive Income	3,693	337	110,973	37,344	-	2,538	154,885
Loans	669,634	243,491	212,107	243,102	-	91,370	1,459,704
Financial Assets Measured at Amortized Cost	3,340	3,933	284,828	62,066	28,042	-	382,209
Other assets <sup>(1)</sup>	-	-	-	-	-	145,830	145,830
<b>Total assets</b>	<b>2,039,225</b>	<b>334,460</b>	<b>699,447</b>	<b>342,512</b>	<b>28,042</b>	<b>1,139,386</b>	<b>4,583,072</b>
<b>Liabilities</b>							
Bank deposits	1,684,816	-	29,552	-	-	128	1,714,496
Other deposits	134,635	18,895	8,266	-	-	955,910	1,117,706
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	-	375,172	298,897	-	-	-	674,069
Other liabilities <sup>(2)</sup>	62	127	362	460	2,183	1,073,607	1,076,801
<b>Total liabilities</b>	<b>1,819,513</b>	<b>394,194</b>	<b>337,077</b>	<b>460</b>	<b>2,183</b>	<b>2,029,645</b>	<b>4,583,072</b>
Long Position in the Balance Sheet	219,712	-	362,370	342,052	25,859	-	949,993
Short Position in the Balance Sheet	-	(59,734)	-	-	-	(890,259)	(949,993)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>219,712</b>	<b>(59,734)</b>	<b>362,370</b>	<b>342,052</b>	<b>25,859</b>	<b>(890,259)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 145,830 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 117,477, Subsidiaries amounting to TL 108,205, Expected Credit Loss amounting to TL 98,383, Intangible Assets amounting to TL 3,640, Deferred Tax Asset amounting to TL 186, Assets Available for Sale amounting to TL 6 and Other Assets amounting to TL 14,699.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,073,607 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 976,613, Provisions amounting to TL 47,713, Current Tax Liability amounting to TL 15,729 and other Non-Interest Bearing amounting to TL 33,552.

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**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	689,684	-	-	-	-	559,589	1,249,273
Banks	1,534,483	-	-	-	-	-	1,534,483
Financial assets at fair value through Profit or Loss	-	37,763	158,036	86,367	-	-	282,166
Interbank Money Market Placements	202,139	-	-	-	-	-	202,139
Financial assets available-for-sale	-	-	-	22,867	-	84,059	106,926
Loans	1,161,470	193,523	335,299	218,414	-	91,386	2,000,092
Investment securities held-to-maturity	335	40,789	149,637	267,979	25,583	-	484,323
Other assets <sup>(1)</sup>	-	-	-	-	-	135,674	135,674
<b>Total assets</b>	<b>3,588,111</b>	<b>272,075</b>	<b>642,972</b>	<b>595,627</b>	<b>25,583</b>	<b>870,708</b>	<b>5,995,076</b>
<b>Liabilities</b>							
Bank deposits	2,047,241	531,639	707,940	-	-	-	3,286,820
Other deposits	27,516	15,129	6,862	74	-	1,064,133	1,113,714
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	291,878	-	342,646	-	-	-	634,524
Other liabilities <sup>(2)</sup>	-	-	-	-	-	960,018	960,018
<b>Total liabilities</b>	<b>2,366,635</b>	<b>546,768</b>	<b>1,057,448</b>	<b>74</b>	<b>-</b>	<b>2,024,151</b>	<b>5,995,076</b>
Long Position in the Balance Sheet	1,221,476	-	-	595,553	25,583	-	1,842,612
Short Position in the Balance Sheet	-	(274,693)	(414,476)	-	-	(1,153,443)	(1,842,612)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
<b>Total Position</b>	<b>1,221,476</b>	<b>(274,693)</b>	<b>(414,476)</b>	<b>595,553</b>	<b>25,583</b>	<b>(1,153,443)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 135,674 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 113,282, Subsidiaries amounting to TL 95,708, Expected Credit Loss amounting to TL 99,401, Intangible Assets amounting to TL 4,131, Deferred Tax Asset amounting to TL 940, Assets Available for Sale amounting to TL 6 and Other Assets amounting to TL 21,008.

<sup>(2)</sup> Other Liabilities: The amount of TL 960,018 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 866,788, Provisions amounting to TL 46,208, Current Tax Liability amounting to TL 13,806 and other Non-Interest Bearing amounting to TL 33,216.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>TL</b>
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	2.00	10.42
Banks	1.59	3.12	-
Financial assets at fair value through profit or loss	2.52	-	-
Money Market Placements	-	-	23.99
Financial Assets at Fair Value Through Other Comprehensive Income	3.38	6.91	25.08
Loans	5.44	7.67	27.36
Financial Assets Measured at Amortized Cost	2.97	7.59	23.59
<b>Liabilities</b>			
Interbank deposits	1.07	3.70	-
Other deposits	1.14	3.05	17.79
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.33	4.69	-
<b>Prior Period</b>	<b>EURO</b>	<b>USD</b>	<b>TL</b>
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.62	7.16
Banks	1.25	2.99	-
Financial assets at fair value through profit or loss	2.30	3.95	-
Money Market Placements	-	-	25.15
Financial assets available-for-sale	6.42	6.87	-
Loans	4.55	5.86	27.44
Investment securities held-to-maturity	2.79	6.99	20.48
<b>Liabilities</b>			
Interbank deposits	1.14	4.62	-
Other deposits	0.99	2.66	18.08
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.32	4.44	-

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

**IV. INFORMATION ON STOCK POSITION RISK**

**Equity investment risk due from banking book**

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

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

None.

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

None.

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

None.

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

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

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

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

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

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

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

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

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

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

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

**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 Bank's risk group have a 40% 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 31% of these funds are USD and 69% 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.

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

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

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

**Liquidity coverage ratio**

In accordance with the "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948, dated 21 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+TL</b>
<b>Lowest</b>	10 May 2019	116	10 May 2019	146
<b>Highest</b>	3 May 2019	240	28 June 2019	345

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

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

Current Period	Consideration Ratio Not Applied Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID</b>				
1 High quality liquid assets	2,591,548	2,147,384	2,222,834	1,778,670
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail	441,046	395,555	42,057	39,555
3 Stable deposit	40,944	-	2,047	-
4 Deposit with low stability	400,102	395,555	40,010	39,555
5 Unsecured debts except real	2,526,218	2,409,901	2,150,638	2,052,348
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,418,797	2,383,582	2,043,217	2,026,029
8 Other unsecured debts	107,421	26,319	107,421	26,319
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin	-	-	-	-
12 Debt from structured financial	-	-	-	-
13 Other off-balance sheet liabilities	-	-	-	-
14 Revocable off-balance sheet	-	-	-	-
15 Other irrevocable or provisory	4,095,680	3,825,759	261,461	204,278
<b>16 TOTAL CASH OUTFLOW</b>	<b>7,062,944</b>	<b>6,631,215</b>	<b>2,454,156</b>	<b>2,296,181</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,349,784	998,385	1,179,170	960,787
19 Other cash inflows	52,097	52,097	52,097	52,097
<b>20 TOTAL CASH INFLOWS</b>	<b>1,401,881</b>	<b>1,050,482</b>	<b>1,231,267</b>	<b>1,012,884</b>
<b>Upper limit applied amounts</b>				
<b>21 TOTAL HQLA STOCK</b>			2,222,834	1,778,670
<b>22 TOTAL NET CASH</b>			1,242,876	1,302,098
<b>23 LIQUIDITY COVERAGE</b>			178.85	136.60

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



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

Prior Period	Consideration Ratio Not Applied Total Value <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	TL+FC	FC	TC+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	2,506,972	2,154,676	1,991,718	1,639,422
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	403,939	369,123	39,535	36,912
3 Stable deposit	17,180	-	859	-
4 Deposit with low stability	386,759	369,123	38,676	36,912
5 Unsecured debts except real person deposits and retail deposits	3,274,971	3,204,029	2,952,857	2,886,229
6 Operational deposit	-	-	-	-
7 Non-operating deposits	3,189,835	3,181,731	2,867,721	2,863,931
8 Other unsecured debts	85,136	22,298	85,136	22,298
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin obligations	-	-	-	-
12 Debt from structured financial instruments	-	-	-	-
13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets	-	-	-	-
14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
15 Other irrevocable or provisory revocable off-balance sheet liabilities	4,102,692	3,803,374	259,460	201,383
<b>16 TOTAL CASH OUTFLOW</b>	<b>7,781,602</b>	<b>7,376,526</b>	<b>3,251,852</b>	<b>3,124,524</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	2,394,031	2,003,995	2,169,206	1,903,933
19 Other cash inflows	13,782	13,782	13,782	13,782
<b>20 TOTAL CASH INFLOWS</b>	<b>2,407,813</b>	<b>2,017,777</b>	<b>2,182,988</b>	<b>1,917,715</b>
Upper limit applied amounts				
<b>21 TOTAL HQLA STOCK</b>			<b>1,991,718</b>	<b>1,639,422</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1,095,390</b>	<b>1,219,192</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>181.83</b>	<b>134.47</b>

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

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

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

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

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

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

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 58% of high-quality liquid assets of the Bank, while 41% 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. 62% of the total liabilities are deposits received. 61% 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 2019, the bank has no derivative transactions. Therefore, there is no net cash outflow arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 62% of the liability is deposits and 61% 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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**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)**
**Presentation of assets and liabilities based on their outstanding maturities**

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
<b>Assets</b>								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	15,607	1,310,659	-	-	-	-	-	1,326,266
Banks	113,157	462,574	86,699	-	-	-	-	662,430
Financial Assets at Fair Valuetrough Profit or Loss	-	-	-	91,539	-	-	-	91,539
Money Market Placements	-	360,209	-	-	-	-	-	360,209
Financial assets available-for-sale	-	3,693	337	110,973	37,344	-	2,538	154,885
Loans	-	669,633	232,882	219,812	246,007	-	91,370	1,459,704
Investment securities held-to-maturity	-	3,340	3,933	284,830	62,064	28,042	-	382,209
Other assets <sup>(1)</sup>	-	-	-	-	-	-	145,830	145,830
<b>Total Assets</b>	<b>128,764</b>	<b>2,810,108</b>	<b>323,851</b>	<b>707,154</b>	<b>345,415</b>	<b>28,042</b>	<b>239,738</b>	<b>4,583,072</b>
<b>Liabilities</b>								
Interbank Deposits	477,805	1,207,139	-	29,552	-	-	-	1,714,496
Other Deposits	955,910	134,635	18,880	8,281	-	-	-	1,117,706
Funds providedfrom other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	375,172	298,897	-	-	-	674,069
Other liabilities <sup>(2)</sup>	-	62	127	362	460	2,183	1,073,607	1,076,801
<b>Total Liabilities</b>	<b>1,433,715</b>	<b>1,341,836</b>	<b>394,179</b>	<b>337,092</b>	<b>460</b>	<b>2,183</b>	<b>1,073,607</b>	<b>4,583,072</b>
<b>Net Liquidity Gap</b>	<b>(1,304,951)</b>	<b>1,468,272</b>	<b>(70,328)</b>	<b>370,062</b>	<b>344,955</b>	<b>25,859</b>	<b>(833,869)</b>	<b>-</b>
<b>Prior Period</b>								
Total Assets	48,907	4,098,793	205,997	731,919	572,758	25,583	311,119	5,995,076
Total Liabilities	1,804,463	1,626,308	546,768	1,057,445	74	-	960,018	5,995,076
<b>Net Liquidity Gap</b>	<b>(1,755,556)</b>	<b>2,472,485</b>	<b>(340,771)</b>	<b>(325,526)</b>	<b>572,684</b>	<b>25,583</b>	<b>(648,899)</b>	<b>-</b>

1) Other Assets: The amount of TL 145,830 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 117,477, Subsidiaries amounting to TL 108,205, Intangible Assets amounting to TL 3,640, Expected credit loss amounting to TL 98,383, Deferred Tax Asset amounting to TL 186, Other Assets amounting to TL 14,699 and Available for Sale Financial Assets amounting to TL 6 of other undistributed amounts.

2) Other Liabilities: The amount of TL 1,073,607 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 976,613, Provisions amounting to TL 47,713, Current Tax Liability amounting to TL 15,729 and Non-Interest Bearing amounts of Other Foreign Resources amounting to TL 33,552.

## 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>	Prior Period <sup>(1)</sup>
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	4,804,832	5,887,486
2	(Assets deducted from main capital)	(3,991)	(4,017)
3	Total risk amount of the balance sheet assets ( Sum of 1st and 2nd rows)	4,800,841	5,883,469
	<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)	1,344	17,583
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions ( Sum of 7th and 8th rows)	1,344	17,583
	<b>Off-balance sheet transactions</b>		
10	Gross nominal amount of off-balance sheet transactions	4,139,914	3,976,604
11	(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
12	Risk amount of the off-balance sheet transactions ( Sum of 10th and 11th rows)	4,139,914	3,976,604
	<b>Equity and total risk</b>		
13	Main capital	955,250	853,591
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	8,942,099	9,877,656
	<b>Leverage ratio</b>		
15	Leverage ratio	10.70%	8.66%

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

## 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)	3,815,635	4,453,898	305,251
2	Standardised approach (SA)	3,815,635	4,453,898	305,251
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	284	-	23
5	Standardised approach for counterparty credit risk (SA-CCR)	284	-	23
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	55,875	158,037	4,470
17	Standardised approach (SA)	55,875	158,037	4,470
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	425,563	349,450	34,045
20	Basic Indicator Approach	425,563	349,450	34,045
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>4,297,357</b>	<b>4,961,385</b>	<b>343,789</b>

## Gross carrying values according to TAS

		Non-Defaulted Exposures	Defaulted Exposures	Allowances and Impairment	Net Value
1	Loans	91,370	7,931,449	95,861	7,926,958
2	Debt Securities	-	383,201	991	382,210
3	Off-balance sheet exposure	-	3,961,957	20,969	3,940,988
4	<b>Total</b>	<b>91,370</b>	<b>12,276,607</b>	<b>117,821</b>	<b>12,250,156</b>

## Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	91,385
2	Loans and debt securities that have defaulted since the last reporting period	18
3	Returned to non-defaulted status	(33)
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>91,370</b>

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**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 by financial guarantees, of which: secured amount	Exposures secured by credit derivatives, of which: secured amount
1	Loans	7,926,958	-	-	371,239	358,791	-	-
2	Debt Securities	382,210	-	-	-	-	-	-
3	<b>Total</b>	<b>8,309,168</b>	-	-	<b>371,239</b>	<b>358,791</b>	-	-
4	Of which defaulted	91,370	-	-	-	-	-	-

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

		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
Asset classes							
1	Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	1,579,214	4,672	1,579,213	4,672	137,856	9%
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	1,637,683	2,220,747	1,278,894	1,216,098	1,251,298	50%
7	Contingent and Non-Contingent Corporate Receivables	860,168	1,573,025	860,168	1,118,130	1,978,298	100%
8	Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
9	Secured by residential property	-	-	-	-	-	-
10	Secured by commercial real estate	-	41,450	-	21,450	21,450	100%
11	Past Due Loans	2,703	-	2,703	-	4,055	150%
12	Higher-Risk Receivables Defined by BRSA	7,949	116,992	7,949	108,053	174,003	150%
13	Marketable Securities Collateralized	-	-	-	-	-	-
14	Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-
15	Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-
16	Other Receivables	264,565	-	264,565	-	248,958	94%
17	Equity Investments	-	-	-	-	-	-
18	<b>Total</b>	<b>4,352,282</b>	<b>3,956,886</b>	<b>3,993,492</b>	<b>2,468,403</b>	<b>3,815,918</b>	<b>59%</b>

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**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	1,312,845	-	-	-	266,368	-	4,672	-	-	-	-	1,583,885
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	-	-	193,068	-	2,178,477	-	123,447	-	-	-	-	2,494,992
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	1,978,298	-	-	-	-	1,978,298
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	21,450	-	-	-	-	21,450
11 Past Due Loans	-	-	-	-	-	-	-	2,703	-	-	-	2,703
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	116,002	-	-	-	116,002
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	15,607	-	-	-	-	-	248,958	-	-	-	-	264,565
<b>18 Total</b>	<b>1,328,452</b>	<b>-</b>	<b>193,068</b>	<b>-</b>	<b>2,444,845</b>	<b>-</b>	<b>2,376,825</b>	<b>118,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,461,895</b>

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**
**VII. INFORMATION ON RISK MANAGEMENT (Continued)**
**Analysis of counterparty credit risk exposure by approach**

	Replacement cost	Potential future exposure	EEPE (*)	Exposure at default post CRM	RWA
Comprehensive approach for credit risk mitigation (for repo transactions, marketable securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit)				1,418	284
Total					284

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

None.

**Standardised approach – exposures by asset classes and risk weights**

Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-
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	-	-	1,418	-	-	-	-	-	-	-	1,418
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past Due Loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	-	-	-	-
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	-	-	<b>1,418</b>	-	-	-	-	-	-	-	<b>1,418</b>



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

## VII. INFORMATION ON RISK MANAGEMENT (Continued)

## Composition of collateral for CCR exposure

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Government security – domestic	-	-	-	-	358,791	-
<b>Total</b>	-	-	-	-	<b>358,791</b>	-

## Credit derivatives exposures

None.

## Credit derivatives exposures

None.

## Securitisation exposures in the banking book

None.

## Securitisation exposures in the trading book

None

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

None.

**INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)****VII. INFORMATION ON RISK MANAGEMENT (Continued)****Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as investor**

None.

**Standardised approach**

		<b>RWA</b>
	<b>Outright products</b>	
1	Interest rate risk (general and specific)	50,800
2	Equity risk (general and specific)	-
3	Foreign exchange risk	5,075
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>55,875</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 2019

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

### 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 2019, 30 June 2018 and 31 December 2018 are presented in the table below:

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
<b>Current Period 30 June 2019</b>					
Interest Income (Net)	(1,078)	88,606	67,569	-	155,097
Commission Income (Net)	-	38,852	-	-	38,852
Unallocated Income/Expenses (Net)	-	-	-	(70,613)	(70,613)
<b>Operating Income</b>	<b>(1,078)</b>	<b>127,458</b>	<b>67,569</b>	<b>(70,613)</b>	<b>123,336</b>
<b>Income from Subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,498</b>	<b>12,498</b>
Income before tax	-	-	-	135,834	135,834
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26,305)</b>	<b>(26,305)</b>
<b>Net Profit for the period</b>				<b>109,529</b>	<b>109,529</b>

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
<b>Current Period 30 June 2019</b>					
Segment Assets	817	381,392	2,965,101	-	3,347,310
Associates and Subsidiaries	-	-	-	-	-
Unallocated assets	-	-	-	1,235,762	1,235,762
<b>Total Assets</b>	<b>817</b>	<b>381,392</b>	<b>2,965,101</b>	<b>1,235,762</b>	<b>4,583,072</b>
Segment Liabilities	443,991	678,842	2,383,438	-	3,506,271
Unallocated Liabilities	-	-	-	100,188	100,188
Equity	-	-	-	976,613	976,613
<b>Total Liabilities</b>	<b>443,991</b>	<b>678,842</b>	<b>2,383,438</b>	<b>1,076,801</b>	<b>4,583,072</b>

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
<b>Prior Period 30 June 2018</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>

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
<b>Prior Period 31 December 2018</b>					
Segment Assets	1,040	1,474,088	4,268,843	-	5,743,971
Associates and Subsidiaries	-	-	-	95,708	95,708
Unallocated assets	-	-	-	155,397	155,397
<b>Total Assets</b>	<b>1,040</b>	<b>1,474,088</b>	<b>4,268,843</b>	<b>251,105</b>	<b>5,995,076</b>
Segment Liabilities	359,268	757,889	3,917,901	-	5,035,058
Unallocated Liabilities	-	-	-	93,230	93,230
Equity	-	-	-	866,788	866,788
<b>Total Liabilities</b>	<b>359,268</b>	<b>757,889</b>	<b>3,917,901</b>	<b>960,018</b>	<b>5,995,076</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Cash/Effective	1,640	13,967	1,809	18,555
Central Bank of Turkey	8,387	1,302,272	6,746	1,222,163
Other	-	-	-	-
<b>Total</b>	<b>10,027</b>	<b>1,316,239</b>	<b>8,555</b>	<b>1,240,718</b>

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Unrestricted Demand Deposits <sup>(1)</sup>	8,387	-	6,746	-
Unrestricted Time Deposits	-	918,616	-	711,682
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	383,656	-	510,481
<b>Total</b>	<b>8,387</b>	<b>1,302,272</b>	<b>6,746</b>	<b>1,222,163</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 1% and 7% (31 December 2018: rates between 1.5% and 8%) , and for USD or EUR at the rates of 5% and 21% respectively (31 December 2018: rates between 4% and 20%) according to their maturities as per the Communiqué no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

**Expected credit losses for cash and cash equivalents**

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	2,225	-	-	2,225
Additions during the period	1,504	-	-	1,504
Disposal	(2,198)	-	-	(2,198)
<b>Balances at end of period</b>	<b>1,531</b>	<b>-</b>	<b>-</b>	<b>1,531</b>

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	1,135	-	-	1,135
Additions during the period	1,090	-	-	1,090
Disposal	-	-	-	-
<b>Balances at end of period</b>	<b>2,225</b>	<b>-</b>	<b>-</b>	<b>2,225</b>

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

As of 30 June 2019, there are no financial assets at fair value through profit or loss subject to repo transactions or given as collateral/blocked (31 December 2018: None).

**Positive differences related to trading derivative financial assets:**

None.

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic banks	225	499,664	287	1,512,582
Foreign banks	-	162,541	-	21,614
<b>Total</b>	<b>225</b>	<b>662,205</b>	<b>287</b>	<b>1,534,196</b>

**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	Prior Period
<b>Debt Securities</b>	<b>153,807</b>	<b>105,070</b>
Quoted in stock exchange	153,807	105,070
Not quoted in stock exchange	-	-
<b>Share Certificates</b>	<b>2,537</b>	<b>2,336</b>
Quoted in stock exchange	-	-
Not quoted in stock exchange	2,537	2,336
<b>Impairment provision (-)</b>	<b>1,459</b>	<b>480</b>
<b>Total</b>	<b>154,885</b>	<b>106,926</b>

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

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

**5. Information on Loans**

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

	Current period		Prior Period	
	Cash	Non- Cash	Cash	Non- Cash
<b>Direct Loans Granted to Shareholders</b>	-	27,748	1,395	26,049
Corporate Shareholders	-	27,748	1,395	26,049
Individual Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to the Bank's personnel</b>	817	99	1,040	-
<b>Total</b>	<b>817</b>	<b>27,847</b>	<b>2,435</b>	<b>26,049</b>

**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>1,368,334</b>	-	-	-
Commercial Loans	-	-	-	-
Export Loans	100,519	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	508,732	-	-	-
Consumer Loans	817	-	-	-
Credit Cards	-	-	-	-
Other	758,266	-	-	-
<b>Specialized Lending</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>91,370</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,459,704</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	5,614	-
Significant increase in credit risk	-	-

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

	Short Term	Middle and Long Term	Total
<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>	<b>180</b>	<b>637</b>	<b>817</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	180	637	817
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>180</b>	<b>637</b>	<b>817</b>

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

	Short-Term	Medium and Long-Term	Total
<b>Commercial Installment Loans-TL</b>	-	2,335	2,335
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	2,335	2,335
Other	-	-	-
<b>Commercial Installment Loans- Indexed to FC</b>	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Commercial Installment Loans - FC</b>	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards-FC</b>	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	-	-	-
<b>Overdraft Account-FC (Legal Entity)</b>	-	-	-
<b>Total</b>	-	2,335	2,335

**Allocation of domestic and foreign loans**

	Current Period	Prior Period
Domestic loans	1,459,704	1,995,801
Foreign loans	-	4,291
<b>Total</b>	<b>1,459,704</b>	<b>2,000,092</b>

**Loans granted to subsidiaries and associates**

None.



**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

<b>Specific provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	88,667	85,343
<b>Total</b>	<b>88,667</b>	<b>85,343</b>

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

None.

*Information on movement of total non-performing loans*

	<b>III. Group Loans and receivables with limited collectibles</b>	<b>IV. Group Loans and receivables with doubtful collectibles</b>	<b>V. Group Uncollectible loans and receivables</b>
<b>Balances at Beginning of Period</b>	-	-	<b>91,385</b>
Additions (+)	-	-	18
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	33
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
<b>Balances at End of the Period</b>	-	-	<b>91,370</b>
Specific provisions (-)	-	-	88,667
<b>Net Balance on Balance Sheet</b>	-	-	<b>2,703</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****5. Information on Loans (Continued)*****Information on foreign currency non-performing loans***

There are non-performing loan receivables in foreign currency amounting TL 26,709 which is followed in Turkish Lira accounts (31 December 2018: TL 26,514).

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Non-performing Loans and receivables</b>
<b>Current Period (Net)</b>	-	-	<b>2,703</b>
Loans granted to real persons and legal entities(Gross)	-	-	91,270
Specific provisions (-)	-	-	88,567
Loans granted to real persons and legal entities(Net)	-	-	2,703
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>2,279</b>
Loans granted to real persons and legal entities(Gross)	-	-	87,522
Specific provisions (-)	-	-	85,243
Loans granted to real persons and legal entities(Net)	-	-	2,279
Banks (Gross) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) <sup>(2)</sup>	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

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

<sup>(2)</sup> Financial assets was cloassified after IFRS 9.

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****5. Information on Loans (Continued)**

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Non- performing Loans and receivables
<b>Current Period (Net)</b>	-	-	-
Interest accruals and valuation differences	-	-	8,146
Provision (-)	-	-	8,146
<b>Prior Period (Net)</b>	-	-	-
Interest accruals and valuation differences	-	-	8,146
Provision (-)	-	-	8,146

***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.

**Expected credit loss for loans**

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	6,770	-	89,106	95,876
Additions during the period	3,415	-	18	3,433
Disposal	(2,991)	-	(457)	(3,448)
<b>Balances at end of period</b>	<b>7,194</b>	<b>-</b>	<b>88,667</b>	<b>95,861</b>

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	8,787	7,141	31,164	47,092
Additions during the period	-	-	59,066	59,066
Disposal	(2,017)	(7,141)	(1,124)	(10,282)
<b>Balances at end of period</b>	<b>6,770</b>	<b>-</b>	<b>89,106</b>	<b>95,876</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

As of 30 June 2019, the Bank does not have marketable securities subjected to repurchase transactions on financial assets measured at amortised cost.

As of 30 June 2019, the Bank does not have marketable securities which are collateralized/blocked from held to maturity financial assets (31 December 2018: TL 2,317).

***Information on government financial assets measured at amortised cost***

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	2,188	266,364	13,032	320,830
<i>Treasury Bonds</i>	-	-	-	-
Other Public Bonds	-	113,657	-	150,461
<b>Total</b>	<b>2,188</b>	<b>380,021</b>	<b>13,032</b>	<b>471,291</b>

	Current Period	Prior Period
<b>Debt Instruments</b>	<b>382,209</b>	<b>484,323</b>
Quoted at stock exchange	382,209	484,323
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
<b>Total</b>	<b>382,209</b>	<b>484,323</b>

***Movement of financial assets measured at amortised cost***

	Current Period	Prior Period
Balances at the beginning of the period	484,323	388,760
Foreign currency gains / losses on monetary assets	34,253	100,912
Purchases during the period	-	190,541
Disposals through sales and redemptions <sup>(1)</sup>	(136,367)	(195,890)
Impairment loss provision	-	-
<b>Period end balance</b>	<b>382,209</b>	<b>484,323</b>

(1) In the current period redemption amounting to TL 136,367 has been realized from the portfolio. (31 December 2018: TL 195,890)

**Expected credit loss for financial assets measured at amortised cost**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	1,300	-	-	1,300
Additions during the period	62	-	-	62
Disposal	(371)	-	-	(371)
<b>Balances at end of period</b>	<b>991</b>	<b>-</b>	<b>-</b>	<b>991</b>

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	260	-	-	260
Additions during the period	1,453	-	-	1,453
Disposal	(413)	-	-	(413)
<b>Balances at end of period</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>1,300</b>

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****7. Information on associates**

The Bank does not have an associate.

**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	Prior Period
<b>CORE CAPITAL</b>		
Paid in Capital	108,000	95,500
Capital Reserves	228	228
Legal Reserves	4,643	3,772
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	6,307	12,893
<i>Net Profit</i>	6,785	12,763
<i>Prior Period Profit/Loss <sup>(2)</sup></i>	(478)	130
Intangible Assets (-)	241	133
<b>Total Core Capital</b>	<b>118,938</b>	<b>112,261</b>
<b>SUPPLEMENTARY CAPITAL</b>	-	-
<b>CAPITAL</b>	<b>118,938</b>	<b>112,261</b>
<b>DEDUCTION FROM CAPITAL</b>	-	-
<b>NET AVAILABLE CAPITAL <sup>(1)</sup></b>	<b>118,938</b>	<b>112,261</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 118,938.

<sup>(2)</sup> As decided in the Annual General Meeting which is held on 28 March 2019, a capital increase of TL 12,500 was made from the previous year's profit and amount of TL 871 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 2019**

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

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

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

30 June 2019	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>
	382,059	118,908	4,457	20,428	-	6,785	(478)	-

<sup>(1)</sup> The related subsidiary has no fair value as of 30 June 2019.*Movement related to subsidiaries*

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

*Sectoral Information on the subsidiaries*

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

*Quoted Subsidiaries*

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.

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

The Bank has no financial derivatives for hedging.

**12. Information on investment property**

The Bank has no investment property.

**13. Information on tax assets**

As of 30 June 2019, there is no current tax asset.

**Information on deferred tax asset**

As of June 30, 2019, the Bank calculated net deferred tax asset of TL 186 by netting off deferred tax asset of TL 13,061 and deferred tax liability of TL 12,875 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

Detailed information on net deferred tax assets is as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/liability	Accumulated temporary differences	Deferred tax asset/liability
Provisions for employee rights	16,223	3,337	16,334	3,357
Unearned revenues	5,435	1,196	5,714	1,257
Interest rediscounts	5,689	1,251	7,118	1,566
Provision	30,925	6,804	30,071	6,616
Other	2,152	473	426	91
<b>Deferred tax asset</b>	<b>60,424</b>	<b>13,061</b>	<b>59,663</b>	<b>12,887</b>
Tangible assets revaluation surplus	94,128	11,376	-	-
Accumulated revaluation surplus	4,520	959	95,715	11,694
Other	2,453	540	1,152	253
<b>Deferred tax liability</b>	<b>101,101</b>	<b>12,875</b>	<b>96,867</b>	<b>11,947</b>
<b>Deferred tax asset (net)</b>		<b>186</b>		<b>940</b>

Movement of deferred tax:

	Current Period	Prior Period
Opening balance	940	(4,201)
TFRS 9 adjustment	-	6,871
Deferred tax income/(expense)(Net)	(606)	1,849
Deferred tax accounted under shareholder's equity	(148)	(3,579)
<b>Net Deferred Tax Asset/(Liability)</b>	<b>186</b>	<b>940</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

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

**15. Information on other assets**

Other assets is amounting to TL 14,699 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2018: TL 21,008).



**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES**
**1. Information on maturity profile of deposits**

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
<b>Saving Deposits</b>	<b>34,333</b>	-	<b>2,927</b>	<b>1,911</b>	<b>2,467</b>	-	-	-	<b>41,638</b>
<b>Foreign Currency Deposits</b>	<b>895,096</b>	-	<b>2,332</b>	<b>125,264</b>	<b>18,939</b>	<b>4,314</b>	<b>3,434</b>	-	<b>1,049,379</b>
Residents in Turkey	342,116	-	2,217	107,533	4,830	268	264	-	457,228
Residents Abroad	552,980	-	115	17,731	14,109	4,046	3,170	-	592,151
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>3,859</b>	-	<b>65</b>	<b>143</b>	-	-	-	-	<b>4,067</b>
<b>Other Ins. Deposits</b>	<b>22,622</b>	-	-	-	-	-	-	-	<b>22,622</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits<sup>(*)</sup></b>	<b>477,805</b>	-	<b>26,241</b>	<b>1,101,856</b>	-	<b>79,049</b>	<b>29,545</b>	-	<b>1,714,496</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	26,226	-	-	-	-	-	26,226
Foreign Banks	477,805	-	15	1,101,856	-	79,049	29,545	-	1,688,270
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,433,715</b>	-	<b>31,565</b>	<b>1,229,174</b>	<b>21,406</b>	<b>83,363</b>	<b>32,979</b>	-	<b>2,832,202</b>

(\*) As of 30 June 2019, the Bank has restricted bank deposit amounting to TL 524,568 (31 December 2018: None).

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>27,623</b>	-	<b>2,053</b>	<b>2,452</b>	<b>2,144</b>	-	-	-	<b>34,272</b>
<b>Foreign Currency Deposits</b>	<b>1,027,875</b>	-	<b>227</b>	<b>22,188</b>	<b>10,396</b>	<b>4,134</b>	<b>5,521</b>	-	<b>1,070,341</b>
Residents in Turkey	644,783	-	227	7,222	3,053	243	239	-	655,767
Residents Abroad	383,092	-	-	14,966	7,343	3,891	5,282	-	414,574
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	<b>7,170</b>	-	<b>312</b>	<b>152</b>	-	-	-	-	<b>7,634</b>
<b>Other Ins. Deposits</b>	<b>1,467</b>	-	-	-	-	-	-	-	<b>1,467</b>
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits<sup>(*)</sup></b>	<b>740,328</b>	-	<b>51,857</b>	<b>162,982</b>	<b>1,107,205</b>	<b>894,668</b>	<b>329,780</b>	-	<b>3,286,820</b>
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,804,463</b>	-	<b>54,449</b>	<b>187,774</b>	<b>1,119,745</b>	<b>898,802</b>	<b>335,301</b>	-	<b>4,400,534</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****1. Information on maturity profile of deposits (Continued)***Information on saving deposits insured by saving deposit insurance fund and the total amount of the deposits exceeding the insurance coverage limit*

	Covered by deposit insurance Fund		Not covered by deposit insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	10,990	15,171	30,648	19,101
Foreign Currency Saving Deposits	118,680	99,395	283,673	225,601
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
<b>Total</b>	<b>129,670</b>	<b>114,566</b>	<b>314,321</b>	<b>244,702</b>

*Saving deposits not covered by deposit insurance*

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

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

The Bank's headquarter is located in Turkey.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	8,108	3,922
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 December 2004	-	-
Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey	-	-
<b>Total</b>	<b>8,108</b>	<b>3,922</b>

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

None.

**3. Information on Funds Borrowed**

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	-	6,597	-	4,555
From Foreign Banks, Institutions and Funds	-	667,472	-	629,969
<b>Total</b>	<b>-</b>	<b>674,069</b>	<b>-</b>	<b>634,524</b>

*Presentation of funds borrowed based on maturity profile*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	6,597	-	296,512
Long-Term	-	667,472	-	338,012
<b>Total</b>	<b>-</b>	<b>674,069</b>	<b>-</b>	<b>634,524</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 62% of deposits which mainly come from Libyan Foreign Bank and its subsidiaries.

**4. Information on other liabilities**

Other liabilities is amounting to TL 33,552 and this amount does not exceed 10% of total the balance sheet (31 December 2018: TL 33,216).

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

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	2,092	1,921	-	-
1 – 4 years	1,416	988	-	-
More than 4 years	352	285	-	-
<b>Total</b>	<b>3,860</b>	<b>3,194</b>	<b>-</b>	<b>-</b>

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

None.

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

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability of the Bank is the amount as at 30 June 2019 is TL 6,018 (31 December 2018: TL 8,153). In addition to this, the unused vacation provision and other employee benefits amount as at 30 June 2019 is TL 10,205 (31 December 2018: TL 8,181).

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

As of June 30, 2019, the reserve for contingent risks for the Bank is TL 10,000 (31 December 2018: TL 10,000).

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

	Current Period	Prior Period
Free provisions for possible risks	10,000	10,000
Provisions for non-cash loans	20,969	19,454
Provisions for law suits	521	420
<b>Total</b>	<b>31,490</b>	<b>29,874</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****8. Information on tax payables*****Information on current tax liability***

As of 30 June, 2019, the Bank's corporate tax payable is TL 9,613 after offsetting prepaid corporate tax (31 December 2018: TL 10,235).

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Taxes Payable	9,613	10,235
Banking Insurance Transaction tax (BITT)	831	1,116
Taxation on Securities Income	379	176
Value Added Tax Payable	14	62
Value Added Tax Payable (Limited tax payer)	-	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	18	17
Other	3,731	1,333
<b>Total</b>	<b>14,586</b>	<b>12,939</b>

***Information on premium payables***

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	425	322
Social Security Premiums-Employer	628	476
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	30	23
Unemployment Insurance-Employer	60	46
Others	-	-
<b>Total</b>	<b>1,143</b>	<b>867</b>

***Information on deferred tax liability***

None.

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

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

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

The Banks has no subordinated loans.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

	<b>Current 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.

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)****9. Information on Shareholders' Equity**

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

None.

*Explanations on dividend distribution*

None.

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

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Valuation Differences	(6)	2,137	-	500
Exchange Rate Differences	-	-	-	-
<b>Total</b>	<b>(6)</b>	<b>2,137</b>	<b>-</b>	<b>500</b>

*Information on legal reserve*

Pursuant to the decision taken at the 41st Ordinary General Assembly Meeting held on 3 May 2019, TL 4,956 has been transferred from retained earnings to legal reserves in accordance with Article 519 of the Turkish Commercial Code no.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

The Bank has TL 16,281 as irrevocable commitments (31 December 2018: TL 103,493).

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

As of the balance sheet date, the Bank has allocated the provision amounting TL 384 over total Stage 3 non-cash loans. (31 December 2018: TL 461)

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

The total amount of non-cash loans including guarantees, bills of exchange and acceptances and sureties on letters of credits and other guarantees is 637,435 (31 December 2018: TL 931,005).

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

The total amount of the Bank's guarantee letters is TL 3,303,553 (31 December 2018: TL 3,014,422).

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

	<b>Current Period</b>	<b>Prior Period</b>
Non-Cash Loans granted for Cash Loan Assurance	705,528	682,208
Less Than or Equal to One Year with Original Maturity	405,740	431,605
More Than One Year with Original Maturity	299,788	250,603
Other Non-Cash Loans	3,235,460	3,263,219
<b>Total</b>	<b>3,940,988</b>	<b>3,945,427</b>

**Expected losses for non-cash loans and irrevocable commitments**

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	18,991	1	461	19,453
Additions during the period	6,745	-	-	6,745
Disposal	(5,151)	(1)	(77)	(5,229)
<b>Balances at end of period</b>	<b>20,585</b>	<b>-</b>	<b>384</b>	<b>20,969</b>

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balances at beginning of the period	13,773	-	492	14,265
Additions during the period	7,743	1	-	7,744
Disposal	(2,525)	-	(31)	(2,556)
<b>Balances at end of period</b>	<b>18,991</b>	<b>1</b>	<b>461</b>	<b>19,453</b>



**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME****1. Information on interest income***Information on interest income received from loans*

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans <sup>(1)</sup>				
Short-Term Loans	65,254	10,748	52,991	4,678
Medium and Long-Term Loans	153	14,354	293	23,027
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>65,407</b>	<b>25,102</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		Prior Period	
	TL	FC	TL	FC
From CRBT	-	-	-	-
From Domestic Banks	1,261	7,825	3,229	19,888
From Foreign Banks	-	460	-	200
Overseas Headquarters and Branches	-	-	-	-
<b>Total</b>	<b>1,261</b>	<b>8,285</b>	<b>3,229</b>	<b>20,088</b>

*Information on interest income on marketable securities*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	14,239	-	13,599
Financial Assets at Fair Value Through Other Comprehensive Income	91	6,504	9	1,285
Financial Assets Measured at Amortised Cost	1,101	10,632	2,180	5,448
<b>Total</b>	<b>1,192</b>	<b>31,375</b>	<b>2,189</b>	<b>20,332</b>

*Information on interest income received from associates and subsidiaries*

None.

**ARAP TÜRK BANKASI A.Ş.**
**NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)**
**2. Interest Expense**
*Information on interest paid for funds borrowed*

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Banks</b>	-	<b>11,916</b>	<b>36</b>	<b>9,732</b>
Central Bank	-	-	-	-
Domestic Banks	-	86	36	12
Foreign Banks	-	11,830	-	9,720
Overseas Headquarters and Branches	-	-	-	-
<b>Total</b>	-	<b>11,916</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>								
Bank deposits	-	75	-	-	-	-	-	75
Saving deposits	-	93	164	195	-	152	-	604
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	47	6	4	-	-	-	57
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>215</b>	<b>170</b>	<b>199</b>	-	<b>152</b>	-	<b>736</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	6	618	117	51	73	-	865
Interbank deposits	130	-	10,325	-	741	277	-	11,473
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>130</b>	<b>6</b>	<b>10,943</b>	<b>117</b>	<b>792</b>	<b>350</b>	-	<b>12,338</b>
<b>Grand Total</b>	<b>130</b>	<b>221</b>	<b>11,113</b>	<b>316</b>	<b>792</b>	<b>502</b>	-	<b>13,074</b>

**3. Explanations on dividend income**

	Current Period	Prior Period
Financial assets at fair value through profit or loss	-	-
Financial assets measured at amortized cost	-	-
Financial assets at fair value through other comprehensive income	15	144
Other <sup>(1)</sup>	12,498	10,498
<b>Total</b>	<b>12,513</b>	<b>10,642</b>

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

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (Continued)****4. Information on trading gain/loss**

	<b>Current Period</b>	<b>Prior Period</b>
<b>Gain</b>	<b>11,682,267</b>	<b>9,316,036</b>
Gain from money market transactions	-	-
Gain from financial derivative transactions	-	185
Gain from exchange transactions	11,682,267	9,315,851
<b>Loss (-)</b>	<b>(11,691,480)</b>	<b>(9,330,559)</b>
Loss from money market transactions	(13,940)	(18,831)
Loss from financial derivative transactions	-	(448)
Loss from exchange transactions	(11,677,540)	(9,311,280)
<b>Net Trading Gain/Loss</b>	<b>(9,213)</b>	<b>(14,523)</b>

**5. Information on income from other operations**

	<b>Current Period</b>	<b>Prior Period</b>
From Reversal of Provisions of Prior Year	576	20,169
From Communication Income	1,673	722
Gain on sales of assets	-	29
Other Income	28	108
<b>Total</b>	<b>2,277</b>	<b>21,028</b>

**6. Information on impairment in loans**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss Provisions	867	57,457
12 month expected credit loss (stage 1)	849	-
Significant increase in credit risk (stage 2)	-	-
Non-performing loans (stage 3)	18	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>867</b>	<b>57,457</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
Employee Termination Benefits Expense	634	432
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	1,455	680
Intangible Fixed Asset Impairment Expense	-	-
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	908	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	8,521	7,144
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	31	732
<i>Maintenance Expenses</i>	2,777	2,098
<i>Advertisement Expenses</i>	92	130
<i>Other Expenses</i>	5,621	4,184
Losses from sales of Assets	-	-
Other	9,707	4,882
<b>Total</b>	<b>21,225</b>	<b>13,753</b>

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

The pre-tax income amount from continued operations is TL 135,834 (30 June 2018: TL 30,574).

**INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO STATEMENT OF INCOME (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 2019, current taxation expense is TL 25,699 (30 June 2018: TL 1,536 current tax expense) and the net impact of deferred tax expense is TL 606 (30 June 2018: TL 261 deferred tax expense).

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

The Bank has TL 606 as deferred tax expense arising from origination of temporary differences (30 June 2018: TL 261 deferred tax expense).

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

The Bank has TL 606 as deferred tax expense reflected in the income statement computed over temporary difference and tax deductions and exemptions (30 June 2018: TL 261 deferred tax expense).

**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 109,529 (30 June 2018: 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 20,578 consist of transfer commissions, letter of credit commissions and other (30 June 2018: TL 12,132).

	Current Period	Prior Period
Letter of Credit Commissions	14,780	8,910
Transfer Commissions	5,437	2,808
Other	361	414
<b>Total</b>	<b>20,578</b>	<b>12,132</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

**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***

<b>Current Period</b>						
<b>Bank's Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank's Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-cash</b>
<b>Loans and Other Receivables</b>						
Balance at the beginning of the period	-	606	1,395	26,049	431,005	247,752
Balance at the end of the period	-	495	-	27,748	-	64,328
Interest and Commission Income received <sup>(2)</sup>	-	-	-	-	917	-

<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.

<b>Prior Period</b>						
<b>Bank's Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank's Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-cash</b>
<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	-	606	1,395	26,049	431,005	247,752
Interest and Commission Income received <sup>(2)</sup>	12	-	-	-	260	-

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

<b>Bank's Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank's Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>	<b>Current Period</b>	<b>Prior Period</b>
<b>Deposits</b>						
Balance at the beginning of the period	334	115	2,038,148	2,250,314	658,394	394,038
Balance at the end of the period	173	334	1,224	2,038,148	1,207,685	658,394
Interest expense on deposits	-	-	16,024	43,419	11,728	5,823

<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 2019, TL 13,700 has been paid to the top level management of the Bank as salaries and fringe benefit (30 June 2018: TL 5,520).

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

None.

**SECTION SIX**

**INDEPENDENT AUDITOR’S REVIEW REPORT**

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

As of 30 June 2019, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (the Turkish member firm of KPMG International Cooperative) and Independent Auditor’s Review Report is presented preceding the financial statements.

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

None.

**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT**

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

In the first half of 2019, developments related to the trade war between the US and China continued to be the main agenda item of the global markets.

According to the final data, the US economy grew by 3.1% in the first quarter of 2019 in line with the expectations. In the monetary policy meeting that ended on June 19, the Federal Reserve (Fed) kept the policy interest rate constant between 2.25% and 2.50%, pointing out that a significant portion of the members would be able to cut interest rates during the year.

The Eurozone, which grew by 0.3% in the first quarter of the year, continued its weak economic activity. While the European Central Bank (ECB) did not change interest rates in the first half of the year, it was announced that interest rate hikes may be on the agenda at the earliest next year. On the front side of developing countries, China showed the weakest growth of the last 28 years with 6.6% in 2018, and reached 6.4% gross domestic product growth in the first quarter of 2019.

When analyzed the figures for Turkey's economy, the gross domestic product in the first quarter of 2019 by 2.6% compared to the same period of the previous year shows that narrows. The twelve-month current account deficit decreased by USD 55.5 billion (95.9%) in May 2019 to USD 2.4 billion compared to the same period of the previous year. In the first half of the year, the Turkish lira depreciated by 9.6% against the US Dollar and 8.8% against the Euro. The annual increase in the Consumer Price Index, which stood at 20% and 30% in December 2018, decreased to 15.72% at the end of June 2019, while the policy rate, which was raised to 24% on September 13, 2018, remained unchanged during the period under review.

When the figures related to the Turkish banking sector are analyzed, it is considered that the growth in the major performance items is moderate. As of May 2019, total assets of the sector increased by 10.4% compared to year-end and reached TL 4,270 billion. In this period, growth in loan and deposit volumes were 6.4% and 11.4%, respectively. The ratio of gross non-performing loans to total cash loans continues to increase and the NPL ratio, which was 3.87% at the end of 2018, increased to 4.18% as of May 2019 period.

On the profitability side, net profit of the sector decreased by 17.3% as of May 2019 from TL 23.8 billion to TL 19.7 billion compared to the same period of the previous year. Similarly, the return on equity ratio, which was 14.83% at the end of 2018, was 12.71% (annual) as of May 2019 period. The capital adequacy standard ratio, which is the most important indicator of the capital level of the sector, is horizontal and stands at 17.07%.



**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**I. Evaluation of the Chairman and General Manager for the Period (Continued)**

As of June 2019, the Bank's assets amounted to TL 4.6 billion. Compared to the first half of last year, our net interest income increased by 70% to TL 155 million and our net fee and commission income increased by 58% to TL 39 million. Our net profit for the period increased by 281% to TL 109.5 million, while our return on equity, which was 13.11% at the end of 2018, reached 22.29% on an annual basis in June 2019. The Bank's capital adequacy ratio also maintains its strong outlook with 23.34%.

As of March 2019, the Bank's total assets amounted to TL 4.6 billion. When compared to the first quarter of the previous year, our net interest income increased by 83.7% to TL 71 million, and our net fee and commission income increased by 78.6% to TL 20.3 million. Our net profit increased by 107.4% to TL 50.7 million, while our return on equity of 14.68% at the end of 2018 reached 17.98% in March 2019 period. The Bank's capital adequacy ratio remains strong at 21.34%.

In the coming period, the Bank will continue to contribute to its vision of developing exports, which has priority among Turkey's macroeconomic objectives while strengthening its current position in North African countries.

Improving information technology and automation infrastructure in our business processes, increasing service quality and ensuring full compliance with corporate governance principles will maximize operational efficiency.

Without compromising effective risk and liquidity management, the sustained contribution to the national economy with the objective of "sustainable healthy growth in the field of corporate banking" will continue to be our main working principle in the coming period as it has so far.

Best regards,

Wail J. A. BELGASEM  
General Manager

Bilgehan KURU  
Chairman

**ARAP TÜRK BANKASI A.Ş.****NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**

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

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

<b>Assets (TL Thousand) (1)</b>	<b>2018/12</b>	<b>2019/06</b>
Financial Assets (Net) (2)	3,372,762	2,593,798
Financial assets measured at amortised cost (net) (3)	2,387,239	1,745,061
Property and equipment held for sale purpose and related to discontinued operations (net)	6	6
Subsidiaries (Net)	95,708	108,205
Tangible Assets (Net)	113,282	117,477
Intangible Assets and Goodwill (Net)	4,131	3,640
Deferred Tax Assets	940	186
Other Assets	21,008	14,699
<b>Total Assets</b>	<b>5,995,076</b>	<b>4,583,072</b>
<b>Liabilities (TL Thousand) (1)</b>	<b>2018/12</b>	<b>2019/06</b>
Deposits	4,400,534	2,832,202
Funds Borrowed	634,524	674,069
Lease liabilities	0	3,194
Provisions	46,208	47,713
Current Tax Liabilities	13,806	15,729
Shareholders' Equity	866,788	976,613
Other Liabilities	33,216	33,552
<b>Total Liabilities</b>	<b>5,995,076</b>	<b>4,583,072</b>
<b>Off-Balance Sheet Commitments (TL Thousand)</b>	<b>2018/12</b>	<b>2019/06</b>
Guarantees and Suretyships	3,945,427	3,940,988
Commitments	103,493	16,281
<b>Total Off-Balance Sheet Commitments</b>	<b>4,048,920</b>	<b>3,957,269</b>
<b>Income Statement (TL Thousand)</b>	<b>2018/06</b>	<b>2019/06</b>
Interest Income	130,258	180,293
Interest Expense (-)	38,942	25,196
Net Interest Income	91,316	155,097
Net Fees and Commission Income	24,524	38,852
Dividend Income	10,642	12,513
Net Trading Profit / Loss (+ / -)	(14,523)	(9,213)
Other Operating Income	21,028	2,277
Gross Profit from Operating Activities	132,987	199,526
Allowances for Expected Credit Losses (-)	57,457	867
Other Provision Expenses (-)	0	101
Personnel Expenses (-)	31,203	41,499
Other Operating Expenses (-)	13,753	21,225
Net Operating Profit / Loss	30,574	135,834
Tax Provision (-)	1,797	26,305
<b>Net Profit</b>	<b>28,777</b>	<b>109,529</b>

## SECTION SEVEN

## EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

## III. Unconsolidated Main Financial Ratios

Unconsolidated Main Financial Ratios (%)	2018/06	2019/06
Return on Assets (4)	1.29	3.28
Return on Equity (4)	8.93	22.29
Capital Adequacy Standard Ratio	15.91	23.34
Loans / Total Assets	33.36	31.85
Deposits / Total Assets	73.40	61.80

(1) Rate sensitive assets and liabilities include rediscounts.

(2) Consists 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 Loans, Lease Receivables, Factoring Receivables, Financial Assets Measured at Amortized Cost and Expected Credit Losses.

(4) The ratios are annualized.

## IV. Evaluation of the Bank's Financial Position and Performance

- Compared to the end of the previous year, total assets of the Bank decreased by 23.6% to TL 4.583 million at end-June 2019. In the period examined, the most significant investment instruments of the Bank included financial assets by 57% share totaling TL 2.594 million and financial assets measured at amortised cost (net) by 38% share totaling 1.745 million.
- External sources constituted 78.7% of the Bank's total liabilities. Total deposits, which was the most significant part of the external sources, realized as TL 2.832 million. Shareholders' equity stood at 976.6 million and constituted 21.3% of total liabilities.
- Guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees are realized as TL 3.941 million .
- At the end of June 2019, cumulative net term profit of A&T Bank increased by 280.6% and realized as TL 109.5 million.
- In the current period net interest income and net fees and commission income increased by 69.8% and 58.4% respectively.
- Return on assets and return on equity ratios are 3.28% and 22.29% respectively.

**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

**V. Amendments to the Articles of Association**

In the first half of 2019, no amendments were made to the Bank's Articles of Association.

**VI. Changes in the Membership Structure of the Board of Directors**

- At the Ordinary General Assembly Meeting held on May 3, 2019; Aflah Omar Magsi has been elected as a member of the Board of Directors. Mr. Magsi was sworn in on May 10, 2019 and started his duty.
- At the Board of Directors Meeting held on May 3, 2019, Mr. Wail J. A. Belgasem has been appointed as the General Manager. Mr. Belgasem started his duty on 10 June 2019 upon the completion of legal procedures.
- Mr. Abdulhakim A. E. Khamag, who resigned from his position as General Manager, continues to serve as Board Member at A&T Bank.
- As of 30 June 2019, the memberships of the Board of Directors are as follows:
  - Bilgehan KURU / Chairman of the Board of Directors
  - Abdurauf Ibrahim G. SHNEBA / Deputy Chairman of the Board of Directors
  - Wail J. A. BELGASEM / Member of the Board of Directors and General Manager
  - Fatma Nur ÇETİNEL / Member of the Board of Directors
  - Volkan KUBLAY / Member of the Board of Directors
  - Abdulhakim A. E. KHAMAG / Member of the Board of Directors
  - Hani Alhmali Allafi IBRAHİM / Member of the Board of Directors
  - Tülin İNHAN / Member of the Board of Directors
  - Aflah Omar MAGSI / Member of the Board of Directors

**SECTION SEVEN**

**EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)**

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

- Mr. Wail J. A. Belgasem, who was appointed as the General Manager, resigned from the Audit Committee.
- As of 30 June 2019 Audit Committee membership as follows:
  - Abdurauf Ibrahim G. Shneba / Chairman
  - Fatma Nur Çetinel / Member
- As at 1 February 2019, Sait Yilmazer was appointed to as a manager of Department of Risk Management .

**VIII. Changes in the Membership Structure of Other Governance Committees**

- Mr. Wail J. A. Belgasem, who was appointed as the General Manager, resigned from the Remuneration Committee.

**IX. Other Issues**

There is no significant changes apart from the above mentioned explanations compared to the 2018 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”.