

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

Arap Türk Bankası Anonim Şirketi

**Consolidated Financial Statements
As of and For Nine-Month Period Ended 30 September 2019
With Auditors' Review Report Thereon**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

8 November 2019

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



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

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Arap Türk Bankası A.Ş. (the "Bank") and its consolidated financial subsidiaries (together referred to as the "Group") as at 30 September 2019 and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in shareholders' equity, the consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not present fairly, in all material respects, the financial position of Arap Türk Bankası A.Ş. and its consolidated financial subsidiaries at 30 September 2019, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

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

Erdal Tıkmak, SMMM
Partner

8 November 2019
Istanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED INTERIM FINANCIAL REPORT
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 consolidated interim financial report as of and for the nine month period ended 30 September 2019 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be Announced to Public” by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

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

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

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


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



Bilgehan Kuru
Chairman of the Board of Directors



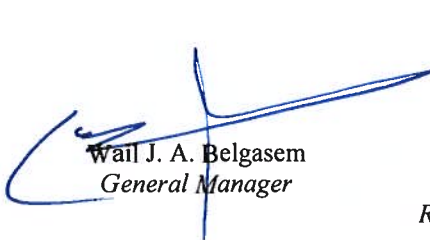
Aflah Omar Magsi
Member of The Board of Directors and The Audit Committee




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



Nail 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
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ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

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

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

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

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

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

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

As of 30 September 2019, the Parent Bank’s share capital at the balance sheet date as follows:

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

⁽¹⁾ Emek İnşaat ve İşletme A.Ş. has 0,0000014% share in the paid capital by TL 6.20 (full digit in TL) (31 December 2018: 0,0000014% share and TL 6.20 (full digit in TL).

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

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

Name	Job Title – Description
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
Aflah Omar Magsi	Member of the Board of Directors and Audit Committee
Abdulahakim A. E. Khamag	Member of the Board of Directors
Volkan Kublay	Member of the Board of Directors
Hani Alhmali Allafi İbrahim	Member of the Board of Directors
Tülin İnhan	Member of the Board of Directors

General Manager and Deputie

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

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

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

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

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

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

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

GENERAL INFORMATION ABOUT THE PARENT BANK (Continued)

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

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

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

None.

ARAP TÜRK BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

AS OF 30 SEPTEMBER 2019

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30.09.2019			31.12.2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		650,875	2,383,628	3,034,503	247,643	3,184,040	3,431,683
1.1	Cash and Cash Equivalents	1	647,681	2,080,176	2,727,857	247,419	2,795,172	3,042,591
1.1.1	Cash and Balances with Central Bank		8,727	1,253,697	1,262,424	8,557	1,240,718	1,249,275
1.1.2	Banks	3	72,949	826,479	899,428	38,948	1,554,454	1,593,402
1.1.3	Money Markets		567,753	--	567,753	202,139	--	202,139
1.1.4	Expected Credit Loss (-)		1,748	--	1,748	2,225	--	2,225
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	--	87,278	87,278	--	282,166	282,166
1.2.1	Government Securities		--	87,278	87,278	--	238,569	238,569
1.2.2	Equity Securities		--	--	--	--	--	--
1.2.3	Other Financial Assets		--	--	--	--	43,597	43,597
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	3,194	216,174	219,368	224	106,702	106,926
1.3.1	Government Securities		2,970	98,684	101,654	--	15,970	15,970
1.3.2	Equity Securities		224	2,265	2,489	224	2,112	2,336
1.3.3	Other Financial Assets		--	115,225	115,225	--	88,620	88,620
1.4	Derivative Financial Assets		--	--	--	--	--	--
1.4.1	Derivative Financial Assets Measured at Fair Value Through Profit or Loss		--	--	--	--	--	--
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		--	--	--	--	--	--
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)	5	341,677	1,329,788	1,671,465	605,636	2,142,858	2,748,494
2.1	LOANS (NET)		385,133	673,649	1,058,782	617,025	1,385,889	2,002,914
2.2	Lease Receivables		51,964	237,468	289,432	73,338	287,582	360,920
2.3	Factoring Receivables		--	--	--	--	--	--
2.4	Other Financial Assets Measured at Amortised Cost	6	1,255	424,203	425,458	13,032	471,291	484,323
2.4.1	Government Securities		1,255	280,510	281,765	13,032	320,830	333,862
2.4.2	Other Financial Assets		--	143,693	143,693	--	150,461	150,461
2.5	Expected Credit Loss (-)		96,675	5,532	102,207	97,759	1,904	99,663
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	14	1,006	--	1,006	6	--	6
3.1	Held for Sale Purpose		1,006	--	1,006	6	--	6
3.2	Related to Discontinued Operations		--	--	--	--	--	--
IV.	EQUITY INVESTMENTS		--	--	--	--	--	--
4.1	Associations (Net)	7	--	--	--	--	--	--
4.1.1	Associates Accounted Based on Equity Method		--	--	--	--	--	--
4.1.2	Unconsolidated Financial Subsidiaries		--	--	--	--	--	--
4.2	Subsidiaries (Net)	8	--	--	--	--	--	--
4.2.1	Unconsolidated Financial Subsidiaries		--	--	--	--	--	--
4.2.2	Unconsolidated Non-Financial Subsidiaries		--	--	--	--	--	--
4.3	JOINT VENTURES (Net)	9	--	--	--	--	--	--
4.3.1	Joint Ventures Accounted Based on Equity Method		--	--	--	--	--	--
4.3.2	Unconsolidated Joint Ventures		--	--	--	--	--	--
V.	PROPERTY AND EQUIPMENT (Net)		120,828	--	120,828	117,639	--	117,639
VI.	INTANGIBLE ASSETS (Net)		3,425	--	3,425	4,264	--	4,264
6.1	Goodwill		--	--	--	--	--	--
6.2	Other		3,425	--	3,425	4,264	--	4,264
VII.	INVESTMENT PROPERTY (Net)	12	--	--	--	--	--	--
VIII.	CURRENT TAX ASSET	13	--	--	--	--	--	--
IX.	DEFERRED TAX ASSET	13	50	--	50	1,566	--	1,566
X.	OTHER ASSETS	15	19,454	9,612	29,066	17,284	8,668	25,952
	TOTAL ASSETS		1,137,315	3,723,028	4,860,343	994,038	5,335,566	6,329,604

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 SEPTEMBER 2019

(Thousands of Turkish Lira ("TL"))

LIABILITIES		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30.09.2019			31.12.2018		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DEPOSITS	1	27,582	2,804,335	2,831,917	44,283	4,355,917	4,400,200
II.	FUNDS BORROWED	3	--	886,980	886,980	--	939,769	939,769
III.	MONEY MARKETS		--	--	--	--	--	--
IV.	SECURITIES ISSUED (Net)		--	--	--	--	--	--
4.1	Bills		--	--	--	--	--	--
4.2	Asset Backed Securities		--	--	--	--	--	--
4.3	Bonds		--	--	--	--	--	--
V.	FUNDS		--	--	--	--	--	--
5.1	Borrower Funds		--	--	--	--	--	--
5.2	Other		--	--	--	--	--	--
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		--	--	--	--	--	--
VII.	DERIVATIVE FINANCIAL LIABILITIES		--	--	--	--	--	--
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		--	--	--	--	--	--
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		--	--	--	--	--	--
VIII.	FACTORING LIABILITES		--	--	--	--	--	--
IX.	LEASE LIABILITIES (Net)		1,313	1,132	2,445	--	--	--
X.	PROVISIONS	7	48,014	316	48,330	47,986	461	48,447
10.1	Restructuring Provisions		--	--	--	--	--	--
10.2	Reserve for Employee Benefits		19,043	--	19,043	18,573	--	18,573
10.3	Insurance Technical Provisions (Net)		--	--	--	--	--	--
10.4	Other Provisions		28,971	316	29,287	29,413	461	29,874
XI.	CURRENT TAX LIABILITY	8	11,240	--	11,240	16,894	--	16,894
XII.	DEFERRED TAX LIABILITY		4	--	4	--	--	--
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		--	--	--	--	--	--
13.1	Held for Sale Purpose		--	--	--	--	--	--
13.2	Related to Discontinued Operations		--	--	--	--	--	--
XIV.	SUBORDINATED DEBT INSTRUMENTS		--	--	--	--	--	--
14.1	Loans		--	--	--	--	--	--
14.2	Other Debt Instruments		--	--	--	--	--	--
XV.	OTHER LIABILITIES	4	18,429	31,483	49,912	18,075	22,948	41,023
XVI.	SHAREHOLDERS' EQUITY	9	1,026,208	3,307	1,029,515	882,771	500	883,271
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		77,108	--	77,108	79,064	--	79,064
16.4	Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		286	3,307	3,593	--	500	500
16.5	Profit Reserves		35,276	--	35,276	29,449	--	29,449
16.5.1	Legal Reserves		35,275	--	35,275	29,448	--	29,448
16.5.2	Status Reserves		--	--	--	--	--	--
16.5.3	Extraordinary Reserves		1	--	1	1	--	1
16.5.4	Other Profit Reserves		--	--	--	--	--	--
16.6	Profit or (Loss)		473,538	--	473,538	334,258	--	334,258
16.6.1	Prior Periods' Profit or (Loss)		328,431	--	328,431	231,015	--	231,015
16.6.2	Current Period Profit or (Loss)		145,107	--	145,107	103,243	--	103,243
16.7	Minority shares		--	--	--	--	--	--
TOTAL LIABILITIES			1,132,790	3,727,553	4,860,343	1,010,009	5,319,595	6,329,604

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 30 SEPTEMBER 2019

(Thousands of Turkish Lira ("TL"))

		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD			PRIOR PERIOD		
			30.09.2019			31.12.2018		
			TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		280,510	3,760,933	4,041,443	296,268	3,756,204	4,052,472
I.	GUARANTEES AND WARRANTIES	2	271,968	3,726,400	3,998,368	289,028	3,656,399	3,945,427
1.1.	Letters of Guarantee		271,968	2,883,664	3,155,632	289,028	2,725,394	3,014,422
1.1.1.	Guarantees Subject to State Tender Law		67,789	--	67,789	67,440	--	67,440
1.1.2.	Guarantees Given for Foreign Trade Operations		15	2,874,455	2,874,470	--	2,689,342	2,689,342
1.1.3.	Other Letters of Guarantee		204,164	9,209	213,373	221,588	36,052	257,640
1.2.	Bank Acceptances		--	--	--	--	--	--
1.2.1.	Import Letter of Acceptance		--	--	--	--	--	--
1.2.2.	Other Bank Acceptances		--	--	--	--	--	--
1.3.	Letters of Credit		--	367,539	367,539	--	503,629	503,629
1.3.1.	Documentary Letters of Credit		--	--	--	--	--	--
1.3.2.	Other Letters of Credit		--	367,539	367,539	--	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		--	475,197	475,197	--	427,376	427,376
1.9.	Other Collaterals		--	--	--	--	--	--
II.	COMMITMENTS	1	8,542	28,840	37,382	7,240	99,805	107,045
2.1.	Irrevocable Commitments		6,844	15,446	22,290	7,045	96,448	103,493
2.1.1.	Asset Purchase and Sale Commitments		6,524	11,911	18,435	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		320	--	320	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		--	3,535	3,535	--	--	--
2.2.	Revocable Commitments		1,698	13,394	15,092	195	3,357	3,552
2.2.1.	Revocable Loan Granting Commitments		--	--	--	--	--	--
2.2.2.	Other Revocable Commitments		1,698	13,394	15,092	195	3,357	3,552
III.	DERIVATIVE FINANCIAL INSTRUMENTS		--	5,693	5,693	--	--	--
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		--	5,693	5,693	--	--	--
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		--	5,693	5,693	--	--	--
3.2.2.1	Foreign Currency Swap-Buy		--	2,847	2,847	--	--	--
3.2.2.2	Foreign Currency Swap-Sell		--	2,846	2,846	--	--	--
3.2.2.3	Interest Rate Swap-Buy		--	--	--	--	--	--
3.2.2.4	Interest Rate Swap-Sell		--	--	--	--	--	--
3.2.3	Foreign Currency, Interest rate and Securities Options		--	--	--	--	--	--
3.2.3.1	Foreign Currency Options-Buy		--	--	--	--	--	--
3.2.3.2	Foreign Currency Options-Sell		--	--	--	--	--	--
3.2.3.3	Interest Rate Options-Buy		--	--	--	--	--	--
3.2.3.4	Interest Rate Options-Sell		--	--	--	--	--	--
3.2.3.5	Securities Options-Buy		--	--	--	--	--	--
3.2.3.6	Securities Options-Sell		--	--	--	--	--	--
3.2.4	Foreign Currency Futures		--	--	--	--	--	--
3.2.4.1	Foreign Currency Futures-Buy		--	--	--	--	--	--
3.2.4.2	Foreign Currency Futures-Sell		--	--	--	--	--	--
3.2.5	Interest Rate Futures		--	--	--	--	--	--
3.2.5.1	Interest Rate Futures-Buy		--	--	--	--	--	--
3.2.5.2	Interest Rate Futures-Sell		--	--	--	--	--	--
3.2.6	Other		--	--	--	--	--	--
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		1,036,789	4,021,636	5,058,425	1,164,808	3,717,226	4,882,034
IV.	ITEMS HELD IN CUSTODY		2,947	2,318	5,265	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		2,947	2,318	5,265	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		--	--	--	--	--	--
V.	PLEDGES RECEIVED		1,033,842	4,019,318	5,053,160	1,159,767	3,710,355	4,870,122
5.1.	Marketable Securities		--	--	--	--	--	--
5.2.	Guarantee Notes		75,062	137,672	212,734	92,062	208,469	300,531
5.3.	Commodity		--	--	--	--	--	--
5.4.	Warranty		--	--	--	--	--	--
5.5.	Immovable		20,350	140,346	160,696	22,827	130,470	153,297
5.6.	Other Pledged Items		938,430	3,741,300	4,679,730	1,044,878	3,371,416	4,416,294
5.7.	Pledged Items-Depository		--	--	--	--	--	--
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		--	--	--	--	--	--
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,317,299	7,782,569	9,099,868	1,461,076	7,473,430	8,934,506

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 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
			(01/01/2019-30/09/2019)	(01/07/2019-30/09/2019)	(01/01/2018-30/09/2018)	(01/07/2018-30/09/2018)
I.	INTEREST INCOME	1	280,994	80,273	241,230	94,275
1.1	Interest on Loans		120,006	29,497	134,630	53,670
1.2	Interest on Reserve Requirements		6,264	1,330	5,730	2,547
1.3	Interest on Banks		21,795	7,298	47,458	22,525
1.4	Interest on Money Market Transactions		65,837	27,439	2,624	2,376
1.5	Interest on Marketable Securities Portfolio		40,339	7,772	25,961	3,440
1.5.1	Fair Value Through Profit or Loss		14,239	--	15,248	1,649
1.5.2	Fair Value Through Other Comprehensive Income		8,528	1,933	1,899	605
1.5.3	Measured at Amortised Cost		17,572	5,839	8,814	1,186
1.6	Financial Lease Income		22,413	6,936	24,826	9,716
1.7	Other Interest Income		4,340	1	1	1
II.	INTEREST EXPENSE (-)	2	42,792	12,586	76,557	33,159
2.1	Interest on Deposits		17,502	4,428	53,048	23,882
2.2	Interest on Funds Borrowed		25,000	8,074	23,501	9,277
2.3	Interest Expense on Money Market Transactions		--	--	8	--
2.4	Interest on Securities Issued		--	--	--	--
2.5	Measured at Amortised Expense		290	84	--	--
2.6	Other Interest Expenses		--	--	--	--
III.	NET INTEREST INCOME (I - II)		238,202	67,687	164,673	61,116
IV.	NET FEES AND COMMISSIONS INCOME		56,851	16,950	42,750	17,571
4.1	Fees and Commissions Received		58,766	17,851	43,764	17,946
4.1.1	Non-cash Loans		28,627	9,405	21,498	8,550
4.1.2	Other		30,139	8,446	22,266	9,396
4.2	Fees and Commissions Paid		1,915	901	1,014	375
4.2.1	Non-cash Loans		--	--	1	1
4.2.2	Other		1,915	901	1,013	374
V.	DIVIDEND INCOME	3	15	--	144	--
VI.	TRADING INCOME /(LOSS) (Net)	4	4,933	13,591	(9,808)	4,468
6.1	Trading Gains / (Losses) on Securities		--	13,940	(27,708)	(8,877)
6.2	Gains / (Losses) on Derivative Financial Transactions		481	105	(364)	(150)
6.3	Foreign Exchange Gains / (Losses)		4,452	(454)	18,264	13,495
VII.	OTHER OPERATING INCOME	5	6,883	2,976	20,006	(1,262)
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		306,884	101,204	217,765	81,893
IX.	EXPECTED CREDIT LOSS (-)	6	4,184	2,670	62,473	4,657
X.	DİĞER KARŞILIK GİDERLERİ (-)		12,176	12,075	--	--
XI.	PERSONNEL EXPENSE (-)		71,393	23,654	53,763	19,224
XII.	OTHER OPERATING EXPENSES (-)	7	34,326	10,113	26,715	10,030
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)	8	184,805	52,692	74,814	47,982
XIV.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		--	--	--	--
XV.	INCOME/(LOSS) ON NET MONETARY POSITION		--	--	--	--
XVII.	PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)		184,805	52,692	74,814	47,982
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)		(39,698)	(11,401)	(13,832)	(10,544)
18.1	Current Tax Provision		(38,429)	(11,361)	(16,417)	(13,322)
18.2	Deferred Tax Income Effect (+)		8,474	972	12,304	4,669
18.3	Deferred Tax Expense Effect (-)		7,205	932	14,889	7,447
XIX.	CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	10	145,107	41,291	60,982	37,438
XX.	INCOME FROM DISCONTINUED OPERATIONS		--	--	--	--
20.1	Income from Non-current Assets Held for Sale		--	--	--	--
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		--	--	--	--
20.3	Income from Other Discontinued Operations		--	--	--	--
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		--	--	--	--
21.1	Expenses for Non-current Assets Held for Sale		--	--	--	--
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		--	--	--	--
21.3	Expenses for Other Discontinued Operations		--	--	--	--
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		--	--	--	--
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		--	--	--	--
23.1	Current Tax Provision		--	--	--	--
23.2	Deferred Tax Expense Effect (+)		--	--	--	--
23.3	Deferred Tax Income Effect (-)		--	--	--	--
XXIV.	CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		--	--	--	--
XXV.	NET PROFIT/(LOSS) (XVIII+XXIII)		145,107	41,291	60,982	37,438
25.1	Group Profit (Loss)		145,107	41,291	60,982	37,438
25.2	Minority shares Profit (Loss)		--	--	--	--
	Earning/(Loss) per share (in TL full)		0.0014	0.0009	0.0014	0.0009

ARAP TÜRK BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (Thousands of Turkish Lira ("TL"))		
		THOUSANDS OF TURKISH LIRA (TL)
		CURRENT PERIOD
		(01/01/2019-30/09/2019)
		PRIOR PERIOD
		(01/01/2018-30/09/2018)
I.	CURRENT PERIOD PROFIT/LOSS	145,107
II.	OTHER COMPREHENSIVE INCOME	1,137
2.1	Not Reclassified to Profit or Loss	(1,956)
2.1.1	Property and Equipment Revaluation Increase/Decrease	--
2.1.2	Intangible Assets Revaluation Increase/Decrease	--
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(2,455)
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	499
2.2	Reclassified to Profit or Loss	3,093
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	3,843
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	(750)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	146,244

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

					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
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 30.09.2018																
I. Balance at the beginning of the period	440,000	--	--	--	86,476	(2,919)	--	--	(96)	--	24,855	170,177	81,415	799,908	--	799,908
II. Adjustment in accordance with TMS 8	--	--	--	--	--	--	--	--	3	--	--	6,017	--	6,020	--	6,020
2.1 Effect of adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Effect of changes in accounting policies	--	--	--	--	--	--	--	--	3	--	--	6,017	--	6,020	--	6,020
III. New balance (I+II)	440,000	--	--	--	86,476	(2,919)	--	--	(93)	--	24,855	176,194	81,415	805,928	--	805,928
IV. Total comprehensive income (loss)	--	--	--	--	(4,383)	(408)	--	--	(1,091)	--	--	--	--	60,982	55,100	55,100
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	--	--	--	--	--	--	--	--	--	--	4,594	54,821	(81,415)	(22,000)	--	(22,000)
11.1 Dividends distributed	--	--	--	--	--	--	--	--	--	--	--	(22,000)	--	(22,000)	--	(22,000)
11.2 Transfers to legal reserves	--	--	--	--	--	--	--	--	--	--	4,594	76,821	(81,415)	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances (III+IV+.....+X+XI)	440,000	--	--	--	82,093	(3,327)	--	--	(1,184)	--	29,449	231,015	60,982	839,028	--	839,028
CURRENT PERIOD 30.09.2019																
I. Balance at the beginning of the period	440,000	--	--	--	82,093	(3,029)	--	--	500	--	29,449	231,015	103,243	883,271	--	883,271
II. Adjustment in accordance with TMS 8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.1 Effect of adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Effect of changes in accounting policies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
III. New balance (I+II)	440,000	--	--	--	82,093	(3,029)	--	--	500	--	29,449	231,015	103,243	883,271	--	883,271
IV. Total comprehensive income (loss)	--	--	--	--	--	(1,956)	--	--	3,093	--	--	--	145,107	146,244	--	146,244
V. Capital increase in cash	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI. Capital increase through internal reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII. Issued capital inflation adjustment difference	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII. Convertible bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX. Subordinated debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X. Increase (decrease) through other changes, equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
XI. Profit distribution	--	--	--	--	--	--	--	--	--	--	5,827	97,416	(103,243)	--	--	--
11.1 Dividends distributed	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2 Transfers to legal reserves	--	--	--	--	--	--	--	--	--	--	5,827	97,416	(103,243)	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances (III+IV+.....+X+XI)	440,000	--	--	--	82,093	(4,985)	--	--	3,593	--	35,276	328,431	145,107	1,029,515	--	1,029,515

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2019-30/06/2019)	PRIOR PERIOD (01/01/2018-30/06/2018)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		29,868	(184,762)
1.1.1 Interest Received		294,223	231,662
1.1.2 Interest Paid		(29,173)	(71,483)
1.1.3 Dividend Received		16	--
1.1.4 Fees and Commissions Received		58,766	43,764
1.1.5 Other Income		11,229	9,715
1.1.6 Collections from Previously Written-off Loans and Other Receivables		2,830	5,103
1.1.7 Payments to Personnel and Service Suppliers		(87,498)	(63,020)
1.1.8 Taxes Paid		(43,832)	(18,675)
1.1.9 Other		(176,693)	(321,828)
1.2 Changes in Operating Assets and Liabilities		(251,218)	1,250,864
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		200,981	(9,156)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		--	91,977
1.2.3 Net (increase) / decrease in loans		1,024,708	(164,436)
1.2.4 Net (increase) / decrease in other assets		(5,299)	(2,905)
1.2.5 Net increase / (decrease) in bank deposits		(1,581,969)	538,906
1.2.6 Net increase / (decrease) in other deposits		(130,598)	263,101
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		(2,961)	523,809
1.2.9 Net increase / (decrease) in payables		--	--
1.2.10 Net increase / (decrease) in other liabilities		243,920	9,568
I. Net Cash Provided from Banking Operations		(221,350)	1,066,102
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		--	--
II. Net Cash Provided from Investing Activities		(29,300)	(35,689)
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		(2,748)	(3,537)
2.4 Disposals of property and equipment		13	516
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(177,778)	(61,610)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		72,592	(500)
2.7 Purchase of Financial Assets Measured at Amortised Cost		(60,146)	(142,679)
2.8 Sale of Financial Assets Measured at Amortised Cost		140,197	173,189
2.9 Other		(1,430)	(1,068)
C. CASH FLOWS FROM FINANCING ACTIVITIES		--	--
III. Net Cash Provided from Financing Activities		(290)	(22,000)
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		(290)	--
3.6 Other		--	--
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		79,283	118,324
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		(171,657)	1,126,737
VI. Cash and Cash Equivalents at the Beginning of the Period		2,532,454	1,461,067
VII. Cash and Cash Equivalents at the End of the Period		2,360,797	2,587,804

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

SECTION TWO

Consolidated Interim Financial Statements

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION

The consolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority 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”).

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

Consolidated financial statements real estates and 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 and its consolidated financial subsidiaries have started to apply TFRS 16 Leases standard (“TFRS 16”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying consolidated 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 Parent 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

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

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

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

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

The major principles applied in the consolidation of subsidiaries

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

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

The financial statements which have been used in the consolidation are prepared as of 30 September 2019 and appropriate adjustments are made to financial statements to use uniform accounting policies for similar transactions and events in similar circumstances.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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.

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.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS

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

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

a. Financial Assets at Fair Value through Profit or Loss

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

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

Government bonds and treasury bills included in held for trading and available for sale portfolios traded in BIST are carried at weighted average exchange prices of BIST as of the balance sheet date and those securities that are not traded in BIST are carried at other valuation models. All gains and losses arising from these valuations are reflected in the income statement.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument 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.

Equity instruments measured at fair value through other comprehensive income

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. Such election is made on an instrument by instrument basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss shall be transferred to prior period's profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. TFRS 9 impairment requirements are not applicable for equity instruments.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

c. Financial Assets Measured at Amortized Cost

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

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

d. Loans

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

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

The Parent 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

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

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

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

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

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

Individual Evaluation

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

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

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

Definition of Default

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

These conditions have stated below:

- 1) Degradation in financial structure of the opposite party and economic conditions
- 2) Other neutral criteria deemed appropriate by management
- 3) To have a past due more than 90 days. (150 days for the financial leasing receivables)
- 4) 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 (criteria 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 / concordatual registration,
6. Negative intelligence and imprisonment records

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment (Continued)

Although the classification criteria are still used under the third, fourth and fifth groups in the current process, the classification criteria, as specified in the regulation and as non-performing loans, have been revised. 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.

In the context of contractual cash flows, cash flows from collateral sales and cash flows from loans are also taken into account.

Under TFRS 9, probability weighted scenarios are taken into account for the expected life of the financial instrument to estimate expected losses. The evaluation consists of an assessment of the possible outcomes, including the determination of the amount and timing of cash flows for specific outputs and of possible scenarios indicating the estimated likelihood of that outcome.

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

Securities subject to repurchase 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.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

X. INFORMATION ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

The Group's intangible assets consist of software.

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

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

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

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

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessee

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 under "Finance Lease Payables" account in the consolidated 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.

Finance leasing activities as the lessor

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

Operational leases

Based on TFRS 16, at the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the alternative borrowing interest rate.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

After the commencement date, the lease liability is remeasured to reflect changes to the lease payments. The amount of the remeasurement of the lease liability is recognised as an adjustment to the right-of-use asset.

The lease liability is remeasured by discounting the revised lease payments using a revised discount rate, if either there is a change in the lease term or there is a change in the assessment of an option to purchase the underlying asset. However, if there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments or if there is a change in the amounts expected to be payable under a residual value guarantee, an unchanged discount rate is used.

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 Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 September 2019 is 6,379.86 (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 Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves.

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

Other benefits to employees

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

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

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

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

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

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

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

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

75% of earnings generated through sale of equity shares, founders' shares, redeemed shares and preemption rights and 50% of earnings generated through sale of real estates held at least for two years by the institutions are exempt from the corporate tax with the conditions that such earnings shall be held in a special reserve account under equity until the end of five years following the year of sale and shall be collected as cash until the end of the following two fiscal years.

All earnings generated through transfer of equity shares, founders' shares, redeemed shares and preemption rights by the companies being under legal proceedings or guarantor and mortgage provider of such companies, to banks, financial leasing companies and finance companies or the Savings Deposit Insurance Fund in connection with liquidation of their liabilities and earnings of banks, financial leasing companies and finance companies through sale of immovable part of such assets or other items are exempt from corporate tax at the rate of 50% and 75%, respectively.

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

The Group did not issue any stocks convertible into bonds.

The Group does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

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

XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES

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

There are no acceptances presented as liabilities against any assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

None.

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

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

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

XXII. INFORMATION ON SEGMENT REPORTING

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

			TFRS 16	
	Note	31.12.2018	Transition Effect	01.01.2019
Tangible Assets (Net)	(1)	117,639	4,034	121,673
Other Assets (Net)		25,952	-	25,952
Lease Payables (Net)	(1),(2)	-	4,034	4,034

⁽¹⁾ 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.

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP

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

Informations about Total Capital

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL	1,025,744	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,000	
Share issue premiums	-	
Reserves	35,276	
Gains recognized in equity as per TAS	80,701	
Profit	473,538	
Current Period Profit	145,107	
Prior Period Profit	328,431	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities' shares	-	
Common Equity Tier 1 Capital Before Deductions	1,029,515	
Deductions from Common Equity Tier 1 Capital	3,771	3,552
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	346	346
Goodwill (net of related tax liability)	3,425	3,206
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	-	-
Total Deductions From Common Equity Tier 1 Capital	3,771	
Total Common Equity Tier 1 Capital	1,025,744	

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)**I. INFORMATION ON SHAREHOLDER'S EQUITY (Current Period) (Continued)****Informations about Total Capital (Continued)**

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties' share in the Additional Tier I Capital	-	
Third parties' share in the Additional Tier I Capital (Temporary Article 3)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	-	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,025,744	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA		
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)		
Provisions (Article 8 of the Regulation on the Equity of Banks)	27,732	
Tier II Capital Before Deductions	27,732	
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)		-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	27,732	
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,053,476	
The sum of Tier I Capital and Tier II Capital (Total Capital)	1,053,476	
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	-	

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
TOTAL CAPITAL	1,053,476	1,063,558
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,053,476	1,063,558
Total risk weighted amounts	4,539,320	4,539,320
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	22.60	-
Consolidated Tier I Capital Adequacy Ratio (%)	22.60	-
Consolidated Capital Adequacy Ratio (%)	23.21	23.43
BUFFERS		
Total buffer requirement	2.639	-
Capital conservation buffer requirement (%)	2.500	-
Bank specific counter-cyclical buffer requirement (%)	0.139	-
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	18.10	-
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	27,732	27,732
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	27,732	27,732
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4		
(to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
COMMON EQUITY TIER 1 CAPITAL	878,500	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,500	
Share issue premiums	-	
Reserves	29,449	
Gains recognized in equity as per TAS	79,064	
Profit	334,258	
Current Period Profit	103,243	
Prior Period Profit	231,015	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Minorities' shares	-	
Common Equity Tier 1 Capital Before Deductions	883,271	
Deductions from Common Equity Tier 1 Capital	4,771	4,771
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)	4,264	4,264
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	-	-
Total Deductions From Common Equity Tier 1 Capital	4,771	
Total Common Equity Tier 1 Capital	878,500	

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Third parties' share in the Additional Tier I Capital	-	-
Third parties' share in the Additional Tier I Capital (Temporary Article 3)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	878,500	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	29,573	-
Tier II Capital Before Deductions	29,573	-
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	29,573	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	908,073	-
The sum of Tier I Capital and Tier II Capital (Total Capital)	908,073	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	878,500	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Informations about Total Capital (Continued)

	Amount (Prior Period)	Amounts related to treatment before 1/1/2014 ⁽¹⁾
Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period		
The Portion of the Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Total Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-	-
TOTAL CAPITAL	908,073	918,487
Total Capital (The sum of Tier I Capital and Tier II Capital)	908,073	918,487
Total risk weighted amounts	5,293,195	5,293,195
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	16.60	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	16.60	-
Consolidated Capital Adequacy Ratio (%)	17.16	17.35
BUFFERS		
Total buffer requirement	2.028	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.153	-
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	12.10	-
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	29,573	29,573
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	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4		
(to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

I. INFORMATION ON SHAREHOLDER'S EQUITY (Continued)

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

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

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

	Balance sheet value	Amount of correction	Value at capital report
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	77,108	-	77,108
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	3,593	-	3,593
Profit Reserves	35,276	-	35,276
Profit or Loss	473,538	-	473,538
Prior Periods' Profit/Loss	328,431	-	328,431
Current Period Net Profit/Loss	145,107	-	145,107
Deductions from Common Equity Tier 1 Capital ^(*)	-	3,771	(3,771)
Common Equity Tier 1 capital			1,025,744
Tier 1 capital			1,025,744
Provisions	-	(27,732)	27,732
Tier 2 capital ^(**)	-	(27,732)	27,732
Shareholders's Equity Adjustments ^(***)	-	-	-
Total Shareholders's Equity	1,029,515	(23,961)	1,053,476

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

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

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

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

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

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

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

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

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

Foreign exchange risk management policy

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

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

Date	US Dollars	Euro
23 September 2019	TL 5.6889	TL 6.2847
24 September 2019	TL 5.7183	TL 6.2819
25 September 2019	TL 5.6743	TL 6.2381
26 September 2019	TL 5.6882	TL 6.2544
27 September 2019	TL 5.6659	TL 6.1982
30 September 2019	TL 5.6591	TL 6.1836

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

The basic arithmetical average of the Bank's foreign exchange bid rate for September 2019 is TL 5.7096 for USD, TL 6.2911 for EURO.

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

Current Period	Euro	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	860,308	392,713	676	1,253,697
Banks	514,671	299,975	11,833	826,479
Financial Assets Measured at Fair Value through Profit or Loss	87,278	-	-	87,278
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	71,311	144,863	-	216,174
Loans	555,420	118,229	-	673,649
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	200,491	223,712	-	424,203
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets ⁽²⁾	227,378	14,170	-	241,548
Total Assets	2,516,857	1,193,662	12,509	3,723,028
Liabilities				
Bank Deposits	1,607,831	239,593	1,649	1,849,073
Foreign Currency Deposits	504,147	442,799	8,316	955,262
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	382,520	504,460	-	886,980
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	22,344	10,124	463	32,931
Total Liabilities ⁽¹⁾	2,516,842	1,196,976	10,428	3,724,246
Net Balance Sheet Position	15	(3,314)	2,081	(1,218)
Net Off Balance Sheet Position	(157)	6,699	-	6,542
Financial Derivatives (Assets)	2,689	9,383	-	12,072
Financial Derivatives (Liabilities)	(2,846)	(2,684)	-	(5,530)
Non-Cash Loans	1,266,423	1,688,523	771,454	3,726,400
Prior Period				
Total Assets	2,687,464	2,643,116	10,006	5,340,586
Total Liabilities	2,677,091	2,633,252	8,752	5,319,095
Balance Sheet Position, net	10,373	9,864	1,254	21,491
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

⁽¹⁾ In accordance with the provisions of the "Regulation on the Calculation and Application of Foreign Currency Net General Position / Equity Standard Ratio in Banks' Consolidated and Non-Consolidated Basis"; Equity has not been taken into consideration in calculating the risk of exchange rate amounting to TL 3.307.

⁽²⁾ Includes financial leasing receivables.

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

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

Exposed currency risk

The possible increases or decreases in the shareholders' equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 30 September 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 ⁽¹⁾	Income Statement	Shareholders' Equity ⁽¹⁾
Euro	14	14	(1,145)	(1,145)
US Dollar	(339)	(339)	2	2
Other Currencies	(208)	(208)	(214)	(214)
Total	(533)	(533)	(1,357)	(1,357)

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders' Equity ⁽¹⁾	Income Statement	Shareholders' Equity ⁽¹⁾
Euro	(14)	(14)	1,145	1,145
US Dollar	339	339	(2)	(2)
Other Currencies	208	208	214	214
Total	533	533	1,357	1,357

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK

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

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

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

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

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

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

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

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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	7,338	-	-	-	-	1,255,086	1,262,424
Banks	897,847	-	-	-	-	1,581	899,428
Financial assets at fair value through Profit or Loss	-	-	87,278	-	-	-	87,278
Interbank Money Market Placements	567,753	-	-	-	-	-	567,753
Financial Assets at Fair Value Through Other Comprehensive Income	27,134	1,382	91,877	96,486	-	2,489	219,368
Loans	396,958	110,317	238,758	222,539	-	90,210	1,058,782
Financial Assets Measured at Amortized Cost	12,540	47,476	218,177	119,746	27,519	-	425,458
Other assets ^{(1) (3)}	22,830	24,655	87,387	151,889	-	53,091	339,852
Total assets	1,932,400	183,830	723,477	590,660	27,519	1,402,457	4,860,343
Liabilities							
Bank deposits	1,621,738	29,302	198,238	-	-	150	1,849,428
Other deposits	105,163	27,882	6,745	100	-	842,599	982,489
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	20,470	91,926	518,113	256,471	-	-	886,980
Other liabilities ⁽²⁾	64	128	186	456	1,611	1,139,001	1,141,446
Total liabilities	1,747,435	149,238	723,282	257,027	1,611	1,981,750	4,860,343
Long Position in the Balance Sheet	184,965	34,592	195	333,633	25,908	-	579,293
Short Position in the Balance Sheet	-	-	-	-	-	(579,293)	(579,293)
Long Position in the Off-balance Sheet	2,847	-	-	-	-	-	2,847
Short Position in the Off-balance Sheet	(2,846)	-	-	-	-	-	(2,846)
Total Position	184,966	34,592	195	333,633	25,908	(579,293)	1

⁽¹⁾ Other Assets: The amount of TL 53,091 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 120,828, Net Expected Credit Loss amounting to TL 103,955, Intangible Assets amounting to TL 3,425, Deferred Tax Assets amounting to TL 50 and other non-interest bearing amounting to TL 31,737 and Assets Held for Sale amounting to TL 1,006.

⁽²⁾ Other Liabilities: The amount of TL 1,139,001 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,029,515, Provisions amounting to TL 48,330, Current Tax Liability amounting to TL 11,240 and other non-interest bearing amounting to TL 49,912.

⁽³⁾ Includes financial leasing receivables.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)
III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	689,684	-	-	-	-	559,591	1,249,275
Banks	1,571,197	9,385	-	-	-	12,820	1,593,402
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	-	94,208	2,002,914
Investment securities held-to-maturity	335	40,789	149,637	267,979	25,583	-	484,323
Other assets ^{(1) (3)}	29,310	25,542	111,036	195,538	-	47,033	408,459
Total assets	3,654,135	307,002	754,008	791,165	25,583	797,711	6,329,604
Liabilities							
Bank deposits	2,047,241	531,639	707,940	-	-	-	3,286,820
Other deposits	27,516	15,129	6,862	74	-	1,063,799	1,113,380
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	313,716	112,635	434,024	79,394	-	-	939,769
Other liabilities ⁽²⁾	-	-	-	-	-	989,635	989,635
Total liabilities	2,388,473	659,403	1,148,826	79,468	-	2,053,434	6,329,604
Long Position in the Balance Sheet	1,265,662	-	-	711,697	25,583	-	2,002,942
Short Position in the Balance Sheet	-	(352,401)	(394,818)	-	-	(1,255,723)	(2,002,942)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	1,265,662	(352,401)	(394,818)	711,697	25,583	(1,255,723)	-

⁽¹⁾ Other Assets: The amount of TL 47,033 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 117,639, Net Expected Credit Loss amounting to TL 86,528, Intangible Assets amounting to TL 4,264, Deferred Tax Assets amounting to TL 1,566 and other non-interest bearing amounting to TL 25,446 and Assets Held for Sale amounting to TL 6.

⁽²⁾ Other Liabilities: The amount of TL 989,635 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 883,271, Provisions amounting to TL 48,447, Current Tax Liability amounting to TL 16,894 and other non-interest bearing amounts of TL 41,023.

⁽³⁾ Includes financial leasing receivables.

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	1.77	9.19
Banks	1.30	1.88	15.63
Financial assets at fair value through profit or loss	2.52	-	-
Money Market Placements	-	-	16.30
Financial Assets at Fair Value Through Other Comprehensive Income	3.38	6.91	25.08
Loans	5.21	8.21	19.17
Financial Assets Measured at Amortized Cost	2.90	6.91	21.46
Financial Lease Receivables	6.43	7.82	19.23
Liabilities	-	-	-
Interbank deposits	0.78	3.40	-
Other deposits	0.69	2.57	15.54
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	2.11	4.11	-
Prior Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.62	7.16
Banks	1.26	2.99	23.35
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
Financial Lease Receivables	6.52	8.31	19.80
Liabilities	-	-	-
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	2.38	4.54	-

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

IV. INFORMATION ON CONSOLIDATED STOCK POSITION RISK

Equity investment risk due from banking book

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

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

None.

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

None.

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

None.

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT

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

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

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

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

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

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

The Parent Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Parent Bank’s largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the Group’s risk group have a 41% share in liabilities.

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

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

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

A large portion of the Parent Bank’s liabilities consist of funds obtained from the parent Libyan Foreign Bank and group banks 27% of these funds are USD and 73% are EUR.

Information regarding to the liquidity risk mitigation techniques used

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

Information regarding to the usage of Stress Tests

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

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

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

Decisions on the plan;

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

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 minimum and maximum values of the consolidated foreign currency and total liquidity coverage ratios for the last three months, including the reporting period, are as follows:

	Month	FC	Month	FC+TL
Lowest	July	157	July	223
Highest	August	266	August	361

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)
V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

Current Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,836,587	2,178,017	2,466,549	1,808,147
CASH OUTFLOWS				
2 Real person deposits and retail deposits	445,411	406,168	42,675	40,617
3 Stable deposit	37,323	-	1,866	-
4 Deposit with low stability	408,088	406,168	40,809	40,617
5 Unsecured debts except real person deposits and retail deposits	2,124,787	2,017,624	1,769,362	1,669,584
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,013,442	1,987,763	1,658,017	1,639,723
8 Other unsecured debts	111,345	29,861	111,345	29,861
9 Secured debts	-	-	-	-
10 Other cash outflows	2	2	2	2
11 Derivative liabilities and margin obligations	2	2	2	2
12 Debt from structured financial instruments	-	-	-	-
13 Other off-balance sheet liabilities and commitments for the payment owed to financial markets	-	-	-	-
14 Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
15 Other irrevocable or provisory revocable off-balance sheet liabilities	3,888,030	3,623,318	249,334	193,643
16 TOTAL CASH OUTFLOW	6,458,230	6,047,112	2,061,373	1,903,846
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,238,559	933,772	1,064,327	856,900
19 Other cash inflows	4,004	3,979	4,004	3,979
20 TOTAL CASH INFLOWS	1,242,563	937,751	1,068,331	860,879
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			2,466,549	1,808,147
22 TOTAL NET CASH OUTFLOWS			1,002,419	1,048,956
23 LIQUIDITY COVERAGE RATIO (%)			246.06	172.38

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

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)
V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

Prior Period	Consideration Ratio Not Applied Total Value		Consideration Ratio Applied Total Value	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High quality liquid assets	2,505,941	2,152,807	1,991,386	1,638,253
CASH OUTFLOWS				
2 Real person deposits and retail deposits	403,629	368,774	39,498	36,877
3 Stable deposit	17,300	-	865	-
4 Deposit with low stability	386,329	368,774	38,633	36,877
5 Unsecured debts except real person deposits and retail deposits	3,278,938	3,199,109	2,957,517	2,881,992
6 Operational deposit	-	-	-	-
7 Non-operating deposits	3,179,261	3,171,175	2,857,840	2,854,058
8 Other unsecured debts	99,677	27,934	99,677	27,934
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	4,102,636	3,803,424	259,300	201,268
16 TOTAL CASH OUTFLOW	7,785,203	7,371,307	3,256,315	3,120,135
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	2,449,398	2,035,396	2,213,009	1,925,651
19 Other cash inflows	14,095	14,095	14,095	14,095
20 TOTAL CASH INFLOWS	2,463,493	2,049,491	2,227,104	1,939,746
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			1,991,386	1,638,253
22 TOTAL NET CASH OUTFLOWS			1,056,333	1,180,735
23 LIQUIDITY COVERAGE RATIO (%)			188.52	138.75

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)

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

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

Sections High-quality liquid assets comprised of

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 51% of high-quality liquid assets of the Parent Bank, while 48% 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. 58% of the total liabilities are deposits received. 65% of these deposits are deposits obtained from banks.

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

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. As of 30 September 2019, the group has net cash outflow amounting to TL 2 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. 58% of the liability is deposits and 65% of these deposits are from banks. All of these liabilities are warrantless.

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

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

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

None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)
V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)
Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	19,518	1,242,906	-	-	-	-	-	1,262,424
Banks	41,031	846,978	11,419	-	-	-	-	899,428
Financial Assets at Fair Value through Profit or Loss	-	-	-	87,278	-	-	-	87,278
Money Market Placements	-	567,753	-	-	-	-	-	567,753
Financial Assets at Fair Value Through Other Comprehensive Income	-	27,134	1,383	91,876	96,486	-	2,489	219,368
Loans	-	396,957	103,054	246,022	222,539	-	90,210	1,058,782
Investment securities held-to-maturity	-	12,540	47,476	218,177	119,746	27,519	-	425,458
Other assets ^{(1) (3)}	1,199	22,243	24,846	87,780	151,889	-	51,895	339,852
Total Assets	61,748	3,116,511	188,178	731,133	590,660	27,519	144,594	4,860,343
Liabilities								
Interbank Deposits	508,941	1,112,947	29,302	198,238	-	-	-	1,849,428
Other Deposits	842,599	105,163	27,884	6,743	100	-	-	982,489
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	2,611	1,296	510,965	372,108	-	-	886,980
Other liabilities ⁽²⁾	-	873	496	186	456	1,611	1,137,824	1,141,446
Total Liabilities	1,351,540	1,221,594	58,978	716,132	372,664	1,611	1,137,824	4,860,343
Net Liquidity Gap	(1,289,792)	1,894,917	129,200	15,001	217,996	25,908	(993,230)	-
Prior Period								
Total Assets	63,546	4,164,817	239,898	843,619	768,657	25,583	223,484	6,329,604
Total Liabilities	1,804,129	1,627,798	621,206	1,132,539	157,378	-	986,554	6,329,604
Net Liquidity Gap	(1,740,583)	2,537,019	(381,308)	(288,920)	611,279	25,583	(763,070)	-

⁽¹⁾ Other Assets: The amount of TL 51,895 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL; 120,828, Expected credit loss amounting to TL, 103,955 , Intangible Assets amounting to TL 3,425, Deferred Tax Assets amounting to TL 50 and other Non-Interest Bearing amounting to TL 30,541 and Assets Held for Sale amounting to TL 1,006.

⁽²⁾ Other Liabilities: The amount of TL 1,137,824 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,029,515, Provisions amounting to TL 48,330 , Tax Liabilities amounting to TL 11,240, Deferred Tax Liabilities amounting to TL 4 and other liabilities amounting to TL 48,735.

⁽³⁾ Includes financial leasing receivables.

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. EXPLANATIONS ON LEVERAGE RATIO

Leverage Ratio

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

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

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

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

	Current Period ⁽²⁾	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽¹⁾	8,380	4,449
The difference between total assets prepared in accordance with Turkish Accounting Standards and total assets in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements"	-	-
The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	9,147	5,985
The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such instruments	737,445	827,485
The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	19,836	13,559
Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué "Preparation of Consolidated Financial Statements" and risk amounts of such items	-	-
Total Risk Amount	774,808	851,478

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

⁽²⁾ The amounts shown in the table are 6 month averages.

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)

VI. EXPLANATIONS ON LEVERAGE RATIO (Continued)

Leverage ratio disclosure as follows:

	Balance sheet assets	Prior Period	Current Period
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	6,106,377	5,045,553
2	(Assets deducted from main capital)	(3,678)	(4,190)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	6,102,699	5,041,363
	Derivative financial instruments and credit derivatives		
4	Replacement cost of derivative financial instruments and credit derivatives	-	-
5	Potential credit risk amount of derivative financial instruments and credit derivatives	33	589
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	33	589
	Security or secured financing transactions		
7	Risk amount of security or secured financing transactions (Except balance sheet)	4,709	13,729
8	Risk amount due to intermediated transactions	-	-
9	Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	4,709	13,729
	Off-balance sheet transactions		
10	Gross nominal amount of off-balance sheet transactions	3,767,831	4,006,823
11	(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
12	Risk amount of the off-balance sheet transactions (Sum of 10th and 11th rows)	3,767,831	4,006,823
	Equity and total risk		
13	Main capital	824,060	964,672
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	9,875,272	9,062,504
	Leverage ratio		
15	Leverage ratio	%8.47	%10.66

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	3,998,053	4,746,607	319,844
2 Standardised approach (SA)	3,998,053	4,746,607	319,844
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	292	-	23
5 Standardised approach for counterparty credit risk (SA-CCR)	292	-	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	77,325	160,175	6,186
17 Standardised approach (SA)	77,325	160,175	6,186
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	463,650	386,413	37,092
20 Basic Indicator Approach	463,650	386,413	37,092
21 Standart Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,539,320	5,293,195	363,145

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

None.

RWA flow statements of market risk exposures under an IMA

None.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE GROUP (Continued)
VIII. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS

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

The Parent Bank operates in the areas of corporate entrepreneur banking, specialized banking, investment banking and international banking.

Information on operational segments on 30 September 2019, 30 September 2018 and 31 December 2018 are presented in the table below

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(1,706)	117,530	98,756	23,622	-	238,202
Commission Income (Net)	-	55,298	-	1,553	-	56,851
Unallocated Income/Expenses (Net)	-	-	-	(14,589)	(95,659)	(110,248)
Operating Income	(1,706)	172,828	98,756	10,586	(95,659)	184,805
Income from Subsidiaries					-	-
Income before tax					184,805	184,805
Tax Provision					(39,698)	(39,698)
Net Profit for the period					145,107	145,107

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	835	424,623	3,375,615	369,190	-	4,170,263
Unallocated assets	-	-	-	-	690,080	690,080
Total Assets	835	424,623	3,375,615	369,190	690,080	4,860,343
Segment Liabilities	435,565	552,957	2,492,887	248,734	-	3,730,143
Unallocated Liabilities	-	-	-	-	100,685	100,685
Equity	-	-	-	-	1,029,515	1,029,515
Total Liabilities	435,565	552,957	2,492,887	248,734	1,130,200	4,860,343

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(1,529)	133,969	12,661	19,572	-	164,673
Commission Income (Net)	-	41,672	-	1,078	-	42,750
Unallocated Income/Expenses (Net)	-	-	-	(10,679)	(121,930)	(132,609)
Operating Income	(1,529)	175,641	12,661	9,971	(121,930)	74,814
Income from Subsidiaries					-	-
Income before tax					74,814	74,814
Tax Provision					(13,832)	(13,832)
Net Profit for the period					60,982	60,982

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	1,040	1,474,088	4,268,843	430,590	-	6,174,561
Unallocated assets	-	-	-	-	155,043	155,043
Total Assets	1,040	1,474,088	4,268,843	430,590	155,043	6,329,604
Segment Liabilities	359,268	757,555	3,917,901	318,379	-	5,353,103
Unallocated Liabilities	-	-	-	-	93,230	93,230
Equity	-	-	-	-	883,271	883,271
Total Liabilities	359,268	757,555	3,917,901	318,379	976,501	6,329,604

SECTION FIVE

INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS

1. Information on cash equivalents and Central Bank of Turkey

Information on cash equivalents

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	1,389	18,129	1,811	18,555
Central Bank of Turkey	7,338	1,235,568	6,746	1,222,163
Other	-	-	-	-
Total	8,727	1,253,697	8,557	1,240,718

Information related to the account of Central Bank of Turkey

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits ⁽¹⁾	7,338	-	6,746	-
Unrestricted Time Deposits	-	867,875	-	711,682
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	367,693	-	510,481
Total	7,338	1,235,568	6,746	1,222,163

⁽¹⁾ General reserve amount requirements maintained at CBRT

Information on Reserve Deposits

The banks operating in Turkey keep reserve deposits for Turkish currency and foreign currency at the rates of between 1% and 7% (31 December 2018: 1.5% - 8%), and for USD or EUR at the rates of 5% and 21% (31 December 2018: 4% - 20%) respectively according to their maturities as per the Communique no.2005/1 "Reserve Deposits" of the Central Bank of Turkey.

SECTION FIVE

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

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

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

Positive differences related to derivative financial assets

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	72,949	679,899	38,948	1,532,840
Foreign banks	-	146,580	-	21,614
Total	72,949	826,479	38,948	1,554,454

Information on Expected Credit Losses

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	2,225	-	-	2,225
Additions during the Period	1,720	-	-	1,720
Disposals	(2,197)	-	-	(2,197)
Balance at End of Period	1,748	-	-	1,748

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	1,135	-	-	1,135
Additions during the Period	1,090	-	-	1,090
Disposals	-	-	-	-
Balance at End of Period	2,225	-	-	2,225

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

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

As of 30 September, the Bank has no financial assets at fair value through profit or loss.

The bank has TRY 2,475 of marketable securities given as collateral/blocked financial assets at fair value through profit or loss (31 December 2018: 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
Debt Securities	217,661	105,070
Quoted in stock exchange	217,661	105,070
Not quoted in stock exchange	-	-
Share Certificates	2,489	2,336
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	2,489	2,336
Impairment provision (-)	782	480
Total	219,368	106,926

SECTION FIVE

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

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

5. Information on Loans

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	57,755	1,395	26,049
Corporate Shareholders	-	57,755	1,395	26,049
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank's personnel	835	101	1,040	-
Total	835	57,856	2,435	26,049

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

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Non-Specialized Loans	968,572	-	-	-
Commercial Loans	-	-	-	-
Export Loans	81,990	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	376,268	-	-	-
Consumer Loans	835	-	-	-
Credit Cards	-	-	-	-
Other	509,479	-	-	-
Specialized Lending	-	-	-	-
Other Receivables	90,210	-	-	-
Toplam	1,058,782	-	-	-

	Standard Loan ^(*)	Loans Under Close Monitoring ^(*)
12-Month expected credit losses	7,129	-
Significant increase in credit risk	-	2,047

^(*) Includes lease receivables.

SECTION FIVE

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

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

5. Information on Loans (Continued)

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

	Short Term	Middle and Long Term	Total
Consumer Loans-TL	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Consumer Loans-Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Individual Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Loans- TL	247	588	835
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	247	588	835
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Deposits with Credit Limit-TL (Individual)	-	-	-
Deposits with Credit Limit-FC (Individual)	-	-	-
Consumer Loans-TL	247	588	835

SECTION FIVE

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

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

5. Information on Loans (Continued)

Information on installment commercial loans and commercial credit cards

	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	-	1,760	1,760
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	1,760	1,760
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	-	1,760	1,760

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,058,635	1,998,623
Foreign loans	147	4,291
Total	1,058,782	2,002,914

SECTION FIVE

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

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

5. Information on Loans (Continued)

Specific provisions for loans

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	91,760	86,064
Total	91,760	86,064

Information related to non-performing loans (Net)

Information on restructured loans of non-performing loans

None.

Information on movement of total non-performing loans

	III. Group <i>Loans and receivables with limited collectibles</i>	IV. Group <i>Loans and receivables with doubtful collectibles</i>	V. Group <i>Uncollectible loans and receivables</i>
Balances at Beginning of Period	-	-	94,207
Additions (+)	-	-	10,012
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	2,830
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	101,389
Specific provisions (-)	-	-	91,760
Net Balance on Balance Sheet	-	-	9,629

SECTION FIVE

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

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

5. Information on Loans (Continued)

Information on foreign currency non-performing loans

There are non-performing loan receivables in foreign currency amounting TL 26,711 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

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Non-performing loans and receivables
Current Period (Net)	-	-	9,629
Loans granted to real persons and legal entities (Gross)	-	-	101,289
Specific provisions (-)	-	-	91,660
Loans granted to real persons and legal entities (Net)	-	-	9,629
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	4,380
Loans granted to real persons and legal entities (Gross)	-	-	90,344
Specific provisions (-)	-	-	85,964
Loans granted to real persons and legal entities (Net)	-	-	4,380
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

(1) Foreign bank

(2) After transition to TFRS 9, it is classified under financial assets.

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

None.

Collection policy on loans determined as loss and other receivables

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

Information on write-off policy

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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (Continued)****5. Information on Loans (Continued)*****Information on Expected Credit Loss***

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	6,770	-	89,106	95,876
Additions during the Period	2,762	-	22	2,784
Disposals	(3,221)	-	(824)	(4,045)
Balance at End of Period	6,311	-	88,304	94,615

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	8,787	7,141	31,164	47,092
Additions during the Period	-	-	59,066	59,066
Disposals	(2,017)	(7,141)	(1,124)	(10,282)
Balance at End of Period	6,770	-	89,106	95,876

Information on expected credit losses for lease receivables

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	1,000	766	721	2,487
Additions during the Period	-	1,281	2,413	3,694
Disposals	(172)	-	322	150
Balance at End of Period	828	2,047	3,456	6,331

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	588	400	778	1,766
Additions during the Period	412	366	-	778
Disposals	-	-	(57)	(57)
Balance at End of Period	1,000	766	721	2,487

6. Information on financial assets measured at amortised cost***Information on transaction of repo and collateral/blocked financial assets (Net)***

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

As of 30 September 2019, the Parent Bank does not have marketable securities subjected to collateral/blocked 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	1,255	280,510	13,032	320,830
Treasury Bonds	-	-	-	-
Other Public Bonds	-	143,693	-	150,461
Toplam	1,255	424,203	13,032	471,291

SECTION FIVE

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

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

6. Information on financial assets measured at amortised cost (Continued)

Information on financial assets measured at amortised cost

	Current Period	Prior Period
Debt Instruments	425,458	484,323
Quoted at stock exchange	425,458	484,323
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	425,458	484,323

Movement of marketable securities held to maturity

	Current Period	Prior Period
Balances at the Beginning of the Period	484,323	388,760
Foreign Currency Gains / Losses on Monetary assets	21,186	100,912
Purchases during the Period	60,146	190,541
Disposals through sales and redemptions ⁽¹⁾	(140,197)	(195,890)
Impairment loss provision	-	-
Period end balance	425,458	484,323

⁽¹⁾ In the current period redemption amounting to TL 140,197 has been realized from the portfolio.

Information on Expected Credit Loss

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	1,300	-	-	1,300
Additions during the Period	481	-	-	481
Disposals	(520)	-	-	(520)
Balance at End of Period	1,261	-	-	1,261

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	260	-	-	260
Additions during the Period	1,453	-	-	1,453
Disposals	(413)	-	-	(413)
Balance at End of Period	1,300	-	-	1,300

7. Information on associates

The Group does not have an associate.

SECTION FIVE

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

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

8. Information on subsidiaries (Net)

Information on subsidiaries

Information on Shareholder's Equity for A&T Finansal Kiralama A.Ş.		
	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	108,000	95,500
Capital Reserves	228	228
Legal Reserves	4,643	3,772
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	7,742	12,893
<i>Net Profit</i>	8,220	12,763
<i>Prior Period Profit/Loss⁽²⁾</i>	(478)	130
Intangible Assets (-)	219	133
Total Core Capital	120,395	112,261
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	120,395	112,261
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL⁽¹⁾	120,395	112,261

⁽¹⁾ There is no restriction on shareholders' equity of subsidiary. After deduction from the capital, the total net available equity is TL 120,395.

⁽²⁾ As decided in the Annual General Meeting which is held on 28 March 2019, 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.

SECTION FIVE

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

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

8. Information on subsidiaries (Net) (Continued)

Summary information on basic features of equity items (Continued)

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

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

Information about the consolidated financial statements of the subsidiaries

Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value ^(*)
369,188	120,310	4,357	30,432	-	8,220	(478)	-

(1) The related subsidiary has no fair value as of 30 September 2019.

Movement related to subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	95,708	85,210
Movements during the Period	12,497	10,498
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 (+)	-	-
Balance at the End of the Period	108,205	95,708
Capital Commitments	-	-
Share Percentage at the end of Period (%)	99.98	99.98

Valuation of investments in subsidiaries

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

Sectoral Information on the subsidiaries

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

SECTION FIVE

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

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

8. Information on subsidiaries (Net) (Continued)

Quoted Subsidiaries

The Parent Bank does not have a subsidiary that is quoted.

Subsidiaries sold and acquired in the current year

None.

9. Information on joint ventures

The Parent Bank has no joint ventures.

10. Information on Financial Lease Receivables (Net)

	Current Period	Prior Period
Gross Financial Lease Investment	323,717	407,617
Earned Financial Lease Income (-)	34,285	46,697
Cancelled Leasing Amounts	-	-
Net Investment on Leases	289,432	360,920

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	155,151	137,543	191,293	165,356
Between 1-4 years	168,566	151,889	213,360	195,564
Over 4 years	-	-	-	-
Total	323,717	289,432	404,653	360,920

11. Information on financial derivatives for hedging

The Group has no financial derivatives for hedging.

SECTION FIVE

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

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

12. Information on investment property

The Group has no investment property.

13. Information on tax assets

As of 30 September 2019, there no tax asset under current tax asset after the deduction of tax liability.

Information on deferred tax asset

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/ Liability	Accumulated temporary differences	Deferred tax asset/ Liability
Provisions for employee rights	2,205	441	-	-
Other	3,596	791	-	-
Deferred tax asset	5,801	1,232	-	-
Interest rediscounts	4,538	998	-	-
Other	838	184	-	-
Deferred tax liability	5,376	1,182	-	-
Deferred tax asset / (liability) net	425	50	-	-

14. Information about fixed assets held for sale

	Current Period	Prior Period
Cost	17	17
Impairment (-)	11	11
Accumulated Depreciation (-)	-	-
Prior Period Net Book Value	6	6
Opening Balance	17	17
Additions	1,000	-
Disposals (-)	4	4
Accumulated Impairment (-)	7	7
Impairment (-)	-	-
Accumulated Depreciation (-)	-	-
Depreciation of disposals	-	-
Depreciation Expenses (-)	-	-
Closing Net Book Value	1,006	6

15. Information on other assets

Other assets is amounting to TL 29,066 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2018 : TL 25,952).

ARAP TÜRK BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	8,689	-	2,626	2,282	2,485	-	-	-	16,082
Foreign Currency Deposits	823,012	-	565	100,892	23,025	4,661	3,107	-	955,262
Residents in Turkey	297,451	-	565	83,970	5,851	677	260	-	388,774
Residents Abroad	525,561	-	-	16,922	17,174	3,984	2,847	-	566,488
Public Sector Deposits	1,289	-	-	-	-	-	-	-	1,289
Commercial Deposits	6,026	-	86	161	-	-	-	-	6,273
Other Ins. Deposits	3,583	-	-	-	-	-	-	-	3,583
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	508,941	-	518,379	-	594,568	198,238	29,302	-	1,849,428
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	9,275	-	-	-	-	-	9,275
Foreign Banks	508,941	-	509,104	-	594,568	198,238	29,302	-	1,840,153
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,351,540	-	521,656	103,335	620,078	202,899	32,409	-	2,831,917

*As of 30 September 2019, there is a blocked account amounting to TL 494,688 which is accounted under the bank deposits and removed as of report date.

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
Saving Deposits	27,623	-	2,053	2,452	2,144	-	-	-	34,272
Foreign Currency Deposits	1,027,555	-	227	22,188	10,396	4,134	5,521	-	1,070,021
Residents in Turkey	644,463	-	227	7,222	3,053	243	239	-	655,447
Residents Abroad	383,092	-	-	14,966	7,343	3,891	5,282	-	414,574
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	7,156	-	312	152	-	-	-	-	7,620
Other Ins. Deposits	1,467	-	-	-	-	-	-	-	1,467
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
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	-	-	-	-	-	-	-	-	-
Total	1,804,129	-	54,449	187,774	1,119,745	898,802	335,301	-	4,400,200

SECTION FIVE

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

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

6. Information on maturity profile of deposits

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

	Covered by Deposit Insurance Fund		Not Covered by Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	10,102	15,171	5,980	19,101
Foreign Currency Saving Deposits	148,302	99,395	271,181	225,601
Other Saving Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	158,404	114,566	277,161	244,702

Saving deposits not covered by deposit insurance

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

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

The Parent Bank's headquarter is located in Turkey.

SECTION FIVE

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

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

1. Information on maturity profile of deposits (Continued)

Amounts not covered by deposit insurance

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	4,035	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 September 2004	-	-
Deposits at Depositary Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	4,035	3,922

2. Information on financial derivatives through profit or loss

None.

3. Information on Funds Borrowed

Information on banks and other financial institutions

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks and Institutions	-	65,927		68,575
From Foreign Banks, Institutions and Funds	-	821,053		871,194
Total	-	886,980		939,769

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED LIABILITIES (Continued)****3. Information on Funds Borrowed (Continued)***Presentation of funds borrowed based on maturity profile*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	69,991	-	444,453
Long-Term	-	816,989	-	495,316
Total	-	886,980	-	939,769

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

Group's liabilities come from 58% of deposits.

4. Information on other foreign liabilities

Other foreign liabilities amounting to TL 49,912 under "Other Liabilities" (31 December 2018: TL 41,023) do not exceed 10% of the total balance sheet.

5. Information on financial lease obligations

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	1,312	1,214	-	-
Between 1 – 4 years	1,353	947	-	-
More than four years	352	284	-	-
Total	3,017	2,445	-	-

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

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

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

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the updated "TAS 19 - Employee Benefits". Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability amount as at 30 September 2019 is TL 12,140 (31 December 2018 : TL 9,559). In addition to this, the unused vacation provision and other employee benefits amount as at 30 September 2019 is TL 6,903 (31 December 2018 : TL 9,014).

Information on other provisions

As of 30 September 2019, the Group has free provisions for possible risks 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
Expected credit losses for non-cash loans	18,418	19,453
Provisions for law suits	869	421
Total	29,287	29,874

SECTION FIVE

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

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

8. Information on tax payables

Information on corporate tax liability

As of 30 September 2019, the Bank's corporate tax payable is TL 7,162 (31 December 2018 : TL 11,833) after offsetting prepaid corporate tax.

	Current Period	Prior Period
Corporate Taxes Payable	7,162	11,833
Banking Insurance Transaction tax (BITT)	547	1,116
Taxation on Securities Income	137	176
Value Added Tax Payable	569	1,189
Value Added Tax Payable (Limited tax payer)	27	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	18	17
Other	1,533	1,602
Total	9,993	15,933

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	470	363
Social Security Premiums-Employer	676	520
Bank Pension Fund Premium-Employee	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	34	26
Unemployment Insurance-Employer	67	52
Others	-	-
Total	1,247	961

SECTION FIVE

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

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

Information on deferred tax liability

As of 30 September 2019, the Bank calculated net deferred tax liability of TL 4 by netting off deferred tax liability of TL 12,855 and deferred tax liability of TL 12,859 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 liability 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	16,838	3,457	16,334	3,357
Unearned revenues	5,025	1,106	5,714	1,257
Interest rediscounts	5,685	1,251	7,118	1,566
Tangible and intangible asset depreciation differences	-	-	-	-
Derivative Assets	28,662	6,306	30,071	6,616
Other	3,346	735	426	91
Deferred tax asset	59,556	12,855	59,663	12,887
Revaluation differences on tangible assets	94,128	11,376	-	-
Interest rediscounts	3,097	647	95,715	11,694
Other	3,799	836	1,152	253
Deferred tax liability	101,024	12,859	96,867	11,947
Deferred tax asset / (liability) net		(4)		940

Movement of deferred tax:

	Current Period	Prior Period
Opening balance	940	(4,201)
TFRS 9 adjustment	-	6,871
Deferred tax income/(expense)(Net)	(652)	1,849
Deferred tax accounted under shareholder's equity	(292)	(3,579)
Net Deferred Tax Asset/(Liability)	(4)	940

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

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

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

The Parent Bank has no subordinated loans.

SECTION FIVE

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

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

9. Information on Shareholders' Equity

Presentation of Paid-in Capital

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

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

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

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

None.

Information on share capital increases from capital reserves

None.

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

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

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

None.

Explanations on dividend distribution

None.

SECTION FIVE

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

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

9. Information on Shareholders' Equity (Continued)

Information on the privileges given to stocks representing the capital

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Associates, Subsidiaries and Jointly Controlled Entities (Joint Ventures)	-	-	-	-
Valuation Differences	286	3,307	-	500
Exchange Rate Differences	-	-	-	-
Total	286	3,307	-	500

Information on legal reserve

Profits of previous years were transferred to the legal reserves amounting to TL 5,827 in the current period (31 December 2018: TL 4,013).

Information on Minority Shares

None.

SECTION FIVE

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

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

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

Type and amount of irrevocable commitments

The Group has TL 22,290 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 Group has allocated the provision amounting TL 316 over total 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 TL 842,736 (31 December 2018 : TL 931,005).

Final guarantees, temporary guarantees, commitments and similar transactions

The total amount of the Group's guarantee letters is TL 3,155,632 (31 December 2018 : TL 3,014,422).

2. Total amount of non-cash loans

	Current Period	Prior Period
Non-Cash Loans granted for Cash Loan Assurance	745,391	682,208
Less Than or Equal to One Year with Original Maturity	422,478	431,605
More Than One Year with Original Maturity	322,913	250,603
Other Non-Cash Loans	3,252,977	3,263,219
Total	3,998,368	3,945,427

Information on expected credit losses for non-cash loans

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	18,991	1	461	19,453
Additions during the Period	6,947	-	-	6,947
Disposals	(7,836)	(1)	(145)	(7,982)
Balance at End of Period	18,102	-	316	18,418

Prior Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	13,773	-	492	14,265
Additions during the Period	7,743	1	-	7,744
Disposals	(2,525)	-	(31)	(2,556)
Balance at End of Period	18,991	1	461	19,453

SECTION FIVE

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

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

1. Information on interest income

Information on interest income received from loans

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans ⁽¹⁾				
Short- Term Loans	83,001	16,277	86,736	10,239
Medium and Long- Term Loans	375	20,353	574	37,081
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	83,376	36,630	87,310	47,320

⁽¹⁾ It contains fee and commission income related to cash loans.

Information on interest income received from banks

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank	-	-	-	-
From Domestic Banks	9,129	11,466	10,571	36,611
From Foreign Banks	-	1,200	-	276
From Foreign Headquarter and Branches	-	-	-	-
Total	9,129	12,666	10,571	36,887

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	14,239	-	15,248
Financial assets where fair value change is reflected to income statement	260	8,268	22	1,877
Investments held to maturity	1,216	16,356	2,658	6,156
Total	1,476	38,863	2,680	23,281

Information on interest income received from associates and subsidiaries

None.

SECTION FIVE

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

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

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	25,000	225	23,276
Central Bank	-	-	-	-
Domestic Banks	-	2,297	225	3,123
Foreign Banks	-	22,703	-	20,153
Other Institutions	-	-	-	-
Total	-	25,000	225	23,276

Information on interest expense paid to subsidiaries and associates

None.

Information on interest expense given on securities issued

None.

Maturity structure of the interest expense on deposits

Current Period	Time Deposit						Cumulative Deposit	Total
	Demand Deposit	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira								
Interbank deposits	-	77	-	-	-	-	-	77
Saving deposits	-	158	231	300	-	235	-	924
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	61	11	5	-	-	-	77
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	296	242	305	-	235	-	1,078
Foreign Currency								
Foreign currency deposits	-	9	1,154	245	81	102	-	1,591
Interbank deposits	154	5,614	-	6,556	2,186	323	-	14,833
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	154	5,623	1,154	6,801	2,267	425	-	16,424
Grand Total	154	5,919	1,396	7,106	2,267	660	-	17,502

3. Information on dividend income

	Current Period	Prior Period
Financial assets measured at fair value to profit or loss	-	-
Financial assets measured at amortized cost	-	-
Financial assets at fair value through other comprehensive income	15	144
Other	-	-
Total	15	144

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

SECTION FIVE**INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. INFORMATION AND FOOTNOTES RELATED TO CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)****4. Information on trading gain/loss**

	Current Period	Prior Period
Gain	16,861,385	25,570,778
Gain from money market transactions	-	-
Gain from financial derivative transactions	501	308
Gain from exchange transactions	16,860,884	25,570,470
Loss (-)	(16,856,452)	(25,580,586)
Loss from money market transactions	-	(27,708)
Loss from financial derivative transactions	(20)	(672)
Loss from exchange transactions	(16,856,432)	(25,552,206)
Net Trading Gain/Loss	4,933	(9,808)

5. Information on income from other operations

	Current Period	Prior Period
Provisions of Prior Year	2,739	18,356
From Communication Income	2,716	1,214
Gain on sales of assets	-	96
Other Income	1,428	340
Total	6,883	20,006

6. Information on impairment in loans

	Current Period	Prior Period
Expected Credit Loss Provisions	4,184	61,972
12 month expected credit loss (stage 1)	627	3,464
Significant increase in credit risk (stage 2)	1,568	1,002
Non-performing loans (stage 3)	1,989	57,506
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	-	501
Total	4,184	62,473

SECTION FIVE

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

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

7. Information on other operating expense

	Current Period	Prior Period
Employee Termination Benefits Expense	1,064	745
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	2,449	1,267
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	1,430	1,068
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	15,577	13,948
<i>Operating Lease Expenses</i>	66	1,088
<i>Maintenance Expenses</i>	4,357	3,244
<i>Advertisement Expenses</i>	150	187
<i>Other Expenses</i>	11,004	9,429
Losses from sales of Assets	-	-
Other	13,806	9,687
Total	34,326	26,715

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

The pre-tax income amount from continued operations is TL 184,805 (30 September 2018 : TL 74,814).

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 September 2019, current taxation expense is TL 38,429 (30 September 2018 : TL 16,417) and the net impact of deferred tax income is TL 1,269 (30 September 2018 : deferred tax expense amounting TL : 2,585).

Deferred tax charge arising from origination or reversal of temporary differences

The deferred tax income arising from origination of temporary differences is TL 1,269 (30 September 2018 : deferred tax expense amounting TL 2,585).

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

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 1,269 (30 September 2018 : deferred tax expense amounting TL 2,585).

SECTION FIVE

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

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

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 145,107 (30 September 2018 : TL 60,982).

11. Information on net profit or loss of the period

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

None.

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

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

Profit/loss regarding minority rights

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

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

Other accounts which exceed the 10% of the income statement ,other than other operating income and other operating expense, amounting to TL 30,139 consist of transfer commissions, letter of credit commissions and other commissions. (30 September 2018 : TL : 22,266)

	Current Period	Prior Period
Letter of Credit Commissions	20,143	15,569
Transfer Commissions	7,792	4,670
Other	2,204	2,027
Total	30,139	22,266

SECTION FIVE

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

V. INFORMATION ON THE GROUP'S RISK GROUP

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

Information on the loans of the Group's risk group

Current Period						
Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	1,395	26,049	431,005	247,752
Balance at the end of the period	-	-	-	57,755	-	133,871
Interest and Commission Income received ⁽²⁾	-	-	-	-	930	-

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

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

Prior Period						
Group's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	-	-	41,801	78,129	98,157
Balance at the end of the period	-	-	1,395	26,049	431,005	247,752
Interest and Commission Income received	-	-	-	-	3,059	-

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

Information on deposits of the Group's risk group

Bank's Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank's Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	-	-	2,038,148	2,250,314	658,394	394,038
Balance at the end of the period	-	-	1,194	2,038,148	1,376,949	658,394
Interest expense on deposits	-	-	16,024	41,386	13,777	4,011

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

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

None.

Information on benefits provided for top level management:

As of 30 September 2019, TL 21,189 has been paid to the top level management of the Group as salaries and fringe benefit (30 September 2018: TL 10,751).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 30 September 2019, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International Cooperative) and Auditors’ Report dated 8 November 2019 is presented preceding the financial statements.

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

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

The increasing tension and mutual steps regarding the trade war between the US and China, the Brexit negotiations between the European Union and the UK, the weak macroeconomic outlook in both the US economy and the Eurozone and the geopolitical developments were the most important agenda items of the global economy in the first nine months of 2019.

Leading indicators released in the second half of the year reveals that the US economy continued to lose momentum. In this context, the Central Bank (Fed) cut the policy rate two times in the third quarter of the year.

Similarly, the slowdown in economic activity continues in the Eurozone. In its September meeting, the European Central Bank (ECB) announced that asset purchase programme will restart with EUR 20 billion per month as of November 1 and it would continue as long as necessary, while lowering the policy rate, which is already negative, by 10 basis points more in line with the expectations. The economic slowdown is also the main issue in the economic agenda of the emerging markets which led by China. In the first half of 2019, the Chinese economy recorded the weakest growth in the last 27 years with 6.2%. As a result of these developments, OECD reduced its global growth forecast for 2019 by 0.3 points to 2.9%.

On the domestic side, it is expected that Turkey's economy will close the year with a positive growth rate despite the contraction in the first and second quarter of 2019 depending on the negative effects of both the global economic slowdown and geopolitical developments. It is seen that the economic activity is stabilized and inflation has already declined to single digit levels, although a slight increase is expected by the end of 2019. The current account balance started to yield surplus after a long period. In an environment where the exchange rate is balanced, interest rates continue to fall and the Central Bank of Turkey cut the policy interest rate by 10 points, a more stable economic outlook is expected in the coming period. In this environment, contrary to downward revisions in global growth forecast by international institutions, upward revisions are made in growth forecast for Turkish economy in 2019 and ahead.

The loan development of the banking sector is more positive compared to the previous year and the contribution of the public sector is much more for the volume increase in loans. Although there is some deterioration in loan quality, this is at a manageable level. Similarly, despite some decrease in profitability of the Turkish banking sector, capital adequacy is strong enough by 17%. It is evaluated that the banking sector has successfully managed such an environment, which is like a "stress-test scenario" with significant fluctuations.

At end-September 2019, total assets of the Group realized as TL 4.9 billion. Compared to the same period of the previous year, the Group boosted consolidated net interest income by 45% to TL 238 million. Meanwhile, consolidated net fees and commissions income also went up by 33% to TL 57 million. Consequently, the Group succeeded to enlarge its consolidated net term profit by 138% to TL 145.1 million. Consolidated capital adequacy standard ratio maintained its robust outlook by 23.21%.

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

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

Best regards,

Wail J. A. BELGASEM
General Manager

Bilgehan KURU
Chairman

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019**

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

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

Assets (Thousand TL) (1)	2018/12	2019/09
Financial Assets (Net) (2)	3,431,683	3,034,503
Financial Assets Measured at Amortised Cost (Net) (3)	2,748,494	1,671,465
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	6	1,006
Property and Equipment (Net)	117,639	120,828
Intangible Assets (Net)	4,264	3,425
Deferred Tax Assets	1,566	50
Other Assets (Net)	25,952	29,066
Total Assets	6,329,604	4,860,343
Liabilities (Thousand TL) (1)	2018/12	2019/09
Deposits	4,400,200	2,831,917
Funds Borrowed	939,769	886,980
Lease Liabilities (Net)	-	2,445
Provisions	48,447	48,330
Current Tax Liability	16,894	11,240
Shareholders' Equity	883,271	1,029,515
Other Liabilities	41,023	49,916
Total Liabilities	6,329,604	4,860,343
Off Balance Sheet Commitments (Thousand TL)	2018/12	2019/09
Guarantees and Warranties	3,945,427	3,998,368
Commitments	107,045	37,382
Derivative Financial Instruments	0	5,693
Total Off Balance Sheet Commitments	4,052,472	4,041,443
Statement of Profit / Loss (Thousand TL)	2018/09	2019/09
Interest Income	241,230	280,994
Interest Expense (-)	76,557	42,792
Net Interest Income	164,673	238,202
Net Fees & Commission Income	42,750	56,851
Dividend Income	144	15
Trading Income / Loss (Net) (+/-)	(9,808)	(6,794)
Other Operating Income	20,006	6,883
Gross Operating Income	217,765	295,157
Expected Credit Loss (-)	62,473	4,184
Other Provisions Expenses (-)	-	449
Personnel Expense (-)	53,763	71,393
Other Operating Expenses (-)	26,715	34,326
Net Operating Income / Loss	74,814	184,805
Tax Provision (-)	13,832	39,698
Net Term Profit	60,982	145,107

(1) Rate sensitive assets and liabilities include rediscounts.

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

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

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

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

- At end-September 2019, total assets of the Group realized as TL 4.860 million. The most significant investment instruments in consolidated assets included net financial assets by 62.4% share totaling TL 3.035 million and net financial assets measured at amortized cost by 34.4% share totaling TL 1.671 million. Lease receivables totaling TL 289.4 million constituted 6.0% of consolidated assets.
- External sources constituted 78.8% of consolidated liabilities. Total deposits, which was the most significant part of the external sources, realized as TL 2.832 million. At end-September 2019, shareholders' equity stood at TL 1.030 million and constituted 21.2% of consolidated liabilities.
- Consolidated guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees, stood at almost the same level with the previous year-end as TL 3.998 million.
- At end-September 2019, net term profit of the Group realized as TL 145.1 million.

IV. Information on Subsidiary Subject to Consolidation

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

V. Other Issues

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