

*(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 Three-Month Period Ended 31 March 2019
With Auditors' Review Report Thereon**
*(Convenience Translation of Consolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

3 May 2019

This report contains "Independent Auditors' Review Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 84 pages.



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Convenience Translation of the Independent Auditors' Review Report
Originally Prepared and Issued in Turkish to English

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 31 March 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 three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these interim financial information in accordance with the "Banking Regulation and Supervision Agency (BRSA) Accounting and Reporting Legislation" which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 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 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the three-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the accompanying interim activity report in section seven, are not consistent with the reviewed 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

3 May 2019
Istanbul, Turkey

**ARAP TÜRK BANKASI A.Ş. CONSOLIDATED INTERIM FINANCIAL REPORT
AS OF AND FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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 three month period ended 31 March 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

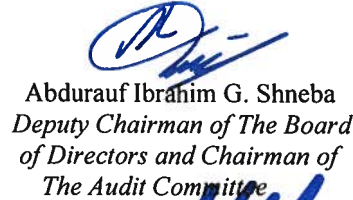
The subsidiaries, associates and jointly controlled companies included in the consolidated interim financial report are as follows:

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

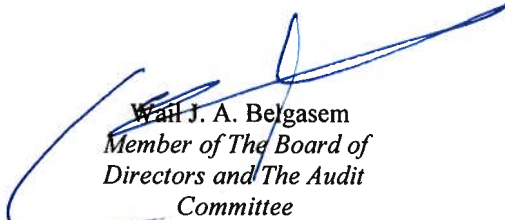
The consolidated interim financial statements and related disclosures and footnotes that were subject to limited review, are prepared in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents”, Turkish Accounting Standards, Turkish Financial Reporting Standards related appendices and interpretations on these. Unless stated otherwise, the accompanying consolidated interim financial statements are presented in thousands of Turkish Lira (TL) as of 31 March 2019 and have been subject to limited review.



Bilgehan Kuru
Chairman of the Board of Directors



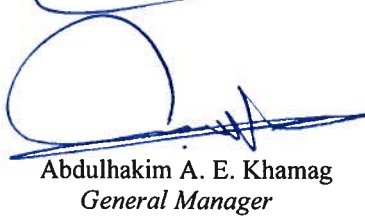
Abdurauuf Ibrahim G. Shneba
Deputy Chairman of The Board of Directors and Chairman of The Audit Committee



Wail J. A. Belgasem
Member of The Board of Directors and The Audit Committee



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



Abdulhakim A. E. Khamag
General Manager



Salih Hatipoğlu
*Assistant General Manager
Responsible For Financial Reporting*



F.Betül Yörel
Manager

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

Name / Title: F.Betül Yörel/ Manager

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ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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”) 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 31 March 2019, the Parent Bank’s share capital at the balance sheet date as follows:

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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
Abdulahkim A. E. Khamag	Member of the Board of Directors and General Manager
Fatma Nur Çetinel	Member of the Board of Directors and Audit Committee
Wail J. A. Belgasem	Member of the Board of Directors and Audit Committee
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
Abdulahkim A. E. Khamag	Member of the Board of Directors and General Manager
Salih Hatipoğlu	Assistant General Manager - Financial Management and Planning Division
Abdulmonam Geat Ali Tbigha	Assistant General Manager - Credits Division
Abdussalam Elfituri B.Abushagur	Assistant General Manager - Information Technologies and Operations Division
Emel Güneş Atagün	Assistant General Manager – Treasury & Economic Research Division

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

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

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

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2019

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD (31/03/2019)			PRIOR PERIOD (31/12/2018)		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		347,225	2,260,507	2,607,732	247,643	3,184,040	3,431,683
I.1	Cash and Cash Equivalents		346,982	1,904,294	2,251,276	247,419	2,795,172	3,042,591
1.1.1	Cash and Balances with Central Bank	1	11,151	1,283,048	1,294,199	8,557	1,240,718	1,249,275
1.1.2	Banks	3	43,381	621,246	664,627	38,948	1,554,454	1,593,402
1.1.3	Money Markets		293,614	-	293,614	202,139	-	202,139
1.1.4	Expected Credit Loss (-)		1,164	-	1,164	2,225	-	2,225
I.2	Financial Assets Measured at Fair Value Through Profit or Loss		-	254,046	254,046	-	282,166	282,166
1.2.1	Government Securities	2	-	208,423	208,423	-	238,569	238,569
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	45,623	45,623	-	43,597	43,597
I.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income		224	102,167	102,391	224	106,702	106,926
1.3.1	Government Securities		-	5,380	5,380	-	15,970	15,970
1.3.2	Equity Securities		224	2,223	2,447	224	2,112	2,336
1.3.3	Other Financial Assets		-	94,564	94,564	-	88,620	88,620
I.4	Derivative Financial Assets		19	-	19	-	-	-
1.4.1	Derivative Financial Assets Measured at Fair Value Through Profit or Loss		19	-	19	-	-	-
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)		596,999	1,551,356	2,148,355	605,636	2,142,858	2,748,494
2.1	LOANS (NET)		613,430	820,243	1,433,673	617,025	1,385,889	2,002,914
2.2	Lease Receivables		67,177	278,426	345,603	73,338	287,582	360,920
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost		12,551	455,210	467,761	13,032	471,291	484,323
2.4.1	Government Securities		12,551	295,772	308,323	13,032	320,830	333,862
2.4.2	Other Financial Assets		-	159,438	159,438	-	150,461	150,461
2.5	Expected Credit Loss (-)		96,159	2,523	98,682	97,759	1,904	99,663
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)		6	-	6	6	-	6
3.1	Held for Sale Purpose		6	-	6	6	-	6
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		-	-	-	-	-	-
4.1	Associations (Net)		-	-	-	-	-	-
4.1.1	Associates Accounted Based on Equity Method	7	-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2	Subsidiaries (Net)		-	-	-	-	-	-
4.2.1	Unconsolidated Financial Subsidiaries	8	-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	JOINT VENTURES (Net)		-	-	-	-	-	-
4.3.1	Joint Ventures Accounted Based on Equity Method	9	-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)		120,869	-	120,869	117,639	-	117,639
VI.	INTANGIBLE ASSETS (Net)		3,861	-	3,861	4,264	-	4,264
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		3,861	-	3,861	4,264	-	4,264
VII.	INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
VIII.	CURRENT TAX ASSET		-	-	-	-	-	-
IX.	DEFERRED TAX ASSET		1,317	-	1,317	1,566	-	1,566
X.	OTHER ASSETS		10,959	8,407	19,366	17,284	8,668	25,952
	TOTAL ASSETS		1,081,236	3,820,270	4,901,506	994,038	5,335,566	6,329,604

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2019

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (31/03/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	81,609	2,827,473	2,909,082	44,283	4,355,917	4,400,200
II. FUNDS BORROWED	3	-	949,675	949,675	-	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 LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)		1,660	1,920	3,580	-	-	-
X. PROVISIONS	7	54,204	428	54,632	47,986	461	48,447
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		21,666	-	21,666	18,573	-	18,573
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		32,538	428	32,966	29,413	461	29,874
XI. CURRENT TAX LIABILITY	8	15,688	-	15,688	16,894	-	16,894
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
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	7,103	26,436	33,539	18,075	22,948	41,023
XVI. SHAREHOLDERS' EQUITY	9	935,476	(166)	935,310	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		78,251	-	78,251	79,064	-	79,064
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		344	(166)	178	-	500	500
16.5 Profit Reserves		30,320	-	30,320	29,449	-	29,449
16.5.1 Legal Reserves		30,319	-	30,319	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)		386,561	-	386,561	334,258	-	334,258
16.6.1 Prior Periods' Profit or (Loss)		333,387	-	333,387	231,015	-	231,015
16.6.2 Current Period Profit or (Loss)		53,174	-	53,174	103,243	-	103,243
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,095,740	3,805,766	4,901,506	1,010,009	5,319,595	6,329,604

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 MARCH 2019
(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (31/03/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	288,993	3,742,435	4,031,428	296,268	3,756,204	4,052,472
I.	GUARANTEES AND WARRANTIES	277,177	3,717,858	3,995,035	289,028	3,656,399	3,945,427
1.1.	Letters of Guarantee	277,177	2,961,191	3,238,368	289,028	2,725,394	3,014,422
1.1.1.	Guarantees Subject to State Tender Law	150	-	150	150	-	150
1.1.2.	Guarantees Given for Foreign Trade Operations	35,608	2,823,946	2,859,554	39,117	2,689,341	2,728,458
1.1.3.	Other Letters of Guarantee	241,419	137,245	378,664	249,761	36,053	285,814
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	379,630	379,630	-	503,629	503,629
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	379,630	379,630	-	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	-	377,037	377,037	-	427,376	427,376
1.9.	Other Collaterals	-	-	-	-	-	-
II.	COMMITMENTS	7,521	20,260	27,781	7,240	99,805	107,045
2.1.	Irrevocable Commitments	7,326	10,892	18,218	7,045	96,448	103,493
2.1.1.	Asset Purchase and Sale Commitments	5,990	5,888	11,878	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	1,336	-	1,336	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	-	5,004	5,004	-	-	-
2.2.	Revocable Commitments	195	9,368	9,563	195	3,357	3,552
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	195	9,368	9,563	195	3,357	3,552
III.	DERIVATIVE FINANCIAL INSTRUMENTS	4,295	4,317	8,612	-	-	-
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	4,295	4,317	8,612	-	-	-
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	4,295	4,317	8,612	-	-	-
3.2.2.1.	Foreign Currency Swap-Buy	4,295	-	4,295	-	-	-
3.2.2.2.	Foreign Currency Swap-Sell	-	4,317	4,317	-	-	-
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)	1,053,763	4,003,527	5,057,290	1,164,808	3,717,226	4,882,034
IV.	ITEMS HELD IN CUSTODY	2,441	5,140	7,581	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	2,441	5,140	7,581	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	1,051,322	3,998,387	5,049,709	1,159,767	3,710,355	4,870,122
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	75,062	126,206	201,268	92,062	208,469	300,531
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	22,652	137,449	160,101	22,827	130,470	153,297
5.6.	Other Pledged Items	953,608	3,734,732	4,688,340	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)		1,342,756	7,745,962	9,088,718	1,461,076	7,473,430	8,934,506

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 MARCH 2019

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-31/03/2019)	(01/01/2018-31/03/2018)
I. INTEREST INCOME	1	93,579	63,807
1.1 Interest on Loans		45,003	38,292
1.2 Interest on Reserve Requirements		2,669	1,451
1.3 Interest on Banks		7,725	10,981
1.4 Interest on Money Market Transactions		17,155	-
1.5 Interest on Marketable Securities Portfolio		8,818	5,694
1.5.1 Fair Value Through Profit or Loss		1,336	1,342
1.5.2 Fair Value Through Other Comprehensive Income		1,685	-
1.5.3 Measured at Amortised Cost		5,797	4,352
1.6 Financial Lease Income		7,870	7,241
1.7 Other Interest Income		4,339	148
II. INTEREST EXPENSE (-)	2	14,983	19,132
2.1 Interest on Deposits		6,847	12,276
2.2 Interest on Funds Borrowed		8,028	6,856
2.3 Interest Expense on Money Market Transactions		-	-
2.4 Interest on Securities Issued		-	-
2.5 Measured at Amortised Expense		108	-
2.6 Other Interest Expenses		-	-
III. NET INTEREST INCOME (I - II)		78,596	44,675
IV. NET FEES AND COMMISSIONS INCOME		20,623	11,381
4.1 Fees and Commissions Received		21,005	11,694
4.1.1 Non-cash Loans		8,829	6,338
4.1.2 Other		12,176	5,356
4.2 Fees and Commissions Paid		382	313
4.2.1 Non-cash Loans		1	1
4.2.2 Other		381	312
V. DIVIDEND INCOME	3	3	-
VI. TRADING INCOME /(LOSS) (Net)	4	3,395	969
6.1 Trading Gains / (Losses) on Securities		(467)	(916)
6.2 Gains / (Losses) on Derivative Financial Transactions		98	(250)
6.3 Foreign Exchange Gains / (Losses)		3,764	2,135
VII. OTHER OPERATING INCOME	5	2,909	3,380
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		105,526	60,405
IX. EXPECTED CREDIT LOSS (-)	6	1,243	994
X. DİĞER KARŞILIK GİDERLERİ (-)		186	-
XI. PERSONNEL EXPENSE (-)		24,691	17,390
XII. OTHER OPERATING EXPENSES (-)	7	12,319	8,070
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)	8	67,087	33,951
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)		67,087	33,951
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)		(13,913)	(7,379)
18.1 Current Tax Provision		(13,403)	(7,021)
18.2 Deferred Tax Income Effect (+)		4,438	2,388
18.3 Deferred Tax Expense Effect (-)		3,928	2,030
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	10	53,174	26,572
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)		53,174	26,572
25.1 Group Profit (Loss)		53,174	26,572
25.2 Minority shares Profit (Loss)		-	-
Earning/(Loss) per share (in TL full)		0.0012	0.0006

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

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2019
(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-31/03/2019)	(01/01/2018-31/03/2018)
I.	CURRENT PERIOD PROFIT/LOSS	53,174	26,572
II.	OTHER COMPREHENSIVE INCOME		
		(1,135)	(4,093)
2.1	Not Reclassified to Profit or Loss	(813)	(4,099)
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,026)	(450)
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	213	(3,649)
2.2	Reclassified to Profit or Loss	(322)	6
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	(370)	7
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	48	(1)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	52,039	22,479

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

(Thousands of Turkish Lira ("TL"))

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss					Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss					Profit reserves	Prior period net income/(loss)	Current period net income/(loss)	Total Equity Before Minority Interest	Minority Interest	Total 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 Gain or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)							
PRIOR PERIOD 00.01.1900																	
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	-	-	6,024	-	6,027	-	6,027		
2.1 Effect of adjustment																	
2.2 Effect of changes in accounting policies											6,024		6,027		6,027		
III. New balance (I+II)	440,000	-	-	-	86,476	(2,919)	-	(93)	-	24,855	176,201	81,415	805,935	-	805,935		
IV. Total comprehensive income (loss)					(3,739)	(360)	-	6	-	-	26,572		22,479		22,479		
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										580	80,835	(81,415)	-	-	-		
11.1 Dividends distributed										580	80,835	(81,415)	-	-	-		
11.2 Transfers to legal reserves																	
11.3 Other																	
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,737	(3,279)	-	(87)	-	25,435	257,036	26,572	828,414	-	828,414		
CURRENT PERIOD (31.03/2019)																	
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)						(813)	-	(322)	-	-	53,174		52,039		52,039		
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										871	102,372	(103,243)	-	-	-		
11.1 Dividends distributed										871	102,372	(103,243)	-	-	-		
11.2 Transfers to legal reserves																	
11.3 Other																	
Balances (III+IV+.....+X+XI)	440,000	-	-	-	82,093	(3,842)	-	178	-	30,320	333,387	53,174	935,310	-	935,310		

ARAP TÜRK BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2019-31/03/2019)	PRIOR PERIOD (01/01/2018-31/03/2018)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(389,115)	(167,605)
1.1.1 Interest Received		88,622	78,987
1.1.2 Interest Paid		(4,911)	(27,954)
1.1.3 Dividend Received		3	-
1.1.4 Fees and Commissions Received		21,005	11,694
1.1.5 Other Income		9,377	11,677
1.1.6 Collections from Previously Written-off Loans and Other Receivables		393	1,085
1.1.7 Payments to Personnel and Service Suppliers		(26,832)	(20,219)
1.1.8 Taxes Paid		(14,870)	(11,741)
1.1.9 Other		(461,902)	(211,134)
1.2 Changes in Operating Assets and Liabilities		(545,979)	22,256
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		72,969	17,433
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		895,626	(16,296)
1.2.4 Net (increase) / decrease in other assets		6,818	(11,390)
1.2.5 Net increase / (decrease) in bank deposits		(1,730,097)	(335,721)
1.2.6 Net increase / (decrease) in other deposits		(187,901)	80,014
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		191,733	217,919
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		204,873	70,297
I. Net Cash Provided from Banking Operations		(935,094)	(145,349)
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		-	-
II. Net Cash Provided from Investing Activities		48,316	29,263
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		(2,487)	(965)
2.4 Disposals of property and equipment		943	37
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		10,528	-
2.7 Purchase of Financial Assets Measured at Amortised Cost		-	(29,178)
2.8 Sale of Financial Assets Measured at Amortised Cost		39,796	52,240
2.9 Other		(464)	7,129
C. CASH FLOWS FROM FINANCING ACTIVITIES		-	-
III. Net Cash Provided from Financing Activities		-	-
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		242,508	77,908
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		(644,270)	(38,178)
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		1,888,184	1,422,889

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 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 31 March 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 "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss".

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

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

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

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

VI. INFORMATION ON FEES AND COMMISSION

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS

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

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 Bank, if the Bank is a legal party to these instruments.

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

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

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

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

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

- 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. The Group does not provide financial leasing services as a lessor.

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

The 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		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	931,006	
Share issue premiums	440,178	
Reserves	-	
30,320		
Gains recognized in equity as per TAS	78,251	
Profit	386,561	
Current Period Profit	53,174	
Prior Period Profit	333,387	
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	935,310	
Deductions from Common Equity Tier 1 Capital		
	4,304	4,304
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	443	443
Goodwill (net of related tax liability)	3,861	3,861
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	4,304	
Total Common Equity Tier 1 Capital	931,006	

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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)	931,006	-
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)	30,087	-
Tier II Capital Before Deductions	30,087	-
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	30,087	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	961,093	-
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	961,093	-
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	961,093	971,836
Total Capital (The sum of Tier I Capital and Tier II Capital)	961,093	971,836
Total risk weighted amounts	4,743,274	4,743,274
CAPITAL ADEQUACY RATIOS		
Consolidated Core Capital Adequacy Ratio (%)	19.63	-
Consolidated Tier I Capital Adequacy Ratio (%)	19.63	-
Consolidated Capital Adequacy Ratio (%)	20.26	20.49
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	15.13	-
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		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	30,087	30,087
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	30,087	30,087
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		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	878,500	
Share issue premiums	440,500	
Reserves	-	
Gains recognized in equity as per TAS	29,449	
Profit	79,064	
Current Period Profit	334,258	
Prior Period Profit	103,243	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	231,015	
Minorities’ shares	-	
Common Equity Tier 1 Capital Before Deductions	883,271	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	4,771	4,771
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)		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	908,073	-
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	878,500	-
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 I 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.

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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	78,251	-	78,251
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	178	-	178
Profit Reserves	30,320	-	30,320
Profit or Loss	386,561	-	386,561
Prior Periods’ Profit/Loss	333,387	-	333,387
Current Period Net Profit/Loss	53,174	-	53,174
Deductions from Common Equity Tier I Capital (*)	-	4,304	(4,304)
Common Equity Tier 1 capital			931,006
Tier 1 capital			931,006
Provisions	-	(30,087)	30,087
Tier 2 capital (**)	-	(30,087)	30,087
Shareholders’s Equity Adjustments (***)	-	-	-
Total Shareholders’s Equity	935,310	(25,783)	961,093

(*) 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
22 March 2019	TL 5.4392	TL 6.2032
25 March 2019	TL 5.5274	TL 6.2630
26 March 2019	TL 5.6458	TL 6.3858
27 March 2019	TL 5.4945	TL 6.2162
28 March 2019	TL 5.3307	TL 6.0091
31 March 2019	TL 5.5423	TL 6.2335

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 March 2019 is TL 5.4408 for USD, TL 6.1597 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 Dollars	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	853,448	429,022	578	1,283,048
Banks	245,962	365,713	9,571	621,246
Financial Assets Measured at Fair Value through Profit or Loss	246,689	7,357	-	254,046
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	8,717	93,450	-	102,167
Loans	596,985	223,258	-	820,243
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	232,524	222,686	-	455,210
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	261,494	22,816	-	284,310
Total Assets	2,445,819	1,364,302	10,149	3,820,270
Liabilities				
Bank Deposits	1,567,684	414,408	1,197	1,983,289
Foreign Currency Deposits	403,911	432,768	7,505	844,184
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	455,805	493,870	-	949,675
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	13,884	14,562	338	28,784
Total Liabilities ⁽¹⁾	2,441,284	1,355,608	9,040	3,805,932
Net Balance Sheet Position	4,535	8,694	1,109	14,338
Net Off Balance Sheet Position	(3,117)	(7,088)	-	(10,205)
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	(3,117)	(7,088)	-	(10,205)
Non-Cash Loans	1,278,799	1,649,883	789,176	3,717,858
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 (166).

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

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 31 March 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	(142)	(142)	(1,145)	(1,145)
US Dollar	(161)	(161)	2	2
Other Currencies	(111)	(111)	(214)	(214)
Total	(414)	(414)	(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	142	142	1,145	1,145
US Dollar	161	161	(2)	(2)
Other Currencies	111	111	214	214
Total	414	414	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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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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	429,344	-	-	-	-	864,855	1,294,199
Banks	659,688	-	-	-	-	4,939	664,627
Financial assets at fair value through Profit or Loss	118,830	45,623	-	89,593	-	-	254,046
Interbank Money Market Placements	293,614	-	-	-	-	-	293,614
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	25,245	-	77,146	102,391
Loans	655,180	280,034	177,885	229,316	-	91,258	1,433,673
Financial Assets Measured at Amortized Cost	34,605	64,193	97,689	244,323	26,951	-	467,761
Other assets ⁽¹⁾	27,728	22,335	100,671	192,584	-	47,877	391,195
Total assets	2,218,989	412,185	376,245	781,061	26,951	1,086,075	4,901,506
Liabilities							
Bank deposits	1,609,586	270,936	103,058	-	-	73	1,983,653
Other deposits	28,111	19,060	10,479	-	-	867,779	925,429
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	169,061	131,162	565,823	83,629	-	-	949,675
Other liabilities ⁽²⁾	418	211	1,917	932	102	1,039,169	1,042,749
Total liabilities	1,807,176	421,369	681,277	84,561	102	1,907,021	4,901,506
Long Position in the Balance Sheet	411,813	-	-	696,500	26,849	-	1,135,162
Short Position in the Balance Sheet	-	(9,184)	(305,032)	-	-	(820,946)	(1,135,162)
Long Position in the Off-balance Sheet	4,295	-	-	-	-	-	4,295
Short Position in the Off-balance Sheet	(4,317)	-	-	-	-	-	(4,317)
Total Position	411,791	(9,184)	(305,032)	696,500	26,849	(820,946)	(22)

⁽¹⁾ Other Assets: The amount of TL 47,877 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 120,869, Net Expected Credit Loss amounting to TL 99,846, Intangible Assets amounting to TL 3,861, Deferred Tax Assets amounting to TL 1,317 and other non-interest bearing amounting to TL 21,670 and Assets Held for Sale amounting to TL 6.

⁽²⁾ Other Liabilities: The amount of TL 1,039,169 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 935,310, Provisions amounting to TL 54,632, Current Tax Liability amounting to TL 15,688 and other non-interest bearing amounting to TL 33,539.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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⁾	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.

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

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	-	1.62	7.16
Banks	1.28	2.75	20,49
Financial assets at fair value through profit or loss	2.30	4.87	-
Money Market Placements	-	-	25.49
Financial Assets at Fair Value Through Other Comprehensive Income	6.42	6.87	-
Loans	5.52	6.98	26.53
Financial Assets Measured at Amortized Cost	2.79	7.06	20.04
Financial Lease Receivables	6.08	7.74	18.72
Liabilities			
Interbank deposits	1.06	4.07	-
Other deposits	1.00	2.69	17.83
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	2.39	4.70	-
Prior Period			
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 42% 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 33% of these funds are USD and 67% 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.

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

Liquidity coverage ratio

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

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

	Month	TL	Month	FC+TL
Lowest	January	94	January	117
Highest	March	161	March	226

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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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	2,579,298	2,203,235	2,179,759	1,803,696
CASH OUTFLOWS				
2 Real person deposits and retail deposits	406,722	370,739	39,815	37,074
3 Stable deposit	17,129	-	856	-
4 Deposit with low stability	389,593	370,739	38,959	37,074
5 Unsecured debts except real person deposits and retail deposits	2,873,519	2,734,261	2,490,417	2,378,781
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,753,858	2,703,042	2,370,756	2,347,562
8 Other unsecured debts	119,661	31,219	119,661	31,219
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin obligations	6	6	6	6
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	4,094,217	3,799,828	266,459	204,450
16 TOTAL CASH OUTFLOW	7,374,464	6,904,834	2,796,697	2,620,311
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,518,620	1,100,083	1,336,923	1,047,953
19 Other cash inflows	3,152	3,152	3,152	3,152
20 TOTAL CASH INFLOWS	1,521,772	1,103,235	1,340,075	1,051,105
			Upper Limit Applied Amounts	
21 TOTAL HQLA STOCK			2,179,759	1,803,696
22 TOTAL NET CASH OUTFLOWS			1,460,819	1,569,206
23 LIQUIDITY COVERAGE RATIO (%)			149.21	114.94

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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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, the weekly simple arithmetic average calculated 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. 70% of the total liabilities are deposits received. 75% 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 31 March 2019, the group has net cash outflow amounting to TL 6 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. 70% of the liability is deposits and 75% 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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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	20,005	1,274,194	-	-	-	-	-	1,294,199
Banks	47,857	616,770	-	-	-	-	-	664,627
Financial Assets at Fair Value through Profit or Loss	-	118,830	45,623	-	89,593	-	-	254,046
Money Market Placements	-	293,614	-	-	-	-	-	293,614
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	25,245	-	-	77,146	102,391
Loans	-	655,180	237,374	220,545	229,316	-	91,258	1,433,673
Investment securities held-to-maturity	-	34,605	64,193	97,691	244,321	26,951	-	467,761
Other assets ⁽¹⁾	1,687	27,747	21,226	101,680	192,684	-	46,171	391,195
Total Assets	69,549	3,020,940	368,416	445,161	755,914	26,951	214,575	4,901,506
Liabilities								
Interbank Deposits	482,384	1,127,275	270,936	103,058	-	-	-	1,983,653
Other Deposits	867,779	28,111	19,043	10,496	-	-	-	925,429
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	149,480	68,051	503,653	228,491	-	-	949,675
Other liabilities ⁽²⁾	-	2,844	659	1,917	932	102	1,036,295	1,042,749
Total Liabilities	1,350,163	1,307,710	358,689	619,124	229,423	102	1,036,295	4,901,506
Net Liquidity Gap	(1,280,614)	1,713,230	9,727	(173,963)	526,491	26,849	(821,720)	-
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 46,171 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 120,869, Expected credit loss amounting to TL 99,846, Intangible Assets amounting to TL 3,861, Deferred Tax Assets amounting to TL 1,317 and other Non-Interest Bearing amounting to TL 19,964 and Assets Held for Sale amounting to TL 6.

⁽²⁾ Other Liabilities: The amount of TL 1,036,295 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 935,310, Provisions amounting to TL 54,632, Deferred Tax Liabilities amounting to TL 15,688 and other liabilities amounting to TL 30,665.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

	Prior Period	Current Period⁽²⁾
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards ⁽¹⁾	3,678	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	5,899	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	792,245	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	24,556	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	826,378	851,478

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

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	5,075,168
2	(Assets deducted from main capital)	(3,678)	(4,449)
3	Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	6,102,699	5,070,719
	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	20
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	33	20
	Security or secured financing transactions		
7	Risk amount of security or secured financing transactions (Except balance sheet)	4,709	34,088
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	34,088
	Off-balance sheet transactions		
10	Gross nominal amount of off-balance sheet transactions	3,767,831	3,970,167
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	3,970,167
	Equity and total risk		
13	Main capital	824,060	916,385
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	9,875,272	9,074,994
	Leverage ratio		
15	Leverage ratio	8.47%	%10.10

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)	4,230,249	4,746,607	338,420
2 Standardised approach (SA)	4,230,249	4,746,607	338,420
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	-	-	-
5 Standardised approach for counterparty credit risk (SA-CCR)	-	-	-
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies - 12.50% weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	49,375	160,175	3,950
17 Standardised approach (SA)	49,375	160,175	3,950
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)	4,743,274	5,293,195	379,462

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

None.

RWA flow statements of market risk exposures under an IMA

None.

ARAP TÜRK BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 31 March 2019 and 31 March 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)	(513)	43,578	27,923	7,608	-	78,596
Commission Income (Net)	-	20,259	-	364	-	20,623
Unallocated Income/Expenses (Net)	-	-	-	(4,737)	(27,395)	(32,132)
Operating Income	(513)	63,837	27,923	3,235	(27,395)	67,087
Income from Subsidiaries	-	-	-	-	-	-
Income before tax	-	-	-	-	67,087	67,087
Tax Provision	-	-	-	-	(13,913)	(13,913)
Net Profit for the period	-	-	-	-	53,174	53,174

Current Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Segment Assets	809	466,952	2,977,241	435,884	-	3,880,886
Unallocated assets	-	-	-	-	1,020,620	1,020,620
Total Assets	809	466,952	2,977,241	435,884	1,020,620	4,901,506
Segment Liabilities	417,348	512,601	2,620,083	320,383	-	3,870,415
Unallocated Liabilities	-	-	-	-	95,781	95,781
Equity	-	-	-	-	935,310	935,310
Total Liabilities	417,348	512,601	2,620,083	320,383	1,031,091	4,901,506

Prior Period	Retail Banking	Corporate and Commercial Banking	Treasury	Leasing	Other	Total Operations of the Group
Interest Income (Net)	(425)	38,108	965	6,027	-	44,675
Commission Income (Net)	-	11,346	-	35	-	11,381
Unallocated Income/Expenses (Net)	-	-	-	-	(12,035)	(12,035)
Operating Income	(425)	49,454	965	6,062	(12,035)	44,021
Income from Subsidiaries	-	-	-	-	-	-
Income before tax	-	-	-	-	33,951	33,951
Tax Provision	-	-	-	-	(7,379)	(7,379)
Net Profit for the period	-	-	-	-	26,572	26,572

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	2,419	17,586	1,811	18,555
Central Bank of Turkey	8,732	1,265,462	6,746	1,222,163
Other	-	-	-	-
Total	11,151	1,283,048	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⁾	8,732	-	6,746	-
Unrestricted Time Deposits	-	902,393	-	711,682
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	363,069	-	510,481
Total	8,732	1,265,462	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 4% and 20% (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.

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	-	-	-	-
Disposals	(1,061)	-	-	(1,061)
Balance at End of Period	1,164	-	-	1,164

Priod 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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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*

Derivative Financial Assets	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	19	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
Total	19	-	-	-

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	43,381	580,398	38,948	1,532,840
Foreign banks	-	40,848	-	21,614
Total	43,381	621,246	38,948	1,554,454

4. Information on financial assets at fair value through other comprehensive income*Information on transaction of repo and collateral/blocked financial assets (Net)*

None.

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

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

Information on Financial assets at fair value through other comprehensive income

	Current Period	Prior Period
Debt Securities	100,059	105,070
Quoted in stock exchange	100,059	105,070
Not quoted in stock exchange	-	-
Share Certificates	2,446	2,336
Quoted in stock Exchange	-	-
Not quoted in stock Exchange	2,446	2,336
Impairment provision (-)	114	480
Total	102,391	106,926

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	-	56,786	1,395	26,049
Corporate Shareholders	-	56,786	1,395	26,049
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	809	99	1,040	-
Total	809	56,885	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	1,342,415	-	-	-
Commercial Loans	-	-	-	-
Export Loans	53,254	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	613,220	-	-	-
Consumer Loans	809	-	-	-
Credit Cards	-	-	-	-
Other	675,132	-	-	-
Specialized Lending	-	-	-	-
Other Receivables	91,258	-	-	-
Toplam	1,433,673	-	-	-

	Standard Loan ^(*)	Loans Under Close Monitoring ^(*)
12-Month expected credit losses	6,166	-
Significant increase in credit risk	-	1,562

^(*) Includes lease receivables.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (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	165	644	809
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	165	644	809
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	165	644	809

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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*

None.

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,432,409	1,998,623
Foreign loans	1,264	4,291
Total	1,433,673	2,002,914

Specific provisions or Stage 3 Provisions

None.

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	89,759	86,064
Total	89,759	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 (+)	-	-	7,863
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	393
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	101,677
Specific provisions (-)	-	-	89,759
Net Balance on Balance Sheet	-	-	11,918

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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 26,709 which is followed in Turkish Lira accounts. (31 December 2018: TL 26,514)

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

	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)	-	-	11,918
Loans granted to real persons and legal entities (Gross)	-	-	101,577
Specific provisions (-)	-	-	89,659
Loans granted to real persons and legal entities (Net)	-	-	11,918
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

	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)	-	-	385
Interest accruals and valuations differences	-	-	8,652
Provision (-)	-	-	8,267
Prior Period (Net)	-	-	8
Interest accruals and valuations differences	-	-	8,157
Provision (-)	-	-	8,149

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

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

Information on write-off policy

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.

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	1,155	-	33	1,188
Disposals	(2,311)	-	(379)	(2,690)
Balance at End of Period	5,614	-	88,760	94,374

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

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

As of 31 March 2019, the Parent Bank does not have marketable securities subjected to repurchase transactions on financial assets measured at amortised cost. and has securities amounting to TL 2,419 which are collateralized / blocked from held to maturity financial assets. (31 December 2018: TL 2,317)

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government Bonds	12,551	295,772	13,032	320,830
Treasury Bonds	-	-	-	-
Other Public Bonds	-	159,438	-	150,461
Toplam	12,551	455,210	13,032	471,291

Information on financial assets measured at amortised cost

	Current Period	Prior Period
Debt Instruments	467,761	484,323
Quoted at stock exchange	467,761	484,323
Not-quoted at stock exchange	-	-
Impairment loss provision (-)	-	-
Total	467,761	484,323

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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)***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	23,234	100,912
Purchases during the Period	-	190,541
Disposals through sales and redemptions ⁽¹⁾	(39,796)	(195,890)
Impairment loss provision	-	-
Period end balance	467,761	484,323

⁽¹⁾ In the current period redemption amounting to TL 39,796 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	38	-	-	38
Disposals	(145)	-	-	(145)
Balance at End of Period	1,193	-	-	1,193

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.

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

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	95,500	95,500
Capital Reserves	228	228
Legal Reserves	4,643	3,772
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	14,531	12,893
<i>Net Profit</i>	2,509	12,763
<i>Prior Period Profit/Loss</i>	12,022	130
Intangible Assets (-)	144	133
Total Core Capital	114,759	112,261
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	114,759	112,261
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL⁽¹⁾	114,759	112,261

⁽¹⁾ There is no restriction on shareholders’ equity of subsidiary. After deduction from the capital, the total net available equity is TL 114,759.

⁽²⁾ As decided in the Annual General Meeting which is held on 29 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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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

	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value(*)
Total Assets	435,884	114,641	4,436	10,174	-	2,505	12,022

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

Movement related to subsidiaries

	Current Period	Prior Period
Balance at the Beginning of the Period	95,708	85,210
Movements during the Period	-	10,498
Purchases	-	-
Bonus Shares Received	-	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	95,708	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	95,708	95,708
Finance Companies	-	-
Other Affiliates	-	-

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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

I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF CONSOLIDATED ASSETS (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	388,745	407,617
Earned Financial Lease Income (-)	43,142	46,697
Cancelled Leasing Amounts	-	-
Net Investment on Leases	345,603	360,920

Maturity analysis of financial lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	175,078	152,919	191,293	165,356
Between 1-4 years	213,667	192,684	213,360	195,564
Over 4 years	-	-	-	-
Total	388,745	345,603	404,653	360,920

Information on net investments under financial lease

The movement of allowance for leasing receivables are as follows

	Current Period	Prior Period
Opening Balance	2,487	1,494
Provisions	860	353
Impact of TFRS 9	-	1,277
Collections	(232)	(637)
Ending Balance	3,115	2,487

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	-	797	276	1,073
Disposals	(445)	-	-	(445)
Balance at End of Period	555	1,563	997	3,115

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

11. Information on financial derivatives for hedging

The Group has no financial derivatives for hedging.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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 31 March 2019, there no tax asset under current tax asset after the deduction of tax liability.

Information on deferred tax asset

As of 31 March, 2019, the Bank calculated net deferred tax asset of TL 1,317 (31 December 2018 : TL 1,566) by netting off deferred tax asset of TL 14,966 (31 December 2018 : 14,455) and deferred tax liability of TL 13,649 (31 December 2018 : TL 12,889) on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

Detailed information on net deferred tax assets is as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/ Liability	Accumulated temporary differences	Deferred tax asset/ Liability
Provisions for employee rights	21,666	4,639	18,573	3,913
Unearned revenues	5,940	1,307	5,714	1,257
Interest rediscounts	5,241	1,153	7,118	1,566
Tangible and intangible asset depreciation differences	-	-	-	-
Derivative Assets	30,431	6,695	30,071	6,616
Other	5,332	1,172	5,027	1,103
Deferred tax asset	68,610	14,966	66,503	14,455
Revaluation differences on tangible assets	100,832	12,817	97,126	12,004
Interest rediscounts	3,388	745	2,872	632
Other	394	87	1,152	253
Deferred tax liability	104,614	13,649	101,150	12,889
Deferred tax asset / (liability) net		1,317		1,566

Movement of deferred tax:

	Current Period	Prior Period
Opening balance	1,566	(3,922)
TFRS 9 adjustment	-	6,936
Deferred tax income/(expense)(Net)	(510)	2,120
Deferred tax accounted under shareholder's equity	261	(3,568)
Net Deferred Tax Asset/(Liability)	1,317	1,566

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

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

15. Information on other assets

Other assets is amounting to TL 19,366 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 AS OF 31 MARCH 2019

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

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	37,378	-	2,653	1,876	2,328	-	-	-	44,235
Foreign Currency Deposits	793,945	-	219	30,556	9,497	4,121	5,846	-	844,184
Residents in Turkey	313,179	-	219	8,721	3,044	256	252	-	325,671
Residents Abroad	480,766	-	-	21,835	6,453	3,865	5,594	-	518,513
Public Sector Deposits	1	-	-	-	-	-	-	-	1
Commercial Deposits	5,727	-	416	138	-	-	-	-	6,281
Other Ins. Deposits	30,728	-	-	-	-	-	-	-	30,728
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits	482,384	-	11,122	1,150,266	-	311,770	28,111	-	1,983,653
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	482,384	-	11,122	1,150,266	-	311,770	28,111	-	1,983,653
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,350,163	-	14,410	1,182,836	11,825	315,891	33,957	-	2,909,082

*As of 31 March 2019, there is a blocked account amounting to TL 449,000 which is accounted under the bank deposits.

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3 Months	3-6 Months	6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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

	Covered by Deposit Insurance Fund		Not Covered by Deposit Insurance Fund	
	Current Period	Prior Period	Current Period	Prior Period
Saving Deposits	13,081	15,171	31,154	19,101
Foreign Currency Saving Deposits	116,912	99,395	256,201	225,601
Other Saving Deposits	-	-	-	-
Foreign Branches’ Deposits Under Foreign Insurance Coverage	-	-	-	-
Off-Shore Deposits Under Foreign Insurance Coverage	-	-	-	-
Total	129,993	114,566	287,355	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.

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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	3,179	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	3,179	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	-	63,037	-	68,575
From Foreign Banks, Institutions and Funds	-	886,638	-	871,194
Total	-	949,675	-	939,769

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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	-	225,132	-	444,453
Long-Term	-	724,543	-	495,316
Total	-	949,675	-	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 59% of deposits.

4. Information on other foreign resources

None.

5. Information on financial lease obligations

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than a year	2,674	2,407	-	-
Between 1 – 4 years	1,271	934	-	-
More than four years	287	239	-	-
Total	4,232	3,580	-	-

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

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

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

The Group reserved for employee severance indemnities in the accompanying consolidated financial statements using actuarial method in compliance with the updated “TAS 19 - Employee Benefits”. Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability amount as at 31 March 2019 is TL 11,370 (31 December 2018 : 9,559). In addition to this, the unused vacation provision and other employee benefits amount as at 31 March 2019 is TL 10,296 (31 December 2018 : 9,014).

Information on other provisions

As of 31 March 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	22,361	19,454
Provisions for law suits	605	420
Total	32,966	29,874

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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 31 March 2019, the Bank’s corporate tax payable is TL 10,861 (31 December 2018 : TL 11,833) after offsetting prepaid corporate tax.

	Current Period	Prior Period
Corporate Taxes Payable	10,861	11,833
Banking Insurance Transaction tax (BITT)	672	1,116
Taxation on Securities Income	287	176
Value Added Tax Payable	570	1,189
Value Added Tax Payable (Limited tax payer)	-	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	17	17
Other	1,838	1,602
Total	14,245	15,933

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	544	363
Social Security Premiums-Employer	783	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	39	26
Unemployment Insurance-Employer	77	52
Others	-	-
Total	1,443	961

Information on deferred tax liability

As of 31 March 2019, The Group does not have corporate tax payable after deducting the prepaid

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.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

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.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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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
İştirakler, Bağlı Ortaklıklar ve Birlikte Kontrol Edilen Ortaklıklardan (iş ortaklıkları)	-	-	-	-
Değerleme Farkı	344	(166)	-	500
Kur Farkı	-	-	-	-
Toplam	344	(166)	-	500

Information on legal reserve

There are no legal reserve amount from prior years’ profits in the current period. (31 December 2018 : TL 4,013,396)

Information on Minority Shares

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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 18,218 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 428 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 756,667 (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 3,238,368 (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	727,477	682,208
Less Than or Equal to One Year with Original Maturity	463,857	431,605
More Than One Year with Original Maturity	263,620	250,603
Other Non-Cash Loans	3,267,558	3,263,219
Total	3,995,035	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	6,240	-	-	6,240
Disposals	(3,298)	(1)	(33)	(3,332)
Balance at End of Period	21,933	-	428	22,361

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

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	32,045	5,226	25,148	1,714
Medium and Long- Term Loans	50	7,682	125	11,305
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	32,095	12,908	25,273	13,019

⁽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	3,417	4,219	1,696	9,197
From Foreign Banks	-	89	-	88
From Foreign Headquarter and Branches	-	-	-	-
Total	3,417	4,308	1,696	9,285

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	1,336	-	1,342
Financial assets where fair value change is reflected to income statement	-	1,685	-	-
Investments held to maturity	618	5,179	1,126	3,226
Total	618	8,200	1,126	4,568

Information on interest income received from associates and subsidiaries

None.

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	-	8,028	118	6,738
Central Bank	-	-	-	-
Domestic Banks	-	827	118	643
Foreign Banks	-	7,201	-	6,095
Other Institutions	-	-	-	-
Total	-	8,028	118	6,738

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	Demand Deposit	Time Deposit					Cumulative Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
Turkish Lira								
Interbank deposits	-	53	-	-	-	-	-	53
Saving deposits	-	44	91	92	-	74	-	301
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	43	4	2	-	-	-	49
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Total	-	140	95	94	-	74	-	403
Foreign Currency								
Foreign currency deposits	-	1	168	39	23	47	-	278
Interbank deposits	76	45	4,666	-	1,265	114	-	6,166
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	76	46	4,834	39	1,288	161	-	6,444
Grand Total	76	186	4,929	133	1,288	235	-	6,847

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	3	-
Other	-	-
Total	3	-

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	6,053,967	2,541,631
Gain from money market transactions	-	-
Gain from financial derivative transactions	98	199
Gain from exchange transactions	6,053,869	2,541,432
Loss (-)	(6,050,572)	(2,540,662)
Loss from money market transactions	(467)	(916)
Loss from financial derivative transactions	-	(449)
Loss from exchange transactions	(6,050,105)	(2,539,297)
Net Trading Gain/Loss	3,395	969

5. Information on income from other operations

	Current Period	Prior Period
Provisions of Prior Year	668	2,920
From Communication Income	926	307
Gain on sales of assets	-	29
Other Income	1,315	124
Total	2,909	3,380

6. Information on impairment in loans

	Current Period	Prior Period
Expected Credit Loss Provisions	1,243	994
12 month expected credit loss (stage 1)	506	55
Significant increase in credit risk (stage 2)	429	796
Non-performing loans (stage 3)	308	143
Marketable Securities Impairment Expense:	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	1,243	994

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019**

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

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	335	303
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	810	420
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	464	307
Shareholders Equity Procedure Applied Equity Interest Impairment Expense	-	-
Disposable Fixed Asset Impairment Expense	-	-
Amortization Expense of Assets Held for Resale	-	-
Impairment Expense related to Fixed Assets held for sale and discontinued operations	-	-
Other Operating Expenses	4,919	4,235
<i>Operating Lease Expenses</i>	20	375
<i>Maintenance Expenses</i>	1,241	1,009
<i>Advertisement Expenses</i>	47	84
<i>Other Expenses</i>	3,611	2,767
Losses from sales of Assets	-	1
Other	5,791	2,804
Total	12,319	8,070

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

The pre-tax income amount from continued operations is TL 67,087 (31 March 2018 : TL 33,951).

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 31 March 2019, current taxation expense is TL 13,403 (31 March 2018 : TL 7,021) and the net impact of deferred tax expense is TL 510 (31 March 2018 : 358 TL).

Deferred tax charge arising from origination or reversal of temporary differences

The deferred tax expense arising from origination of temporary differences is TL 510 (31 March 2018 : TL 358).

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 510 (31 March 2018 : TL 358).

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 53,174 (31 March 2018 : TL 26,572).

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 12,176 consist of transfer commissions, letter of credit commissions and other.

	Current Period	Prior Period
Letter of Credit Commissions	8,819	3,839
Transfer Commissions	2,790	1,287
Other	567	230
Total	12,176	5,356

ARAP TÜRK BANKASI A.Ş.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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	-	-	-	56,786	590	140,802	
Interest and Commission Income received ⁽²⁾	-	-	-	-	738	-	

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

⁽²⁾ Loans given to the 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	-	-	-	-	260	-	

⁽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	-	-	1,186	2,038,148	1,435,023	658,394
Interest expense on deposits	-	-	16,024	9,169	2,794	831

⁽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 31 March 2019, TL 6,409 has been paid to the top level management of the Group as salaries and fringe benefit (31 March 2018: 3,790 TL).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2019

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

SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. INFORMATION ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 March 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 3 May 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

In the first quarter of 2019, the most important agenda item of global markets was the trade negotiations between the US and China. In this period, the US Federal Reserve (FED) kept its policy rate in the range of 2.25-2.50%, while the US economy grow by 2.9%, it also pointed out that economic activity lost momentum in 2018. The European Central Bank (ECB) announced on March 7 that the interest rates would not change at the meeting held on March 7, but that the interest rate increases could come up early next year. On the other hand developing countries, the Chinese economy recorded the weakest growth in the last 28 years with 6.6% in 2018. In April, World Economic Outlook revised its global growth forecasts to 3.0% and 3.6% for 2019 and 2020, respectively.

When analyzed the figures for Turkey’s economy in the last quarter of 2018 the gross domestic product narrows 3.0% compared to the same period of the previous year. Annual growth in economic activity was 2.6% below the long-term performance as of the end of 2018. The twelve-month current account deficit decreased by US \$36.5 billion (68.2%) to US \$ 17 billion compared to the same period of the previous year. In the first quarter of the year, the Turkish lira depreciated by 5.3% against the US Dollar and by 3.4% against the Euro. The annual increase in the Consumer Price Index was 19.71% at the end of March 2019, while the policy rate, which was raised to 24% on September 13, 2018, did not change in the period under review.

“The New Economy Program Structural Transformation Steps 2019” reform package, prepared within the scope of the “New Economy Program” announced in September 2018, was shared with the public. Within the framework of the package, which is explained under the main headings of the financial sector, the fight against inflation, budgetary discipline, tax transformation, sustainable growth and employment, it is decided that the Ministry of Treasury and Finance will issue approximately 28 billion TL of Government Domestic Debt Securities (GDS) to public banks. In this way banks' capital adequacy and liquidity coverage ratios will be increased and their balance sheets will be made more resistant.

When the figures for the Turkish banking sector are analyzed, it is considered that the growth in the significant performance items is approaching the horizontal. As of February 2019, total assets of the sector increased by 1.8% compared to the year-end and reached TL 3,936 billion. In this period, loan and deposit volume growth is 1.1% and 3.0%, respectively. The increase in the ratio of gross non-performing loans to total cash loans continues and the NPL ratio which was realized as 3.87% at the end of 2018 increased to 4.11% as of February 2019 period.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

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

When compared to the same period of the previous year on the profitability side, the net profit of the sector decreased by 22.5% as from February 2019 to TL 6.5 billion from 8.4 billion TL. Similarly, the return on equity ratio, which was 14.75% at the end of 2018, was 13.80% (annual) as of February 2019. The capital adequacy standard ratio, which is the most important indicator for the capital level of the sector is 17.01%.

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

Improving the information technologies and automation infrastructure in our business processes, increasing the service quality and ensuring full compliance with the corporate governance principles and maximizing operational efficiency will be the priority issues of the upcoming period.

Sustaining the contribution to the national economy with the aim of sustainable healthy growth in corporate banking without compromising effective risk and liquidity management will continue to be our basic working principle in the upcoming period as well.

Best regards,

Abdulahkim A. E. KHAMAG Bilgehan KURU
General Manager Chairman

ARAP TÜRK BANKASI A.Ş.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 (TL Thousand) ⁽¹⁾	2018/12	2019/03
Financial Assets (Net) ⁽²⁾	3,431,683	2,607,732
Financial assets measured at amortised cost (net) ⁽³⁾	2,748,494	2,148,355
Property and equipment held for sale purpose and related to discontinued operations (net)	6	6
Tangible Assets (Net)	117,639	120,869
Intangible Assets and Goodwill (Net)	4,264	3,861
Deferred Tax Assets	1,566	1,317
Other Assets	25,952	19,366
Total Assets	6,329,604	4,901,506

Liabilities (TL Thousand) ⁽¹⁾	2018/12	2019/03
Deposits	4,400,200	2,909,082
Funds Borrowed	939,769	949,675
Lease liabilities	-	3,580
Provisions	48,447	54,632
Current Tax Liabilities	16,894	15,688
Shareholders' Equity	883,271	935,310
Other Liabilities	41,023	33,539
Total Liabilities	6,329,604	4,901,506

Off-Balance Sheet Commitments (TL Thousand)	2018/12	2019/03
Guarantees and Suretyships	3,945,427	3,995,035
Commitments	107,045	27,781
Total Off-Balance Sheet Commitments	4,052,472	4,031,428

Income Statement (TL Thousand)	2018/03	2019/03
Interest Income	63,807	93,579
Interest Expense (-)	19,132	14,983
Net Interest Income	44,675	78,596
Net Fees and Commission Income	11,381	20,623
Dividend Income	-	3
Net Trading Profit / Loss (+ / -)	969	3,395
Other Operating Income	3,380	2,909
Gross Profit from Operating Activities	60,405	105,526
Allowances for Expected Credit Losses (-)	994	1,243
Other Provision Expenses (-)	-	186
Personnel Expenses (-)	17,390	24,691
Other Operating Expenses (-)	8,070	12,319
Net Operating Profit / Loss	33,951	67,087
Tax Provision (-)	7,379	13,913
Net Profit	26,572	53,174

⁽¹⁾ Accruals have been added to all items related to interest.

⁽²⁾ Includes Cash and cash equivalents, Financial Assets Measured at Fair Value Through Profit or Loss, Financial Assets Measured at Fair Value Through Other Comprehensive Income ve Derivative Financial Assets.

⁽³⁾ Includes Loans, Lease Receivables, Factoring Receivables, Financial Assets Measured at Amortised Cost and Expected Credit Losses.

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

III. Assessment of the Financial Position and Performance of the Group

- At the end of the interim period, the Group's total assets amounted to TL 4,902 million. Significant items of the consolidated total assets are net financial assets with a share of 53.2% and TL 2.608 million, and net financial assets which are measured at amortized cost amounting to TL 2.148 million with a share of 43.8%. The share of receivables from lease transactions in consolidated total assets is 7.15% with 345.6 million TL.
- 80.9% of the consolidated balance sheet are comprised of liabilities. Deposits amounting to TL 2.909 million make the most of the liabilities. Shareholders' equity, which constitutes 19.1% of total liabilities, reached TL 935.3 million at the end of March 2019 period.
- Consolidated guarantees consisting of letters of guarantee, letters of credit, bank loans and other guarantees amounted to TL 3.995 million at the end of March 2019 period.
- The cumulative net profit of the Group is TL 53.2 million.

IV. Explanations on the Parent Bank's Consolidated Subsidiary

- The Parent Bank has a subsidiary operating in the field of financial leasing.
- A&T Finansal Kiralama A.Ş., 3226 in accordance with domestic law, pursuant to authorization from Undersecretariat of Treasury and Foreign Trade of Turkey, and established to conduct financial leasing operations abroad and has passed the Articles of Incorporation of 4 activities with the publication in June 1997 Turkey Trade Registry Gazette.
- Arap Türk Bankası A.Ş. is the main shareholder of the company. The financial leasing transactions of the Company consist of construction equipment, machinery and transportation vehicles and real estate leases.
- The Company continues its leasing operations mainly in Turkey.

V. Other Issues

- The Bank's disclosure on the Procedures and Principles pertaining to the Preparation and Publication of the Annual Report of the Banks, except for the explanations containing the numerical data included in the annual report of the Bank for 2018, did not change significantly.