

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

26 July 2019

*This report contains "Independent Auditors' Review Report" comprising 2 pages and; "Consolidated Financial Statements and Related Disclosures and Footnotes" comprising 89 pages.*



KPMG Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.  
İş Kuleleri Kule 3 Kat:2-9  
Levent 34330 İstanbul  
Tel +90 212 316 6000  
Fax +90 212 316 6060  
www.kpmg.com.tr

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

## REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

### *Introduction*

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

### *Scope of review*

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



## Conclusion

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

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

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

Ertal Tıkmaç, SMMM  
Partner

26 July 2019  
Istanbul, Turkey

## ARAP TÜRK BANKASI A.Ş. CONSOLIDATED INTERIM FINANCIAL REPORT AS OF AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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

The consolidated interim financial report as of and for the six month period ended 30 June 2019 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and 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 financial report are as follows:

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

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



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



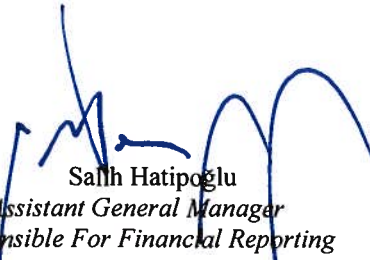
**Abdurauif Ibrahim G. Shneba**  
*Deputy Chairman of The Board  
of Directors and Chairman of  
The Audit Committee*



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



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



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



**F.Betül Yörel**  
*Manager*

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

Name / Title: F.Betül Yörel/ Manager

Phone No : 0 212 225 05 00

Fax No : 0 212 225 05 26

## **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	1
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	1
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	2
IV.	Information on people and entities who have qualified share in the parent bank	2
V.	Information about the services and nature of activities of the parent bank	2
VI.	Differences between the communicate 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	3
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	3

## **SECTION TWO**

### **Consolidated Interim Financial Statements**

I.	Consolidated Balance Sheet-Assets	4
II.	Consolidated Balance Sheet-Liabilities	5
III.	Consolidated Off balance sheet commitments	6
IV.	Consolidated Statement of profit or loss	7
V.	Consolidated Statement of profit or loss and other comprehensive income	8
VI.	Consolidated Statement of changes in shareholders' equity	9
VII.	Consolidated sStatement of cash flows	10

## **SECTION THREE**

### **Explanations on Accounting Policies**

I.	Explanations for basis of presentation	11
II.	Information on strategy for the use of financial instruments and foreign currency transactions	12
III.	Explanations on investments in associates and subsidiaries	12
IV.	Information on forward transactions, options and derivative instruments	13
V.	Information on interest income and expense	13
VI.	Information on fees and commission	13
VII.	Information on financial assets	14
VIII.	Information on offsetting financial instruments	19
IX.	Information on sale and repurchase agreements and lending of financial assets	19
X.	Information on assets held for sale and discontinued operations	20
XI.	Information on goodwill and other intangible assets	20
XII.	Information on tangible assets	21
XIII.	Information on leasing activities	22
XIV.	Information on provisions, contingent liabilities and contingent assets	23
XV.	Information on liabilities regarding employee benefits	23
XVI.	Information on tax applications	24
XVII.	Additional information on borrowings	25
XVIII.	Information on share issuances	25
XIX.	Information on bills of exchanges and acceptances	25
XX.	Information on government incentives	25
XXI.	Cash and cash equivalents	26
XXII.	Information on segment reporting	26
XXIII.	Other disclosures	26

## **SECTION FOUR**

### **Information on the Financial Position of the Group**

I.	Information on Shareholder's Equity	27
II.	Information on consolidated foreign currency exchange rate risk	34
III.	Information on consolidated interest rate risk	37
IV.	Information on consolidated stock position risk	41
V.	Consolidated liquidity risk management and liquidity coverage ratio	42
VI.	Explanations on leverage ratio	49
VII.	Information on risk management	51
VIII.	Explanations on consolidated operating segments	56

## **SECTION FIVE**

### **Information on Disclosures and Footnotes of Consolidated Financial Statements**

I.	Information on disclosures and footnotes of consolidated assets	57
II.	Information and disclosures related to consolidated liabilities	71
III.	Information and disclosures related to consolidated off-balance sheets	78
IV.	Information and footnotes related to consolidated statement of profit or loss	79
V.	Information on the Group's risk group	84
VI.	Explanations and notes related to subsequent events	84

## **SECTION SIX**

### **Independent Auditors' Review Report**

I.	Information on independent auditors' review report	85
II.	Information and footnotes prepared by the independent auditor	85

## **SECTION SEVEN**

### **Interim Activity Report**

I.	Evaluation of the Chairman and General Manager for the Period	86
II.	Consolidated Financial Highlights for the Period	88
III.	Assessment of the Financial Positions and Performance of the Group	89
IV.	Explanations on the Parent Bank's Consolidated Subsidiary	89
V.	Other Issues	89

## ARAP TÜRK BANKASI A.Ş.

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

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

#### SECTION ONE

##### GENERAL INFORMATION ABOUT THE PARENT BANK

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

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

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

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

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

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

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

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

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

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

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

**General Manager and Deputie**

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

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

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

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

**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 30 JUNE 2019**

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
			TL	FC	TOTAL	TL	FC	TOTAL
<b>I.</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>415,048</b>	<b>2,224,090</b>	<b>2,639,138</b>	<b>247,643</b>	<b>3,184,040</b>	<b>3,431,683</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>	<b>1</b>	<b>411,923</b>	<b>1,980,753</b>	<b>2,392,676</b>	<b>247,419</b>	<b>2,795,172</b>	<b>3,042,591</b>
1.1.1	Cash and Balances with Central Bank		10,029	1,316,239	1,326,268	8,557	1,240,718	1,249,275
1.1.2	Banks	3	43,216	664,514	707,730	38,948	1,554,454	1,593,402
1.1.3	Money Markets		360,209	-	360,209	202,139	-	202,139
1.1.4	Expected Credit Loss (-)		1,531	-	1,531	2,225	-	2,225
<b>1.2</b>	<b>Financial Assets Measured at Fair Value Through Profit or Loss</b>	<b>2</b>	<b>-</b>	<b>91,539</b>	<b>91,539</b>	<b>-</b>	<b>282,166</b>	<b>282,166</b>
1.2.1	Government Securities		-	91,539	91,539	-	238,569	238,569
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	43,597	43,597
<b>1.3</b>	<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>4</b>	<b>3,087</b>	<b>151,798</b>	<b>154,885</b>	<b>224</b>	<b>106,702</b>	<b>106,926</b>
1.3.1	Government Securities		2,863	84,740	87,603	-	15,970	15,970
1.3.2	Equity Securities		224	2,313	2,537	224	2,112	2,336
1.3.3	Other Financial Assets		-	64,745	64,745	-	88,620	88,620
<b>1.4</b>	<b>Derivative Financial Assets</b>		<b>38</b>	<b>-</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1	Derivative Financial Assets Measured at Fair Value Through Profit or Loss		38	-	38	-	-	-
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)</b>	<b>5</b>	<b>556,118</b>	<b>1,512,481</b>	<b>2,068,599</b>	<b>605,636</b>	<b>2,142,858</b>	<b>2,748,494</b>
<b>2.1</b>	<b>LOANS (NET)</b>		<b>589,959</b>	<b>869,745</b>	<b>1,459,704</b>	<b>617,025</b>	<b>1,385,889</b>	<b>2,002,914</b>
2.2	Lease Receivables		61,463	264,952	326,415	73,338	287,582	360,920
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	2,188	380,021	382,209	13,032	471,291	484,323
2.4.1	Government Securities		2,188	266,364	268,552	13,032	320,830	333,862
2.4.2	Other Financial Assets		-	113,657	113,657	-	150,461	150,461
2.5	Expected Credit Loss (-)		97,492	2,237	99,729	97,759	1,904	99,663
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>14</b>	<b>6</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>-</b>	<b>6</b>
3.1	Held for Sale Purpose		6	-	6	6	-	6
3.2	Related to Discontinued Operation:		-	-	-	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1</b>	<b>Associations (Net)</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1	Unconsolidated Financial Subsidiary		-	-	-	-	-	-
4.2.2	Unconsolidated Non-Financial Subsidiary		-	-	-	-	-	-
<b>4.3</b>	<b>JOINT VENTURES (Net)</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Venture:		-	-	-	-	-	-
<b>V.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>		<b>121,693</b>	<b>-</b>	<b>121,693</b>	<b>117,639</b>	<b>-</b>	<b>117,639</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>3,881</b>	<b>-</b>	<b>3,881</b>	<b>4,264</b>	<b>-</b>	<b>4,264</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		3,881	-	3,881	4,264	-	4,264
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>13</b>	<b>221</b>	<b>-</b>	<b>221</b>	<b>1,566</b>	<b>-</b>	<b>1,566</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>15</b>	<b>12,367</b>	<b>10,827</b>	<b>23,194</b>	<b>17,284</b>	<b>8,668</b>	<b>25,952</b>
	<b>TOTAL ASSETS</b>		<b>1,109,334</b>	<b>3,747,398</b>	<b>4,856,732</b>	<b>994,038</b>	<b>5,335,566</b>	<b>6,329,604</b>

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

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>I. DEPOSITS</b>	<b>1</b>	<b>68,665</b>	<b>2,763,364</b>	<b>2,832,029</b>	<b>44,283</b>	<b>4,355,917</b>	<b>4,400,200</b>
<b>II. FUNDS BORROWED</b>	<b>3</b>	<b>-</b>	<b>926,750</b>	<b>926,750</b>	<b>-</b>	<b>939,769</b>	<b>939,769</b>
<b>III. MONEY MARKETS</b>		-	-	-	-	-	-
<b>IV. SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
<b>V. FUNDS</b>		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
<b>VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-	-	-	-
<b>VII. DERIVATIVE FINANCIAL LIABILITIES</b>		-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VIII. FACTORING LIABILITIES</b>		-	-	-	-	-	-
<b>IX. LEASE LIABILITIES (Net)</b>		<b>1,581</b>	<b>1,613</b>	<b>3,194</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. PROVISIONS</b>	<b>7</b>	<b>49,531</b>	<b>384</b>	<b>49,915</b>	<b>47,986</b>	<b>461</b>	<b>48,447</b>
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefit		18,425	-	18,425	18,573	-	18,573
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		31,106	384	31,490	29,413	461	29,874
<b>XI. CURRENT TAX LIABILITY</b>	<b>8</b>	<b>17,291</b>	<b>-</b>	<b>17,291</b>	<b>16,894</b>	<b>-</b>	<b>16,894</b>
<b>XII. DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operation		-	-	-	-	-	-
<b>XIV. SUBORDINATED DEBT INSTRUMENTS</b>		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
<b>XV. OTHER LIABILITIES</b>	<b>4</b>	<b>9,573</b>	<b>30,685</b>	<b>40,258</b>	<b>18,075</b>	<b>22,948</b>	<b>41,023</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	<b>9</b>	<b>985,158</b>	<b>2,137</b>	<b>987,295</b>	<b>882,771</b>	<b>500</b>	<b>883,271</b>
16.1 Paid-in capital		440,000	-	440,000	440,000	-	440,000
16.2 Capital Reserves		-	-	-	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		-	-	-	-	-	-
16.3 Accumulated Other Comprehensive Income or Loss that will not be Reclassified to Profit or Loss		77,641	-	77,641	79,064	-	79,064
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		(6)	2,137	2,131	-	500	500
16.5 Profit Reserves		35,276	-	35,276	29,449	-	29,449
16.5.1 Legal Reserves		35,275	-	35,275	29,448	-	29,448
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		1	-	1	1	-	1
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or (Loss)		432,247	-	432,247	334,258	-	334,258
16.6.1 Prior Periods' Profit or (Loss)		328,431	-	328,431	231,015	-	231,015
16.6.2 Current Period Profit or (Loss)		103,816	-	103,816	103,243	-	103,243
16.7 Minority shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>1,131,799</b>	<b>3,724,933</b>	<b>4,856,732</b>	<b>1,010,009</b>	<b>5,319,595</b>	<b>6,329,604</b>

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

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/06/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>286,518</b>	<b>3,708,613</b>	<b>3,995,131</b>	<b>296,268</b>	<b>3,756,204</b>	<b>4,052,472</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>267,368</b>	<b>3,673,620</b>	<b>3,940,988</b>	<b>289,028</b>	<b>3,656,399</b>	<b>3,945,427</b>
1.1.	Letters of Guarantee	267,368	3,036,185	3,303,553	289,028	2,725,394	3,014,422
1.1.1.	Guarantees Subject to State Tender Law	150	-	150	150	-	150
1.1.2.	Guarantees Given for Foreign Trade Operations	32,099	909,413	941,512	39,117	2,689,341	2,728,458
1.1.3.	Other Letters of Guarantee	235,119	2,126,772	2,361,891	249,761	36,053	285,814
1.2.	Bank Acceptances	-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance	-	-	-	-	-	-
1.2.2.	Other Bank Acceptances	-	-	-	-	-	-
1.3.	Letters of Credit	-	228,680	228,680	-	503,629	503,629
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	228,680	228,680	-	503,629	503,629
1.4.	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other Endorsements	-	-	-	-	-	-
1.6.	Purchase Guarantees on Marketable Security Issuance	-	-	-	-	-	-
1.7.	Factoring Guarantees	-	-	-	-	-	-
1.8.	Other Guarantees	-	408,755	408,755	-	427,376	427,376
1.9.	Other Collaterals	-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>6,248</b>	<b>22,154</b>	<b>28,402</b>	<b>7,240</b>	<b>99,805</b>	<b>107,045</b>
2.1.	Irrevocable Commitments	5,659	12,557	18,216	7,045	96,448	103,493
2.1.1.	Asset Purchase and Sale Commitments	4,739	10,622	15,361	6,060	6,028	12,088
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	-	90,420	90,420
2.1.3.	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4.	Loan Granting Commitments	-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7.	Commitments for Cheques	920	-	920	985	-	985
2.1.8.	Tax and Fund Liabilities from Export Commitments	-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits	-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions	-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments	-	1,935	1,935	-	-	-
2.2.	Revocable Commitments	589	9,597	10,186	195	3,357	3,552
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	589	9,597	10,186	195	3,357	3,552
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>12,902</b>	<b>12,839</b>	<b>25,741</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1.	Hedging Derivative Financial Instruments	-	-	-	-	-	-
3.1.1.	Transactions for Fair Value Hedge	-	-	-	-	-	-
3.1.2.	Transactions for Cash Flow Hedge	-	-	-	-	-	-
3.1.3.	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2.	Trading Transactions	12,902	12,839	25,741	-	-	-
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	12,902	12,839	25,741	-	-	-
3.2.2.1.	Foreign Currency Swap-Buy	12,902	-	12,902	-	-	-
3.2.2.2.	Foreign Currency Swap-Sell	-	12,839	12,839	-	-	-
3.2.2.3.	Interest Rate Swap-Buy	-	-	-	-	-	-
3.2.2.4.	Interest Rate Swap-Sell	-	-	-	-	-	-
3.2.3.	Foreign Currency, Interest rate and Securities Options	-	-	-	-	-	-
3.2.3.1.	Foreign Currency Options-Buy	-	-	-	-	-	-
3.2.3.2.	Foreign Currency Options-Sell	-	-	-	-	-	-
3.2.3.3.	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4.	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5.	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6.	Securities Options-Sell	-	-	-	-	-	-
3.2.4.	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5.	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6.	Other	-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>	<b>1,105,772</b>	<b>4,247,212</b>	<b>5,352,984</b>	<b>1,164,808</b>	<b>3,717,226</b>	<b>4,882,034</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>	<b>842</b>	<b>1,625</b>	<b>2,467</b>	<b>5,041</b>	<b>6,871</b>	<b>11,912</b>
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	842	1,625	2,467	5,041	6,871	11,912
4.4.	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5.	Other Assets Received for Collection	-	-	-	-	-	-
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	-	-	-	-	-	-
4.8.	Custodians	-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>	<b>1,104,930</b>	<b>4,245,587</b>	<b>5,350,517</b>	<b>1,159,767</b>	<b>3,710,355</b>	<b>4,870,122</b>
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	75,062	133,136	208,198	92,062	208,469	300,531
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	22,618	143,009	165,627	22,827	130,470	153,297
5.6.	Other Pledged Items	1,007,250	3,969,442	4,976,692	1,044,878	3,371,416	4,416,294
5.7.	Pledged Items-Depository	-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>	<b>1,392,290</b>	<b>7,955,825</b>	<b>9,348,115</b>	<b>1,461,076</b>	<b>7,473,430</b>	<b>8,934,506</b>

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

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

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD	CURRENT PERIOD	PRIOR PERIOD	PRIOR PERIOD
		(01/01/2019-30/06/2019)	(01/04/2019-30/06/2019)	(01/01/2018-30/06/2018)	(01/04/2018-30/06/2018)
<b>I. INTEREST INCOME</b>	<b>1</b>	<b>200,721</b>	<b>107,142</b>	<b>146,955</b>	<b>83,148</b>
1.1 Interest on Loans		90,509	45,506	80,960	42,668
1.2 Interest on Reserve Requirements		4,934	2,265	3,183	1,732
1.3 Interest on Banks		14,497	6,772	24,933	13,952
1.4 Interest on Money Market Transaction		38,398	21,243	248	248
1.5 Interest on Marketable Securities Portfolio		32,567	23,749	22,521	16,827
1.5.1 Fair Value Through Profit or Loss		14,239	12,903	13,599	12,257
1.5.2 Fair Value Through Other Comprehensive Income		6,595	4,910	1,294	1,294
1.5.3 Measured at Amortised Cost		11,733	5,936	7,628	3,276
1.6 Financial Lease Income		15,477	7,607	15,110	7,869
1.7 Other Interest Income		4,339	-	-	(148)
<b>II. INTEREST EXPENSE (-)</b>	<b>2</b>	<b>30,206</b>	<b>15,223</b>	<b>43,398</b>	<b>24,266</b>
2.1 Interest on Deposits		13,074	6,227	29,166	16,890
2.2 Interest on Funds Borrowed		16,926	8,898	14,224	7,368
2.3 Interest Expense on Money Market Transaction		-	-	8	8
2.4 Interest on Securities Issued		-	-	-	-
2.5 Measured at Amortised Expense		206	98	-	-
2.6 Other Interest Expenses		-	-	-	-
<b>III. NET INTEREST INCOME (I - II)</b>		<b>170,515</b>	<b>91,919</b>	<b>103,557</b>	<b>58,882</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>39,901</b>	<b>19,278</b>	<b>25,179</b>	<b>13,798</b>
4.1 Fees and Commissions Received		40,915	19,910	25,818	14,124
4.1.1 Non-cash Loans		19,222	10,393	12,948	6,610
4.1.2 Other		21,693	9,517	12,870	7,514
4.2 Fees and Commissions Paid		1,014	632	639	326
4.2.1 Non-cash Loans		-	(1)	-	(1)
4.2.2 Other		1,014	633	639	327
<b>V. DIVIDEND INCOME</b>	<b>3</b>	<b>15</b>	<b>12</b>	<b>144</b>	<b>144</b>
<b>VI. TRADING INCOME /(LOSS) (Net)</b>	<b>4</b>	<b>(8,658)</b>	<b>(12,053)</b>	<b>(14,276)</b>	<b>(15,245)</b>
6.1 Trading Gains / (Losses) on Securities		(13,940)	(13,473)	(18,831)	(17,915)
6.2 Gains / (Losses) on Derivative Financial Transaction		376	278	(214)	36
6.3 Foreign Exchange Gains / (Losses)		4,906	1,142	4,769	2,634
<b>VII. OTHER OPERATING INCOME</b>	<b>5</b>	<b>3,907</b>	<b>998</b>	<b>21,268</b>	<b>17,888</b>
<b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>		<b>205,680</b>	<b>100,154</b>	<b>135,872</b>	<b>75,467</b>
<b>IX. EXPECTED CREDIT LOSS (-)</b>	<b>6</b>	<b>1,514</b>	<b>271</b>	<b>57,816</b>	<b>56,822</b>
<b>X. DİĞER KARŞILIK GİDERLERİ (-)</b>		<b>101</b>	<b>(85)</b>	<b>-</b>	<b>-</b>
<b>XI. PERSONNEL EXPENSE (-)</b>		<b>47,739</b>	<b>23,048</b>	<b>34,539</b>	<b>17,149</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>7</b>	<b>24,213</b>	<b>11,894</b>	<b>16,685</b>	<b>8,615</b>
<b>XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>	<b>8</b>	<b>132,113</b>	<b>65,026</b>	<b>26,832</b>	<b>(7,119)</b>
<b>XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>		<b>132,113</b>	<b>65,026</b>	<b>26,832</b>	<b>(7,119)</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>		<b>(28,297)</b>	<b>(14,384)</b>	<b>(3,288)</b>	<b>4,091</b>
18.1 Current Tax Provision		(27,068)	(13,665)	(3,095)	3,926
18.2 Deferred Tax Income Effect (+)		7,502	3,064	7,442	5,412
18.3 Deferred Tax Expense Effect (-)		6,273	2,345	7,635	5,247
<b>XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI+XVII)</b>	<b>10</b>	<b>103,816</b>	<b>50,642</b>	<b>23,544</b>	<b>(3,028)</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
20.1 Income from Non-current Assets Held for Sale		-	-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Venture		-	-	-	-
20.3 Income from Other Discontinued Operation		-	-	-	-
<b>XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1 Expenses for Non-current Assets Held for Sale		-	-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Venture		-	-	-	-
21.3 Expenses for Other Discontinued Operation		-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
23.1 Current Tax Provision		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
<b>XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI-XXII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/(LOSS) (XVIII+XXIII)</b>		<b>103,816</b>	<b>50,642</b>	<b>23,544</b>	<b>(3,028)</b>
25.1 Group Profit (Loss)		103,816	50,642	23,544	(3,028)
25.2 Minority shares Profit (Loss)		-	-	-	-
Earning/(Loss) per share (in TL full)		0.0024	0.0012	0.0005	(0.0001)

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

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-30/06/2019)	(01/01/2018-30/06/2018)
<b>I.</b>	<b>CURRENT PERIOD PROFIT/LOSS</b>	<b>103,816</b>	<b>23,544</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>208</b>	<b>(4,340)</b>
<b>2.1</b>	<b>Not Reclassified to Profit or Loss</b>	<b>(1,423)</b>	<b>(4,147)</b>
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,787)	(538)
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	364	(3,609)
<b>2.2</b>	<b>Reclassified to Profit or Loss</b>	<b>1,631</b>	<b>(193)</b>
2.2.1	Foreign Currency Translation Differences	-	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other	-	-
2.2.2	Comprehensive Income	2,111	(289)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(480)	96
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>104,024</b>	<b>19,204</b>

**ARAP TÜRK BANKASI A.Ş.**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 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 Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)								
<b>PRIOR PERIOD</b>																		
30.06.2018																		
<b>I. Balance at the beginning of the period</b>	440,000	-	-	-	86,476	(2,919)	-	-	(96)	-	24,855	170,177	81,415	799,908	-	799,908		
<b>II. Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	3	-	-	6,017	-	6,020	-	6,020		
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	3	-	-	6,017	-	6,020	-	6,020		
<b>III. New balance (I+II)</b>	440,000	-	-	-	86,476	(2,919)	-	-	(93)	-	24,855	176,194	81,415	805,928	-	805,928		
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	(3,739)	(408)	-	-	(193)	-	-	-	23,544	19,204	-	19,204		
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VII. Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VIII. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	-	-	-	-	-	-	-	4,594	54,821	(81,415)	(22,000)	-	(22,000)		
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	-	(22,000)	-	(22,000)	-	(22,000)		
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	(22,000)	-	(22,000)	-	(22,000)		
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	4,594	76,821	(81,415)	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Balances (III+IV+.....+X+XI)</b>	440,000	-	-	-	82,737	(3,327)	-	-	(286)	-	29,449	231,015	23,544	803,132	-	803,132		
<b>CURRENT PERIOD</b>																		
30.06.2019																		
<b>I. Balance at the beginning of the period</b>	440,000	-	-	-	82,093	(3,029)	-	-	500	-	29,449	231,015	103,243	883,271	-	883,271		
<b>II. Adjustment in accordance with TMS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1 Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2 Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>III. New balance (I+II)</b>	440,000	-	-	-	82,093	(3,029)	-	-	500	-	29,449	231,015	103,243	883,271	-	883,271		
<b>IV. Total comprehensive income (loss)</b>	-	-	-	-	-	(1,423)	-	-	1,631	-	-	103,816	103,816	104,024	-	104,024		
<b>V. Capital increase in cash</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VI. Capital increase through internal reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VII. Issued capital inflation adjustment difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>VIII. Convertible bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>IX. Subordinated debt</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>X. Increase (decrease) through other changes, equity</b>	-	-	-	-	-	-	-	-	-	-	5,827	97,416	(103,243)	-	-	-		
<b>XI. Profit distribution</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.1 Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2 Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	5,827	97,416	(103,243)	-	-	-		
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
<b>Balances (III+IV+.....+X+XI)</b>	440,000	-	-	-	82,093	(4,452)	-	-	2,131	-	35,276	328,431	103,816	987,295	-	987,295		

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

(Thousands of Turkish Lira ("TL"))

	Note	THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD (01/01/2019-30/06/2019)	PRIOR PERIOD (01/01/2018-30/06/2018)
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>(154,084)</b>	<b>(123,981)</b>
1.1.1 Interest Received		193,859	129,519
1.1.2 Interest Paid		(21,094)	(30,604)
1.1.3 Dividend Received		15	-
1.1.4 Fees and Commissions Received		40,915	25,818
1.1.5 Other Income		-	3,935
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1,344	1,780
1.1.7 Payments to Personnel and Service Suppliers		(58,824)	(40,745)
1.1.8 Taxes Paid		(26,555)	(18,220)
1.1.9 Other		(283,744)	(195,464)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(595,260)</b>	<b>106,057</b>
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		205,042	84,313
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	(53,593)
1.2.3 Net (increase) / decrease in loans		724,422	66,517
1.2.4 Net (increase) / decrease in other assets		2,510	(1,983)
1.2.5 Net increase / (decrease) in bank deposits		(1,809,528)	(89,341)
1.2.6 Net increase / (decrease) in other deposits		4,447	8,076
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		87,677	86,072
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		190,170	5,996
<b>I. Net Cash Provided from Banking Operations</b>		<b>(749,344)</b>	<b>(17,924)</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		-	-
<b>II. Net Cash Provided from Investing Activities</b>		<b>94,075</b>	<b>47,200</b>
2.1 Cash paid for acquisition of investments, associates and subsidiaries		-	-
2.2 Cash obtained from disposal of investments, associates and subsidiaries		-	-
2.3 Purchases of property and equipment		(2,472)	(3,019)
2.4 Disposals of property and equipment		13	488
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(108,389)	(23,657)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		69,500	-
2.7 Purchase of Financial Assets Measured at Amortised Cost		-	(83,049)
2.8 Sale of Financial Assets Measured at Amortised Cost		136,367	157,089
2.9 Other		(944)	(652)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		-	-
<b>III. Net Cash Provided from Financing Activities</b>		<b>(206)</b>	<b>(22,000)</b>
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	(22,000)
3.5 Payments for Finance Leases		(206)	-
3.6 Other		-	-
<b>IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>132,192</b>	<b>72,098</b>
<b>V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(523,283)</b>	<b>79,374</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Period</b>		<b>2,532,454</b>	<b>1,461,067</b>
<b>VII. Cash and Cash Equivalents at the End of the Period</b>		<b>2,009,171</b>	<b>1,540,441</b>



**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS FOR BASIS OF PRESENTATION**

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

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

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

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

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

**CHANGES IN ACCOUNTING POLICIES**

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

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting stays almost the same.

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

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

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

**The major principles applied in the consolidation of subsidiaries**

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

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

The financial statements which have been used in the consolidation are prepared as of 30 June 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**

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

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

**Equity instruments measured at fair value through other comprehensive income**

At initial recognition, it can be made an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of TFRS 9 that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which TFRS 3 applies. Such election is made on an instrument by instrument basis. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the cumulative gain or loss shall be transferred to prior period’s profit or loss. Dividends on such investments are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. TFRS 9 impairment requirements are not applicable for equity instruments.

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

**d. Loans**

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**e. Impairment**

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

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

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

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

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

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

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

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

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**e. Impairment (Continued)**

*Individual Evaluation*

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

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

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

*Definition of Default*

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

These conditions have stated below:

- 1) Degradation in financial structure of the opposite party and economic conditions
- 2) Other neutral criteria deemed appropriate by management
- 3) To have a past due more than 90 days. (150 days for the financial leasing receivables)
- 4) To have past due over 30 days or reconstruction of loans after passing from Stage 3 to Stage 2.

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

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

In this context, in the criteria applied for the loans classified in the first Group; the issue of future payment issues is not expected and the credit worthiness of the borrower of the loan has not weakened. In accordance with TFRS 9, loans subject to 12-month credit impairment are classified under the First Group (Stage 1). The criteria applied for the credits classified in the Stage 2 are; unfavourable developments in debt payment or cash flows of debtors are observed or anticipated, problems arises in principal and / or interest payments in accordance with the terms of the loan agreement and the credit risk of the borrower is considerably increased. In accordance with TFRS 9, loans classified in the Stage 2 are subject to the provision of an expected lifetime loan loss provision.

1. Past due more than 30 days,
2. Reconstruction,
3. The rating decline in the period from the date of the loan to the reporting date,
4. Early warning signal,
5. Bankruptcy / concordat 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:

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. INFORMATION ON LEASING ACTIVITIES**

*Finance leasing activities as the lessee*

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

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

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

*Finance leasing activities as the lessor*

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

*Operational leases*

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

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

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

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

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

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

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

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

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

**XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS**

*Reserve for other benefits to employees*

In accordance with existing Turkish Labor Law, the Group is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 June 2019 is TL 6,017.60 (full TL) (31 December 2018: TL 5,434.42 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

The 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.

			<b>TFRS 16</b>	
	<b>Note</b>	<b>31.12.2018</b>	<b>Transition Effect</b>	<b>01.01.2019</b>
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.



**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION OF THE GROUP**

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

**Informations about Total Capital**

	Amount (Current Period)	Amounts related to treatment before 1/1/2014 <sup>(1)</sup>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	983,019	
Share issue premiums	440,000	
Reserves	-	
Gains recognized in equity as per TAS	35,276	
Profit	79,772	
Current Period Profit	432,247	
Prior Period Profit	103,816	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	328,431	
Minorities’ shares	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>987,295</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	4,276	4,276
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	395	395
Goodwill (net of related tax liability)	3,881	3,881
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>4,276</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>983,019</b>	

**ARAP TÜRK BANKASI A.Ş.**

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	-	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Third parties’ share in the Additional Tier I Capital	-	
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	
<b>Additional Tier I Capital before Deductions</b>	-	
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of 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	-	
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	-	
<b>Total Deductions From Additional Tier I Capital</b>	-	
<b>Total Additional Tier I Capital</b>	-	
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>983,019</b>	
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	30,506	
<b>Tier II Capital Before Deductions</b>	<b>30,506</b>	
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
<b>Total Deductions from Tier II Capital</b>	-	
<b>Total Tier II Capital</b>	<b>30,506</b>	
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>1,013,525</b>	
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>		
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 (-)	-	

**ARAP TÜRK BANKASI A.Ş.**

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

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

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

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

**Informations about Total Capital (Continued)**

	<b>Amount (Current Period)</b>	<b>Amounts related to treatment before 1/1/2014<sup>(1)</sup></b>
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period</b>		
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 (-)	-	-
<b>TOTAL CAPITAL</b>	<b>1,013,525</b>	<b>1,024,282</b>
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,013,525	1,024,282
Total risk weighted amounts	4,587,630	4,587,630
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	21.43	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	21.43	-
Consolidated Capital Adequacy Ratio (%)	22.09	22.33
<b>BUFFERS</b>		
Total buffer requirement	2.588	-
Capital conservation buffer requirement (%)	2.500	-
Bank specific counter-cyclical buffer requirement (%)	0.088	-
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	15.59	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of 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	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	<b>30,506</b>	<b>30,506</b>
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	30,506	30,506
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

**Informations about Total Capital**

	<b>Amount (Prior Period)</b>	<b>Amounts related to treatment before 1/1/2014<sup>(1)</sup></b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
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	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>883,271</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
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	-	
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>4,771</b>	
<b>Total Common Equity Tier 1 Capital</b>	<b>878,500</b>	

**ARAP TÜRK BANKASI A.Ş.**

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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 <sup>(1)</sup>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	-
Third parties’ share in the Additional Tier I Capital	-	-
Third parties’ share in the Additional Tier I Capital (Temporary Article 3)	-	-
<b>Additional Tier I Capital before Deductions</b>	-	-
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of 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	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not 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 (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	-	-
<b>Total Additional Tier I Capital</b>	-	-
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>878,500</b>	-
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	29,573	-
<b>Tier II Capital Before Deductions</b>	<b>29,573</b>	-
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>	-	-
<b>Total Tier II Capital</b>	<b>29,573</b>	-
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>908,073</b>	-
<b>The sum of Tier I Capital and Tier II Capital (Total Capital)</b>	<b>908,073</b>	-
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 (-)	-	-

**ARAP TÜRK BANKASI A.Ş.**

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

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

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

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

**Informations about Total Capital (Continued)**

	<b>Amount (Prior Period)</b>	<b>Amounts related to treatment before 1/1/2014<sup>(1)</sup></b>
<b>Items to be Deducted from the Sum of Tier I and Tier II Capital during the Transition Period</b>		
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 (-)	-	-
<b>TOTAL CAPITAL</b>	<b>908,073</b>	<b>918,487</b>
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
<b>CAPITAL ADEQUACY RATIOS</b>		
Consolidated Core Capital Adequacy Ratio (%)	16.60	-
Consolidated Tier 1 Capital Adequacy Ratio (%)	16.60	-
Consolidated Capital Adequacy Ratio (%)	17.16	17.35
<b>BUFFERS</b>		
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	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of 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	-	-
<b>Limits related to provisions considered in Tier II calculation</b>	<b>29,573</b>	<b>29,573</b>
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	29,573	29,573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	-	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

<sup>(1)</sup> The amounts of items in accordance with transition provisions.

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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**

	<b>Balance sheet value</b>	<b>Amount of correction</b>	<b>Value at capital report</b>
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	77,641	-	77,641
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	2,131	-	2,131
Profit Reserves	35,276	-	35,276
Profit or Loss	432,247	-	432,247
Prior Periods’ Profit/Loss	328,431	-	328,431
Current Period Net Profit/Loss	103,816	-	103,813
Deductions from Common Equity Tier I Capital (*)	-	4,276	(4,276)
<b>Common Equity Tier 1 capital</b>			<b>983,019</b>
Tier 1 capital			983,019
Provisions	-	(30,506)	30,506
<b>Tier 2 capital (**)</b>	-	(30,506)	<b>30,506</b>
Shareholders’s Equity Adjustments (***)	-	-	-
<b>Total Shareholders’s Equity</b>	<b>987,295</b>	<b>(26,230)</b>	<b>1,013,525</b>

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

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

(\*\*\*) The regulations cover Shareholders’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**

<b>Date</b>	<b>US Dollars</b>	<b>Euro</b>
21 June 2019	5.7311 TL	6.4742 TL
24 June 2019	5.7915 TL	6.5470 TL
25 June 2019	5.7444 TL	6.5409 TL
26 June 2019	5.7904 TL	6.5935 TL
27 June 2019	5.7630 TL	6.5476 TL
30 June 2019	5.7665 TL	6.5571 TL

**The basic arithmetical average of the 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 June 2019 is TL 5.8160 for USD, TL 6.5471 for EURO.



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

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

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

<b>Current Period</b>	<b>Euro</b>	<b>USD</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	888,763	427,364	112	1,316,239
Banks	314,777	339,248	10,489	664,514
Financial Assets Measured at Fair Value through Profit or Loss	91,539	-	-	91,539
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Comprehensive Income	47,347	104,451	-	151,798
Loans	688,065	181,680	-	869,745
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	184,569	195,452	-	380,021
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets <sup>(2)</sup>	253,645	19,897	-	273,542
<b>Total Assets</b>	<b>2,468,705</b>	<b>1,268,092</b>	<b>10,601</b>	<b>3,747,398</b>
<b>Liabilities</b>				
Bank Deposits	1,487,211	225,313	1,615	1,714,139
Foreign Currency Deposits	535,373	505,400	8,452	1,049,225
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	407,724	519,026	-	926,750
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	17,490	14,845	347	32,682
<b>Total Liabilities <sup>(1)</sup></b>	<b>2,447,798</b>	<b>1,264,584</b>	<b>10,414</b>	<b>3,722,796</b>
<b>Net Balance Sheet Position</b>	<b>20,907</b>	<b>3,508</b>	<b>187</b>	<b>24,602</b>
<b>Net Off Balance Sheet Position</b>	<b>(17,758)</b>	<b>198</b>	<b>-</b>	<b>(17,560)</b>
Financial Derivatives (Assets)	655	2,295	-	2,950
Financial Derivatives (Liabilities)	(18,413)	(2,097)	-	(20,510)
Non-Cash Loans	1,344,708	1,498,000	830,912	3,673,620
<b>Prior Period</b>				
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

<sup>(1)</sup> In accordance with the provisions of the “Regulation on the Calculation and Application of Foreign Currency Net General Position / Equity Standard Ratio in Banks’ Consolidated and Non-Consolidated Basis”; Equity has not been taken into consideration in calculating the risk of exchange rate amounting to TL 2,137.

<sup>(2)</sup> Includes financial leasing receivables.

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

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

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

The possible increases or decreases in the shareholders’ equity and the profit/loss as per an assumption of devaluation/appreciation by 10 percent of TL against currencies mentioned below as of 30 June 2019 and 31 December 2018 are presented in the below table. The other variables, especially the interest rates, are assumed to be fixed in this analysis.

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity <sup>(1)</sup>	Income Statement	Shareholders’ Equity <sup>(1)</sup>
Euro	(315)	(315)	(1,145)	(1,145)
US Dollar	(371)	(371)	2	2
Other Currencies	(19)	(19)	(214)	(214)
<b>Total</b>	<b>(705)</b>	<b>(705)</b>	<b>(1,357)</b>	<b>(1,357)</b>

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity <sup>(1)</sup>	Income Statement	Shareholders’ Equity <sup>(1)</sup>
Euro	315	315	1,145	1,145
US Dollar	371	371	(2)	(2)
Other Currencies	19	19	214	214
<b>Total</b>	<b>705</b>	<b>705</b>	<b>1,357</b>	<b>1,357</b>

<sup>(1)</sup> 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.

**ARAP TÜRK BANKASI A.Ş.**

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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)

<b>Current Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	426,618	-	-	-	-	899,650	1,326,268
Banks	618,453	86,699	-	-	-	2,578	707,730
Financial assets at fair value through Profit or Loss	-	-	91,539	-	-	-	91,539
Interbank Money Market Placements	360,209	-	-	-	-	-	360,209
Financial Assets at Fair Value Through Other Comprehensive Income	3,693	337	110,973	37,344	-	2,538	154,885
Loans	669,634	243,491	212,107	243,102	-	91,370	1,459,704
Financial Assets Measured at Amortized Cost	3,340	3,933	284,828	62,066	28,042	-	382,209
Other assets <sup>(1)(3)</sup>	30,425	20,018	99,424	177,945	-	46,376	374,188
<b>Total assets</b>	<b>2,112,372</b>	<b>354,478</b>	<b>798,871</b>	<b>520,457</b>	<b>28,042</b>	<b>1,042,512</b>	<b>4,856,732</b>
<b>Liabilities</b>							
Bank deposits	1,684,816	-	29,552	-	-	128	1,714,496
Other deposits	134,635	18,895	8,266	-	-	955,737	1,117,533
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	23,722	511,643	330,239	61,146	-	-	926,750
Other liabilities <sup>(2)</sup>	62	127	362	460	2,183	1,094,759	1,097,953
<b>Total liabilities</b>	<b>1,843,235</b>	<b>530,665</b>	<b>368,419</b>	<b>61,606</b>	<b>2,183</b>	<b>2,050,624</b>	<b>4,856,732</b>
Long Position in the Balance Sheet	269,137	-	430,452	458,851	25,859	-	1,184,299
Short Position in the Balance Sheet	-	(176,187)	-	-	-	(1,008,112)	(1,184,299)
Long Position in the Off-balance Sheet	12,902	-	-	-	-	-	12,902
Short Position in the Off-balance Sheet	(12,839)	-	-	-	-	-	(12,839)
<b>Total Position</b>	<b>269,200</b>	<b>(176,187)</b>	<b>430,452</b>	<b>458,851</b>	<b>25,859</b>	<b>(1,008,112)</b>	<b>63</b>

<sup>(1)</sup> Other Assets: The amount of TL 46,376 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 121,693, Net Expected Credit Loss amounting to TL 101,260, Intangible Assets amounting to TL 3,881, Deferred Tax Assets amounting to TL 221 and other non-interest bearing amounting to TL 21,835 and Assets Held for Sale amounting to TL 6.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,094,759 in the Non-Interest Bearing Column is composed of Shareholders’ Equity amounting to TL 987,295, Provisions amounting to TL 49,915, Current Tax Liability amounting to TL 17,291 and other non-interest bearing amounting to TL 40,258.

<sup>(3)</sup> Includes financial leasing receivables.

**ARAP TÜRK BANKASI A.Ş.**

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

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

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

**III. INFORMATION ON CONSOLIDATED INTEREST RATE RISK (Continued)**

<b>Prior Period</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	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 <sup>(1) (3)</sup>	29,310	25,542	111,036	195,538	-	47,033	408,459
<b>Total assets</b>	<b>3,654,135</b>	<b>307,002</b>	<b>754,008</b>	<b>791,165</b>	<b>25,583</b>	<b>797,711</b>	<b>6,329,604</b>
<b>Liabilities</b>							
Bank deposits	2,047,241	531,639	707,940	-	-	-	3,286,820
Other deposits	27,516	15,129	6,862	74	-	1,063,799	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 <sup>(2)</sup>	-	-	-	-	-	989,635	989,635
<b>Total liabilities</b>	<b>2,388,473</b>	<b>659,403</b>	<b>1,148,826</b>	<b>79,468</b>	<b>-</b>	<b>2,053,434</b>	<b>6,329,604</b>
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	-	-	-	-	-	-	-
<b>Total Position</b>	<b>1,265,662</b>	<b>(352,401)</b>	<b>(394,818)</b>	<b>711,697</b>	<b>25,583</b>	<b>(1,255,723)</b>	<b>-</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> Includes financial leasing receivables.

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

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

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

<b>Current Period</b>	<b>EURO</b>	<b>USD</b>	<b>TL</b>
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey	-	2.00	10.42
Banks	1.58	3.11	23.26
Financial assets at fair value through profit or loss	2.52	-	-
Money Market Placements	-	-	23.99
Financial Assets at Fair Value Through Other Comprehensive Income	3.38	6.91	25.08
Loans	5.44	7.67	27.36
Financial Assets Measured at Amortized Cost	2.97	7.59	23.59
Financial Lease Receivables	6.14	7.67	19.07
<b>Liabilities</b>	-	-	-
Interbank deposits	1.07	3.70	-
Other deposits	1.14	3.05	17.79
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	2.29	4.72	-
<b>Prior Period</b>	<b>EURO</b>	<b>USD</b>	<b>TL</b>
<b>Assets</b>			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.62	7.16
Banks	1.26	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
<b>Liabilities</b>	-	-	-
Interbank deposits	1.14	4.62	-
Other deposits	0.99	2.66	18.08
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	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 38% 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 31% of these funds are USD and 69% are EUR.

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

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

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

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

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

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

Decisions on the plan;

- Bank-specific crisis and general market crisis has been described,
- The decision of proportional and structural changes of assets and liabilities in the balance sheet is delegated to 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 minimum and maximum values of the consolidated foreign currency and total liquidity coverage ratios for the last three months, including the reporting period, are as follows:

	<b>Month</b>	<b>FC</b>	<b>Month</b>	<b>FC+TL</b>
<b>Lowest</b>	May	142	May	183
<b>Highest</b>	June	159	June	234

**ARAP TÜRK BANKASI A.Ş.**

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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 <sup>(1)</sup>		Consideration Ratio Applied Total Value <sup>(1)</sup>	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	2,618,440	2,169,471	2,246,399	1,797,430
<b>CASH OUTFLOWS</b>				
2 Real person deposits and retail deposits	447,805	401,423	42,693	40,142
3 Stable deposit	41,753	-	2,088	-
4 Deposit with low stability	406,052	401,423	40,605	40,142
5 Unsecured debts except real person deposits and retail deposits	2,558,982	2,434,798	2,178,912	2,072,931
6 Operational deposit	-	-	-	-
7 Non-operating deposits	2,438,819	2,403,236	2,058,749	2,041,369
8 Other unsecured debts	120,163	31,562	120,163	31,562
9 Secured debts	-	-	-	-
10 Other cash outflows	8	8	8	8
11 Derivative liabilities and margin obligations	8	8	8	8
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	4,143,313	3,870,306	264,487	206,649
<b>16 TOTAL CASH OUTFLOW</b>	<b>7,150,108</b>	<b>6,706,535</b>	<b>2,486,100</b>	<b>2,319,730</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,459,225	1,054,580	1,274,579	1,007,027
19 Other cash inflows	49,517	49,517	49,517	49,517
<b>20 TOTAL CASH INFLOWS</b>	<b>1,508,742</b>	<b>1,104,097</b>	<b>1,324,096</b>	<b>1,056,544</b>
			<b>Upper Limit Applied Amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			2,246,399	1,797,430
<b>22 TOTAL NET CASH OUTFLOWS</b>			1,168,656	1,267,411
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			192.22	141.82

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

**ARAP TÜRK BANKASI A.Ş.**

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

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

**INFORMATION ON THE FINANCIAL POSITION OF THE 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
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High quality liquid assets	2,505,941	2,152,807	1,991,386	1,638,253
<b>CASH OUTFLOWS</b>				
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
<b>16 TOTAL CASH OUTFLOW</b>	<b>7,785,203</b>	<b>7,371,307</b>	<b>3,256,315</b>	<b>3,120,135</b>
<b>CASH INFLOWS</b>				
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
<b>20 TOTAL CASH INFLOWS</b>	<b>2,463,493</b>	<b>2,049,491</b>	<b>2,227,104</b>	<b>1,939,746</b>
			<b>Upper limit applied amounts</b>	
<b>21 TOTAL HQLA STOCK</b>			<b>1,991,386</b>	<b>1,638,253</b>
<b>22 TOTAL NET CASH OUTFLOWS</b>			<b>1,056,333</b>	<b>1,180,735</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>188.52</b>	<b>138.75</b>

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

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

**V. INFORMATION ON CONSOLIDATED LIQUIDITY RISK MANAGEMENT (Continued)**

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

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

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

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 58% of high-quality liquid assets of the Parent Bank, while 41% comprised of debt instruments issued by the Treasury.

**Sections Funding sources comprised of and their densities within all funds**

A significant part of the funding sources are comprised of deposits received. 58% of the total liabilities are deposits received. 61% of these deposits are deposits obtained from banks.

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

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. As of 30 June 2019, the group has net cash outflow amounting to TL 8 arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 58% of the liability is deposits and 61% of these deposits are from banks. All of these liabilities are warrantless.

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

The 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 30 JUNE 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**

<b>Current Period</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Year and Over</b>	<b>Unallocated</b>	<b>Total</b>
<b>Assets</b>								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	15,609	1,310,659	-	-	-	-	-	1,326,268
Banks	115,735	505,296	86,699	-	-	-	-	707,730
Financial Assets at Fair Value through Profit or Loss	-	-	-	91,539	-	-	-	91,539
Money Market Placements	-	360,209	-	-	-	-	-	360,209
Financial Assets at Fair Value Through Other Comprehensive Income	-	3,693	337	110,973	37,344	-	2,538	154,885
Loans	-	669,633	232,882	219,812	246,007	-	91,370	1,459,704
Investment securities held-to-maturity	-	3,340	3,933	284,830	62,064	28,042	-	382,209
Other assets <sup>(1) (3)</sup>	1,387	29,589	20,204	100,109	177,945	-	44,954	374,188
<b>Total Assets</b>	<b>132,731</b>	<b>2,882,419</b>	<b>344,055</b>	<b>807,263</b>	<b>523,360</b>	<b>28,042</b>	<b>138,862</b>	<b>4,856,732</b>
<b>Liabilities</b>								
Interbank Deposits	477,805	1,207,139	-	29,552	-	-	-	1,714,496
Other Deposits	955,737	134,635	18,880	8,281	-	-	-	1,117,533
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	2,078	377,088	331,392	216,192	-	-	926,750
Other liabilities <sup>(2)</sup>	-	762	989	362	460	2,183	1,093,197	1,097,953
<b>Total Liabilities</b>	<b>1,433,542</b>	<b>1,344,614</b>	<b>396,957</b>	<b>369,587</b>	<b>216,652</b>	<b>2,183</b>	<b>1,093,197</b>	<b>4,856,732</b>
<b>Net Liquidity Gap</b>	<b>(1,300,811)</b>	<b>1,537,805</b>	<b>(52,902)</b>	<b>437,676</b>	<b>306,708</b>	<b>25,859</b>	<b>(954,335)</b>	<b>-</b>
<b>Prior Period</b>								
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
<b>Net Liquidity Gap</b>	<b>(1,740,583)</b>	<b>2,537,019</b>	<b>(381,308)</b>	<b>(288,920)</b>	<b>611,279</b>	<b>25,583</b>	<b>(763,070)</b>	<b>-</b>

<sup>(1)</sup> Other Assets: The amount of TL 44,954 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 121,693, Expected credit loss amounting to TL 101,260, Intangible Assets amounting to TL 3,881, Deferred Tax Assets amounting to TL 221 and other Non-Interest Bearing amounting to TL 20,413 and Assets Held for Sale amounting to TL 6.

<sup>(2)</sup> Other Liabilities: The amount of TL 1,093,197 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 987,295, Provisions amounting to TL 49,915, Deferred Tax Liabilities amounting to TL 17,291 and other liabilities amounting to TL 38,696.

<sup>(3)</sup> Includes financial leasing receivables.

**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

**VI. EXPLANATIONS ON LEVERAGE RATIO**

**Leverage Ratio**

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

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

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

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

	Current Period <sup>(2)</sup>	Prior Period
Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards <sup>(1)</sup>	4,318	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	12,950	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	765,291	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	22,017	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	-	-
<b>Total Risk Amount</b>	<b>804,576</b>	<b>851,478</b>

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

<sup>(2)</sup> The amounts shown in the table are 6 month averages.

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

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

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

	<b>Balance sheet assets</b>	<b>Prior Period</b>	<b>Current Period</b>
1	Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	6,106,377	5,087,862
2	(Assets deducted from main capital)	(3,678)	(4,318)
3	Total risk amount of the balance sheet assets ( Sum of 1st and 2nd rows)	6,102,699	5,083,545
	<b>Derivative financial instruments and credit derivatives</b>		
4	Replacement cost of derivative financial instruments and credit derivatives	-	-
5	Potential credit risk amount of derivative financial instruments and credit derivatives	33	67
6	Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	33	67
	<b>Security or secured financing transactions</b>		
7	Risk amount of security or secured financing transactions ( Except balance sheet)	4,709	17,716
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	17,716
	<b>Off-balance sheet transactions</b>		
10	Gross nominal amount of off-balance sheet transactions	3,767,831	4,056,980
11	(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
12	Risk amount of the off-balance sheet transactions ( Sum of 10th and 11th rows)	3,767,831	4,056,980
	<b>Equity and total risk</b>		
13	Main capital	824,060	940,154
14	Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	9,875,272	9,158,307
	<b>Leverage ratio</b>		
15	Leverage ratio	8.47%	10.28%

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 30 JUNE 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)	4,054,400	4,746,607	324,352
2 Standardised approach (SA)	4,054,400	4,746,607	324,352
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	317	-	25
5 Standardised approach for counterparty credit risk (SA-CCR)	317	-	25
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	69,263	160,175	5,541
17 Standardised approach (SA)	69,263	160,175	5,541
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	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>4,587,630</b>	<b>5,293,195</b>	<b>367,010</b>

**Gross carrying values according to TAS**

	Non-Defaulted Exposures	Defaulted Exposures	Allowances and Impairment	Net Value
1 Loans	105,027	8,196,153	98,738	8,202,442
2 Debt Securities	-	383,201	991	382,210
3 Off-balance sheet exposure	-	3,961,957	20,969	3,940,988
<b>4 Total</b>	<b>105,027</b>	<b>12,541,311</b>	<b>120,698</b>	<b>12,525,640</b>

**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

**Credit Quality of Assets**

**Changes in defaulted loans and debt securities**

1	Defaulted loans and debt securities at end of the previous reporting period	94,207
2	Loans and debt securities that have defaulted since the last reporting period	12,164
3	Returned to non-defaulted status	(1,344)
4	Amounts written off	-
5	Other changes	-
<b>6</b>	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>105,027</b>

**Credit risk mitigation techniques – overview**

	Exposures unsecured : carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	8,202,442	-	371,239	358,791-	-	-
2	Debt Securities	382,210	-	-	-	-	-
<b>3</b>	<b>Total</b>	<b>8,584,652</b>	<b>-</b>	<b>371,239-</b>	<b>358,791-</b>	<b>-</b>	<b>-</b>
4	Defaulted	91,370	-	-	-	-	-

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

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	1,579,248	4,672	1,579,248	4,672	137,856	9%
Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-
Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	1,682,983	2,222,849	1,324,192	1,218,201	1,262,051	50%
Contingent and Non-Contingent Corporate Receivables	1,183,707	1,573,025	1,183,707	1,118,130	2,301,837	100%
Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-
Secured by residential property	-	-	-	-	-	-
Secured by commercial real estate	-	41,450	-	21,450	21,450	100%
Past Due Loans	2,703	-	2,703	-	4,055	150%
Higher-Risk Receivables Defined by BRSA	7,950	116,992	7,950	108,052	174,003	150%
Marketable Securities Collateralized	-	-	-	-	-	-
Mortgages	-	-	-	-	-	-
Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-
Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-
Other Receivables	169,073	-	169,073	-	153,464	91%
Equity Investments	-	-	-	-	-	-
<b>18 Total</b>	<b>4,625,664</b>	<b>3,958,988</b>	<b>4,266,873</b>	<b>2,470,505</b>	<b>4,054,716</b>	<b>60%</b>

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

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

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

Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit
Contingent and Non-Contingent											
1 Receivables from Sovereign	1,312,880	-	-	-	266,368	-	4,672	-	-	-	1,583,920
Contingent and Non-Contingent											
2 Receivables from Regional	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
3 Receivables from	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
4 Receivables from Multilateral	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
5 Receivables from International	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
6 Receivables from Banks and	-	-	236,226	-	2,182,720	-	123,447	-	-	-	2,542,393
Contingent and Non-Contingent											
7 Corporate Receivables	-	-	-	-	-	-	2,301,837	-	-	-	2,301,837
Contingent and Non-Contingent											
8 Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
10 Secured by commercial real estate	-	-	-	-	-	-	21,450	-	-	-	21,450
Contingent and Non-Contingent											
11 Past Due Loans	-	-	-	-	-	-	-	2,703	-	-	2,703
Contingent and Non-Contingent											
12 Higher-Risk Receivables	-	-	-	-	-	-	-	116,002	-	-	116,002
Contingent and Non-Contingent											
13 Defined by BRSA	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
14 Marketable Securities	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
13 Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
14 Short-Term Receivables from	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
14 Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
15 Undertakings for Collective	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
15 Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent											
17 Other Receivables	15,609	-	-	-	-	-	153,464	-	-	-	169,073
<b>18 Total</b>	<b>1,328,489</b>	<b>-</b>	<b>236,226</b>	<b>-</b>	<b>2,449,088</b>	<b>-</b>	<b>2,604,870</b>	<b>118,705</b>	<b>-</b>	<b>-</b>	<b>6,737,378</b>

**Analysis of counterparty credit risk exposure by approach**

	Replacement cost	Potential future exposure	EEPE (*)	Exposure at default post CRM	RWA
Standardised Approach (for derivatives)				167	33
Comprehensive approach for credit risk mitigation (for repo transactions, marketable securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, marketable security transactions with credit)				1,418	284
<b>Total</b>					<b>317</b>

**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2019**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

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

None.

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

Asset Classes/ Risk Weight	0%	10%	20%	35%	50%	75%	100%	150%	200%	Others	Total credit exposures amount (post CCF and post-CRM)
1 Contingent and Non-Contingent Receivables from Sovereign Governments and Central Banks	-	-	-	-	-	-	-	-	-	-	-
2 Contingent and Non-Contingent Receivables from Regional Governments and Local Authorities	-	-	-	-	-	-	-	-	-	-	-
3 Contingent and Non-Contingent Receivables from Administrative Units and Non-commercial Enterprises	-	-	-	-	-	-	-	-	-	-	-
4 Contingent and Non-Contingent Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-	-	-
5 Contingent and Non-Contingent Receivables from International Organizations	-	-	-	-	-	-	-	-	-	-	-
6 Contingent and Non-Contingent Receivables from Banks and Financial Intermediaries	-	-	1,585	-	-	-	-	-	-	-	1,585
7 Contingent and Non-Contingent Corporate Receivables	-	-	-	-	-	-	-	-	-	-	-
8 Contingent and Non-Contingent Retail Receivables	-	-	-	-	-	-	-	-	-	-	-
9 Secured by residential property	-	-	-	-	-	-	-	-	-	-	-
10 Secured by commercial real estate	-	-	-	-	-	-	-	-	-	-	-
11 Past Due Loans	-	-	-	-	-	-	-	-	-	-	-
12 Higher-Risk Receivables Defined by BRSA	-	-	-	-	-	-	-	-	-	-	-
13 Marketable Securities Collateralized Mortgages	-	-	-	-	-	-	-	-	-	-	-
14 Short-Term Receivables from Banks and Corporate	-	-	-	-	-	-	-	-	-	-	-
15 Undertakings for Collective Investments in Mutual Funds	-	-	-	-	-	-	-	-	-	-	-
16 Equity Investments	-	-	-	-	-	-	-	-	-	-	-
17 Other Receivables	-	-	-	-	-	-	-	-	-	-	-
<b>18 Total</b>	-	-	<b>1,585</b>	-	-	-	-	-	-	-	<b>1,585</b>

**RWA (Risk Weighted Amounts) flow statements of credit risk exposures under IRB**

None.

**RWA flow statements of Counterparty Credit Risk (CCR) exposures under the Internal Model Method (IMM)**

None.

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

None.

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

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

**Composition of collateral for CCR exposure**

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

**Credit derivatives exposures**

None.

**Securitisation exposures in the banking book**

None.

**Securitisation exposures in the trading book**

None

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

None.

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

None.

**Standardised approach**

		<b>RWA</b>
<b>Outright products</b>		
1	Interest rate risk (general and specific)	50,800
2	Equity risk (general and specific)	-
3	Foreign exchange risk	18,463
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitisation	-
<b>9</b>	<b>Total</b>	<b>69,263</b>

**ARAP TÜRK BANKASI A.Ş.**

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

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

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

**VIII. INFORMATION ON CONSOLIDATED OPERATING SEGMENTS**

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

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

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

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Interest Income (Net)	(1,078)	88,606	67,569	15,418	-	170,515
Commission Income (Net)	-	38,852	-	1,049	-	39,901
Unallocated Income/Expenses (Net)	-	-	-	(7,690)	(70,613)	(78,303)
<b>Operating Income</b>	<b>(1,078)</b>	<b>127,458</b>	<b>67,569</b>	<b>8,777</b>	<b>(70,613)</b>	<b>132,113</b>
<b>Income from Subsidiaries</b>						-
Income before tax					132,113	132,113
<b>Tax Provision</b>					(28,297)	(28,297)
<b>Net Profit for the period</b>					<b>103,816</b>	<b>103,816</b>

<b>Current Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Segment Assets	817	381,392	2,965,101	382,061	-	3,729,371
Unallocated assets	-	-	-	-	1,127,361	1,127,361
<b>Total Assets</b>	<b>817</b>	<b>381,392</b>	<b>2,965,101</b>	<b>382,061</b>	<b>1,127,361</b>	<b>4,856,732</b>
Segment Liabilities	443,991	678,842	2,383,438	262,978	-	3,769,249
Unallocated Liabilities	-	-	-	-	100,188	100,188
Equity	-	-	-	-	987,295	987,295
<b>Total Liabilities</b>	<b>443,991</b>	<b>678,842</b>	<b>2,383,438</b>	<b>262,978</b>	<b>1,087,483</b>	<b>4,856,732</b>

<b>Prior Period</b>	<b>Retail Banking</b>	<b>Corporate and Commercial Banking</b>	<b>Treasury</b>	<b>Leasing</b>	<b>Other</b>	<b>Total Operations of the Group</b>
Interest Income (Net)	(889)	80,681	11,524	12,241	-	103,557
Commission Income (Net)	-	24,524	-	655	-	25,179
Unallocated Income/Expenses (Net)	-	-	-	-	(8,572)	(8,572)
<b>Operating Income</b>	<b>(889)</b>	<b>105,205</b>	<b>11,524</b>	<b>12,896</b>	<b>(8,572)</b>	<b>120,164</b>
<b>Income from Subsidiaries</b>						-
Income before tax	-	-	-	-	26,832	26,832
<b>Tax Provision</b>					(3,288)	(3,288)
<b>Net Profit for the period</b>					<b>23,544</b>	<b>23,544</b>

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	1,642	13,967	1,811	18,555
Central Bank of Turkey	8,387	1,302,272	6,746	1,222,163
Other	-	-	-	-
<b>Total</b>	<b>10,029</b>	<b>1,316,239</b>	<b>8,557</b>	<b>1,240,718</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposits <sup>(1)</sup>	8,387	-	6,746	-
Unrestricted Time Deposits	-	918,616	-	711,682
Restricted Time Deposits	-	-	-	-
Reserve Deposits	-	383,656	-	510,481
<b>Total</b>	<b>8,387</b>	<b>1,302,272</b>	<b>6,746</b>	<b>1,222,163</b>

<sup>(1)</sup> General reserve amount requirements maintained at CBRT**Information on Reserve Deposits**

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

**Information on Expected Credit Losses**

Current Period	Stage 1	Stage 2	Stage 3	Total
Balance at End of Prior Period	2,225	-	-	2,225
Additions during the Period	1,504	-	-	1,504
Disposals	(2,198)	-	-	(2,198)
<b>Balance at End of Period</b>	<b>1,531</b>	<b>-</b>	<b>-</b>	<b>1,531</b>

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	-	-	-	-
<b>Balance at End of Period</b>	<b>2,225</b>	<b>-</b>	<b>-</b>	<b>2,225</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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	38	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Others	-	-	-	-
<b>Total</b>	<b>38</b>	<b>-</b>	<b>-</b>	<b>-</b>

**3. Information on banks**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	43,216	501,973	38,948	1,532,840
Foreign banks	-	162,541	-	21,614
<b>Total</b>	<b>43,216</b>	<b>664,514</b>	<b>38,948</b>	<b>1,554,454</b>

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

None.

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

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

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

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



**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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
<b>Direct Loans Granted to Shareholders</b>	-	<b>27,748</b>	<b>1,395</b>	<b>26,049</b>
Corporate Shareholders	-	27,748	1,395	26,049
Individual Shareholders	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to the Bank’s personnel</b>	<b>817</b>	<b>99</b>	<b>1,040</b>	-
<b>Total</b>	<b>817</b>	<b>27,847</b>	<b>2,435</b>	<b>26,049</b>

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

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms	Refinancing
<b>Non-Specialized Loans</b>	<b>1,368,334</b>	-	-	-
Commercial Loans	-	-	-	-
Export Loans	100,519	-	-	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	508,732	-	-	-
Consumer Loans	817	-	-	-
Credit Cards	-	-	-	-
Other	758,266	-	-	-
<b>Specialized Lending</b>	-	-	-	-
<b>Other Receivables</b>	<b>91,370</b>	-	-	-
<b>Toplam</b>	<b>1,459,704</b>	-	-	-

	Standard Loan <sup>(*)</sup>	Loans Under Close Monitoring <sup>(*)</sup>
12-Month expected credit losses	7,584	-
Significant increase in credit risk	-	617

<sup>(\*)</sup> Includes lease receivables.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 consumer loans, credit cards and loans given to employees*

	Short Term	Middle and Long Term	Total
<b>Consumer Loans-TL</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Consumer Loans-Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Loans- TL</b>	<b>180</b>	<b>637</b>	<b>817</b>
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	180	637	817
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Real estate loans	-	-	-
Automotive loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Deposits with Credit Limit-TL (Individual)</b>	-	-	-
<b>Deposits with Credit Limit-FC (Individual)</b>	-	-	-
<b>Consumer Loans-TL</b>	<b>180</b>	<b>637</b>	<b>817</b>

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

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

*Allocation of domestic and foreign loans*

	Current Period	Prior Period
Domestic loans	1,459,704	1,998,623
Foreign loans	-	4,291
<b>Total</b>	<b>1,459,704</b>	<b>2,002,914</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)***Specific provisions for loans*

<b>Specific provisions</b>	<b>Current Period</b>	<b>Prior Period</b>
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	90,537	86,064
<b>Total</b>	<b>90,537</b>	<b>86,064</b>

**Information related to non-performing loans (Net)***Information on restructured loans of non-performing loans*

None.

*Information on movement of total non-performing loans*

	<b>III. Group</b> <i>Loans and receivables with limited collectibles</i>	<b>IV. Group</b> <i>Loans and receivables with doubtful collectibles</i>	<b>V. Group</b> <i>Uncollectible loans and receivables</i>
<b>Balances at Beginning of Period</b>	-	-	<b>94,207</b>
Additions (+)	-	-	12,164
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	1,344
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
<b>Balances at End of the Period</b>	-	-	<b>105,027</b>
Specific provisions (-)	-	-	90,537
<b>Net Balance on Balance Sheet</b>	-	-	<b>14,490</b>

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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
<b>Current Period (Net)</b>	-	-	<b>14,490</b>
Loans granted to real persons and legal entities (Gross)	-	-	104,927
Specific provisions (-)	-	-	90,437
Loans granted to real persons and legal entities (Net)	-	-	14,490
Banks (Gross) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	-	-	<b>4,380</b>
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) <sup>(1)</sup>	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) <sup>(2)</sup>	-	-	-
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
<b>Current Period (Net)</b>	<b>411</b>	<b>24</b>	-
Interest accruals and valuations differences	540	32	8,146
Provision (-)	129	8	8,146
<b>Prior Period (Net)</b>	<b>2</b>	<b>7</b>	-
Interest accruals and valuations differences	2	9	8,146
Provision (-)	-	2	8,146

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

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

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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)
<b>Balance at End of Period</b>	<b>6,770</b>	<b>-</b>	<b>89,106</b>	<b>95,876</b>

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

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

As of 30 June 2019, the Parent Bank does not have marketable securities subjected to collateral/blocked financial assets (31 December 2018: TL 2,317).

*Information on government financial assets measured at amortised cost*

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

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)****6. Information on financial assets measured at amortised cost (Continued)***Information on financial assets measured at amortised cost*

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

*Movement of marketable securities held to maturity*

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

<sup>(1)</sup> In the current period redemption amounting to TL 136,367 has been realized from the portfolio.*Information on Expected Credit Loss*

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at End of Prior Period	1,300	-	-	1,300
Additions during the Period	62	-	-	62
Disposals	(371)	-	-	(371)
<b>Balance at End of Period</b>	<b>991</b>	<b>-</b>	<b>-</b>	<b>991</b>

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

**7. Information on associates**

The Group does not have an associate.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)****8. Information on subsidiaries (Net)***Information on subsidiaries***Information on Shareholder’s Equity for  
A&T Finansal Kiralama A.Ş.**

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

<sup>(1)</sup> There is no restriction on shareholders’ equity of subsidiary. After deduction from the capital, the total net available equity is TL 118,938.

<sup>(2)</sup> As decided in the Annual General Meeting which is held on 28 March 2019, 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 30 JUNE 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)****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 <sup>(*)</sup>
<b>Total Assets</b>	382,059	118,908	4,457	20,428	-	6,785	(478)

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

*Movement related to subsidiaries*

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

*Valuation of investments in subsidiaries*

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

*Sectoral Information on the subsidiaries*

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

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)**

**8. Information on subsidiaries (Net) (Continued)**

*Quoted Subsidiaries*

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

*Subsidiaries sold and acquired in the current year*

*None.*

**9. Information on joint ventures**

The Parent Bank has no joint ventures.

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

	<b>Current Period</b>	<b>Prior Period</b>
Gross Financial Lease Investment	366,608	407,617
Earned Financial Lease Income (-)	40,193	46,697
Cancelled Leasing Amounts	-	-
<b>Net Investment on Leases</b>	<b>326,415</b>	<b>360,920</b>

*Maturity analysis of financial lease receivables*

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	169,010	148,470	191,293	165,356
Between 1-4 years	197,598	177,945	213,360	195,564
Over 4 years	-	-	-	-
<b>Total</b>	<b>366,608</b>	<b>326,415</b>	<b>404,653</b>	<b>360,920</b>

*Information on expected credit losses for lease receivables*

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at End of Prior Period	1,000	766	721	2,487
Additions during the Period	-	-	1,149	1,149
Disposals	(610)	(149)	-	(759)
<b>Balance at End of Period</b>	<b>390</b>	<b>617</b>	<b>1,870</b>	<b>2,877</b>

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

**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 30 JUNE 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 30 June 2019, there no tax asset under current tax asset after the deduction of tax liability.

**Information on deferred tax asset**

As of 30 June 2019, the Bank calculated net deferred tax asset of TL 221 (31 December 2018 : TL 1,566) by netting off deferred tax asset of TL 14,204 (31 December 2018 : 14,455) and deferred tax liability of TL 13,983 (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	18,425	3,777	18,573	3,913
Unearned revenues	5,435	1,196	5,714	1,257
Interest rediscounts	5,689	1,251	7,118	1,566
Tangible and intangible asset depreciation differences	-	-	-	-
Derivative Assets	30,925	6,804	30,071	6,616
Other	5,346	1,176	5,027	1,103
<b>Deferred tax asset</b>	<b>65,820</b>	<b>14,204</b>	<b>66,503</b>	<b>14,455</b>
Revaluation differences on tangible assets	99,484	12,519	97,126	12,004
Interest rediscounts	4,202	924	2,872	632
Other	2,453	540	1,152	253
<b>Deferred tax liability</b>	<b>106,139</b>	<b>13,983</b>	<b>101,150</b>	<b>12,889</b>
<b>Deferred tax asset / (liability) net</b>		<b>221</b>		<b>1,566</b>

Movement of deferred tax:

	Current Period	Prior Period
Opening balance	1,566	(3,922)
TFRS 9 adjustment	-	6,936
Deferred tax income/(expense)(Net)	(1,229)	2,120
Deferred tax accounted under shareholder's equity	(116)	(3,568)
<b>Net Deferred Tax Asset/(Liability)</b>	<b>221</b>	<b>1,566</b>

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

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

**15. Information on other assets**

Other assets is amounting to TL 23,194 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 30 JUNE 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
<b>Saving Deposits</b>	34,333	-	2,927	1,911	2,467	-	-	-	41,638
<b>Foreign Currency Deposits</b>	894,942	-	2,332	125,264	18,939	4,314	3,434	-	1,049,225
Residents in Turkey	341,962	-	2,217	107,533	4,830	268	264	-	457,074
Residents Abroad	552,980	-	115	17,731	4,109	4,046	3,170	-	592,151
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	3,840	-	65	143	-	-	-	-	4,048
<b>Other Ins. Deposits</b>	22,622	-	-	-	-	-	-	-	22,622
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	477,805	-	26,241	1,101,856	-	79,049	29,545	-	1,714,496
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	26,226	-	-	-	-	-	26,226
Foreign Banks	477,805	-	15	1,101,856	-	79,049	29,545	-	1,688,270
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,433,542</b>	<b>-</b>	<b>31,565</b>	<b>1,229,174</b>	<b>21,406</b>	<b>83,363</b>	<b>32,979</b>	<b>-</b>	<b>2,832,029</b>

\*As of 30 June 2019, there is a blocked account amounting to TL 524,568 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
<b>Saving Deposits</b>	27,623	-	2,053	2,452	2,144	-	-	-	34,272
<b>Foreign Currency Deposits</b>	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
<b>Public Sector Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Commercial Deposits</b>	7,156	-	312	152	-	-	-	-	7,620
<b>Other Ins. Deposits</b>	1,467	-	-	-	-	-	-	-	1,467
<b>Precious Metal Deposits</b>	-	-	-	-	-	-	-	-	-
<b>Bank Deposits</b>	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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,804,129</b>	<b>-</b>	<b>54,449</b>	<b>187,774</b>	<b>1,119,745</b>	<b>898,802</b>	<b>335,301</b>	<b>-</b>	<b>4,400,200</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)**

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

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

*Saving deposits not covered by deposit insurance*

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

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

The Parent Bank’s headquarter is located in Turkey.

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)****1. Information on maturity profile of deposits (Continued)***Amounts not covered by deposit insurance*

Individual deposits not covered by deposit insurance

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

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

None.

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

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Domestic Banks and Institutions	-	67,316	-	68,575
From Foreign Banks, Institutions and Funds	-	859,434	-	871,194
<b>Total</b>	<b>-</b>	<b>926,750</b>	<b>-</b>	<b>939,769</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)****3. Information on Funds Borrowed (Continued)***Presentation of funds borrowed based on maturity profile*

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	43,086	-	444,453
Long-Term	-	883,664	-	495,316
<b>Total</b>	<b>-</b>	<b>926,750</b>	<b>-</b>	<b>939,769</b>

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

Group's liabilities come from 58% of deposits.

**4. Information on other foreign liabilities**

Other foreign liabilities amounting to TL 40,258 under “Other Liabilities” (31 December 2018: TL 41,023) do not exceed 10% of the total balance sheet.

**5. Information on financial lease obligations**

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

**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 30 June 2019 is TL 7,251 (31 December 2018 : TL 9,559). In addition to this, the unused vacation provision and other employee benefits amount as at 30 June 2019 is TL 11,174 (31 December 2018 : TL 9,014).

*Information on other provisions*

As of 30 June 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	20,969	19,454
Provisions for law suits	521	420
<b>Total</b>	<b>31,490</b>	<b>29,874</b>



**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)**

**8. Information on tax payables**

*Information on corporate tax liability*

As of 30 June 2019, the Bank’s corporate tax payable is TL 10,475 (31 December 2018 : TL 11,833) after offsetting prepaid corporate tax.

	<b>Current Period</b>	<b>Prior Period</b>
Corporate Taxes Payable	10,475	11,833
Banking Insurance Transaction tax (BITT)	831	1,116
Taxation on Securities Income	379	176
Value Added Tax Payable	415	1,189
Value Added Tax Payable (Limited tax payer)	-	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	18	17
Other	3,919	1,602
<b>Total</b>	<b>16,037</b>	<b>15,933</b>

*Information on premium payables*

	<b>Current Period</b>	<b>Prior Period</b>
Social Security Premiums-Employee	473	363
Social Security Premiums-Employer	680	520
Bank Pension Fund Premium-Employee	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	34	26
Unemployment Insurance-Employer	67	52
Others	-	-
<b>Total</b>	<b>1,254</b>	<b>961</b>

*Information on deferred tax liability*

As of 30 June 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 30 JUNE 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*

	<b>Current Period</b>	<b>Prior Period</b>
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 30 JUNE 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 (Continued)*****Information on the privileges given to stocks representing the capital***

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

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

***Information on legal reserve***

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

***Information on Minority Shares***

None.

**ARAP TÜRK BANKASI A.Ş.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 18,216 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 384 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 637,435 (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 3,303,553 (31 December 2018 : TL 3,014,422).

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

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

**Information on expected credit losses for non-cash loans**

<b>Current Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Balance at End of Prior Period	18,991	1	461	19,453
Additions during the Period	6,745	-	-	6,745
Disposals	(5,151)	(1)	(77)	(5,229)
<b>Balance at End of Period</b>	<b>20,585</b>	<b>-</b>	<b>384</b>	<b>20,969</b>

<b>Prior Period</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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)
<b>Balance at End of Period</b>	<b>18,991</b>	<b>1</b>	<b>461</b>	<b>19,453</b>

**ARAP TÜRK BANKASI A.Ş.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 <sup>(1)</sup>				
Short- Term Loans	65,254	10,748	52,991	4,678
Medium and Long- Term Loans	153	14,354	293	22,998
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
<b>Total</b>	<b>65,407</b>	<b>25,102</b>	<b>53,284</b>	<b>27,676</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From Central Bank	-	-	-	-
From Domestic Banks	6,024	8,013	4,741	19,992
From Foreign Banks	-	460	-	200
From Foreign Headquarter and Branches	-	-	-	-
<b>Total</b>	<b>6,024</b>	<b>8,473</b>	<b>4,741</b>	<b>20,192</b>

*Information on interest income on marketable securities*

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial assets held for trading	-	14,239	-	13,599
Financial assets where fair value change is reflected to income statement	91	6,504	9	1,285
Investments held to maturity	1,101	10,632	2,180	5,448
<b>Total</b>	<b>1,192</b>	<b>31,375</b>	<b>2,189</b>	<b>20,332</b>

*Information on interest income received from associates and subsidiaries*

None.

**ARAP TÜRK BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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
<b>Banks</b>	-	<b>16,926</b>	<b>216</b>	<b>14,008</b>
Central Bank	-	-	-	-
Domestic Banks	-	1,641	216	1,544
Foreign Banks	-	15,285	-	12,464
<b>Other Institutions</b>	-	-	-	-
<b>Total</b>	-	<b>16,926</b>	<b>216</b>	<b>14,008</b>

*Information on interest expense paid to subsidiaries and associates*

None.

*Information on interest expense given on securities issued*

None.

*Maturity structure of the interest expense on deposits*

Current Period	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		
<b>Turkish Lira</b>								
Interbank deposits	-	75	-	-	-	-	-	75
Saving deposits	-	93	164	195	-	152	-	604
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	47	6	4	-	-	-	57
Other deposits	-	-	-	-	-	-	-	-
Deposits with 7 days notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>215</b>	<b>170</b>	<b>199</b>	-	<b>152</b>	-	<b>736</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	6	618	117	51	73	-	865
Interbank deposits	130	-	10,325	-	741	277	-	11,473
Deposits with 7 days notification	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>130</b>	<b>6</b>	<b>10,943</b>	<b>117</b>	<b>792</b>	<b>350</b>	-	<b>12,338</b>
<b>Grand Total</b>	<b>130</b>	<b>221</b>	<b>11,113</b>	<b>316</b>	<b>792</b>	<b>502</b>	-	<b>13,074</b>

**3. Information on dividend income**

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

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

	<b>Current Period</b>	<b>Prior Period</b>
<b>Gain</b>	<b>11,722,795</b>	<b>9,370,697</b>
Gain from money market transactions	-	-
Gain from financial derivative transactions	396	236
Gain from exchange transactions	11,722,399	9,370,461
<b>Loss (-)</b>	<b>(11,731,453)</b>	<b>(9,384,973)</b>
Loss from money market transactions	(13,940)	(18,831)
Loss from financial derivative transactions	(20)	(450)
Loss from exchange transactions	(11,717,493)	(9,365,692)
<b>Net Trading Gain/Loss</b>	<b>(8,658)</b>	<b>(14,276)</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Provisions of Prior Year	838	20,169
From Communication Income	1,673	722
Gain on sales of assets	-	77
Other Income	1,396	300
<b>Total</b>	<b>3,907</b>	<b>21,268</b>

**6. Information on impairment in loans**

	<b>Current Period</b>	<b>Prior Period</b>
Expected Credit Loss Provisions	1,514	57,816
12 month expected credit loss (stage 1)	1,236	55
Significant increase in credit risk (stage 2)	259	201
Non-performing loans (stage 3)	19	57,560
Marketable Securities Impairment Expense:	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
<b>Total</b>	<b>1,514</b>	<b>57,816</b>

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

	<b>Current Period</b>	<b>Prior Period</b>
Employee Termination Benefits Expense	728	500
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	-	-
Intangible Fixed Asset Impairment Expense	1,613	838
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	944	652
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	10,254	8,919
<i>Operating Lease Expenses</i>	45	744
<i>Maintenance Expenses</i>	2,808	2,120
<i>Advertisement Expenses</i>	120	154
<i>Other Expenses</i>	7,281	5,901
Losses from sales of Assets	-	1
Other	10,674	5,775
<b>Total</b>	<b>24,213</b>	<b>16,685</b>

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

The pre-tax income amount from continued operations is TL 132,113 (30 June 2018 : TL 26,382).

**9. Information on tax provision related to continued operations and discontinued operations*****Current period taxation benefit or charge and deferred tax benefit or charge***

As of 30 June 2019, current taxation expense is TL 27,068 (30 June 2018 : TL 3,095) and the net impact of deferred tax income is TL 1,229 (30 June 2018 : deferred tax expense amounting TL 193).

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

The deferred tax income arising from origination of temporary differences is TL 1,229 (30 June 2018 : deferred tax expense amounting TL 193).

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

The deferred tax income reflected in the income statement computed over temporary difference and tax deductions and exemptions is TL 1,229 (30 June 2018 : deferred tax expense amounting TL 193).



**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 103,816 (30 June 2018 : TL 23,544).

**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 21,693 consist of transfer commissions, letter of credit commissions and other commissions. (30 June 2018 : TL 12,870)

	<b>Current Period</b>	<b>Prior Period</b>
Letter of Credit Commissions	14,780	8,910
Transfer Commissions	5,432	2,804
Other	1,481	1,156
<b>Total</b>	<b>21,693</b>	<b>12,870</b>

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

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

(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.

<b>Prior Period</b>						
<b>Group’s Risk Group <sup>(1)</sup></b>	<b>Associates, Subsidiaries and Joint Ventures</b>		<b>Bank’s Direct and Indirect Shareholders</b>		<b>Other Components in Risk Group</b>	
	<b>Cash</b>	<b>Non-cash</b>	<b>Cash</b>	<b>Non-Cash</b>	<b>Cash</b>	<b>Non-cash</b>
<b>Loans and Other Receivables</b>						
Balance at the beginning of the period	-	-	-	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*

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

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

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

None.

*Information on benefits provided for top level management:*

As of 30 June 2019, TL 17,231 has been paid to the top level management of the Group as salaries and fringe benefit (30 June 2018: TL 6,710).

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

None.

**ARAP TÜR K BANKASI A.Ş.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 30 June 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 26 July 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 half of 2019, developments related to the trade war between the US and China continued to be the main agenda item of the global markets.

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

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

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

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

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

**SECTION SEVEN**

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

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

As of June 2019, the Group's assets amounted to TL 4.9 billion. Compared to the first half of last year, our consolidated net interest income increased by 65% to TL 171 million and our net fee and commission income increased by 58% to TL 40 million. Our consolidated net profit for the period increased by 341% to TL 103.8 million, while the consolidated capital adequacy standard ratio remained strong with 22.09%.

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

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

Best regards,

Wail J. A. BELGASEM  
General Manager

Bilgehan KURU  
Chairman

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

<b>Assets (TL Thousand) <sup>(1)</sup></b>	<b>2018/12</b>	<b>2019/06</b>
Financial Assets (Net) <sup>(2)</sup>	3,431,683	2,639,138
Financial assets measured at amortised cost (net) <sup>(3)</sup>	2,748,494	2,068,599
Property and equipment held for sale purpose and related to discontinued operations (net)	6	6
Tangible Assets (Net)	117,639	121,693
Intangible Assets and Goodwill (Net)	4,264	3,881
Deferred Tax Assets	1,566	221
Other Assets	25,952	23,194
<b>Total Assets</b>	<b>6,329,604</b>	<b>4,856,732</b>

<b>Liabilities (TL Thousand) <sup>(1)</sup></b>	<b>2018/12</b>	<b>2019/06</b>
Deposits	4,400,200	2,832,029
Funds Borrowed	939,769	926,750
Lease liabilities	-	3,194
Provisions	48,447	49,915
Current Tax Liabilities	16,894	17,291
Shareholders' Equity	883,271	987,295
Other Liabilities	41,023	40,258
<b>Total Liabilities</b>	<b>6,329,604</b>	<b>4,856,732</b>

<b>Off-Balance Sheet Commitments (TL Thousand)</b>	<b>2018/12</b>	<b>2019/06</b>
Guarantees and Suretyships	3,945,427	3,940,988
Commitments	107,045	28,402
Derivative Financial Instruments	-	25,741
<b>Total Off-Balance Sheet Commitments</b>	<b>4,052,472</b>	<b>3,995,131</b>

<b>Income Statement (TL Thousand)</b>	<b>2018/06</b>	<b>2019/06</b>
Interest Income	146,955	200,721
Interest Expense (-)	43,398	30,206
Net Interest Income	103,557	170,515
Net Fees and Commission Income	25,179	39,901
Dividend Income	144	15
Net Trading Profit / Loss (+ / -)	-14,276	-8,658
Other Operating Income	21,268	3,907
Gross Profit from Operating Activities	135,872	205,680
Allowances for Expected Credit Losses (-)	57,816	1,514
Other Provision Expenses (-)	-	101
Personnel Expenses (-)	34,539	47,739
Other Operating Expenses (-)	16,685	24,213
Net Operating Profit / Loss	26,832	132,113
Tax Provision (-)	3,288	28,297
<b>Net Profit</b>	<b>23,544</b>	<b>103,816</b>

(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 4,857 million. Significant items of the consolidated total assets are net financial assets with a share of 54.3% and TL 2.639 million, and net financial assets which are measured at amortized cost amounting to TL 2.069 million with a share of 42.6%. The share of receivables from lease transactions in consolidated total assets is 6.7% with 326.4 million TL.
- 79.7% of the consolidated balance sheet are comprised of liabilities. Deposits amounting to TL 2.832 million make the most of the liabilities. Shareholders' equity, which constitutes 20.3% of total liabilities, reached TL 987.3 million at the end of June 2019 period.
- Consolidated guarantees consisting of letters of guarantee, letters of credit, bank loans and other guarantees amounted to TL 3.941 million at the end of June 2019 period.
- The cumulative net profit of the Group is TL 103.8 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.