

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

Arap Türk Bankası Anonim Şirketi

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

8 November 2019

*This report contains "Independent Auditors' Review
Report" comprising 2 pages and; "Unconsolidated
Financial Statements and Related Disclosures
and Footnotes" comprising 81 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 Auditor's Report Originally
Prepared and Issued in Turkish to English (See Note I in Section Three)

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

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

Introduction

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

Scope of review

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



Conclusion

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

Report on other regulatory requirements arising from legislation

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

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

Erdal Tırnak, SMMM
Partner

8 November 2019
Istanbul, Turkey

**GENEL MÜDÜRLÜK / HEAD OFFICE**

Valikonağı Cad. No:10 Nişantaşı 34367 İstanbul-Turkey
T. +90-212-373 62 00 (20 Hat/Lines) F. +90-212-225 05 26
W. www.atbank.com.tr

**ARAP TÜRK BANKASI A.Ş. UNCONSOLIDATED INTERIM FINANCIAL REPORT
AS OF AND FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2019**

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

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

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

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


Bilgehan Kuru
*Chairman of the Board of
Directors*

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

*Member of The Board of
Directors and The Audit
Committee*

*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 Bank

I.	Bank's date of establishment, beginning statute, its history regarding changes on its statute	1
II.	Bank's share capital structure, shareholders directly or indirectly, alone or together holding the management and control of the bank, related changes within the year and information about the Bank's group	1
III.	Information about the bank's chairman and members of board of directors, members of audit committee, general manager and assistant general managers and their qualifications, related changes within the year and their shares at the bank	2
IV.	Information on people and entities who have qualified share in the bank	2
V.	Information about the services and nature of activities of the bank	3
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 Bank and its subsidiaries or the reimbursement of liabilities	3

SECTION TWO

Current Period Unconsolidated Financial Statements

I.	Balance sheet-Assets	4
II.	Balance sheet-Equity and liabilities	5
III.	Off balance sheet commitments	6
IV.	Statement of profit or loss	7
V.	Statement of profit or loss and other comprehensive income	8
VI.	Statement of changes in shareholders' equity	9
VII.	Statement 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	12
V.	Information on interest income and expense	13
VI.	Information on fees and commission	13
VII.	Information on financial assets	13
VIII.	Information on offsetting financial instruments	18
IX.	Information on sale and repurchase agreements and lending of financial assets	18
X.	Information on assets held for sale and discontinued operations	18
XI.	Information on goodwill and other intangible assets	19
XII.	Information on tangible assets	19
XIII.	Information on leasing activities	20
XIV.	Information on provisions, contingent liabilities and contingent assets	21
XV.	Information on liabilities regarding employee benefits	21
XVI.	Information on tax applications	22
XVII.	Additional information on borrowings	23
XVIII.	Information on share issuances	23
XIX.	Information on bills of exchanges and acceptances	23
XX.	Information on government incentives	23
XXI.	Cash and cash equivalents	24
XXII.	Information on segment reporting	24
XXIII.	Other disclosures	24

SECTION FOUR

Information on the Financial Position of the Bank

I.	Information on Shareholder's Equity	25
II.	Information on foreign currency exchange rate risk	32
III.	Information on interest rate risk	35
IV.	Information on stock position risk	39
V.	Information on liquidity risk management and liquidity coverage ratio	39
VI.	Explanations of leverage ratio	46
VII.	Information on risk management	47
VIII.	Explanations on -business segments	48

SECTION FIVE

Information on Disclosures and Footnotes of Unconsolidated Financial Statements

I.	Information on disclosures and footnotes of assets	49
II.	Information and disclosures and footnotes of liabilities	61
III.	Information and disclosures related to off-balance sheets	66
IV.	Information and footnotes related to statement of income	69
V.	Information on the bank's risk group	75
VI.	Explanations and notes related to subsequent events	75

SECTION SIX

Independent Auditors' Review Report

I.	Information on independent auditor's review report	76
II.	Information and footnotes prepared by the independent auditor	76

SECTION SEVEN

Explanations on Interim Activity Report

I.	Interim period report included chairman of the board of directors and Ceo's assessments for the interim activities	77
II.	Unconsolidated Financiallights for the Period	79
III.	Assesment of the Financial Positions and Performance of the Bank	80
IV.	Amendments to the Articles of Association	81
V.	Changes in the Membership Structure of the Board of Directors	81
VI.	Changes in the Membership Structure of the Audit Committee and Managers	81
VII.	Changes in the Membership Structure of the Governance Committees	81
VIII.	Other Issues	81

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

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

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

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

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

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

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

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

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

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

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

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

Name and Surname	Job Title – Description
Bilgehan Kuru	Chairman of the Board of Directors
Abdurauf İbrahim G.Shneba	Deputy Chairman of the Board of Directors and Head of the Audit Committee
Wail J. A. Belgasem	Member of the Board of Directors and General Manager
Fatma Nur Çetinel	Member of the Board of Directors and Audit Committee
Aflah Omar Magsi	Member of the Board of Directors and Audit Committee
Abdülhakim A. E. Khamag	Member of the Board of Directors
Volkan Kublay	Member of the Board of Directors
Hani Alhmali Allafi Ibrahim	Member of the Board of Directors
Tülin Inhan	Member of the Board of Directors

General Manager and Deputies

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

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

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

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

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

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

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

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

None.

SECTION TWO

Unconsolidated Financial Statements

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

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

(Thousands of Turkish Lira ("TL"))

ASSETS		Note	THOUSANDS OF TURKISH LIRA (TL)					
			CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	FINANCIAL ASSETS (NET)		578,182	2,382,121	2,960,303	208,980	3,163,782	3,372,762
1.1	Cash and Cash Equivalents	1	574,988	2,078,669	2,653,657	208,756	2,774,914	2,983,670
1.1.1	Cash and Balances with Central Bank		8,725	1,253,697	1,262,422	8,555	1,240,718	1,249,273
1.1.2	Banks	3	258	824,972	825,230	287	1,534,196	1,534,483
1.1.3	Money Markets		567,753	-	567,753	202,139	-	202,139
1.1.4	Expected Credit Loss (-)		1,748	-	1,748	2,225	-	2,225
1.2	Financial Assets Measured at Fair Value Through Profit or Loss	2	-	87,278	87,278	-	282,166	282,166
1.2.1	Government Securities		-	87,278	87,278	-	238,569	238,569
1.2.2	Equity Securities		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	43,597	43,597
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	4	3,194	216,174	219,368	224	106,702	106,926
1.3.1	Government Securities		2,970	98,684	101,654	-	15,970	15,970
1.3.2	Equity Securities		224	2,265	2,489	224	2,112	2,336
1.3.3	Other Financial Assets		-	115,225	115,225	-	88,620	88,620
1.4	Derivative Financial Assets		-	-	-	-	-	-
1.4.1	Derivative Financial Assets Measured at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.4.2	Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)	5	290,512	1,097,852	1,388,364	532,550	1,854,689	2,387,239
2.1	LOANS (NET)		385,133	673,649	1,058,782	616,694	1,383,398	2,000,092
2.2	Lease Receivables		-	-	-	-	-	-
2.3	Factoring Receivables		-	-	-	-	-	-
2.4	Other Financial Assets Measured at Amortised Cost	6	1,255	424,203	425,458	13,032	471,291	484,323
2.4.1	Government Securities		1,255	280,510	281,765	13,032	320,830	333,862
2.4.2	Other Financial Assets		-	143,693	143,693	-	150,461	150,461
2.5	Expected Credit Loss (-)		95,876	-	95,876	97,176	-	97,176
III.	PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)	14	1,006	-	1,006	6	-	6
3.1	Held for Sale Purpose		1,006	-	1,006	6	-	6
3.2	Related to Discontinued Operations		-	-	-	-	-	-
IV.	EQUITY INVESTMENTS		108,205	-	108,205	95,708	-	95,708
4.1	Associations (Net)	7	-	-	-	-	-	-
4.1.1	Associates Accounted Based on Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2	Subsidiaries (Net)	8	108,205	-	108,205	95,708	-	95,708
4.2.1	Unconsolidated Financial Subsidiaries		108,205	-	108,205	95,708	-	95,708
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3	JOINT VENTURES (Net)	9	-	-	-	-	-	-
4.3.1	Joint Ventures Accounted Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
V.	PROPERTY AND EQUIPMENT (Net)		116,690	-	116,690	113,282	-	113,282
VI.	INTANGIBLE ASSETS (Net)		3,206	-	3,206	4,131	-	4,131
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		3,206	-	3,206	4,131	-	4,131
VII.	INVESTMENT PROPERTY (Net)	12	-	-	-	-	-	-
VIII.	CURRENT TAX ASSET	13	-	-	-	-	-	-
IX.	DEFERRED TAX ASSET	13	-	-	-	940	-	940
X.	OTHER ASSETS	15	18,083	3,668	21,751	16,048	4,960	21,008
	TOTAL ASSETS		1,115,884	3,483,641	4,599,525	971,645	5,023,431	5,995,076

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

(Thousands of Turkish Lira ("TL"))

LIABILITIES	Note	THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
I. DEPOSITS	1	27,610	2,804,451	2,832,061	44,297	4,356,237	4,400,534
II. FUNDS BORROWED	3	-	649,348	649,348	-	634,524	634,524
III. MONEY MARKETS		-	-	-	-	-	-
IV. SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		-	-	-	-	-	-
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES (Net)		1,313	1,132	2,445	-	-	-
X. PROVISIONS	7	45,809	316	46,125	45,747	461	46,208
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		16,838	-	16,838	16,334	-	16,334
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		28,971	316	29,287	29,413	461	29,874
XI. CURRENT TAX LIABILITY	8	10,063	-	10,063	13,806	-	13,806
XII. DEFERRED TAX LIABILITY		4	-	4	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS		-	-	-	-	-	-
14.1 Loans		-	-	-	-	-	-
14.2 Other Debt Instruments		-	-	-	-	-	-
XV. OTHER LIABILITIES		16,450	25,598	42,048	15,340	17,876	33,216
XVI. SHAREHOLDERS' EQUITY	9	1,014,124	3,307	1,017,431	866,288	500	866,788
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		77,412	-	77,412	79,247	-	79,247
16.4 Accumulated Other Comprehensive Income or Loss that will be Reclassified to Profit or Loss		286	3,307	3,593	-	500	500
16.5 Profit Reserves		30,632	-	30,632	25,676	-	25,676
16.5.1 Legal Reserves		30,632	-	30,632	25,676	-	25,676
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		-	-	-	-	-	-
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit or (Loss)		465,794	-	465,794	321,365	-	321,365
16.6.1 Prior Periods' Profit or (Loss)		316,409	-	316,409	220,387	-	220,387
16.6.2 Current Period Profit or (Loss)		149,385	-	149,385	100,978	-	100,978
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES		1,115,373	3,484,152	4,599,525	985,478	5,009,598	5,995,076

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

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)					
		CURRENT PERIOD (30/09/2019)			PRIOR PERIOD (31/12/2018)		
		TL	FC	TOTAL	TL	FC	TOTAL
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	278,812	3,738,311	4,017,123	296,073	3,752,847	4,048,920
I.	GUARANTEES AND WARRANTIES	271,968	3,726,400	3,998,368	289,028	3,656,399	3,945,427
1.1.	Letters of Guarantee	271,968	2,883,664	3,155,632	289,028	2,725,394	3,014,422
1.1.1.	Guarantees Subject to State Tender Law	67,789	-	67,789	150	-	150
1.1.2.	Guarantees Given for Foreign Trade Operations	15	2,874,455	2,874,470	39,117	2,689,341	2,728,458
1.1.3.	Other Letters of Guarantee	204,164	9,209	213,373	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	-	367,539	367,539	-	503,629	503,629
1.3.1.	Documentary Letters of Credit	-	-	-	-	-	-
1.3.2.	Other Letters of Credit	-	367,539	367,539	-	503,629	503,629
1.4.	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5.	Endorsements	-	-	-	-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2.	Other Endorsements	-	-	-	-	-	-
1.6.	Purchase Guarantees on Marketable Security Issuance	-	-	-	-	-	-
1.7.	Factoring Guarantees	-	-	-	-	-	-
1.8.	Other Guarantees	-	475,197	475,197	-	427,376	427,376
1.9.	Other Collaterals	-	-	-	-	-	-
II.	COMMITMENTS	6,844	11,911	18,755	7,045	96,448	103,493
2.1.	Irrevocable Commitments	6,844	11,911	18,755	7,045	96,448	103,493
2.1.1.	Asset Purchase and Sale Commitments	6,524	11,911	18,435	6,060	6,028	12,088
2.1.2.	Deposit Purchase and Sales Commitments	-	-	-	-	90,420	90,420
2.1.3.	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4.	Loan Granting Commitments	-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7.	Commitments for Cheques	320	-	320	985	-	985
2.1.8.	Tax and Fund Liabilities from Export Commitments	-	-	-	-	-	-
2.1.9.	Commitments for Credit Card Limits	-	-	-	-	-	-
2.1.10.	Commitments for Credit Cards and Banking Services Promotions	-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments	-	-	-	-	-	-
2.2.	Revocable Commitments	-	-	-	-	-	-
2.2.1.	Revocable Loan Granting Commitments	-	-	-	-	-	-
2.2.2.	Other Revocable Commitments	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
3.1.	Hedging Derivative Financial Instruments	-	-	-	-	-	-
3.1.1.	Transactions for Fair Value Hedge	-	-	-	-	-	-
3.1.2.	Transactions for Cash Flow Hedge	-	-	-	-	-	-
3.1.3.	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2.	Trading Transactions	-	-	-	-	-	-
3.2.1.	Forward Foreign Currency Buy/Sell Transactions	-	-	-	-	-	-
3.2.1.1.	Forward Foreign Currency Transactions-Buy	-	-	-	-	-	-
3.2.1.2.	Forward Foreign Currency Transactions-Sell	-	-	-	-	-	-
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates	-	-	-	-	-	-
3.2.2.1.	Foreign Currency Swap-Buy	-	-	-	-	-	-
3.2.2.2.	Foreign Currency Swap-Sell	-	-	-	-	-	-
3.2.2.3.	Interest Rate Swap-Buy	-	-	-	-	-	-
3.2.2.4.	Interest Rate Swap-Sell	-	-	-	-	-	-
3.2.3.	Foreign Currency, Interest rate and Securities Options	-	-	-	-	-	-
3.2.3.1.	Foreign Currency Options-Buy	-	-	-	-	-	-
3.2.3.2.	Foreign Currency Options-Sell	-	-	-	-	-	-
3.2.3.3.	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4.	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5.	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6.	Securities Options-Sell	-	-	-	-	-	-
3.2.4.	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5.	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6.	Other	-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	214,015	280,972	494,987	292,565	346,098	638,663
IV.	ITEMS HELD IN CUSTODY	2,947	2,318	5,265	5,041	6,871	11,912
4.1.	Customer Fund and Portfolio Balances	-	-	-	-	-	-
4.2.	Investment Securities Held in Custody	-	-	-	-	-	-
4.3.	Checks Received for Collection	2,947	2,318	5,265	5,041	6,871	11,912
4.4.	Commercial Notes Received for Collection	-	-	-	-	-	-
4.5.	Other Assets Received for Collection	-	-	-	-	-	-
4.6.	Assets Received for Public Offering	-	-	-	-	-	-
4.7.	Other Items Under Custody	-	-	-	-	-	-
4.8.	Custodians	-	-	-	-	-	-
V.	PLEDGES RECEIVED	211,068	278,654	489,722	287,524	339,227	626,751
5.1.	Marketable Securities	-	-	-	-	-	-
5.2.	Guarantee Notes	75,062	137,672	212,734	92,062	208,469	300,531
5.3.	Commodity	-	-	-	-	-	-
5.4.	Warranty	-	-	-	-	-	-
5.5.	Immovable	20,350	140,346	160,696	22,827	130,470	153,297
5.6.	Other Pledged Items	115,656	636	116,292	172,635	288	172,923
5.7.	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)	492,827	4,019,283	4,512,110	588,638	4,098,945	4,687,583

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

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

(Thousands of Turkish Lira ("TL"))

STATEMENT OF PROFIT OR LOSS	Note	THOUSANDS OF TURKISH LIRA (TL)			
		CURRENT PERIOD	CURRENT PERIOD	PRIOR PERIOD	PRIOR PERIOD
		(01/01/2019-30/09/2019)	(01/07/2019-30/09/2019)	(01/01/2018-30/09/2018)	(01/07/2018-30/09/2018)
I. INTEREST INCOME	1	250,562	70,269	213,509	83,251
1.1 Interest on Loans		120,006	29,497	134,659	53,670
1.2 Interest on Reserve Requirements		6,264	1,330	5,730	2,547
1.3 Interest on Banks		13,776	4,230	44,534	21,217
1.4 Interest on Money Market Transactions		65,837	27,439	2,624	2,376
1.5 Interest on Marketable Securities Portfolio		40,339	7,772	25,961	3,440
1.5.1 Fair Value Through Profit or Loss		14,239	-	15,248	1,649
1.5.2 Fair Value Through Other Comprehensive Income		8,528	1,933	1,899	605
1.5.3 Measured at Amortised Cost		17,572	5,839	8,814	1,186
1.6 Financial Lease Income		-	-	-	-
1.7 Other Interest Income		4,340	1	1	1
II. INTEREST EXPENSE (-)	2	35,982	10,786	68,408	29,466
2.1 Interest on Deposits		17,502	4,428	53,048	23,882
2.2 Interest on Funds Borrowed		18,190	6,274	15,352	5,584
2.3 Interest Expense on Money Market Transactions		-	-	8	-
2.4 Interest on Securities Issued		-	-	-	-
2.5 Measured at Amortised Expense		290	84	-	-
2.6 Other Interest Expenses		-	-	-	-
III. NET INTEREST INCOME (I - II)		214,580	59,483	145,101	53,785
IV. NET FEES AND COMMISSIONS INCOME		55,298	16,446	41,672	17,148
4.1 Fees and Commissions Received		57,142	17,338	42,568	17,484
4.1.1 Non-cash Loans		28,633	9,407	21,503	8,551
4.1.2 Other		28,509	7,931	21,065	8,933
4.2 Fees and Commissions Paid		1,844	892	896	336
4.2.1 Non-cash Loans		6	2	6	2
4.2.2 Other		1,838	890	890	334
V. DIVIDEND INCOME	3	12,513	-	10,642	-
VI. TRADING INCOME/(LOSS) (Net)	4	4,329	13,542	(9,787)	4,736
6.1 Trading Gains / (Losses) on Securities		-	13,940	(27,708)	(8,877)
6.2 Gains / (Losses) on Derivative Financial Transactions		-	-	(421)	(158)
6.3 Foreign Exchange Gains / (Losses)		4,329	(398)	18,342	13,771
VII. OTHER OPERATING INCOME	5	5,165	2,888	19,736	(1,292)
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		291,885	92,359	207,364	74,377
IX. EXPECTED CREDIT LOSS (-)	6	22	(845)	61,313	3,856
X. DİĞER KARŞILIK GİDERLERİ (-)		12,176	12,075	-	-
XI. PERSONNEL EXPENSE (-)		63,369	21,870	48,677	17,474
XII. OTHER OPERATING EXPENSES (-)	7	29,601	8,376	22,033	8,280
XIII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)	8	186,717	50,883	75,341	44,767
XIV. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XV. INCOME/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)		186,717	50,883	75,341	44,767
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)		(37,332)	(11,027)	(11,630)	(9,833)
18.1 Current Tax Provision		(36,680)	(10,981)	(14,213)	(12,677)
18.2 Deferred Tax Income Effect (+)		6,167	889	10,112	4,315
18.3 Deferred Tax Expense Effect (-)		5,515	843	12,695	7,159
XIX. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)	10	149,385	39,856	63,711	34,934
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from Non-current Assets Held for Sale		-	-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3 Income from Other Discontinued Operations		-	-	-	-
XXI. EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses for Non-current Assets Held for Sale		-	-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Expenses for Other Discontinued Operations		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current Tax Provision		-	-	-	-
23.2 Deferred Tax Expense Effect (+)		-	-	-	-
23.3 Deferred Tax Income Effect (-)		-	-	-	-
XXIV. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	-	-
XXV. NET PROFIT/(LOSS) (XVIII+XXIII)		149,385	39,856	63,711	34,934
Earning/(Loss) per share (in TL full)		0.0034	0.0009	0.0014	0.0008

ARAP TÜRK BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

(Thousands of Turkish Lira ("TL"))

		THOUSANDS OF TURKISH LIRA (TL)	
		CURRENT PERIOD	PRIOR PERIOD
		(01/01/2019-30/09/2019)	(01/01/2018-30/09/2018)
I.	CURRENT PERIOD PROFIT/LOSS	149,385	63,711
II.	OTHER COMPREHENSIVE INCOME	1,258	(5,827)
2.1	Not Reclassified to Profit or Loss	(1,835)	(4,736)
2.1.1	Property and Equipment Revaluation Increase/Decrease	-	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	(2,293)	(1,264)
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	458	(3,472)
2.2	Reclassified to Profit or Loss	3,093	(1,091)
2.2.1	Foreign Currency Translation Differences	-	-
	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other		
2.2.2	Comprehensive Income	3,843	(1,491)
2.2.3	Cash Flow Hedge Income/Loss	-	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6	Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(750)	400
III.	TOTAL COMPREHENSIVE INCOME (I+II)	150,643	57,884

ARAP TÜRK BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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)						
PRIOR PERIOD																
30.09.2018																
I. Balance at the beginning of the period	440,000	--	--	--	86,476	(2,815)	--	--	(96)	--	21,662	159,889	80,268	785,384	--	785,384
II. Adjustment in accordance with TMS 8	--	--	--	--	--	--	--	--	3	--	--	6,244	--	6,247	--	6,247
2.1 Effect of adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Effect of changes in accounting policies	--	--	--	--	--	--	--	--	3	--	--	6,244	--	6,247	--	6,247
III. New balance (I+II)	440,000	--	--	--	86,476	(2,815)	--	--	(93)	--	21,662	166,133	80,268	791,631	--	791,631
IV. Total comprehensive income (loss)	--	--	--	--	(3,725)	(1,011)	--	--	(1,091)	--	--	--	63,711	57,884	--	57,884
V. Capital increase in cash	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI. Capital increase through internal reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII. Issued capital inflation adjustment difference	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII. Convertible bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX. Subordinated debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X. Increase (decrease) through other changes, equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
XI. Profit distribution	--	--	--	--	--	--	--	--	--	--	4,014	54,254	(80,268)	(22,000)	--	(22,000)
11.1 Dividends distributed	--	--	--	--	--	--	--	--	--	--	--	(22,000)	--	(22,000)	--	(22,000)
11.2 Transfers to legal reserves	--	--	--	--	--	--	--	--	--	--	4,014	76,254	(80,268)	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances (III+IV+.....+X+XI)	440,000	--	--	--	82,751	(3,826)	--	--	(1,184)	--	25,676	220,387	63,711	827,515	--	827,515
CURRENT PERIOD																
(30/09/2019)																
I. Balance at the beginning of the period	440,000	--	--	--	82,751	(3,504)	--	--	500	--	25,676	220,387	100,978	866,788	--	866,788
II. Adjustment in accordance with TMS 8	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.1 Effect of adjustment	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
2.2 Effect of changes in accounting policies	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
III. New balance (I+II)	440,000	--	--	--	82,751	(3,504)	--	--	500	--	25,676	220,387	100,978	866,788	--	866,788
IV. Total comprehensive income (loss)	--	--	--	--	--	(1,835)	--	--	3,093	--	--	--	149,385	150,643	--	150,643
V. Capital increase in cash	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VI. Capital increase through internal reserves	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VII. Issued capital inflation adjustment difference	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
VIII. Convertible bonds	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
IX. Subordinated debt	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
X. Increase (decrease) through other changes, equity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
XI. Profit distribution	--	--	--	--	--	--	--	--	--	--	4,956	96,022	(100,978)	--	--	--
11.1 Dividends distributed	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
11.2 Transfers to legal reserves	--	--	--	--	--	--	--	--	--	--	4,956	96,022	(100,978)	--	--	--
11.3 Other	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balances (III+IV+.....+X+XI)	440,000	--	--	--	82,751	(5,339)	--	--	3,593	--	30,632	316,409	149,385	1,017,431	--	1,017,431

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

(Thousands of Turkish Lira ("TL"))

	THOUSANDS OF TURKISH LIRA (TL)		
	Note	CURRENT PERIOD (01/01/2019-30/09/2019)	PRIOR PERIOD (01/01/2018-30/09/2018)
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		174,356	(23,068)
1.1.1 Interest Received		263,791	203,941
1.1.2 Interest Paid		(22,363)	(63,334)
1.1.3 Dividend Received		16	-
1.1.4 Fees and Commissions Received		57,142	42,568
1.1.5 Other Income		8,907	9,609
1.1.6 Collections from Previously Written-off Loans and Other Receivables		1,197	784
1.1.7 Payments to Personnel and Service Suppliers		(76,479)	(59,232)
1.1.8 Taxes Paid		(40,131)	(16,586)
1.1.9 Other		(17,724)	(140,818)
1.2 Changes in Operating Assets and Liabilities		(406,329)	1,086,546
1.2.1 Net Increase/Decrease in Financial Assets at Fair Value Through Profit or Loss		200,981	(9,156)
1.2.2 Net (increase) / decrease in due from banks and other financial institutions		-	-
1.2.3 Net (increase) / decrease in loans		949,775	(115,992)
1.2.4 Net (increase) / decrease in other assets		(2,928)	(3,161)
1.2.5 Net increase / (decrease) in bank deposits		(1,581,969)	538,906
1.2.6 Net increase / (decrease) in other deposits		(130,788)	263,009
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		(10,052)	294,292
1.2.9 Net increase / (decrease) in payables		-	-
1.2.10 Net increase / (decrease) in other liabilities		168,652	118,648
I. Net Cash Provided from Banking Operations		(231,973)	1,063,478
B. CASH FLOWS FROM INVESTMENT ACTIVITIES			
II. Net Cash Provided from Investing Activities		(29,084)	(35,432)
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		(2,589)	(3,476)
2.4 Disposals of property and equipment		13	514
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(177,778)	(61,610)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		72,592	(500)
2.7 Purchase of Financial Assets Measured at Amortised Cost		(60,146)	(142,679)
2.8 Sale of Financial Assets Measured at Amortised Cost		140,197	173,189
2.9 Other		(1,373)	(870)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		(290)	(22,000)
3.1 Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3 Issued Equity Instruments		-	-
3.4 Dividends Paid		-	(22,000)
3.5 Payments for Finance Leases		(290)	-
3.6 Other		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		74,409	111,557
V. Net Decrease/ Increase in Cash and Cash Equivalents (I+II+III+IV)		(186,938)	1,117,603
VI. Cash and Cash Equivalents at the Beginning of the Period		2,473,727	1,421,898
VII. Cash and Cash Equivalents at the End of the Period		2,286,789	2,539,501

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS FOR BASIS OF PRESENTATION

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

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

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

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

IV. INFORMATION ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

Derivative financial instruments of the Bank are classified under “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.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

V. INFORMATION ON INTEREST INCOME AND EXPENSE

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

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

VI. INFORMATION ON FEES AND COMMISSION

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

VII. INFORMATION ON FINANCIAL ASSETS

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

a. Financial Assets at Fair Value through Profit or Loss

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

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

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

b. Financial Assets at Fair Value Through Other Comprehensive Income

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

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

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

c. Financial Assets Measured at Amortized Cost

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

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

d. Loans

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment For Expected Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

Individual Evaluation

A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected EIR (Effective Interest Rate) value and discounted cash flows. When cash flows are estimated, the following conditions are taken into account.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. INFORMATION ON FINANCIAL ASSETS (Continued)

e. Impairment For Expected Loss (Continued)

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

Definition of Default

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

These conditions have stated below:

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

Significant increase in credit risk definition (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 / concordatum registration,
6. Negative investigation and consolidated loan risk records

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. INFORMATION ON OFFSETTING FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**XI. INFORMATION ON GOODWILL AND OTHER INTANGIBLE ASSETS**

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

The Bank’s intangible assets consist of software.

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

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

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

XII. INFORMATION ON TANGIBLE ASSETS

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. INFORMATION ON LEASING ACTIVITIES

Finance leasing activities as the lessor

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

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

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

Operational leases

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. INFORMATION ON PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

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

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

XV. INFORMATION ON LIABILITIES REGARDING EMPLOYEE BENEFITS

Reserve for other benefits to employees

In accordance with existing Turkish Labor Law, the Bank is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or as mentioned in related legislation. The computation of the liability is based upon the retirement pay ceiling announced. The applicable ceiling amount as at 30 September 2019 is 6,379.86 (full TL) (31 December 2018: TL 5,434.42 (full TL)). Reserve for employee termination benefits are calculated via net present value of estimated provision of probable liabilities will be arised in the future and reflected in the financial statements.

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

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

Other benefits to employees

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS

Corporate tax

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

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

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

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

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

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

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

The liabilities of subsidiaries, founding shares and preferential rights of the institutions, which have been legally borrowed or owed to the SDIF due to the bank borrowing between 1 January 2017 and 4 December 2017 and their possessors and mortgage holders, all of the profits from the sale of the proceeds from the transfer to the bank or from this Fund that are used in the liquidation of these debts and 75% of the gains from the sale of the securities in such a manner so obtained by the banks are exempted from the corporation tax.

75% of the profits arising from the sale of founders' shares, usufruct shares and preferential rights that the institutions hold for at least two full years in the assets for the period between 1 January 2017 and 4 December 2017, the immovables they own in the same period as the participation shares; is exempted from the corporation tax as long as it is kept in a special fund account until the end of the fifth year following the year in which the sale is made and collected until the end of the second calendar year. On the other side, according to the regulation of 7061 numbered "Law on Amendments to Certain Tax Laws and Other Certain Other Laws", the tax exemption rate mentioned above is: As of 5 December 2017, 50% is applied for the gains derived from the sale of immovables and 75% for gains derived from the sale of the others.

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. INFORMATION ON TAX APPLICATIONS (Continued)

Deferred taxes

The Bank calculates and accounts deferred tax assets and liabilities in accordance with the “TAS 12 - Income Taxes” and BRSA’s explanations; deferred tax assets and liabilities are recognized on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances used for taxation purposes except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

If transactions and events are recorded in the statement of income, then the related tax effects are also recognized in the statement of income. However, if transactions and events are recorded directly in the shareholders’ equity, the related tax effects are also recognized directly in the shareholders’ equity.

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

Transfer Pricing

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

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

XVII. ADDITIONAL INFORMATION ON BORROWINGS

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

The Bank did not issue any stocks convertible into bonds.

The Bank does not have borrowing instruments issued by itself.

XVIII. INFORMATION ON SHARE ISSUANCES

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

XIX. INFORMATION ON BILLS OF EXCHANGES AND ACCEPTANCES

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

There are no acceptances presented as liabilities against any assets.

XX. INFORMATION ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank as of 30 September 2019 and 31 December 2018.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. CASH AND CASH EQUIVALENTS

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

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

XXII. INFORMATION ON SEGMENT REPORTING

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

XXIII. OTHER DISCLOSURES

Profit reserves and profit distribution

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

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

Related parties

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

Reclassifications

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

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

⁽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 USD lease liabilities presented in the consolidated statement of financial position are 22% and 1.5% respectively

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION OF THE BANK

I. INFORMATION ON SHAREHOLDER’S EQUITY

Information about Total Capital (Current Period)

	Amount	Amounts related to treatment before 1/1/2014⁽¹⁾
TIER II CAPITAL	1,013,879	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,000	
Share issue premiums	-	
Reserves	30,632	
Gains recognized in equity as per TAS	81,005	
Profit	465,794	
Current Period Profit	149,385	
Prior Period Profit	316,409	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,017,431	
Deductions from Common Equity Tier 1 Capital	3,552	3,552
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	346	346
Goodwill (net of related tax liability)	3,206	3,206
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	3,552	
Total Common Equity Tier 1 Capital	1,013,879	

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	1,013,879	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	27,732	-
Tier II Capital Before Deductions	27,732	-
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	27,732	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	1,041,611	-
The sum of Tier I Capital and Tier II Capital (Total Capital)		
Total Capital	1,041,611	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
TOTAL CAPITAL	1,041,611	1,051,474
Total Capital	1,041,611	1,051,474
Total risk weighted amounts	4,301,685	4,301,685
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	23.57	-
Tier 1 Capital Adequacy Ratio (%)	23.57	-
Capital Adequacy Ratio (%)	24.21	24.44
BUFFERS		
Total buffer requirement	2.644	-
Capital conservation buffer requirement (%)	2.500	-
Bank specific counter-cyclical buffer requirement (%)	0.144	-
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	19.07	-
Amounts below the Excess Limits as per the Deduction Principles	-	-
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	27,732	27,732
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	27,732	27,732
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

Information about Total Capital (Prior Period)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
TIER II CAPITAL	862,150	
Paid-in capital following all debts in terms of claim in liquidation of the Bank	440,500	
Share issue premiums	-	
Reserves	25,676	
Gains recognized in equity as per TAS	79,247	
Profit	321,365	
Current Period Profit	100,978	
Prior Period Profit	220,387	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	866,788	
Deductions from Common Equity Tier 1 Capital	4,638	4,638
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	507	507
Goodwill (net of related tax liability)	4,131	4,131
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	4,638	
Total Common Equity Tier 1 Capital	862,150	

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial		
Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds(-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	862,150	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	29,573	-
Tier II Capital Before Deductions	29,573	-
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	29,573	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	891,723	-
The sum of Tier I Capital and Tier II Capital (Total Capital)		
The sum of Tier I Capital and Tier II Capital (Total Capital)	891,723	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components	-	-
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

I. INFORMATION ON SHAREHOLDER’S EQUITY (Continued)

	Amount	Amounts related to treatment before 1/1/2014 ⁽¹⁾
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
TOTAL CAPITAL	891,723	902,137
Total Capital	891,723	902,137
Total risk weighted amounts	4,961,395	4,961,395
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	17.38	-
Tier 1 Capital Adequacy Ratio (%)	17.38	-
Capital Adequacy Ratio (%)	17.97	18.18
BUFFERS		
Total buffer requirement	2.034	-
Capital conservation buffer requirement (%)	1.875	-
Bank specific counter-cyclical buffer requirement (%)	0.159	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	12.88	-
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	29,573	29,573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	29,573	29,573
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

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

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

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

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

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

None.

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

Current Period 30 September 2019	Balance sheet value	Amount of adjustment	Value at capital report
Paid-in capital	440,000	-	440,000
Other Capital Reserves	-	-	-
Bonus Shares which are not accounted in the current period profit or loss of Associates, Subsidiaries and Joint-Ventures	-	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	-	-	-
Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	77,412	-	77,412
Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	3,593	-	3,593
Profit Reserves	30,632	-	30,632
Profit or Loss	465,794	-	465,794
Prior Periods’ Profit/Loss	316,409	-	316,409
Current Period Net Profit/Loss	149,385	-	149,385
Deductions from Common Equity Tier I Capital (*)	-	3,552	(3,552)
Common Equity Tier 1 capital	-	-	1,013,879
Tier 1 capital	-	-	1,013,879
Provisions	-	(27,732)	27,732
Tier 2 capital (**)	-	(27,732)	27,732
Shareholders’ Equity Adjustments (***)	-	-	-
Total Shareholders’ Equity	1,017,431	(24,180)	1,041,611

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

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

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

II. INFORMATION ON FOREIGN CURRENCY EXCHANGE RATE RISK

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

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

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

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

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

Foreign exchange risk management policy

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

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

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

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

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

Information on Currency Risk

Current Period	Euro	USD	Other	Total
Assets				
Cash (Cash in Vault, Foreign currencies, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of Turkey	860,308	392,713	676	1,253,697
Banks	513,938	299,201	11,833	824,972
Financial Assets Measured at Fair Value through Profit or Loss	87,278	-	-	87,278
Interbank Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	71,311	144,863	-	216,174
Loans ⁽¹⁾	555,420	118,229	-	673,649
Investments in Subsidiaries and Associates	-	-	-	-
Financial Assets Measured at Amortised Cost	200,491	223,712	-	424,203
Financial Derivative held for Hedging (Assets)	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	1,428	2,240	-	3,668
Total Assets ⁽¹⁾	2,290,174	1,180,958	12,509	3,483,641
Liabilities				
Bank Deposits	1,607,831	239,593	1,649	1,849,073
Foreign Currency Deposits	504,147	442,915	8,316	955,378
Money Market Borrowings	-	-	-	-
Funds Borrowed from Other Financial Institutions	160,906	488,442	-	649,348
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Financial Derivatives held for Hedging (Liabilities)	-	-	-	-
Other Liabilities	16,788	9,795	463	27,046
Total Liabilities ⁽¹⁾	2,289,672	1,180,745	10,428	3,480,845
Net Balance Sheet Position	502	213	2,081	2,796
Net Off Balance Sheet Position	2,689	3,852	-	6,541
Financial Derivatives (Assets)	2,689	6,536	-	9,225
Financial Derivatives (Liabilities)	-	(2,684)	-	(2,684)
Non-Cash Loans	1,266,423	1,688,523	771,454	3,726,400
Prior Period				
Total Assets	2,398,354	2,620,091	10,006	5,028,451
Total Liabilities	2,390,264	2,610,082	8,752	5,009,098
Balance Sheet Position, net	8,090	10,009	1,254	19,353
Off Balance Sheet Position, net	(6,028)	-	-	(6,028)
Financial Derivatives (Assets)	-	-	-	-
Financial Derivatives (Liabilities)	(6,028)	-	-	(6,028)
Non-cash Loans	1,216,077	1,704,738	735,584	3,656,399

(1) In accordance with the provisions of the "Regulation on the Calculation and Application of Foreign Currency Net General Position / Equity Standard Ratio in Banks' Consolidated and Non-Consolidated Basis"; Equity has not been taken into consideration in calculating the risk of exchange rate amounting to 3,307 TL

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

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

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

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

Assuming 10 percent appreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	(319)	(319)	(206)	(206)
US Dollar	(407)	(407)	(1,001)	(1,001)
Other Currencies	(208)	(208)	(125)	(125)
Total	(934)	(934)	(1,332)	(1,332)

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

Assuming 10 percent depreciation of TL;

	Current Period		Prior Period	
	Income Statement	Shareholders’ Equity ⁽¹⁾	Income Statement	Shareholders’ Equity ⁽¹⁾
Euro	319	319	206	206
US Dollar	407	407	1,001	1,001
Other Currencies	208	208	125	125
Total	934	934	1,332	1,332

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

III. INFORMATION ON INTEREST RATE RISK

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

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

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

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

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

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

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

III. INFORMATION ON INTEREST RATE RISK (Continued)

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

Based on re-pricing dates

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	7,338	-	-	-	-	1,255,084	1,262,422
Banks	825,230	-	-	-	-	-	825,230
Financial assets at fair value through Profit or Loss	-	-	87,278	-	-	-	87,278
Interbank Money Market Placements	567,753	-	-	-	-	-	567,753
Financial Assets at Fair Value Through Other Comprehensive Income	27,134	1,382	91,877	96,486	-	2,489	219,368
Loans	396,958	110,317	238,758	222,539	-	90,210	1,058,782
Financial Assets Measured at Amortized Cost	12,540	47,476	218,177	119,746	27,519	-	425,458
Other assets ⁽¹⁾	-	-	-	-	-	153,234	153,234
Total assets	1,836,953	159,175	636,090	438,771	27,519	1,501,017	4,599,525
Liabilities							
Bank deposits	1,621,738	29,302	198,238	-	-	150	1,849,428
Other deposits	105,163	27,882	6,745	100	-	842,743	982,633
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	-	-	451,154	198,194	-	-	649,348
Other liabilities ⁽²⁾	64	128	186	456	1,611	1,115,671	1,118,116
Total liabilities	1,726,965	57,312	656,323	198,750	1,611	1,958,564	4,599,525
Long Position in the Balance Sheet	109,988	101,863	-	240,021	25,908	-	477,780
Short Position in the Balance Sheet	-	-	(20,233)	-	-	(457,547)	(477,780)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	109,988	101,863	(20,233)	240,021	25,908	(457,547)	-

⁽¹⁾ Other Assets: The amount of TL153,234 in the Non-Interest Bearing column is composed of Tangible Assets amounting to TL 116,690, Subsidiaries amounting to TL 108,205, Expected Credit Loss amounting to TL 97,624, Intangible Assets amounting to TL 3,206, Assets Available for Sale amounting to TL 1,006 and Other Assets amounting to TL 21,751.

⁽²⁾ Other Liabilities: The amount of TL 1,115,671 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,017,431, Provisions amounting to TL 46,125, Deferred Tax Liability amounting to TL 4, Current Tax Liability amounting to TL 10,063 and other Non-Interest Bearing amounting to TL 42,048.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

III. INFORMATION ON INTEREST RATE RISK (Continued)

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (cash in vault, foreign currencies, cash in transit, cheques purchased) and balances with the Central Bank of Turkey	689,684	-	-	-	-	559,589	1,249,273
Banks	1,534,483	-	-	-	-	-	1,534,483
Financial assets at fair value through Profit or Loss	-	37,763	158,036	86,367	-	-	282,166
Interbank Money Market Placements	202,139	-	-	-	-	-	202,139
Financial assets available-for-sale	-	-	-	22,867	-	84,059	106,926
Loans	1,161,470	193,523	335,299	218,414	-	91,386	2,000,092
Investment securities held-to-maturity	335	40,789	149,637	267,979	25,583	-	484,323
Other assets ⁽¹⁾	-	-	-	-	-	135,674	135,674
Total assets	3,588,111	272,075	642,972	595,627	25,583	870,708	5,995,076
Liabilities							
Bank deposits	2,047,241	531,639	707,940	-	-	-	3,286,820
Other deposits	27,516	15,129	6,862	74	-	1,064,133	1,113,714
Money market borrowings	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-
Funds Borrowed From Other Fin. Ins.	291,878	-	342,646	-	-	-	634,524
Other liabilities ⁽²⁾	-	-	-	-	-	960,018	960,018
Total liabilities	2,366,635	546,768	1,057,448	74	-	2,024,151	5,995,076
Long Position in the Balance Sheet	1,221,476	-	-	595,553	25,583	-	1,842,612
Short Position in the Balance Sheet	-	(274,693)	(414,476)	-	-	(1,153,443)	(1,842,612)
Long Position in the Off-balance Sheet	-	-	-	-	-	-	-
Short Position in the Off-balance Sheet	-	-	-	-	-	-	-
Total Position	1,221,476	(274,693)	(414,476)	595,553	25,583	(1,153,443)	-

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

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

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

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

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

Current Period	EURO	USD	TL
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.77	9.19
Banks	1.30	1.88	-
Financial assets at fair value through profit or loss	-	-	-
Money Market Placements	-	-	16.30
Financial Assets at Fair Value Through Other Comprehensive Income	3.38	6.91	25.08
Loans	5.21	8.21	19.17
Financial Assets Measured at Amortized Cost	2.90	6.91	21.46
Liabilities			
Interbank deposits	0.78	3.40	-
Other deposits	0.69	2.57	15.54
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	0.89	4.07	-
Prior Period			
Assets			
Cash (cash in vault, effectives, money in transit, cheques purchased) and balances with the Central Bank of Turkey.	-	1.62	7.16
Banks	1.25	2.99	-
Financial assets at fair value through profit or loss	2.30	3.95	-
Money Market Placements	-	-	25.15
Financial assets available-for-sale	6.42	6.87	-
Loans	4.55	5.86	27.44
Investment securities held-to-maturity	2.79	6.99	20.48
Liabilities			
Interbank deposits	1.14	4.62	-
Other deposits	0.99	2.66	18.08
Money market borrowings	-	-	-
Miscellaneous payables	-	-	-
Marketable securities issued	-	-	-
Funds borrowed from other financial institutions	1.32	4.44	-

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

IV. INFORMATION ON STOCK POSITION RISK

Equity investment risk due from banking book

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

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

None.

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

None.

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

None.

V. INFORMATION ON LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

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

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

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

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

The Bank is supported by well-established shareholders among most powerful financial institutions in Turkey, Middle East and the North African region. The Bank's largest shareholder is Libyan Foreign Bank which is 100% owned by the Central Bank of Libya has A&T Bank. Funds received from the Bank's risk group have a 44% share in liabilities.

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

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

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

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

Information regarding to the liquidity risk mitigation techniques used

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

Information regarding to the usage of Stress Tests

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

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

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

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

Liquidity coverage ratio

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

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

	Week	FC	Week	FC+TL
Lowest	5 July 2019	132	5 July 2019	180
Highest	2 August 2019	495	2 August 2019	609

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

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

Current Period	Consideration Ratio Not Applied Total Value ⁽¹⁾		Consideration Ratio Applied Total Value ⁽¹⁾	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID				
1 High quality liquid assets	2,841,461	2,188,840	2,475,695	1,823,074
CASH OUTFLOWS				
2 Real person deposits and retail	440,689	401,483	42,287	40,148
3 Stable deposit	35,641	-	1,782	-
4 Deposit with low stability	405,048	401,483	40,505	40,148
5 Unsecured debts except real	2,089,876	1,998,807	1,737,810	1,654,008
6 Operational deposit	-	-	-	-
7 Non-operating deposits	1,990,132	1,972,784	1,638,066	1,627,985
8 Other unsecured debts	99,744	26,023	99,744	26,023
9 Secured debts	-	-	-	-
10 Other cash outflows	-	-	-	-
11 Derivative liabilities and margin	-	-	-	-
12 Debt from structured financial	-	-	-	-
13 Other off-balance sheet liabilities	-	-	-	-
14 Revocable off-balance sheet	-	-	-	-
15 Other irrevocable or provisory	3,844,582	3,582,628	246,531	191,478
16 TOTAL CASH OUTFLOW	6,375,147	5,982,918	2,026,628	1,885,634
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured claims	1,155,382	901,547	994,702	835,249
19 Other cash inflows	3,580	3,580	3,580	3,580
20 TOTAL CASH INFLOWS	1,158,962	905,127	998,282	838,829
			Upper limit applied amounts	
21 TOTAL HQLA STOCK			2,475,695	1,823,074
22 TOTAL NET CASH			1,045,354	1,059,642
23 LIQUIDITY COVERAGE			236.83	172.05

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

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

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

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

Sections High-quality liquid assets comprised of

High-quality liquid assets consist of cash, effectives, debt instruments issued by CBRT and treasury, debt instruments with a credit or default rating from A+ to BBB- or any equivalent Debt Instruments. CBRT accounts for 50% of high-quality liquid assets of the Bank, while 49% comprised of debt instruments issued by the Treasury.

Sections Funding sources comprised of and their densities within all funds

A significant part of the funding sources are comprised of deposits received. 62% of the total liabilities are deposits received. 65% of these deposits are deposits obtained from banks.

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

Cash outflows due to derivative contracts occur during periods when the bank's derivative liabilities exceed its derivative receivables. 30 September 2019, the bank has no derivative transactions. Therefore, there is no net cash outflow arising from derivative transactions.

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

A significant part of the funding sources are comprised of deposits received. 62% of the liability is deposits and 65% of these deposits are from banks. All of these liabilities are warrantless.

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

The 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 UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

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

Presentation of assets and liabilities based on their outstanding maturities

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Year and Over	Unallocated	Total
Assets								
Cash (cash in vault, effectives, money in transit, cheques purchased) and Central Bank balances	19,516	1,242,906	-	-	-	-	-	1,262,422
Banks	39,450	785,780	-	-	-	-	-	825,230
Financial Assets at Fair Valuethrough Profit or Loss	-	-	-	87,278	-	-	-	87,278
Money Market Placements	-	567,753	-	-	-	-	-	567,753
Financial assets available-for-sale	-	27,134	1,383	91,876	96,486	-	2,489	219,368
Loans	-	396,957	103,054	246,022	222,539	-	90,210	1,058,782
Investment securities held-to-maturity	-	12,540	47,476	218,177	119,746	27,519	-	425,458
Other assets ⁽¹⁾	-	-	-	-	-	-	153,234	153,234
Total Assets	58,966	3,033,070	151,913	643,353	438,771	27,519	245,933	4,599,525
Liabilities								
Interbank Deposits	508,941	1,112,947	29,302	198,238	-	-	-	1,849,428
Other Deposits	842,743	105,163	27,884	6,743	100	-	-	982,633
Funds provided from other financial institutions	-	-	-	-	-	-	-	-
Money market borrowings	-	-	-	-	-	-	-	-
Marketable securities issued	-	-	-	-	-	-	-	-
Miscellaneous payables	-	-	-	451,154	198,194	-	-	649,348
Other liabilities ⁽²⁾	-	64	128	186	456	1,611	1,115,671	1,118,116
Total Liabilities	1,351,684	1,218,174	57,314	656,321	198,750	1,611	1,115,671	4,599,525
Net Liquidity Gap	(1,292,718)	1,814,896	94,599	(12,968)	240,021	25,908	(869,738)	-
Prior Period								
Total Assets	48,907	4,098,793	205,997	731,919	572,758	25,583	311,119	5,995,076
Total Liabilities	1,804,463	1,626,308	546,768	1,057,445	74	-	960,018	5,995,076
Net Liquidity Gap	(1,755,556)	2,472,485	(340,771)	(325,526)	572,684	25,583	(648,899)	-

1) Other Assets: The amount of TL 153,234 in the Non-Interest Bearing column is composed of Tangible Assets amounting to ; TL 116,690, Subsidiaries amounting to TL 108,205, Intangible Assets amounting to TL 3,206, Expected credit loss amounting to TL 97,624, Other Assets amounting to TL 21,751 and Available for Sale Financial Assets amounting to TL 1,006 of other undistributed amounts.

2) Other Liabilities: The amount of TL1,115,671 in the Non-Interest Bearing Column is composed of Shareholders' Equity amounting to TL 1,017,431, Provisions amounting to TL 46,125, Current Tax Liability amounting to TL 10,063, deferred tax liabilities amounting to TL 4 and Non-Interest Bearing amounts of Other Liabilities amounting to TL 42,048.

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**VI. EXPLANATIONS ON LEVERAGE RATIO****Leverage Ratio**

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

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

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

Leverage ratio disclosure as follows

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
Balance sheet assets		
1 Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	4,691,566	5,887,486
2 (Assets deducted from main capital)	(3,710)	(4,017)
3 Total risk amount of the balance sheet assets (Sum of 1st and 2nd rows)	4,687,856	5,883,469
Derivative financial instruments and credit derivatives		
4 Replacement cost of derivative financial instruments and credit derivatives	-	-
5 Potential credit risk amount of derivative financial instruments and credit derivatives	-	-
6 Total risk amount of derivative financial instruments and credit derivatives (Sum of 4th and 5th rows)	-	-
Security or secured financing transactions		
7 Risk amount of security or secured financing transactions (Except balance sheet)	5,754	17,583
8 Risk amount due to intermediated transactions	-	-
9 Total risk amount of security or secured financing transactions (Sum of 7th and 8th rows)	5,754	17,583
Off-balance sheet transactions		
10 Gross nominal amount of off-balance sheet transactions	3,902,833	3,976,604
11 (Adjustment amount resulting from multiplying by credit conversion rates)	-	-
12 Risk amount of the off-balance sheet transactions (Sum of 10th and 11th rows)	3,902,833	3,976,604
Equity and total risk		
13 Main capital	1,001,221	853,591
14 Total risk amount (Sum of 3th, 6th, 9th and 12th rows)	8,596,443	9,877,656
Leverage ratio		
15 Leverage ratio	% 11.65	% 8.66

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

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

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)**VII. INFORMATION ON RISK MANAGEMENT****Overview of Risk Weighted Amount (Current Period)**

	Risk Weighted Amount		Minimum capital Requirement
	Current Period	Prior Period	Current Period
1 Credit risk (excluding counterparty credit risk) (CCR)	3,794,645	4,453,898	303,572
2 Standardised approach (SA)	3,794,645	4,453,898	303,572
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	277	-	22
5 Standardised approach for counterparty credit risk (SA-CCR)	277	-	22
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	81,200	158,037	6,496
17 Standardised approach (SA)	81,200	158,037	6,496
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	425,563	349,450	34,045
20 Basic Indicator Approach	425,563	349,450	34,045
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,301,685	4,961,385	344,135

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

None.

RWA flow statements of market risk exposures under an IMA

None.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

INFORMATION ON THE FINANCIAL POSITION OF THE BANK (Continued)

VIII. INFORMATION ON OPERATING SEGMENTS

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

The Bank has operations in retail banking, corporate and commercial banking and treasury operation areas.

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

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Current Period 30 September 2019					
Interest Income (Net)	(1,706)	117,530	98,756	-	214,580
Commission Income (Net)	-	55,298	-	-	55,298
Unallocated Income/Expenses (Net)	-	-	-	(95,659)	(95,659)
Operating Income	(1,706)	172,828	98,756	(95,659)	174,219
Income from Subsidiaries	-	-	-	12,498	12,498
Income before tax	-	-	-	186,717	186,717
Tax Provision	-	-	-	(37,332)	(37,332)
Net Profit for the period				149,385	149,385

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Current Period 30 September 2019					
Segment Assets	835	424,623	3,375,615	-	3,801,073
Associates and Subsidiaries	-	-	-	-	-
Unallocated assets	-	-	-	798,452	798,452
Total Assets	835	424,623	3,375,615	798,452	4,599,525
Segment Liabilities	435,565	552,957	2,492,887	-	3,481,409
Unallocated Liabilities	-	-	-	100,685	100,685
Equity	-	-	-	1,017,431	1,017,431
Total Liabilities	435,565	552,957	2,492,887	1,118,116	4,599,525

	Retail Banking	Corporate and Commercial Banking	Treasury	Unallocated	Total Operations
Prior Period 30 September 2018					
Interest Income (Net)	(1,529)	133,969	12,661	-	145,101
Commission Income (Net)	-	41,672	-	-	41,672
Unallocated Income/Expenses (Net)	-	-	-	(121,930)	(121,930)
Operating Income	(1,529)	175,641	12,661	(121,930)	64,843
Income from Subsidiaries	-	-	-	10,498	10,498
Income before tax	-	-	-	75,341	75,341
Tax Provision	-	-	-	(11,630)	(11,630)
Net Profit for the period				63,711	63,711

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Effective	1,387	18,129	1,809	18,555
Central Bank of Turkey	7,338	1,235,568	6,746	1,222,163
Other	-	-	-	-
Total	8,725	1,253,697	8,555	1,240,718

Information related to the account of Central Bank of Turkey

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

⁽¹⁾ General reserve amount requirements maintained at CBRT**Information on Reserve Deposits**

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

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

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

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

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

Positive differences related to trading derivative financial assets:

None.

3. Information on banks

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic banks	258	678,392	287	1,512,582
Foreign banks	-	146,580	-	21,614
Total	258	824,972	287	1,534,196

Expected credit losses for cash and cash equivalents

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	2,225	-	-	2,225
Additions during the period	1,720	-	-	1,720
Disposal	(2,197)	-	-	(2,197)
Balances at end of period	1,748	-	-	1,748

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

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

None.

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

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

Information on financial assets at fair value through other comprehensive income

	Current period	Prior Period
Debt Securities	217,661	105,070
Quoted in stock exchange	217,661	105,070
Not quoted in stock exchange	-	-
Share Certificates	2,489	2,336
Quoted in stock exchange	-	-
Not quoted in stock exchange	2,489	2,336
Impairment provision (-)	782	480
Total	219,368	106,926

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

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****5. Information on Loans***Information on all types of loans and advances given to shareholders and employees of the Bank*

	Current period		Prior Period	
	Cash	Non- Cash	Cash	Non- Cash
Direct Loans Granted to Shareholders	-	57,755	1,395	26,049
Corporate Shareholders	-	57,755	1,395	26,049
Individual Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to the Bank’s personnel	835	99	1,040	-
Total	835	57,854	2,435	26,049

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

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

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

	Standard Loans	Loans Under Close Monitoring
12-Month expected credit losses	6,311	-
Significant increase in credit risk	-	-

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

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

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

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

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

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

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

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

Allocation of domestic and foreign loans

	Current Period	Prior Period
Domestic loans	1,058,635	1,995,801
Foreign loans	147	4,291
Total	1,058,782	2,000,092

Loans granted to subsidiaries and associates

None.

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

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

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

Specific provisions	Current Period	Prior Period
Loans and receivables with limited collectibles	-	-
Loans and receivables with doubtful collectibles	-	-
Uncollectible loans and receivables	88,304	85,343
Total	88,304	85,343

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

None.

Information on movement of total non-performing loans

	Group III. Loans and receivables with limited collectibles	Group IV. Loans and receivables with doubtful collectibles	Group V. Uncollectible loans and receivables
Balances at Beginning of Period	-	-	91,385
Additions (+)	-	-	22
Transfers from other categories of nonperforming loans (+)	-	-	-
Transfers to other categories of nonperforming loans (-)	-	-	-
Collections (-)	-	-	1,197
Write-offs (-)	-	-	-
Institutional and commercial credits	-	-	-
Individual credits	-	-	-
Credit cards	-	-	-
Others	-	-	-
Balances at End of the Period	-	-	90,210
Specific provisions (-)	-	-	88,304
Net Balance on Balance Sheet	-	-	1,906

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

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

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

There are non-performing loan receivables in foreign currency amounting TL 26,711 which is followed in Turkish Lira accounts (31 December 2018: TL 26,514).

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

	Group III.	Group IV.	Group V.
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Non-performing Loans and receivables
Current Period (Net)	-	-	1,906
Loans granted to real persons and legal entities(Gross)	-	-	90,110
Specific provisions (-)	-	-	88,204
Loans granted to real persons and legal entities(Net)	-	-	1,906
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-
Prior Period (Net)	-	-	2,279
Loans granted to real persons and legal entities(Gross)	-	-	87,522
Specific provisions (-)	-	-	85,243
Loans granted to real persons and legal entities(Net)	-	-	2,279
Banks (Gross) ⁽¹⁾	-	-	100
Specific provisions (-)	-	-	100
Banks (Net)	-	-	-
Other Loans and receivables (Gross) ⁽²⁾	-	-	-
Specific provisions (-)	-	-	-
Other Loans and receivables (Net)	-	-	-

⁽¹⁾ Contains Foreign Banks.⁽²⁾ Financial assets was classified after IFRS 9.

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

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****5. Information on Loans (Continued)***Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9*

None.

Collection policy on loans determined as loss and other receivables

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

Information on write-off policy

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

Expected credit loss for loans

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	6,770	-	89,106	95,876
Additions during the period	2,762	-	22	2,784
Disposal	(3,221)	-	(824)	(4,045)
Balances at end of period	6,311	-	88,304	94,615
Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	8,787	7,141	31,164	47,092
Additions during the period	-	-	59,066	59,066
Disposal	(2,017)	(7,141)	(1,124)	(10,282)
Balances at end of period	6,770	-	89,106	95,876

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

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

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

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

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

Information on government financial assets measured at amortised cost

	Current Period		Prior Period	
	TL	FC	TL	FC
Government bonds	1,255	280,510	13,032	320,830
<i>Treasury Bonds</i>	-	-	-	-
Other Public Bonds	-	143,693	-	150,461
Total	1,255	424,203	13,032	471,291

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

Movement of financial assets measured at amortised cost

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

(1) In the current period redemption amounting to TL 140,197 has been realized from the portfolio. (31 December 2018: TL 195,890)

Expected credit loss for financial assets measured at amortised cost

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	1,300	-	-	1,300
Additions during the period	481	-	-	481
Disposal	(520)	-	-	(520)
Balances at end of period	1,261	-	-	1,261
Prior Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	260	-	-	260
Additions during the period	1,453	-	-	1,453
Disposal	(413)	-	-	(413)
Balances at end of period	1,300	-	-	1,300

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

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

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

The Bank does not have an associate.

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

The Bank does not have an unconsolidated subsidiary.

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

	Current Period	Prior Period
CORE CAPITAL		
Paid in Capital	108,000	95,500
Capital Reserves	228	228
Legal Reserves	4,643	3,772
Extraordinary Reserves – Legal Reserve per General Legislation	1	1
Profit / Loss	7,742	12,893
<i>Net Profit</i>	8,220	12,763
<i>Prior Period Profit/Loss ⁽²⁾</i>	(478)	130
Intangible Assets (-)	219	133
Total Core Capital	120,395	112,261
SUPPLEMENTARY CAPITAL	-	-
CAPITAL	120,395	112,261
DEDUCTION FROM CAPITAL	-	-
NET AVAILABLE CAPITAL ⁽¹⁾	120,395	112,261

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

⁽²⁾ As decided in the Annual General Meeting which is held on 28 March 2019, a capital increase of TL 12,500 was made from the previous year's profit and amount of TL 871 have been reserved as legal reserves.

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

Summary information on basic features of equity items

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

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

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

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

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

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**I. INFORMATION ON DISCLOSURES AND FOOTNOTES OF ASSETS (Continued)****8. Information on subsidiaries (Net) (Continued)***Summary information on basic features of equity items (Continued)*

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

30 September 2019	Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from marketable securities portfolio	Current Year Profit / Loss	Prior Year Profit/Loss	Fair value ⁽¹⁾
	369,188	120,310	4,357	30,432	-	8,220	(478)	-

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

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

Sectoral Information on the subsidiaries

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

Quoted Subsidiaries

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

9. Information on joint ventures

The Bank has no joint ventures.

10. Information on Financial lease receivables (Net)

The Bank has no financial lease operation.

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

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

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

The Bank has no financial derivatives for hedging.

12. Information on investment property

The Bank has no investment property.

13. Information on tax assets

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

Information on deferred tax asset

As of 30 September 2019, there is no deferred tax asset.

14. Information about fixed assets held for sale

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

15. Information on other assets

Other assets is amounting to TL 21,751 and does not exceed 10% of total assets of balance sheet except off balance sheet commitments (31 December 2018: TL 21,008).

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

II. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES

1. Information on maturity profile of deposits

Current Period	Demand	7 Days Notice	Up to 1 Month	1-3		6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
				Months	3-6 Months				
Saving Deposits	8,689	-	2,626	2,282	2,485	-	-	-	16,082
Foreign Currency Deposits	823,128	-	565	100,892	23,025	4,661	3,107	-	955,378
Residents in Turkey	297,567	-	565	83,970	5,851	677	260	-	388,890
Residents Abroad	525,561	-	-	16,922	17,174	3,984	2,847	-	566,488
Public Sector Deposits	1,289	-	-	-	-	-	-	-	1,289
Commercial Deposits	6,054	-	86	161	-	-	-	-	6,301
Other Ins. Deposits	3,583	-	-	-	-	-	-	-	3,583
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits^(*)	508,941	-	518,379	-	594,568	198,238	29,302	-	1,849,428
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	9,275	-	-	-	-	-	9,275
Foreign Banks	508,941	-	509,104	-	594,568	198,238	29,302	-	1,840,153
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,351,684	-	521,656	103,335	620,078	202,899	32,409	-	2,832,061

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

Prior Period	Demand	7 Days Notice	Up to 1 Month	1-3		6 Months-1 Year	1 Year and over	Accumulating Deposit Accounts	Total
				Months	3-6 Months				
Saving Deposits	27,623	-	2,053	2,452	2,144	-	-	-	34,272
Foreign Currency Deposits	1,027,875	-	227	22,188	10,396	4,134	5,521	-	1,070,341
Residents in Turkey	644,783	-	227	7,222	3,053	243	239	-	655,767
Residents Abroad	383,092	-	-	14,966	7,343	3,891	5,282	-	414,574
Public Sector Deposits	-	-	-	-	-	-	-	-	-
Commercial Deposits	7,170	-	312	152	-	-	-	-	7,634
Other Ins. Deposits	1,467	-	-	-	-	-	-	-	1,467
Precious Metal Deposits	-	-	-	-	-	-	-	-	-
Bank Deposits^(*)	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
Central Bank	-	-	-	-	-	-	-	-	-
Domestic Banks	-	-	-	-	-	-	-	-	-
Foreign Banks	740,328	-	51,857	162,982	1,107,205	894,668	329,780	-	3,286,820
Special Financial Inst.	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,804,463	-	54,449	187,774	1,119,745	898,802	335,301	-	4,400,534

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

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

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

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

Saving deposits not covered by deposit insurance

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

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

The Bank's headquarter is located in Turkey.

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

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

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

Individual deposits not covered by deposit insurance

	Current Period	Prior Period
Deposits and Other Accounts held at Foreign Branches	-	-
Deposits and Other Accounts held by Shareholders and their Relatives	-	-
Deposits and Other Accounts of the Chairman and Members of Board of Directors, Chief Executive Officer, Senior Executive Officers and their Relatives	4,035	3,922
Deposits and Other Accounts held as Assets subject to the Crime defined in the Article 282 of the Turkish Criminal Code no. 5237 dated 26 December 2004	-	-
Deposits at Depository Banks established for Off-Shore Banking Activities in Turkey	-	-
Total	4,035	3,922

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

None.

3. Information on Funds Borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
From CBRT	-	-	-	-
From Domestic Banks and Institutions	-	6,273	-	4,555
From Foreign Banks, Institutions and Funds	-	643,075	-	629,969
Total	-	649,348	-	634,524

Presentation of funds borrowed based on maturity profile

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-Term	-	6,273	-	296,512
Long-Term	-	643,075	-	338,012
Total	-	649,348	-	634,524

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

%62 of Bank's liabilities comes from deposits.

4. Information on other liabilities

Other liabilities is amounting to TL 42,048 and this amount does not exceed 10% of total the balance sheet (31 December 2018: TL 33,216).

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

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

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

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

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

None.

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

The Bank reserved for employee severance indemnities in the accompanying unconsolidated financial statements using actuarial method in compliance with the updated “TAS 19 - Employee Benefits”. Accumulated all actuarial gains and losses in equity are recognized in other capital reserves. The employee termination benefit liability amount as at 30 September 2019 is TL 11,083 (31 December 2018 : TL 8,153). In addition to this, the unused vacation provision and other employee benefits amount as at 30 September 2019 is TL 5,755 (31 December 2018 : TL 8,181).

Information on other provisions

Provisions for probable risks

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

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

	Current Period	Prior Period
Free provisions for possible risks	10,000	10,000
Provisions for non-cash loans	18,418	19,453
Provisions for law suits	869	421
Total	29,287	29,874

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

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

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

As of 30 September, 2019, the Bank’s corporate tax payable is TL 6,794 after offsetting prepaid corporate tax (31 December 2018: TL 10,235).

	Current Period	Prior Period
Corporate Taxes Payable	6,794	10,235
Banking Insurance Transaction tax (BITT)	547	1,116
Taxation on Securities Income	137	176
Value Added Tax Payable	62	62
Value Added Tax Payable (Limited tax payer)	27	-
Foreign exchange transaction tax	-	-
Taxation on real estate income	18	17
Other	1,342	1,333
Total	8,927	12,939

Information on premium payables

	Current Period	Prior Period
Social Security Premiums-Employee	422	322
Social Security Premiums-Employer	624	476
Bank Pension Fund Premium-Employees	-	-
Bank Pension Fund Premium-Employer	-	-
Pension Fund Membership Fee and Provisions-Employee	-	-
Pension Fund Membership Fee and Provisions-Employer	-	-
Unemployment Insurance-Employee	30	23
Unemployment Insurance-Employer	60	46
Others	-	-
Total	1,136	867

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

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

INFORMATION ON DISCLOSURES AND FOOTNOTES OF UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**III. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)*****Information on deferred tax liability***

As of September 30, 2019, the Bank calculated net deferred tax asset of TL 4 by netting off deferred tax asset of TL 12,855 and deferred tax liability of TL 12,859 on all tax deductible/taxable temporary differences arising between the carrying amounts and the tax base of assets and liabilities in the financial statements that will be considered in the calculation of taxable earnings in the future periods.

Detailed information on net deferred tax assets is as follows:

	Current Period		Prior Period	
	Accumulated temporary differences	Deferred tax asset/liability	Accumulated temporary differences	Deferred tax asset/liability
Provisions for employee rights	16,838	3,457	16,334	3,357
Unearned revenues	5,025	1,106	5,714	1,257
Interest rediscounts	5,685	1,251	7,118	1,566
Provision	28,662	6,306	30,071	6,616
Other	3,346	735	426	91
Deferred tax asset	59,556	12,855	59,663	12,887
Tangible assets revaluation surplus	94,128	11,376	-	-
Accumulated revaluation surplus	3,097	647	95,715	11,694
Other	3,799	836	1,152	253
Deferred tax liability	101,024	12,859	96,867	11,947
Deferred tax asset (net)		(4)		940

Movement of deferred tax:

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

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

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

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

The Banks has no subordinated loans.

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

III. INFORMATION ON DISCLOSURES AND FOOTNOTES OF LIABILITIES (Continued)

9. Information on Shareholders’ Equity

Presentation of Paid-in Capital

	Current Period
Common Stock	440,000
Preferred Stock	-

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

Registered share capital system is not implemented in the Bank.

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

None.

Information on share capital increases from capital reserves

None.

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.

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

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

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

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

None.

Explanations on dividend distribution

None.

Information on the privileges given to stocks representing the capital

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

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

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

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

Fractional shares shall be allocated by the Board of Directors.

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

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

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

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

Information on legal reserve

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

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

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

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

The Bank has TL 18,755 as irrevocable commitments (31 December 2018: TL 103,493).

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

As of the balance sheet date, the Bank has allocated the provision amounting TL 316 over total Stage 3 non-cash loans. (31 December 2018: TL 461)

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

The total amount of non-cash loans including guarantees, bills of exchange and acceptances and sureties on letters of credits and other guarantees is TL 842,736 (31 December 2018: TL 931,005).

Final guarantees, temporary guarantees, commitments and similar transactions

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

2. Total amount of Non-cash loans

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

Expected losses for non-cash loans and irrevocable commitments

Current Period	Stage 1	Stage 2	Stage 3	Total
Balances at beginning of the period	18,991	1	461	19,453
Additions during the period	6,947	-	-	6,947
Disposal	(7,836)	(1)	(145)	(7,982)
Balances at end of period	18,102	-	316	18,418

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

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

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Interest Received from Loans ⁽¹⁾				
Short-Term Loans	83,001	16,277	86,736	10,239
Medium and Long-Term Loans	375	20,353	574	37,110
Interest Received From Non-Performing Loans	-	-	-	-
Premiums Received From Resource Utilization Support Fund	-	-	-	-
Total	83,376	36,630	87,310	47,349

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

	Current Period		Prior Period	
	TL	FC	TL	FC
From CRBT	-	-	-	-
From Domestic Banks	1,299	11,277	7,959	36,299
From Foreign Banks	-	1,200	-	276
Overseas Headquarters and Branches	-	-	-	-
Total	1,299	12,477	7,959	36,575

Information on interest income on marketable securities

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value Through Profit or Loss	-	14,239	-	15,248
Financial Assets at Fair Value Through Other Comprehensive Income	260	8,268	22	1,877
Financial Assets Measured at Amortised Cost	1,216	16,356	2,658	6,156
Total	1,476	38,863	2,680	23,281

Information on interest income received from associates and subsidiaries

	Current Period	Prior Period
Interests Received From Associates and Subsidiaries	-	29

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

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

2. Interest Expense

Information on interest paid for funds borrowed

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	-	18,190	45	15,307
Central Bank	-	-	-	-
Domestic Banks	-	138	45	16
Foreign Banks	-	18,052	-	15,291
Overseas Headquarters and Branches	-	-	-	-
Total	-	18,190	45	15,307

Information on interest expense paid to subsidiaries and associates

None.

Information on interest expense given on securities issued

None.

Maturity structure of the interest expense on deposits

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

3. Explanations on dividend income

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

⁽¹⁾ It represents the dividends received by the Bank from its subsidiary.

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

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

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

	Current Period	Prior Period
Gain	16,784,588	25,345,796
Gain from money market transactions	-	-
Gain from financial derivative transactions	-	248
Gain from exchange transactions	16,784,588	25,345,548
Loss (-)	(16,791,986)	(25,355,583)
Loss from money market transactions	-	(27,708)
Loss from financial derivative transactions	-	(669)
Loss from exchange transactions	(16,780,259)	(25,327,206)
Net Trading Gain/Loss	4,329	(9,787)

5. Information on income from other operations

	Current Period	Prior Period
From Reversal of Provisions of Prior Year	2,417	18,356
From Communication Income	2,716	1,214
Gain on sales of assets	-	48
Other Income	32	118
Total	5,165	19,736

6. Information on impairment in loans

	Current Period	Prior Period
Expected Credit Loss Provisions	22	60,812
12 month expected credit loss (stage 1)	-	3,409
Significant increase in credit risk (stage 2)	-	-
Non-performing loans (stage 3)	22	57,403
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities under Common Control	-	-
Provision Expenses for Impairment	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	501
Total	22	61,313

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

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

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

	Current Period	Prior Period
Employee Termination Benefits Expense	980	644
Tangible Fixed Asset Impairment Expense	-	-
Amortization Expenses of Tangible Assets	2,213	1,031
Intangible Fixed Asset Impairment Expense	-	-
<i>Goodwill Impairment Expense</i>	-	-
Amortization Expenses of Intangible Assets	1,372	1,013
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	12,679	11,101
<i>Operating Lease Expenses out of the scope of TFRS 16</i>	45	1,070
<i>Maintenance Expenses</i>	4,298	3,169
<i>Advertisement Expenses</i>	122	163
<i>Other Expenses</i>	8,214	6,699
Losses from sales of Assets	-	-
Other	12,357	8,244
Total	29,601	22,033

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

The pre-tax income amount from continued operations is TL 186,717 (30 September 2018: TL 75,341).

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

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

9. Information on tax provision related to continued operations and discontinued operations

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

As of 30 September 2019, current taxation expense is TL 36,680 (30 September 2018: TL 14,213 current tax expense) and the net impact of deferred tax expense is TL 652 (30 September 2018: TL 2,583 deferred tax expense).

Deferred tax charge arising from origination or reversal of temporary differences

The Bank has TL 652 as deferred tax expense arising from origination of temporary differences (30 September 2018: TL 2,583 deferred tax expense).

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

The Bank has TL 652 as deferred tax expense reflected in the income statement computed over temporary difference and tax deductions and exemptions (30 September 2018: TL 2,583 deferred tax expense).

10. Information on net profit or loss of the period including profit/loss from continued and discontinued operations

Current period profit from continued operations is TL 149,385 (30 September 2018: TL 63,711).

11. Information on net profit or loss of the period

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

None.

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

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

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

Other accounts which exceed the 10% of the income statement, other than other operating income and other operating expense, amounting to TL 28,509 consist of transfer commissions, letter of credit commissions and other (30 September 2018: TL 21,065).

	Current Period	Prior Period
Letter of Credit Commissions	20,143	15,569
Transfer Commissions	7,799	4,677
Other	567	819
Total	28,509	21,065

ARAP TÜRK BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

V. INFORMATION ON THE BANK’S RISK GROUP

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

Information on the loans of the Bank’s risk group

Current Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	606	1,395	26,049	431,005	247,752
Balance at the end of the period	-	554	-	57,755	-	133,871
Interest and Commission Income received ⁽²⁾	-	-	-	-	930	-

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

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

Prior Period						
Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Cash	Non-cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the beginning of the period	-	1,316	-	41,801	78,129	98,157
Balance at the end of the period	-	606	1,395	26,049	431,005	247,752
Interest and Commission Income received ⁽²⁾	12	-	-	-	260	-

⁽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 Bank’s direct and indirect shareholders are composed of forfeiting and letter of credit transactions which the interest and commission income are obtained not from the risk group but from the exporting firms.

Information on deposits of the Bank’s risk group

Bank’s Risk Group ⁽¹⁾	Associates, Subsidiaries and Joint Ventures		Bank’s Direct and Indirect Shareholders		Other Components in Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Deposits						
Balance at the beginning of the period	334	115	2,038,148	2,250,314	658,394	394,038
Balance at the end of the period	144	334	1,194	2,038,148	1,376,949	658,394
Interest expense on deposits	-	-	16,024	41,386	13,777	4,011

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

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

None.

Information on benefits provided for top level management:

As of 30 September 2019, TL 17,007 has been paid to the top level management of the Bank as salaries and fringe benefit (30 September 2018: TL 8,829).

VI. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

ARAP TÜRK BANKASI A.Ş.

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

II. INFORMATION AND FOOTNOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

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

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

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

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

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

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

At end-September 2019, total assets of A&T Bank realized as TL 4.6 billion. Compared to the same period of the previous year, the Bank boosted net interest income by 48% to TL 215 million. Meanwhile, net fees and commissions income also went up by 33% to TL 55 million. Consequently, the Bank succeeded to enlarge its net term profit by 135% to TL 149.4 million. Annualized return on equity ratio went up to 22.19% from 13.11% at end-2018 and capital adequacy standard ratio maintained its robust outlook by 24.21%.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT

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

In line with the Bank’s mid-term strategy, the third quarter of the year was a period in which visits to the target countries, correspondent banks and financial institutions gained momentum in order to solidify our strong market position in North Africa, the Bank’s traditional foreign trade market, and to increase trade finance business volumes with these countries. In this context, significant volume increases were observed in foreign trade transactions, starting from the second half of the year.

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

Best regards,

Wail J. A. BELGASEM
General Manager

Bilgehan KURU
Chairman

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

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

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

Assets (Thousand TL) (1)	2018/12	2019/09
Financial Assets (Net) (2)	3,372,762	2,960,303
Financial Assets Measured at Amortised Cost (Net) (3)	2,387,239	1,388,364
Property and Equipment Held for Sale Purpose and Related to Discontinued Operations (Net)	6	1,006
Equity Investments	95,708	108,205
Property and Equipment (Net)	113,282	116,690
Intangible Assets (Net)	4,131	3,206
Deferred Tax Assets	940	0
Other Assets (Net)	21,008	21,751
Total Assets	5,995,076	4,599,525
Liabilities (Thousand TL) (1)	2018/12	2019/09
Deposits	4,400,534	2,832,061
Funds Borrowed	634,524	649,348
Lease Liabilities (Net)	0	2,445
Provisions	46,208	46,125
Current Tax Liability	13,806	10,063
Shareholders' Equity	866,788	1,017,431
Other Liabilities	33,216	42,052
Total Liabilities	5,995,076	4,599,525
Off Balance Sheet Commitments (Thousand TL)	2018/12	2019/09
Guarantees and Warranties	3,945,427	3,998,368
Commitments	103,493	18,755
Total Off Balance Sheet Commitments	4,048,920	4,017,123
Statement of Profit / Loss (Thousand TL)	2018/09	2019/09
Interest Income	213,509	250,562
Interest Expense (-)	68,408	35,982
Net Interest Income	145,101	214,580
Net Fees & Commission Income	41,672	55,298
Dividend Income	10,642	12,513
Trading Income / Loss (Net) (+/-)	-9,787	4,329
Other Operating Income	19,736	5,165
Gross Operating Income	207,364	291,885
Expected Credit Loss (-)	61,313	22
Other Provisions Expenses (-)	0	12,176
Personnel Expense (-)	48,677	63,369
Other Operating Expenses (-)	22,033	29,601
Net Operating Income / Loss	75,341	186,717
Tax Provision (-)	11,630	37,332
Net Term Profit	63,711	149,385

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

Unconsolidated Financial Ratios (%)	2018/09	2019/09
Return on Assets (4)	1.38	3.70
Return on Equity (4)	10.22	22.19
Capital Adequacy Standard Ratio	19.98	24.21
Loans / Total Assets	33.36	23.02
Deposits / Total Liabilities	73.40	61.57

(1) Rate sensitive assets and liabilities include rediscounts.

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

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

(4) The ratios are annualized.

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

- Compared to the end of the previous year, total assets of the Bank decreased by 23.3% to TL 4.600 million at end-September 2019. In the period examined, the most significant investment instruments of the Bank included financial assets (net) by 64% share totaling TL 2.960 million and financial assets measured at amortized cost (net) by 30% share totaling TL 1.388 million.
- External sources constituted 77.9% of the Bank’s total liabilities. Total deposits, which was the most significant part of the external sources, realized as TL 2.832 million. Shareholders’ equity stood at TL 1,017 million and constituted 22.1% of total liabilities.
- Guarantees and suretyships, which include letters of guarantee, letters of credit, bank acceptances and other guarantees, stood at almost the same level with the previous year-end as TL 3.998 million.
- At end-September 2019, cumulative net term profit of A&T Bank realized as TL 149.4 million which was TL 63.7 million at end-September 2018, indicating 134.5% increase year-on-year basis.

Net interest income and net fees & commissions income of the Bank climbed by 47.9% and 32.7%, respectively, in the period examined.

- Return on assets and return on equity ratios are 3.70% and 22.19%, respectively.

SECTION SEVEN

EXPLANATIONS ON INTERIM ACTIVITY REPORT (Continued)

IV. Amendments to the Articles of Association

In the third quarter of 2019, no amendments were made to the Bank’s Articles of Association.

V. Changes in the Membership Structure of the Board of Directors

- No changes were made in the membership structure of the Board of Directors at this period.

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

- In the third quarter of 2019, Mr. Aflah Omar Magsi was appointed as Member of the Audit Committee.
- The membership structure of the Audit Committee is as follows as of September 30, 2019:

- ✚ Abdurauf Ibrahim G. Shneba / Chairman
- ✚ Fatma Nur Çetinel / Member
- ✚ Aflah Omar Magsi / Member

- In the third quarter of 2019, there was no change in the Managers of the Units responsible for the Internal Systems

VII. Changes in the Membership Structure of Other Governance Committees

In the third quarter of 2019, Mr. Abdulhakim Ali Emhemed Khamag vacated his position as member of the Corporate Governance Committee. Mr. Wail J.A. Belgasem was appointed to replace him in this post.

Mr. Aflah Omar Magsi was appointed as Chairman of the Compensation Committee and also as Member of Credit Committee.

VIII. Other Issues

There is no significant changes apart from the above mentioned explanations compared to the 2018 Annual Activity Report of the Bank, which has been prepared according to “the Regulations on the Principles and Procedures relating to the Preparation and Publication of the Annual Activity Report prepared by the Banks”.