

**Aktif Yatırım Bankası
Anonim Şirketi
and Its Subsidiaries**

Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended
30 June 2019
With Independent Auditor's Report on Review of
Condensed Consolidated
Interim Financial Information

16 September 2019

This report contains the Independent Auditor's Limited Review Report on Review of Condensed Consolidated Interim Financial Information" comprising 2 page and; the "Condensed consolidated interim financial statements and their explanatory notes" comprising 25 pages.

Aktif Yatırım Bankası Anonim Şirketi and Its Subsidiaries

TABLE OF CONTENTS

	<u>Page</u>
Review Report for the Condensed Consolidated Interim Financial Information	
Condensed Consolidated Statement of Interim Financial Position	1
Condensed Consolidated Statement of Interim Comprehensive Income	2
Condensed Consolidated Statement of Interim Changes in Equity	3-4
Condensed Consolidated Statement of Interim Cash Flows	5
Notes to the Condensed Consolidated Interim Financial Statements	6-25

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of Aktif Yatırım Bankası Anonim Şirketi:

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Aktif Yatırım Bankası Anonim Şirketi (the "Bank") and its subsidiaries (collectively the "Group") as at 30 June 2019, the condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 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 and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing 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.



Basis for Qualified Conclusion

The accompanying condensed consolidated interim financial information as at 30 June 2019 include a general reserve of total TL 133,000 thousands, which had been recognized as expense in the prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Alper Güvenç, SMMM
Partner

16 September 2019
İstanbul, Turkey

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Condensed Consolidated Statement of Financial Position****As of 30 June 2019***(Currency - In thousands of Turkish Lira ("TL"))*

	<i>Notes</i>	30 June 2019	31 December 2018
ASSETS			
Cash and cash equivalents		1,256,031	1,390,183
Reserve deposits at Central Bank		1,157,478	1,072,226
Financial assets at fair value through profit or loss		454,934	488,030
Trade and other receivables		168,854	75,567
Inventories		20,002	17,075
Loans and advances to customers	8	7,172,745	6,903,543
Investment securities	9	2,808,117	2,337,493
Equity accounted investees	4	55,872	50,798
Tangible assets	10	733,104	518,004
Intangible assets	11	215,719	216,488
Goodwill	21	81,984	504
Deferred tax assets		40,248	36,987
Asset held for sale		71,999	71,999
Other assets		825,626	703,626
Total assets		15,062,713	13,882,523
LIABILITIES			
Trading liabilities		9,116	23,017
Trade and other payables		310,803	288,240
Obligations under repurchase agreements		1,928,948	1,291,742
Financial lease liabilities		8,812	3,904
Debt securities issued	12	4,673,773	4,365,713
Funds borrowed		3,385,263	3,650,016
Provisions	13	203,040	221,552
Income taxes payables		35,091	48,589
Deferred tax liabilities		14,606	14,668
Other liabilities		2,601,283	2,400,980
Total liabilities		13,170,735	12,308,421
EQUITY			
Share capital	18	1,198,095	1,198,095
Legal reserves		85,859	56,353
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income		(27,261)	(42,390)
Actuarial gain/(loss)		773	773
Special funds		60,441	37,112
Translation reserve		4,909	2,290
Retained earnings		553,811	307,933
Total equity attributable to equity holders of the Bank		1,876,627	1,560,166
Non-controlling interests		15,351	13,936
Total equity		1,891,978	1,574,102
Total liabilities and equity		15,062,713	13,882,523

The accompanying notes are an integral part of these condensed consolidated interim financial statements

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**Condensed Consolidated Statement of Comprehensive Income
For the Six-Month Period Ended 30 June 2019**

(Currency - In thousands of Turkish Lira ("TL"))

	<i>Notes</i>	1 January – 30 June 2019	1 January – 30 June 2018
Interest income		846,916	597,075
Interest expense		(639,186)	(323,305)
Net interest income		207,730	273,770
Fees and commission income	14	87,455	83,522
Fees and commission expense		(45,155)	(34,481)
Net fee and commission income		42,300	49,041
Net trading loss		64,095	(15,973)
Sales income	15	215,033	139,016
Other income	17	211,551	77,688
Net impairment reversal / (loss) on financial assets		(43,580)	(31,021)
Operating expenses		(200,350)	(185,985)
- Personnel expenses		(86,451)	(81,672)
- Depreciation and amortisation	10,11,15	(23,549)	(22,767)
- Other operating expenses	16	(90,350)	(81,546)
Cost of sales		(2,627)	-
Cost of services	15	(96,931)	(54,272)
Other operating expenses		(21,795)	(10,159)
Total operating income		375,426	242,105
Share of profit of equity accounted investee	4	(11,657)	(6,196)
Profit before income tax		363,769	235,909
Income tax expenses		(63,641)	(59,134)
Net profit for the period from continuing operations		300,128	176,775
Other comprehensive income			
Items that will not be reclassified to profit or loss:		1,086	-
Change in actuarial gain related to employee benefits		-	-
Other		1,392	-
Income tax on other comprehensive income		(306)	-
Items that are or may be reclassified subsequently to profit or loss:		16,662	(18,188)
Change in fair value of financial assets measured at fair value through other comprehensive income		17,996	(26,140)
Foreign currency translation differences		2,619	2,201
Income tax on other comprehensive income		(3,953)	5,751
Other comprehensive income for the period, net of tax		17,748	(18,188)
Total comprehensive income for the period		317,876	158,587
Profit attributable to			
Equity holders of the Bank		298,713	175,139
Non-controlling interest		1,415	1,636
Profit for the period		300,128	176,775
Total comprehensive income attributable to:			
Equity holders of the Bank		316,461	156,951
Non-controlling interest		1,415	1,636
Total comprehensive income for the period		317,876	158,587
Basic and diluted earnings per share (full TL amount per TL 1 face value each)		0.250	0.169

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**Condensed Consolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2018**

(Currency - In thousands of Turkish Lira (“TL”))

	Note	Share capital	Adjustment to share capital	Legal reserves	Unrealised gain/(losses) on financial assets measured at fair value through other comprehensive income	Translation reserve	Actuarial gain/(loss)	Special funds	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2018		1,033,585	4,510	38,343	(18,580)	(409)	(136)	618	154,118	1,212,049	10,901	1,222,950
IFRS 9 Adjustment		-	-	-	-	-	-	-	(23,079)	(23,079)	-	(23,079)
Adjusted opening balance at 1 January 2018		1,033,585	4,510	38,343	(18,580)	(409)	(136)	618	131,039	1,188,970	10,901	1,199,871
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	175,139	175,139	1,636	176,775
Other comprehensive income		-	-	-	(20,389)	2,201	-	-	-	(18,188)	-	(18,188)
<i>Net change in fair value of financial assets measured at fair value through other comprehensive income</i>		-	-	-	(20,389)	-	-	-	-	(20,389)	-	(20,389)
<i>Net change in actuarial gain related to employee benefits</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Foreign currency translation differences</i>		-	-	-	-	2,201	-	-	-	2,201	-	2,201
Total comprehensive income for the year		-	-	-	(20,389)	2,201	-	-	175,139	156,951	1,636	158,587
Transactions with owners, recorded directly in equity												
Capital increase		-	-	-	-	-	-	-	-	-	174	174
Transfer to reserves		-	-	18,010	-	-	-	36,387	(54,397)	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	(1,000)	(1,000)
Total transactions with owners, recorded directly in equity		-	-	18,010	-	-	-	36,387	(54,397)	-	(826)	(826)
At 30 June 2018		1,033,585	4,510	56,353	(38,969)	1,792	(136)	37,005	251,781	1,345,921	11,711	1,357,632

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

**Condensed Consolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2019**

(Currency - In thousands of Turkish Lira (“TL”))

	Note	Share capital	Adjustment to share capital	Legal reserves	Unrealised gain/(losses) on financial assets measured at fair value through other comprehensive income	Translation reserve	Actuarial gain/(loss)	Special funds	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2019		1,193,585	4,510	56,353	(42,390)	2,290	773	37,112	307,933	1,560,166	13,936	1,574,102
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	298,713	298,713	1,415	300,128
Other comprehensive income		-	-	-	15,129	2,619	-	-	-	17,748	-	17,748
<i>Net change in fair value of financial assets measured at fair value through other comprehensive income</i>		-	-	-	15,129	-	-	-	-	15,129	-	15,129
<i>Net change in actuarial gain related to employee benefits</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Foreign currency translation differences</i>		-	-	-	-	2,619	-	-	-	2,619	-	2,619
Total comprehensive income for the year		-	-	-	15,129	2,619	-	-	298,713	316,461	1,415	317,876
Transactions with owners, recorded directly in equity												
Capital increase		-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves		-	-	29,506	-	-	-	23,329	(52,835)	-	-	-
Dividend paid		-	-	-	-	-	-	-	-	-	-	-
Total transactions with owners, recorded directly in equity		-	-	29,506	-	-	-	23,329	(52,835)	-	-	-
At 30 June 2019		1,193,585	4,510	85,859	(27,261)	4,909	773	60,441	553,811	1,876,627	15,351	1,891,978

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

	<i>Note</i>	1 January – 30 June 2019	1 January – 30 June 2018
Cash flows from operating activities			
Net profit for the year		300,128	176,775
Adjustments for:			
Depreciation and amortisation expenses		29,919	23,021
Retirement pay provision expense		1,164	1,561
Unused vacation provision expense		1,461	1,033
Bonus provision expense		20,999	21,000
Impairment on financial assets		43,580	31,021
Net interest income and expense		(206,465)	(228,647)
Share of profit of equity investee	(4)	11,657	6,196
Unrealised foreign exchange loss / (gain)		8,363	(49,429)
Other accruals		(6,255)	2,543
Income tax		63,641	65,917
		268,192	50,991
Change in reserve deposit at Central Bank		(85,252)	(51,713)
Change in trading assets		9,006	(68,470)
Change in loans and advances to customers		(444,430)	(86,088)
Change in other assets		(232,467)	(81,060)
Change in obligations under repurchase agreements		636,188	624,374
Proceeds from borrowings		(178,410)	(22,643)
Change in other liabilities		240,525	19,316
		(54,840)	333,716
Interest received		842,055	561,936
Interest paid		(610,629)	(341,318)
Retirement pay provision and unused vacation paid		-	-
Bonus payment		(37,229)	(30,105)
Income tax paid		(65,544)	(43,091)
Net cash used in operating activities		128,653	147,422
Cash flows from investing activities			
Purchase of investment securities		(5,376,085)	(4,182,761)
Sale of investment securities		4,951,995	3,602,674
Purchase of tangible assets	(10)	(229,198)	(339,587)
Acquisition of associates	(4)	(86,255)	-
Proceeds from the sale of tangible assets		5,762	210
Proceeds from the sale of subsidiary		-	-
Purchase of intangible assets		(15,491)	(10,648)
Acquisition of subsidiaries		-	-
Proceeds from the sale of tangible assets		-	-
Proceeds from the sale of intangible assets		-	(1,000)
Net cash used in investing activities		(749,272)	(931,112)
Cash flows from financing activities			
Proceeds from debt securities issued		13,880,253	12,530,430
Repayment of debt securities issued		(13,626,605)	(12,124,217)
Payments on lease		(4,908)	(9,414)
Net cash provided from financing activities		248,740	396,799
Net increase/(decrease) in cash and cash equivalents		(158,527)	(2,184)
Effect of exchange rate fluctuations on cash		30,172	(3,474)
Cash and cash equivalents on 1 January		1,384,386	726,952
Cash and cash equivalents on 31 December		1,256,031	721,294

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

1. Reporting entity

Aktif Yatırım Bankası Anonim Şirketi ("the Bank") was incorporated under the name of Çalık Yatırım Bankası A.Ş. in Turkey in July 1999. The Bank changed its name as Aktif Yatırım Bankası A.Ş. on 1 August 2008.

The Bank operates as an investment bank and is mainly involved in corporate and consumer services such as cash or non-cash, financial leasing, factoring, corporate lending. As an investment bank, the Bank borrows funds from other banks, financial markets, partners and credit customers but is not entitled to receive deposits from customers.

The head office of the Bank is located at Büyükdere Cad. No: 163/A Zincirlikuyu / İstanbul, and the Bank have also ten branches. The Bank employs 680 people as at 30 June 2019 (31 December 2018: 663).

As at 30 June 2019 and 31 December 2018, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	30 June 2019		31 December 2018	
	Amount	%	Amount	%
Çalık Holding A.Ş.	1,186,791	99.43	1,186,791	99.43
Çalık Denim Tekstil San. ve Tic. A.Ş.	3,597	0.30	3,597	0.30
Ahmet Çalık	1,599	0.13	1,599	0.13
Başak Yönetim Sistemleri A.Ş.	799	0.07	799	0.07
Irmak Yönetim Sistemleri A.Ş.	799	0.07	799	0.07
Total paid-in-capital	1,193,585	100.00	1,193,585	100.00
Restatement effect per IAS 29	4,510		4,510	
Total share capital	1,198,095		1,198,095	

The Bank and its subsidiaries are hereafter referred to as "the Group". The Group controls equity stakes in companies that are active in the areas of technology system integration, payment centre, insurance brokerage, consulting in real estate projects, real estate, Islamic financial leasing and electronic payment systems. Activities carried out in these business areas and main companies are explained below in summary.

Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.: Sigortayeri.com is an online insurance comparison website which ensures the best match between insurance products and customer needs in minutes. Operating across the global market since 2013, Sigortayeri has differentiated its corporate insurance services under the brand of "Asron Sigorta" since May 2017.

EPost Elektronik Perakende Otomasyon Satış Ticaret A.Ş.: Epost operates as a retail vendor sales channel and provides secured devices that businesses use in conducting sales and payments collection transactions.

E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri A.Ş.: E-Kent is a technology integrator offering smart city solutions to provide infrastructural transformation and introduces value added profitable business models. In addition, as a result of the tender performed by Turkey Football Federation (TFF) in 2013, the Company is appointed as 'E-Ticket System Integrator' and realized the world's largest stadium transformation project including infrastructure transformation in 53 stadiums in 29 different cities, access control and monitoring systems, centralized integrated ticketing and stadium box office services infrastructure.

Pavo Teknik Servis Elektrik Elektronik Sanayi ve Ticaret A.Ş.: With its long-standing experience in cash register systems, Pavo offers local and foreign customers a solution in the field of payment systems, especially in financial approved cash registers (New Generation Payment Recorder).

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

1. Reporting entity (continued)

N Kolay Ödeme Kuruluşu A.Ş.: N Kolay is the biggest payment institution in Turkey by volume. N Kolay business model mainly focuses on bill payment, money transfers and other financial services.

Emlak Girişim Danışmanlığı A.Ş.: Emlak Girişim A.Ş. was founded on January 2013 in order to seize business opportunities in real estate and construction industries, participate in investment projects, especially those in the renewable energy industry (solar power and biomass), and become a major player in international trade. In the real estate industry, the Company aims to be a leader with direct partnerships, profit-loss sharing investments and urban renewal projects. The Company invests and conducts activities in a variety of industries including energy, agriculture and international trade. The most important investment by Emlak Girişim A.Ş. is Istanbul International Finance Center (IIFC), one of the biggest regional planning project of Turkey with a construction site sprawling over 3 million square meters, set to be among the top finance centers in the world. Major financial actors involved in the project are the Central Bank of the Republic of Turkey, the Capital Markets Board, Halk REIT (Real Estate Investment Trust), Vakıf REIT and Emlak Konut A.Ş. In a profit-sharing partnership model, Emlak Girişim A.Ş. completed a significant investment Project into the Metropol İstanbul project in Ataşehir district in İstanbul. Emlak Girişim A.Ş. invested in 2018 in the office building of 11.250 m² in Şişli district, İstanbul which will be rented to Aktif Bank as Headquarters. Total investment amount of the office building is around TL 300 mn. Also in 2017, the Company became one of the biggest players in the renewable energy industry with the investments into the solar power plants with the capacity of 59,3 MWp Project, in addition to the EPC services to the solar power projects with a capacity of 32 MWp for three SPPs in three cities. Emlak Girişim is still keen to develop partnerships and projects in licensed SPP projects and biomass power plant projects.

İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.: İFM operates in special projects, land recreation, area sales and revenue sharing provisions for the immovable construction, construction and sales activity is independent sections.

Euroasian Leasing Company: ELC is the first in Russia to provide leasing solutions to the SME sector in accordance with the Islamic principles.

Kazakhstan Ijara Company Jsc.: KIC carries on Islamic leasing business. The aim of firm in Kazakhstan is to support the development of small and medium enterprises (SMEs) by providing alternative sources of Shariah compliant financing for their projects.

Euro Mediterranean Investment Company: EMIC is a real estate development and portfolio management company in North Cyprus.

UPT Ödeme Hizmetleri A.Ş.: UPT is Turkey's first and only local, global money transfer and payment platform for domestic and international transfers to account, credit cards or for cash payments in multiple currencies.

Mükafat Portföy Yönetimi A.Ş.: Mükafat strives to carve out a niche for itself with its alternative investment products such as Private Equity Funds and Real Estate Funds. Mükafat is also managing Mutual Funds as well as Pension Funds.

Haliç Finansal Kiralama A.Ş.: Being the first financial leasing company offering Islamic products to its customers in Turkey, Haliç develops customer-tailored development packages for its customers, especially SMEs, as well as financing options in order to provide support to their investments in technological machines and equipment. Haliç aims to bring long-term resources to Turkey from the Gulf and Asian countries through Sukuk issues by leveraging on Aktif Bank's knowledge in capital markets.

Halk Yenilenebilir Enerji A.Ş.: The Company, which established in April 2017, is engaged in the construction of solar energy production facilities.

Epost Dış Ticaret A.Ş.: The Company will engage in the trade of all kinds of different products that are valued in the world market such as basic needs of countries. EP Dış Ticaret, which intends to conduct Turkey as a main hub, aims to bring together trade facilities whether inside Turkey or different suppliers and sales opportunities. The Company provides structural trade finance models that make domestic production to reach wide geographies all around the World, being a bridge between different countries and regions.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

1. Reporting entity (continued)

Eko Biokütle Enerji Üretim A.Ş.: The company will establish two biomass power plants with a capacity of 10 MW in Şanlıurfa for the production of electricity from the cotton stalk within the scope of the electricity generation support of YEKDEM regulation – no: 5346 which entitles the company to sell the electricity by \$13.3 cent per kWh for electricity generation from biomass through 10 years.

Secom Aktif Güvenlik Yatırım A.Ş.: Secom Aktif Güvenlik Yatırım A.Ş is established as an HoldCo (a holding/umbrella company) to acquire and to invest in Kent Güvenlik A.Ş by the shareholders of Secom Co. Ltd (%50) and Emlak Girişim Danışmanlığı A.Ş. (%50).

Kent Güvenlik A.Ş.: Kent Güvenlik A.Ş. changed the title as Secom Aktif Elektronik Güvenlik Çözümleri A.Ş. is established for the purposes below:

- Security systems and services (Monitoring and installation of security systems such as theft and fire alarm, electronic safe, verification of the alarms and activation of the units such as police, fire department).
- Import, export, manufacture, trade and marketing all kinds of security systems materials.
- Engineering and installation of fire, burglar and general purpose alarm systems for the public and/or private buildings.
- Establishing, operating alarm-monitoring centers within the framework of the related laws and accepting subscribers to the monitoring center.

Dome Zero Inch: Dome Zero Inch operates in packing sector.

2. Basis of preparation

2.1 Statement of compliance

The Bank and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory The Bank and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory consolidated financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency ("BRSA"), Turkish Accounting Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority, Capital Markets Board of Turkey, the Turkish Commercial Code and tax legislation. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered. The accounting policies and valuation principles applied in the preparation of financial statements are determined and applied in accordance with principles in the context of IAS and IFRS.

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in Note 5.

The consolidated financial statements were authorised for issue by the Group's management on 16 September 2019. The Bank's General Assembly and the other reporting bodies have the power to amend the consolidated financial statements after their issue.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

2. Basis of preparation *(continued)*

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation, except for the following:

- derivative financial instruments are measured at fair value
- financial assets measured at fair value through profit or loss
- financial assets measured at fair value through other comprehensive income

2.3 Functional and presentation currency

These financial statements are presented in TL, which is the Bank's functional currency. Except as indicated, financial information presented in TL has been rounded to the nearest thousand.

2.4 Use of estimates and judgements

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at 31 December 2018 except for the new significant judgements related to under IFRS 16, which are described in Note 5.

Critical accounting judgements in applying the Bank's accounting policies

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments using valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like forwards and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Notes To The Condensed Consolidated Financial Statements****As at and For The Six-Month Period Ended 30 June 2019***(Currency - In thousands of Turkish Lira ("TL"))***2.4 Use of estimates and judgements (continued)****Critical accounting judgements in applying the Bank's accounting policies (continued)**

This table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

At 30 June 2019	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss		18,166	436,768	-	454,934
Investment securities – FVOCI portfolio		1,289,884	1,242,553	-	2,532,437
		1,308,050	1,679,321	-	2,987,371
Trading liabilities		-	(9,116)	-	(9,116)
		-	(9,116)	-	(9,116)
At 31 December 2018	Note	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss		33,263	454,767	-	488,030
Investment securities – FVOCI portfolio		898,075	1,077,518	-	1,975,593
		931,338	1,532,285	-	2,463,623
Trading liabilities		-	(23,017)	-	(23,017)
		-	(23,017)	-	(23,017)

2.5 Earnings per share

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period.

There is no bonus share issuance as at 30 June 2019 (30 June 2018: None).

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

3. Significant accounting policies

New and Revised International Financial Reporting Standards

Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to IAS 1 and IAS 8 - Definition of Material

In October 2018 the IASB issued Definition of Material (Amendments to IAS 1 and IAS 8). The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards. The amended "definition of material" was added to the important definition and it was stated that this expression could lead to similar results by not giving and giving misstating information. In addition, with this amendment, the terminology used in its definition of material has been aligned with the terminology used in the Conceptual Framework for Financial Reporting (Version 2018). Those amendments are prospectively effective for annual periods beginning on or after 1 January 2020 with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 1 and IAS 8.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

3. Significant accounting policies (continued)

New and Revised International Financial Reporting Standards (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IFRS 3 - Definition of a Business

Determining whether a transaction results in an asset or a business acquisition has long been a challenging but important area of judgement. The IASB has issued amendments to IFRS 3 Business Combinations to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. With this amendments confirmed that a business must include inputs and a process, and clarified that the process shall be substantive and the inputs and process must together significantly contribute to creating outputs. It narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a concentration test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The amendment applies to businesses acquired in annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 3.

4. Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the consolidated financial statements of the Bank and entities controlled by the Bank. The control exists if and only if; 1) when the Bank has the power over an affiliate which that power, directly or indirectly, give rights to govern the financial and operating policies of the entity so as to obtain benefits from its activities, 2) exposure, or rights, to variable returns from its involvement with the affiliate, 3) the ability to use its power over the affiliate to affect the amount of its returns. The Bank reassess its control power over its subsidiaries if there is an indication that there are changes to any of the three elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

4. Basis of consolidation (continued)

Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

4. Basis of consolidation (continued)

Group entities

The subsidiaries included in the consolidation and their ownership percentages are as follows:

Subsidiaries	Country of Incorporation	Direct ownership		Indirect ownership	
		30 June 2019	31 December 2018	30 June 2019	31 December 2018
Insurance Brokerage					
Sigortayeri Sigorta ve Reasürans Brokerliği A.Ş.	Turkey	100.00%	100.00%	-	-
Payment Systems					
Epost Elektronik Perakende Otomasyon Satış Tic. A.Ş.	Turkey	99.27%	99.27%	-	-
E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri A.Ş.	Turkey	-	-	99.27%	99.27%
N Kolay Mağazacılık A.Ş.	Turkey	99.99%	99.99%	-	-
UPT Ödeme Hizmetleri A.Ş.	Turkey	100.00%	100.00%	-	-
Real Estate					
Emlak Girişim Danışmanlığı A.Ş.	Turkey	100.00%	100.00%	-	-
Service					
Pavo Teknik Servis Elektrik Elektronik Sanayi ve Ticaret A.Ş.	Turkey	-	-	79.42%	79.42%
Mükafat Portföy Yönetimi A.Ş.	Turkey	80.00%	80.00%	-	-
Solar Energy					
Albatros Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kamelya Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kırlangıç Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Çöl Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Deniz Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
İpek Güneş Enerjisi Üretimi A.Ş.	Turkey	-	-	100.00%	100.00%
Esen Güneş Enerjisi Üretimi A.Ş.	Turkey	-	-	100.00%	100.00%
Mehtap Güneş Enerjisi Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Tanyeri Güneş Enerjisi Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Seher Güneş Enerjisi Üretimi A.Ş.	Turkey	-	-	100.00%	100.00%
Ufuk Güneş Enerjisi Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Yakamoz Güneş Enerjisi Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Duru Güneş Enerjisi Üretimi A.Ş.	Turkey	-	-	100.00%	100.00%
Deniz Güneş Enerjisi Üretimi A.Ş.	Turkey	-	-	100.00%	100.00%
Pasifik Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Olimpos Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Yakut Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Seher Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kuzey Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Gök Safir Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kızıl Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kasımpatı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Martı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Nilüfer Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Mercan Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kadıkalesi Enerji İnş.Tar. Hayv.İth. İhr. A.Ş.	Turkey	-	-	100.00%	-
Akyarlar Enerji İnş.Tar. Hayv.İth. İhr. A.Ş.	Turkey	-	-	100.00%	-
Yalıkavak Enerji İnş.Tar. Hayv.İth. İhr. Ltd. Şti.	Turkey	-	-	100.00%	-
Çiğdem Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Defne Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Gelincik Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Leylak Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Lilyum Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Akuamarin Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Ametist Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Aytaşı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Güneştaşı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Kaplan Gözü Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Kumtaşı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Kuvars Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Lapis Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Olivin Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Oniks Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Opal Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Sedef Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Turkuvaz Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Zirkon Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	-
Other					
İnovaban İnovasyon ve Finansal Danışmanlık A.Ş.	Turkey	-	-	67.00%	67.00%
Attivo Bilişim Anonim Şirketi	Turkey	-	-	90.00%	90.00%
Epost Dış Ticaret Anonim Şirketi	Turkey	-	-	99.86%	99.86%
Eko Biokütle Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

4. Basis of consolidation (continued)

Equity accounted investees	Country of Incorporation	30 June 2019 Ownership	31 December 2018 Ownership
Kazakhstan Ijara Company Jsc	Kazakhstan	14.31%	14.31%
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Turkey	-	5.00%
Euroasian Leasing Company	Republic of Tatarstan	36.71%	36.71%
Haliç Finansal Kiralama Anonim Şirketi	Turkey	32.00%	32.00%
Aktif Halk Enerji Yatırımları Anonim Şirketi	Turkey	-	50.00%
Halk Yenilenebilir Enerji Anonim Şirketi	Turkey	50.00%	50.00%
Euro Mediteranean Investment Company	Turkish Republic of Northern Cyprus	25.53%	25.53%
Secom Aktif Güvenlik Yatırım Anonim Şirketi	Turkey	50%	-
Kent Güvenlik Sistemleri Elektronik İnşaat Sanayi ve Ticaret A.Ş.	Turkey	50%	-
Dome zero inch.	USA	2.67%	-

Carrying amount of equity accounted investees are summarized below:

	30 June 2019	31 December 2018
Kazakhstan Ijara Company Jsc.	14,896	12,685
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş. ^(*)	100	100
Eurasian Leasing Company	6,137	5,069
Euro Mediteranean Investment Company	6,499	6,452
Haliç Finansal Kiralama Anonim Şirketi	6,973	7,271
Halk Yenilenebilir Enerji A.Ş.	758	11,076
Idea Farm Ventures Limited	8,095	8,095
Epost Dış Ticaret A.Ş.	50	50
Dome zero inch. ^(**)	820	-
Secom Aktif Yatırım A.Ş. ^(**)	11,544	-
Equity accounted investees	55,872	50,798

^(*) Aktif Bank Sukuk Varlık Kiralama A.Ş. ("VKŞ") engages in the operating activities of issuance of Sukuk. According to IFRS 10, the Bank should have the power, exposure to variable returns and the ability to use such power to affect those returns over the company. On the other hand, the Bank does not have power on VKŞ's financial statements, exposure or rights to variable returns from its involvement with VKŞ and the ability to use its power over VKŞ to affect the VKŞ's returns. Thus, VKŞ does not comply with consolidation requirements of IFRS 10 so, it is not being consolidated in the financial statements as at 30 June 2019 and 31 December 2018.

^(**) Secom Aktif Yatırım A.Ş and Dome zero inch. were acquired on 25 January 2019 and 20 March 2019 respectively.

	1 January – 30 June 2019	1 January – 30 June 2018
Balance at 1 January	50,798	54,052
Share of profit/(loss) of equity-accounted investees	(11,657)	(6,196)
Additions	14,112	-
Currency translation difference	2,619	2,201
Balance at the end of the period	55,872	50,057

The group does not have any discontinued operations (30 June 2018: None).

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

5. Explanations of IFRS 16 Leases

The Group has started to apply IFRS 16 Leases standard as of 1 January 2019.

The Group recognizes the right of use and the rent obligation on the financial statements at the effective date of the lease. The right of use is measured initially at cost value and subsequently measured at cost less accumulated depreciation and accumulated impairment losses and adjusted for the re-measurement of the lease obligation. IAS 36 Impairment of Assets is applied in order to determine whether the real estates that are entitled to use have been impaired and to recognize the impairment loss.

With the "IFRS 16 Leases" standard, which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under "Tangible Fixed Assets" as an asset (tenure) and under "Financial Lease Liabilities" as a liability.

IFRS 16 introduces a single leasing accounting model for lessees. As a result, the Group, as a lessee, has acquired the lease rights representing the lease rights representing the right to use the underlying asset and the lease payments to the financial statements. Accounting for the lessor is similar to the previous accounting policies.

Existence of right to use:

- The right to use asset is first recognized by cost method and includes:
- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Group and

When applying the cost method, the existence of the right to use:

- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation at the restated cost.

The Group applies depreciation provisions in IAS 16 Property, Plant and Equipment while depreciating the right to use assets.

The Lease obligations:

At the effective date of the lease, the Group measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Group's average borrowing interest rates.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Group measures the leasing liability as follows:

- Increase the book value to reflect the interest on the lease obligation
- Reduces the book value to reflect the lease payments made and
- The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

5. Explanations of IFRS 16 Leases (Continued)

Since the group has benefited from all facilitation provisions in the first transition to IFRS 16, the group has applied a partial retrospective approach that results in an equal amount of its right of use asset and leasing liability. Accordingly, comparative information presented under IAS 17 and related interpretations for 2018 has not been restated.

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

	31 December 2018	IFRS 16 Transition effect	1 January 2019
Tangible assets ^{1,2}	518,004	6,716	524,720
Financial lease liabilities ^{1,2}	-	6,716	6,716

⁽¹⁾ As of 1 January 2019, the Bank has reflected to the financial statements TL 6,716 of lease obligation and right of use asset in accordance with IFRS 16.

⁽²⁾ As of 1 January 2019, the weighted average interest rate of alternative borrowing rate applied to the Bank's rent obligation is 21%.

6. Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring Group risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

7. Segment reporting

2019	Retail banking	Corporate banking	Investment banking	Other banking	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	101,301	253,200	53,691	125,654	533,846	46,930	330,943	911,719	437,579	1,349,298
Operating expense	(123,739)	(23,034)	(91,998)	(37,424)	(276,195)	(14,765)	(177,776)	(468,736)	(516,794)	(985,530)
Income from operations	(22,438)	230,166	(38,307)	88,230	257,651	32,165	153,167	442,983	(79,215)	363,768
Income tax expense	-	-	-	(37,392)	(37,392)	(7,091)	(19,158)	(63,641)	-	(63,641)
Net income for the year	(22,438)	230,166	(38,307)	50,838	220,259	25,074	134,010	379,343	(79,215)	300,128
Segment assets	2,139,397	5,661,252	5,668,673	-	13,469,322	111,788	393,382	13,974,492	(936,331)	13,038,161
Investments in equity participations	-	-	387,358	-	387,358	-	288,436	675,794	(619,922)	55,872
Other assets	-	-	-	768,374	768,374	5,104	993,096	1,766,574	202,106	1,968,680
Total assets	2,139,397	5,661,252	6,056,031	768,374	14,625,054	116,892	1,674,914	16,416,860	(1,354,147)	15,062,713
Segment liabilities	5,378,998	3,568,828	3,603,508	-	12,551,334	6,405	922,755	13,480,494	(3,163,779)	10,316,715
Equity and other liabilities	-	-	-	2,073,720	2,073,720	110,487	752,158	2,936,365	1,809,633	4,745,998
Total liabilities and equity	5,378,998	3,568,828	3,603,508	2,073,720	14,625,054	116,892	1,674,913	16,416,859	(1,354,146)	15,062,713
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	243,851
Depreciation	-	-	-	-	-	-	-	-	-	29,918
2018	Retail banking	Corporate banking	Investment banking	Other banking	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	254,915	395,044	119,039	45,000	813,998	35,553	127,193	976,744	(85,639)	891,105
Operating expense	(133,142)	(62,595)	(9,944)	(356,506)	(562,187)	(9,890)	(125,194)	(697,271)	42,075	(655,196)
Income from operations	121,773	332,449	109,095	(311,506)	251,811	25,663	1,999	279,473	(43,564)	235,909
Income tax expense	-	-	-	(51,406)	(51,406)	(5,726)	(2,045)	(59,177)	43	(59,134)
Net income for the year	121,773	332,449	109,095	(362,912)	200,405	19,937	(46)	220,296	(43,521)	176,775
Segment assets	1,928,436	5,285,167	5,198,940	-	12,412,543	119,419	370,360	12,902,322	(618,205)	12,284,117
Investments in equity participations	-	-	387,358	-	387,358	-	283,412	670,770	(619,972)	50,798
Other assets	-	-	-	716,841	716,841	1,495	726,366	1,444,702	102,906	1,547,608
Total assets	1,928,436	5,285,167	5,586,298	716,841	13,516,742	120,914	1,380,138	15,017,794	(1,135,271)	13,882,523
Segment liabilities	4,678,732	3,261,717	3,731,450	-	11,671,899	6,067	674,863	12,352,829	(2,730,198)	9,622,631
Equity and other liabilities	-	-	-	1,844,843	1,844,843	114,847	705,275	2,664,965	1,594,927	4,259,892
Total liabilities and equity	4,678,732	3,261,717	3,731,450	1,844,843	13,516,742	120,914	1,380,138	15,017,794	(1,135,271)	13,882,523
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	356,096
Depreciation	-	-	-	-	-	-	-	-	-	23,021

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

8. Loans and advances to customers

As of 30 June 2019 and 31 December 2018, all loans and advances to customers are at amortised cost.

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	30 June 2019			31 December 2018		
Other lending	7,403,555	(230,810)	7,172,745	7,092,185	(188,642)	6,903,543
Corporate loans	5,096,838	(43,990)	5,052,848	5,038,492	(37,281)	5,001,211
Consumer loans	2,306,717	(186,820)	2,119,897	2,053,693	(151,361)	1,902,332
	7,403,555	(230,810)	7,172,745	7,092,185	(188,642)	6,903,543

Allowance for impairment

	30 June 2019
Allowances for individual impairment	
Balance on 1 January 2019	147,803
Impairment loss for the year	34,893
- Charge for the year	34,893
- Recoveries	-
Balance at the end of the period	182,696
Allowances for collective impairment	
Balance on 1 January 2019	40,839
Impairment loss for the year	7,275
- Charge for the year	8,563
- Recoveries	(1,288)
Balance at the end of the period	48,114
Total allowances for impairment	230,810
	31 December 2018
Allowances for individual impairment	
Balance on 31 December 2017	96,405
Impact of adopting IFRS 9 at 1 January 2018	10,324
Balance on 1 January 2018	106,729
Impairment loss for the year	41,074
- Charge for the year	75,742
- Recoveries	(34,668)
Balance at the end of the period	147,803
Allowances for collective impairment	
Balance on 31 December 2017	34,142
Impact of adopting IFRS 9 at 1 January 2018	17,505
Balance on 1 January 2018	51,647
Impairment loss for the year	(10,808)
- Charge for the year	21,757
- Recoveries	(32,565)
Balance at the end of the period	40,839
Total allowances for impairment	188,642

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

8. Loans and advances to customers (continued)

Expected credit losses on loans and advances to customers

	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January 2019	21,954	18,885	147,803	188,642
<i>Provision for the period</i>	<i>6,304</i>	<i>15,054</i>	<i>53,988</i>	<i>75,346</i>
<i>Recoveries and reversals</i>	<i>(5,029)</i>	<i>(9,054)</i>	<i>(19,095)</i>	<i>(33,178)</i>
Balances at 30 June 2019	23,229	24,885	182,696	230,810

Credit quality of loans and advances to customer

	2019				2018 Total
	Stage 1	Stage 2	Stage 3	Total	
Current	6,661,757	148,989	-	6,810,746	6,522,572
Overdue < 30 days	-	183,047	-	183,047	184,922
Overdue > 30 days	-	97,953	311,809	409,762	384,691
Total	6,661,757	429,989	311,809	7,403,555	7,092,185

9. Investment securities

30 June 2019	Interest rate %	Latest maturity	Carrying amount
Financial assets measured at amortized cost			
- Corporate bonds	7.12-28.76	10 May 2024	275,680
Financial assets measured at fair value through other comprehensive income			
- Government bonds	1.95-26.54	11 May 2047	1,282,354
- Corporate bonds	3.85-28.76	10 May 2024	1,250,083
			2,808,117
31 December 2018	Interest rate %	Latest maturity	Carrying amount
Financial assets measured at amortized cost			
- Corporate bonds	7.12-29.42	10 May 2024	361,900
Financial assets measured at fair value through other comprehensive income			
- Government bonds	3.22-26.54	11 May 2047	891,394
- Corporate bonds	3.65-31.84	10 May 2024	1,084,199
			2,337,493

As at 30 June 2019, TL 91,278 and TL 2,239,403 of investment securities are given as collateral for performing transaction at stock exchange and repurchase agreement, respectively (31 December 2018: TL 48,534 and TL 1,578,960, respectively).

As at 30 June 2019 and 31 December 2018, the fair values of financial assets measured at amortized cost are respectively TL 281,710 and TL 337,652. The fair value hierarchy for these financial assets are determined as level 2.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

10. Tangible assets

For the six-month period ended 30 June 2019, acquisitions of tangible assets are TL 229,198 (30 June 2018: TL 339,587). There is no capitalized borrowing costs (30 June 2018: TL 11,829). Disposal of tangible assets are TL 5,762 (30 June 2018: TL 210). Depreciation charge for the six-month period ended 30 June 2019 is TL 13,659 (30 June 2018: TL 10,469). Depreciation amount of disposal of tangible assets is TL 5,323 (30 June 2018: TL 21).

11. Intangible assets

For the six-month period ended 30 June 2019, acquisitions of intangible assets are TL 15,491 (30 June 2018: TL 10,648). There is no disposal of tangible assets (30 June 2018: None). Amortisation charge for the six-month period ended 30 June 2019 is TL 16,260 (30 June 2018: TL 12,552).

12. Debt securities issued

	30 June 2019	31 December 2018
Debt securities issued-TL	4,005,925	3,903,309
Debt securities issued-FC	667,848	462,404
	4,673,773	4,365,713
	30 June 2019	31 December 2018
Nominal of debt securities issued	5,369,231	5,145,125
Unaccrued interest expense	(695,458)	(779,412)
	4,673,773	4,365,713

In 2019, the Bank issued TL debt securities with maturities between 1 July 2019 and 19 March 2021 (2018: 2 January 2019 and 23 October 2020). The interest rate for TL debt securities is between 15%-34.50% (2018: 15.15%-34.50%).

In 2019, the Bank issued USD denominated debt securities with maturities between 1 July 2019 and 27 June 2021 (2018: 2 January 2019 and 27 June 2021). The interest rate for USD debt securities is between 3%-7.50% (2018: 4%-8%).

In 2019, the Bank issued EUR denominated debt securities with maturities between 1 July 2019 and 20 May 2020 (2018: 7 January 2019 and 26 September 2019). The interest rate for EUR debt securities is between 0,75%-4.75% (2018: 2.60%-4.75%).

13. Provisions

	30 June 2019	31 December 2018
Provision for possible losses (*)	133,000	133,000
Vacation pay liability	4,962	4,360
Employee termination benefits	7,665	6,499
Other (**)	57,413	77,693
Total	203,040	221,552

(*) As at 30 June 2019, the accompanying consolidated statement of financial position includes a free provision amounting to TL 133,000 provided by the Bank management in line with conservatism principle considering the circumstances which may arise from any changes in the economy or market conditions (31 December 2018: TL 133,000).

(**) Includes bonus, lawsuit and other provisions.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Notes To The Condensed Consolidated Financial Statements****As at and For The Six-Month Period Ended 30 June 2019***(Currency - In thousands of Turkish Lira ("TL"))***14. Net fee and commission income**

	30 June 2019	30 June 2018
Intermediary commissions	32,871	35,899
Delivery fee	18,737	13,647
Commitment fee	9,666	13,452
Financial guarantee contracts issued	9,787	7,455
Remittance fee	10,782	6,342
Insurance fee	-	13
Other	5,612	6,714
Total	87,455	83,522

15. Sales income from subsidiaries and cost of sales & services from subsidiaries*Sales income:*

	30 June 2019	30 June 2018
Revenue from sale of goods	104,912	32,572
Transaction and other commission income	81,611	66,076
Revenue from cash register POS	14,692	23,661
Other sales income	13,818	16,707
Total	215,033	139,016

Cost of services:

	30 June 2019	30 June 2018
Cost of merchandises sold	61,089	13,429
Maintenance expenses	7,772	11,321
Cost of cash register POS	873	10,585
Dealer commission expenses	14,671	7,798
Rent expenses	1,609	2,176
Consultancy expenses	1,611	1,023
Depreciation and amortization expenses	1,047	254
Other	8,259	7,686
Total	96,931	54,272

16. Administrative expenses

	30 June 2019	30 June 2018
Publicity expenses	11,300	19,913
Rent expenses	16,077	10,858
Taxes and dues other than on income	15,547	9,440
Consultancy expenses	4,097	7,838
Outsource expenses	5,510	4,882
Communication expenses	7,337	3,862
Maintenance expenses	6,237	3,835
Expenses on vehicles	3,502	3,518
Others	20,743	17,400
Total	90,350	81,546

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Notes To The Condensed Consolidated Financial Statements****As at and For The Six-Month Period Ended 30 June 2019***(Currency - In thousands of Turkish Lira ("TL"))***17. Other income**

	30 June 2019	30 June 2018
Gain on sale of assets	15,302	41,349
Reversal of provision for corporate tax	21,072	13,216
Asset-backed security profit sharing	291	651
Gain on sale of subsidiaries (*)	150,769	-
Other	24,117	22,472
Total	211,551	77,688

(*) According to the corporate tax law, 75% of the profit derived from sales of İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. and Aktif Halk Enerji Yatırımları A.Ş., which were sold for TRY 132,733 and TRY 16,798 respectively, is exempt from corporate tax.

18. Capital and reserves

	30 June 2019	31 December 2018
Number of common shares, TL 1,000 (in full TL), par value (Authorised and issued)	1,193,585	1,193,585

As at 30 June 2019, all issued shares are fully paid and there is no preference shares assigned to shareholders of the Group.

At the general assembly meeting held on 13 December 2018 the paid-in capital of the Bank increased by amounting to TL 160,000 from TL 1,033,585 to TL 1,193,585 which has been provided by amounting to TL 147,000 from internal resources and increased by amounting to TL 13,000 in cash.

Reserves*Fair value reserve*

As at 30 June 2019, this reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognised or impaired. As at 31 December 2018, this reserve includes the cumulative net change in the fair value of financial assets measured at fair value through other comprehensive income until the investment is derecognised or impaired.

Other reserves

Other reserves consist of legal reserves. The legal reserves consist of first and second legal reserves. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Special funds

Special funds refer to the funds allocated from net income or retained earnings due to the tax advantage of local legal regulations.

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Notes To The Condensed Consolidated Financial Statements****As at and For The Six-Month Period Ended 30 June 2019***(Currency - In thousands of Turkish Lira ("TL"))***19. Related parties****Parent and ultimate controlling party**

The Bank is controlled by Çalık Holding A.Ş. which owns 99.43% of ordinary shares (31 December 2018: 99.43%).

Compensation of key management personnel of the Group

Total salaries and other benefits paid to the Board of Members and top management during the period are TL 26,785 (30 June 2018: TL 22,057).

Balances with related parties

30 June 2019	Related party balances	Total balance	Rate %
Loans and advances to customers	2,863,220	7,172,334	39.92
Other liabilities (Customer accounts)	2,604	1,770,207	0.15
Debt securities issued	19,213	4,673,773	0.41
31 December 2018	Related party balances	Total balance	Rate %
Loans and advances to customers	2,185,383	6,539,477	33.42
Other liabilities (Customer accounts)	61,482	1,201,545	5.12
Debt securities issued	28,317	2,776,288	1.02

Off balance sheet balances with related parties

30 June 2019	Related party balances	Total balance	Rate %
Non-cash loans	281,976	1,043,120	27.03
31 December 2018	Related party balances	Total balance	Rate %
Non-cash loans	418,678	1,232,225	33.98

Transactions with related parties

	30 June 2019	30 June 2018
Interest income on loans	196,992	119,508
Fee and commission income	3,278	3,166
Other expenses	7,855	1,837

20. Commitments and contingencies

	30 June 2019	31 December 2018
Letters of guarantee	939,360	1,007,343
Letters of credit	55,002	58,122
Other guarantees	48,758	166,760
Total non-cash loans	1,043,120	1,232,225
Check limits	2,626	2,037
Other commitments	409,673	203,355
Total	1,455,419	1,437,617

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

As at and For The Six-Month Period Ended 30 June 2019

(Currency - In thousands of Turkish Lira ("TL"))

21. Acquisitions of associates

The Group acquired 19 solar energy companies and 3 energy companies at the beginning of April. These companies were acquired from Aktif Halk Enerji Yatırımları Anonim Şirketi.

Fair values measured on a provisional basis

The following amounts have been measured on a provisional basis.

- The fair value of the subsidiaries' tangible assets (solar power plants and lands) have been measured at cost less accumulated depreciation provisionally, pending completion of an independent valuation.
- The fair value of the subsidiaries' intangible assets (governmental purchasing guarantee) have been measured provisionally, pending completion of an independent valuation.

If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

Goodwill movement	30 June 2019
Opening	504
Consideration transferred	41,350
Less: Fair value of identifiable net assets/(liabilities)	(40,130)
Goodwill	81,984

Identifiable assets acquired and liabilities assumed

Property, plant and equipment	130,686
Other current assets	65,925
Trade receivables	6,862
Other non-current assets	4,414
Cash and cash equivalents	815
Financial investments	886
Prepaid expenses	196
Loans and borrowings	(234,753)
Trade and other payables	(15,161)
Total identifiable net assets/(liabilities) acquired	(40,130)

Additionally, the Group acquired 50% shares of Secom Aktif Yatırım A.Ş and 2.67% shares of Dome zero inch. on 25 January 2019 and 20 March 2019, respectively.

Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

22. Subsequent events

None.