

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

Condensed Consolidated Interim Financial Statements
For the Six-Month Period Ended
30 June 2020
With Independent Auditor's Report on Review of
Condensed Consolidated
Interim Financial Information

21 October 2020

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

Aktif Yatırım Bankası Anonim Şirketi and Its Subsidiaries

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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

Independent Auditor's 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 interim statement of financial position of Aktif Yatırım Bankası Anonim Şirketi ("the Bank") and its subsidiaries (together "the Group") as at 30 June 2020, the condensed consolidated interim 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 statements"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with 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 2020 includes a general reserve of total TL 133,000 thousands, which had been recognized as expense in the prior periods, which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". This general reserve 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 and for the six month period ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

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

Alper Güvenç, SMMM
Partner

21 October 2020
İstanbul, Turkey

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES**Condensed Consolidated Statement of Financial Position
As of 30 June 2020***(Currency - In thousands of Turkish Lira ("TL"))*

	<i>Notes</i>	30 June 2020	31 December 2019
ASSETS			
Cash and cash equivalents		2,618,614	3,833,184
Reserve deposits at Central Bank		495,465	959,283
Financial assets at fair value through profit or loss		479,485	449,007
Trade and other receivables		109,573	112,580
Inventories		26,894	17,692
Loans and advances to customers	7	8,658,287	7,568,126
Investment securities	8	4,769,971	3,914,090
Equity accounted investees	4	65,069	60,976
Tangible assets	9	526,552	613,962
Intangible assets	10	233,627	265,591
Goodwill		22,632	43,054
Deferred tax assets		39,733	45,677
Asset held for sale		70,884	71,999
Other assets		944,208	453,860
Total assets		19,060,994	18,409,081
LIABILITIES			
Trading liabilities		46,787	17,029
Trade and other payables		232,884	256,574
Obligations under repurchase agreements		2,769,617	2,261,189
Financial lease liabilities		7,675	8,335
Debt securities issued	11	7,494,829	6,099,310
Funds borrowed		2,613,717	4,940,961
Provisions	12	241,609	248,701
Income taxes payables		83,947	20,153
Deferred tax liabilities		15,684	34,571
Other liabilities		3,150,762	2,424,418
Total liabilities		16,657,511	16,311,241
EQUITY			
Share capital	17	1,198,095	1,198,095
Legal reserves		104,541	87,456
Unrealised gain/(loss) on financial assets measured at fair value through other comprehensive income		53,919	64,728
Actuarial gain/(loss)		(1,066)	(1,066)
Special funds		61,109	71,495
Translation reserve		7,430	5,548
Retained earnings		978,334	670,600
Total equity attributable to equity holders of the Bank		2,402,362	2,096,856
Non-controlling interests		1,121	984
Total equity		2,403,483	2,097,840
Total liabilities and equity		19,060,994	18,409,081

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 2020
(Currency - In thousands of Turkish Lira ("TL"))

	<i>Notes</i>	1 January – 30 June 2020	1 January – 30 June 2019
Interest income		932,744	846,916
Interest expense		(499,272)	(639,186)
Net interest income		433,472	207,730
Fees and commission income	13	108,305	87,455
Fees and commission expense		(59,162)	(45,155)
Net fee and commission income		49,143	42,300
Net trading gain		60,210	64,095
Sales income	14	186,965	215,033
Other income	16	54,614	190,479
Net impairment reversal / (loss) on financial assets		(70,495)	(43,580)
Operating expenses		(228,782)	(200,350)
- Personnel expenses		(106,485)	(86,451)
- Depreciation and amortisation	9,10,14	(37,831)	(23,549)
- Other operating expenses	15	(84,466)	(90,350)
Cost of sales		(12,734)	(2,627)
Cost of services	14	(31,960)	(96,931)
Other operating expenses		(28,589)	(21,795)
Total operating income		411,844	354,354
Share of profit of equity accounted investee	4	(5,285)	(11,657)
Profit before income tax		406,559	342,697
Income tax expense		(81,603)	(42,569)
Net profit for the period from continuing operations		324,956	300,128
Profit attributable to			
Equity holders of the Bank		324,819	298,713
Non-controlling interest		137	1,415
Profit for the period		324,956	300,128
Other comprehensive income			
Items that will not be reclassified to profit or loss:		(510)	1,086
Change in actuarial gain related to employee benefits		-	-
Change in fair value of equity investments measured at fair value through other comprehensive income		(654)	1,392
Income tax on other comprehensive income		144	(306)
Items that are or may be reclassified subsequently to profit or loss:		(8,286)	16,662
Change in fair value of financial assets measured at fair value through other comprehensive income (FVOCI debt instruments)		(13,204)	17,996
Foreign currency translation differences		1,882	2,619
Other		169	-
Income tax on other comprehensive income		2,867	(3,953)
Other comprehensive income for the period, net of tax		(8,796)	17,748
Total comprehensive income for the period		316,160	317,876
Total comprehensive income attributable to:			
Equity holders of the Bank		316,023	316,461
Non-controlling interest		137	1,415
Total comprehensive income for the period		316,160	317,876
Basic and diluted earnings per share (full TL amount per TL 1 face value each)		0.272	0.250

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	Fair value reserves	Translation reserves	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>Equity investments at FVOCI – net change in fair value</i>		-	-	-	1,086	-	-	-	-	1,086	-	1,086
<i>Debt securities at FVOCI – net change in fair value</i>		-	-	-	14,043	-	-	-	-	14,043	-	14,043
<i>Net change in actuarial gain related to employee benefits</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Foreign currency translation differences</i>		-	-	-	-	2,619	-	-	-	2,619	-	2,619
<i>Other</i>		-	-	-	-	-	-	-	-	-	-	-
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												
Transfer to reserves		-	-	29,506	-	-	-	23,329	(52,835)	-	-	-
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

**Condensed Consolidated Statement of Changes in Equity
For the Six-Month Period Ended 30 June 2020**

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

	Note	Share capital	Adjustment to share capital	Legal reserves	Fair value reserves	Translation reserves	Actuarial gain/(loss)	Special funds	Retained earnings	Total	Non-controlling interest	Total equity
At 1 January 2020		1,193,585	4,510	87,456	64,728	5,548	(1,066)	71,495	670,600	2,096,856	984	2,097,840
Total comprehensive income for the year												
Profit for the year		-	-	-	-	-	-	-	324,819	324,819	137	324,956
Other comprehensive income		-	-	-	(10,809)	1,882	-	131	-	(8,796)	-	(8,796)
<i>Equity investments at FVOCI – net change in fair value</i>		-	-	-	(510)	-	-	-	-	(510)	-	(510)
<i>Debt securities at FVOCI – net change in fair value</i>		-	-	-	(10,299)	-	-	-	-	(10,299)	-	(10,299)
<i>Net change in actuarial gain related to employee benefits</i>		-	-	-	-	-	-	-	-	-	-	-
<i>Foreign currency translation differences</i>		-	-	-	-	1,882	-	-	-	1,882	-	1,882
<i>Other</i>		-	-	-	-	-	-	131	-	131	-	131
Total comprehensive income for the year		-	-	-	(10,809)	1,882	-	131	324,819	316,023	137	316,160
Transactions with owners, recorded directly in equity												
Transfer to reserves		-	-	17,085	-	-	-	-	(17,085)	-	-	-
Other		-	-	-	-	-	-	(10,517)	-	(10,517)	-	(10,517)
Total transactions with owners, recorded directly in equity		-	-	17,085	-	-	-	(10,517)	(17,085)	(10,517)	-	(10,517)
At 30 June 2020		1,193,585	4,510	104,541	53,919	7,430	(1,066)	61,109	978,334	2,402,362	1,121	2,403,483

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 Cash Flows
For the Six-Month Period Ended 30 June 2020
(Currency - In thousands of Turkish Lira ("TL"))

	<i>Note</i>	1 January – 30 June 2020	1 January – 30 June 2019
Cash flows from operating activities			
Net profit for the year		324,956	300,128
Adjustments for:			
Depreciation and amortisation expenses		37,831	29,919
Retirement pay provision expense		2,220	1,164
Unused vacation provision expense		1,064	1,461
Bonus provision expense		31,803	20,999
Impairment on financial assets		70,495	43,580
Net interest income and expense		(433,472)	(207,730)
Share of profit of equity investee	(4)	5,285	11,657
Unrealised foreign exchange loss / (gain)		(133,753)	8,363
Other accruals		(27,749)	(4,990)
Income tax		81,603	63,641
		(39,717)	268,192
Change in reserve deposit at Central Bank		463,818	(85,252)
Change in trading assets		31,404	9,006
Change in loans and advances to customers		(1,096,667)	(444,430)
Change in other assets		(473,564)	(304,610)
Change in obligations under repurchase agreements		506,006	636,188
Proceeds from borrowings		(2,337,399)	(178,410)
Change in other liabilities		804,664	240,525
		(2,101,738)	(126,983)
Interest received		782,401	842,055
Interest paid		(503,078)	(610,629)
Bonus payment		(39,941)	(37,229)
Income tax paid		(139,710)	(65,544)
Net cash used in operating activities		99,672	128,653
Cash flows from investing activities			
Purchase of investment securities		(5,513,484)	(5,376,085)
Sale of investment securities		4,657,020	4,951,995
Purchase of tangible assets		(19,078)	(229,198)
Acquisition of associates	(4)	(7,496)	(14,112)
Proceeds from the sale of tangible assets		79,542	5,762
Purchase of intangible assets		(19,597)	(15,491)
Proceeds from the sale of intangible assets	(10)	27,952	-
Disposal of discontinued operation, net of cash disposed of		3,249	-
Net cash used in investing activities		(791,892)	(677,129)
Cash flows from financing activities			
Proceeds from debt securities issued		24,180,129	13,880,253
Repayment of debt securities issued		(22,776,997)	(13,626,605)
Payments on lease		(575)	(4,908)
Net cash provided from financing activities		1,402,557	248,740
Net increase/(decrease) in cash and cash equivalents		(1,431,118)	(158,527)
Effect of exchange rate fluctuations on cash		215,498	30,172
Cash and cash equivalents on 1 January		3,828,941	1,384,386
Cash and cash equivalents on 31 December		2,613,321	1,256,031

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 2020

(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 Esentepe Mah. Kore Şehitleri Cad. No: 8/1 Şişli / İstanbul, and the Bank have also ten branches. The Bank employs 729 people as at 30 June 2020 (31 December 2019: 714).

As at 30 June 2020 and 31 December 2019, the composition of shareholders and their respective percentage of ownership are summarised as follows:

	30 June 2020		31 December 2019	
	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”) 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. (“Pavo”) with its long-standing experience in cash register systems, 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 2020

(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, construction, professional services and security systems. The most important investment by Emlak Girişim A.Ş. is Istanbul International Finance Center (IIFC), one of the biggest regional planning projects 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 and Sigortayeri as Headquarters. Total investment amount of the office building is around TL 355 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 33,5 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.

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

Kazakhstan İjara 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. UPT established a subsidiary named UPT Lithuania UAB ("UPT Lithuania") in Lithuania on 4 December 2019. UPT is owned 100% of nominal shares of UPT Lithuania.

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. The Company's trade name has been changed to Aktif Portföy Yönetimi on 8 June 2020.

Haliç Finansal Kiralama A.Ş. ("Haliç") is 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.

Oniki Teknoloji A.Ş. (formerly known as 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. Oniki Teknoloji A.Ş., 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 2020

(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.

Workindo Teknoloji A.Ş.: Workindo Teknoloji A.Ş. is established to operate in business to business professional services.

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 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.

The interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB"). These interim consolidated 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 2019 ("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 consolidated financial statements.

The interim consolidated financial statements were authorised for issue by the Group's management on 21 October 2020. The Bank's General Assembly and the other reporting bodies have the power to amend the consolidated financial statements after their issue.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period. In the comparative financial statements of the Group for the period ended 30 June 2019, tax provision reversal amounting to TL 21,072 included in "Other income" are classified under "Income tax expense".

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 2020

(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 2019.

The COVID-19 epidemic, which emerged in 2020 and has global impacts, causes disruptions in operations and creates uncertainties both in regional and global economic conditions. As of 30 June 2020, the Parent Bank has reflected the effects of the outbreak on the estimates used in the expected loan loss calculations in the light of the available information and developments.

Due to the effects of the COVID-19 epidemic, the Bank revised the scenario weights created from macroeconomic expectations and reflected the calculations made in consideration of the changes in probability of default and loss given default values. In this context, the Bank measured the effect of the change in macroeconomic data used in the expected credit loss calculations on the non-performing loans within different scenarios and reflected the increase coefficient, which is evaluated to reflect best the current situation in the non-performing loans ratio, to the loan parameters. The Bank reflected the effects of COVID-19 to the estimates of its cash flows by considering the reasonable and supportable information available in calculating the expected credit loss for the loans subject to individual assessment. This preferred approach will be revised in the upcoming reporting periods, considering the impact of the epidemic, the loan portfolio and changes in future expectations.

The measures by the local regulator

With its decision dated 17 March 2020 and its decision dated 27 March 2020, Banking Regulation and BRSA decided that the following measures would be in force until 31 December 2020:

- i. The 30-day past due criteria used for loans to be classified under group 2 loans pursuant to the BRSA Regulation on Classification of Loans and Provisions, has been changed to 90 days,
- ii. The 90-day past due criteria used for loans to be classified as non-performing loans has been changed to 180 days. The Bank classified amounting TL 44,800 of loans which have past due more than 90 days, as Stage 2.

The Bank previously adopted an approach that past due more than 30 and 90 days were a qualitative indicator that automatically required an exposure to be transferred to Stage 2 and Stage 3. For the current period the Bank has not applied the existing methodology mechanically and tried to avoid the application of strong procyclical assumptions for IFRS 9.

As a result, the Bank started to implement payment holiday schemes in line with the guidance from local banking regulator. These payment holiday schemes are not automatically considered as forbearance and/or a Stage 2 trigger and the same rationale is applied for the categorization of non-performing loans for payment breaks over 90 days considering the temporarily liquidity shortage of customers because of COVID-19.

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

2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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 Group 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 Group 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.

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2. Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Critical accounting judgements in applying the Bank's accounting policies (continued)

The Group 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.

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 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,063	478,422	-	479,485
Investment securities – FVOCI portfolio	2,321,080	2,119,197	-	4,440,277
	2,322,143	2,597,619	-	4,919,762
Trading liabilities	-	(46,787)	-	(46,787)
	-	(46,787)	-	(46,787)
At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	3,216	445,791	-	449,007
Investment securities – FVOCI portfolio	2,254,288	1,272,660	-	3,526,948
	2,257,504	1,718,451	-	3,975,955
Trading liabilities	-	(17,029)	-	(17,029)
	-	(17,029)	-	(17,029)

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 is 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 2020 (30 June 2019: None).

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3. Significant accounting policies

New and Revised International Financial Reporting Standards

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 information that is more useful to users of financial statements. IFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

The revised Conceptual Framework (Version 2018)

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, so as 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, 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.

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3. Significant accounting policies (continued)

New and Revised International Financial Reporting Standards (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. 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 these 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 of 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; with earlier application permitted.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Interest Rate Benchmark Reform, which amended IFRS 9, IAS 39 and IFRS 7 issued in September 2019, added Section 6.8 and amended paragraph 7.2.26. About this issue, IASB identified two groups of accounting issues that could affect financial reporting. These are:

- pre-replacement issues—issues affecting financial reporting in the period before the reform; and
- replacement issues—issues that might affect financial reporting when an existing interest rate benchmark is either reformed or replaced.

IASB considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements as a priority in the first phase of the project:

- (a) The highly probable requirement;
- (b) Prospective assessments;
- (c) IAS 39 retrospective assessment; and
- (d) Separately identifiable risk components.

All other hedge accounting requirements remain unchanged. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The Group shall apply these amendments for annual periods beginning on or after 1 January 2020 with earlier application permitted.

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4. Basis of consolidation

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.

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.

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4. Basis of consolidation (continued)

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.

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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 2020	31 December 2019	30 June 2020	31 December 2019
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	99.86%	99.86%	-	-
E-Kent Geçiş Sistemleri ve Biletleme Teknolojileri A.Ş.	Turkey	-	-	99.86%	99.86%
N Kolay Ödeme Kuruluşu A.Ş. (Formerly known as N Kolay Mağazacılık A.Ş.)	Turkey	90.04%	90.04%	-	-
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	-	-	100.00%	100.00%
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%
Kırlangıç Solar Enerji Üretim A.Ş.	Turkey	-	-	-	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	-	-	-	26.87%
Olimpos Solar Enerji Üretim A.Ş.	Turkey	-	-	-	26.58%
Yakut Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Seher Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Kuzey Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Gök Safir Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Kızıl Yıldızı Solar Enerji Üretim A.Ş.	Turkey	-	-	-	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%	100.00%
Defne Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Gelincik Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Leylak Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Lilyum Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Akuamarin Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Ametist Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Aytaşı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Güneştaşı Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kaplan Gözü Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Kuvars Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Lapis Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Olivin Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Oniks Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Opal Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Sedef Solar Enerji Üretim A.Ş.	Turkey	-	-	-	100.00%
Turkuvaz Solar Enerji Üretim A.Ş.	Turkey	-	-	100.00%	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%
Oniki Teknoloji A.Ş. (formerly known as Epost Dış Ticaret A.Ş.)	Turkey	-	-	99.86%	99.86%
Eko Biokütle Enerji Üretim A.Ş.	Turkey	-	-	100.00%	100.00%
Workindo Teknoloji A.Ş.	Turkey	-	-	96.10%	96.10%
Passo Spor Oyunları Kulübü Yazılım ve Pazarlama A.Ş.	Turkey	-	-	74.90%	74.90%

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4. Basis of consolidation (continued)

Equity accounted investees	Country of Incorporation	30 June 2020 Ownership	31 December 2019 Ownership
Kazakhstan Ijara Company Jsc	Kazakhstan	14.31%	14.31%
Euroasian Leasing Company	Republic of Tatarstan	36.71%	36.71%
Haliç Finansal Kiralama Anonim Şirketi	Turkey	32.00%	32.00%
Halk Yenilenebilir Enerji Anonim Şirketi	Turkey	50.00%	50.00%
Euro Mediterranean Investment Company	Turkish Republic of Northern Cyprus	25.53%	25.53%
Secom Aktif Güvenlik Yatırım A.Ş.	Turkey	50.00%	50.00%
Secom Aktif Elektronik Güvenlik Çözümleri A.Ş.	Turkey	50.00%	50.00%
Dome zero inch.	USA	1.98%	1.98%

Carrying amount of equity accounted investees are summarized below:

	30 June 2020	31 December 2019
Kazakhstan Ijara Company Jsc.	17,973	15,975
Secom Aktif Yatırım A.Ş. (**)	17,264	4,789
Idea Farm Ventures Limited	8,095	8,095
Euro Mediterranean Investment Company	7,607	7,020
Euroasian Leasing Company	6,540	6,400
Haliç Finansal Kiralama Anonim Şirketi	6,455	6,537
Dome Zero Inch. (**)	820	820
Halk Yenilenebilir Enerji A.Ş.	165	11,190
Aktif Bank Sukuk Varlık Kiralama A.Ş. (*)	100	100
Oniki Teknoloji A.Ş. (formerly known as Epost Dış Ticaret A.Ş.)	50	50
Equity accounted investees	65,069	60,976

(*) 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 2020 and 31 December 2019.

	1 January – 30 June 2020	1 January – 30 June 2019
Balance at 1 January	60,976	50,798
Share of profit/(loss) of equity-accounted investees	(5,285)	(11,657)
Additions	7,496	14,112
Currency translation difference	1,882	2,619
Balance at the end of the period	65,069	55,872

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5. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks.

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring Bank 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 Bank's risk management policies are established to identify and analyse the risks faced by the Bank, 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 Bank, 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 Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. 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.

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6. Segment reporting

2020	Retail banking	Corporate banking	Investment banking	Other banking	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	160,293	163,367	256,370	49,638	629,668	65,991	206,089	901,748	(46,481)	855,267
Operating expense	(156,570)	(37,749)	(43,737)	(55,975)	(294,031)	(7,826)	(193,332)	(495,189)	46,481	(448,708)
Income from operations	3,723	125,618	212,633	(6,337)	335,637	58,165	12,757	406,559	-	406,559
Income tax expense	-	-	-	(72,603)	(72,603)	(12,692)	3,692	(81,603)	-	(81,603)
Net income for the year	3,723	125,618	212,633	(78,940)	263,034	45,473	16,449	324,956	-	324,956
Segment assets	2,992,352	5,967,958	8,003,414	-	16,963,724	297,519	538,586	17,799,829	(641,540)	17,158,289
Investments in equity participations	-	-	387,358	-	387,358	-	258,195	645,553	(580,484)	65,069
Other assets	-	-	-	958,909	958,909	2,650	692,239	1,653,798	183,838	1,837,636
Total assets	2,992,352	5,967,958	8,390,772	958,909	18,309,991	300,169	1,489,020	20,099,180	(1,038,186)	19,060,994
Segment liabilities	7,199,826	5,267,286	3,178,670	-	15,645,782	16,167	785,728	16,447,677	(3,282,168)	13,165,509
Equity and other liabilities	-	-	-	2,664,209	2,664,209	284,002	703,292	3,651,503	2,243,982	5,895,485
Total liabilities and equity	7,199,826	5,267,286	3,178,670	2,664,209	18,309,991	300,169	1,489,020	20,099,180	(1,038,186)	19,060,994
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	38,675
Depreciation	-	-	-	-	-	-	-	-	-	37,831
2019	Retail banking	Corporate banking	Investment banking	Other banking	Total banking	Brokerage	Other	Combined	Adjustments	Total
Operating income	101,301	253,200	53,691	104,582	512,774	46,930	330,944	890,648	437,579	1,328,227
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)	67,158	236,579	32,165	153,168	421,912	(79,215)	342,697
Income tax expense	-	-	-	(16,320)	(16,320)	(7,091)	(19,158)	(42,569)	-	(42,569)
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	2,547,409	5,367,051	9,069,082	-	16,983,542	158,790	436,973	17,579,305	(725,343)	16,853,962
Investments in equity participations	-	-	387,358	-	387,358	-	254,102	641,460	(580,484)	60,976
Other assets	-	-	-	485,178	485,178	3,936	829,354	1,318,468	175,675	1,494,143
Total assets	2,547,409	5,367,051	9,456,440	485,178	17,856,078	162,726	1,520,429	19,539,233	(1,130,152)	18,409,081
Segment liabilities	6,479,363	3,965,575	5,120,015	-	15,564,953	28,118	792,310	16,385,381	(2,801,983)	13,583,398
Equity and other liabilities	-	-	-	2,291,125	2,291,125	134,608	728,119	3,153,852	1,671,831	4,825,683
Total liabilities and equity	6,479,363	3,965,575	5,120,015	2,291,125	17,856,078	162,726	1,520,429	19,539,233	(1,130,152)	18,409,081
Other segment items										
Capital investment	-	-	-	-	-	-	-	-	-	272,034
Depreciation	-	-	-	-	-	-	-	-	-	29,918

The Group's main business segments are retail and corporate banking, consisting of loans, customer accounts and other transactions and balances with retail and corporate customers, investment banking, including trading and corporate finance activities and brokerage, containing insurance services. Operating income includes net interest income, fee and commission income, net trading gain, sales income and other income. Operating expense consists of fee and commission expense, personnel expense, depreciation and amortization expense, administrative expense and other expenses.

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 2020

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

7. Loans and advances to customers

As of 30 June 2020 and 31 December 2019, all loans and advances to customers are at amortised cost.

	Gross amount	Impairment allowance	Carrying amount	Gross amount	Impairment allowance	Carrying amount
	30 June 2020			31 December 2019		
Other lending	8,971,898	(313,611)	8,658,287	7,811,904	(243,778)	7,568,126
-Corporate loans	5,749,883	(77,130)	5,672,753	5,086,128	(65,411)	5,020,717
-Consumer loans	3,222,015	(236,481)	2,985,534	2,725,776	(178,367)	2,547,409
	8,971,898	(313,611)	8,658,287	7,811,904	(243,778)	7,568,126

Expected credit losses on loans and advances to customers

	30 June 2020				31 December 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances at 1 January	31,331	19,350	193,097	243,778	21,954	18,885	147,803	188,642
Transfer to stage 1	1,316	(1,262)	(54)	-	1,295	(1,195)	(100)	-
Transfer to stage 2	(775)	938	(163)	-	(1,054)	1,114	(60)	-
Transfer to stage 3	(212)	(4,390)	4,602	-	(271)	(722)	993	-
Provision for the period	12,628	12,989	72,990	98,607	18,061	8,576	99,595	126,232
Recoveries and reversals	(4,894)	(3,824)	(20,056)	(28,774)	(8,654)	(7,308)	(19,719)	(35,681)
Debt sales and write-offs	-	-	-	-	-	-	(35,415)	(35,415)
Balances at 31 December	39,394	23,801	250,416	313,611	31,331	19,350	193,097	243,778

Credit quality of loans and advances to customer

	30 June 2020			
	Stage 1	Stage 2	Stage 3	Total
Current		7,995,795	224,053	8,219,848
Overdue < 30 days		163,321	149,606	312,927
Overdue > 30 days		-	122,523	439,123
Total		8,159,116	496,182	8,971,898
	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Current		6,830,270	164,012	6,994,282
Overdue < 30 days		222,793	169,566	392,359
Overdue > 30 days		-	108,712	425,263
Total		7,053,063	442,290	7,811,904

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 2020***(Currency - In thousands of Turkish Lira ("TL"))***8. Investment securities**

30 June 2020	Interest rate %	Latest maturity	Carrying amount
Financial assets measured at amortized cost			
- Corporate bonds	7.12-23.30	31 December 2024	329,694
Financial assets measured at fair value through other comprehensive income			
- Government bonds	2.65-23.03	11 May 2047	2,318,481
- Corporate bonds	2.76-23.29	25 April 2030	2,121,796
			4,769,971
31 December 2019	Interest rate %	Latest maturity	Carrying amount
Financial assets measured at amortized cost			
- Corporate bonds	7.12-28.76	10 May 2024	387,142
Financial assets measured at fair value through other comprehensive income			
- Government bonds	1.95-26.54	11 May 2047	2,254,288
- Corporate bonds	3.85-28.76	1 August 2029	1,272,660
			3,914,090

As at 30 June 2020, TL 200,012 and TL 3,179,118 of investment securities are given as collateral for performing transaction at stock exchange and repurchase agreement, respectively (31 December 2019: TL 81,272 and TL 2,532,786, respectively).

AKTİF YATIRIM BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES

Notes To The Condensed Consolidated Financial Statements

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

9. Tangible assets

For the six-month period ended 30 June 2020, acquisitions of tangible assets are TL 19,078 (30 June 2019: TL 229,198). There are no capitalized borrowing costs (30 June 2019: None). Disposal of tangible assets is TL 79,542 (30 June 2019: TL 5,762). Depreciation charge for the six-month period ended 30 June 2020 is TL 12,864 (30 June 2019: TL 13,659). Depreciation amount of disposal of tangible assets is TL 7,154 (30 June 2019: TL 5,323).

10. Intangible assets

For the six-month period ended 30 June 2020, acquisitions of intangible assets are TL 19,597 (30 June 2019: TL 15,491). Disposal of intangible assets is TL 27,952 (30 June 2019: None). Amortisation charge for the six-month period ended 30 June 2020 is TL 24,967 (30 June 2019: TL 16,260). Amortisation amount of disposal of intangible assets is TL 4,984 (30 June 2019: None).

11. Debt securities issued

	30 June 2020	31 December 2019
Debt securities issued-TL	6,189,647	5,097,130
Debt securities issued-FC	1,305,182	1,002,180
	7,494,829	6,099,310
	30 June 2020	31 December 2019
Nominal of debt securities issued	7,964,990	6,727,520
Unaccrued interest expense	(470,161)	(628,210)
	7,494,829	6,099,310

In 2020, the Group issued TL debt securities with maturities between 1 July 2020 and 7 January 2022 (2019: 2 January 2020 and 1 September 2020). The interest rate for TL debt securities is between 0.0001%-28% (2019: 0.0001%-28.65%).

In 2020, the Group issued USD denominated debt securities with maturities between 1 July 2020 and 8 June 2022 (2019: 2 January 2020 and 8 June 2022). The interest rate for USD debt securities is between 1.20%-7.50% (2019: 2%-7.50%).

In 2020, the Group issued EUR denominated debt securities with maturities between 3 July 2020 and 5 January 2021 (2019: 2 January 2020 and 29 December 2020). The interest rate for EUR debt securities is between 0.40%-2% (2019: 0.50%-2%).

12. Provisions

	30 June 2020	31 December 2019
Provision for possible losses (*)	133,000	133,000
Vacation pay liability	5,541	4,477
Employee termination benefits	12,758	10,538
Other (**)	90,310	100,686
Total	241,609	248,701

(*) As at 30 June 2020, the accompanying consolidated statement of financial position includes a general reserve 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 2019: 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 2020***(Currency - In thousands of Turkish Lira ("TL"))***13. Fee and commission income**

	30 June 2020	30 June 2019
Remittance fee	37,534	10,782
Intermediary commissions	29,577	32,871
Financial guarantee contracts issued	14,304	9,787
Delivery fee	13,573	18,737
Commitment fee	2,570	9,666
Other	10,747	5,612
Total	108,305	87,455

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

	30 June 2020	30 June 2019
Transaction and other commission income	103,129	81,611
Revenue from sale of goods	59,290	104,912
Revenue from cash register POS	10,033	14,692
Other sales income	14,513	13,818
Total	186,965	215,033

Cost of services:

	30 June 2020	30 June 2019
Dealer commission expenses	15,913	14,671
Cost of cash register POS	3,147	873
Rent expenses	2,168	1,609
Maintenance expenses	1,385	7,772
Consultancy expenses	529	1,611
Cost of merchandises sold	-	61,089
Depreciation and amortization expenses	-	1,047
Other	8,818	8,259
Total	31,960	96,931

15. Administrative expenses

	30 June 2020	30 June 2019
Rent expenses	14,625	16,077
Taxes and dues other than on income	11,672	15,547
Consultancy expenses	8,494	4,097
Publicity expenses	8,270	11,300
Communication expenses	6,105	7,337
Maintenance expenses	5,788	6,237
Outsource expenses	5,658	5,510
Expenses on vehicles	1,890	3,502
Others	21,964	20,743
Total	84,466	90,350

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 2020***(Currency - In thousands of Turkish Lira ("TL"))***16. Other income**

	30 June 2020	30 June 2019
Gain on sale of subsidiaries	37,158	150,769
Gain on sale of assets	4,121	15,302
Asset-backed security profit sharing	89	291
Other	13,246	24,117
Total	54,614	190,479

17. Capital and reserves

	30 June 2020	31 December 2019
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 2020, all issued shares are fully paid and there are no preference shares assigned to shareholders of the Group.

Reserves*Fair value reserve*

As at 30 June 2020, 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 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.

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.

Actuarial gain/ (loss)

As per revised IAS 19, all actuarial gain or losses are recognized under other comprehensive income starting from 1 January 2013.

Special funds

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

Translation reserves

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

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 2020***(Currency - In thousands of Turkish Lira ("TL"))***18. 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 2019: 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 28,231 (30 June 2019: TL 26,785).

Balances with related parties

30 June 2020	Related party balances	Total balance	Rate %
Loans and advances to customers	2,933,030	8,658,287	33.88
Other liabilities (Customer accounts)	369,425	1,876,906	19.68
Debt securities issued	262,047	7,494,829	3.50

31 December 2019	Related party balances	Total balance	Rate %
Loans and advances to customers	2,684,379	7,568,126	35.47
Other liabilities (Customer accounts)	9,832	1,507,780	0.65
Debt securities issued	20,634	6,099,310	0.34

Off balance sheet balances with related parties

30 June 2020	Related party balances	Total balance	Rate %
Non-cash loans	612,786	1,820,827	33.65

31 December 2019	Related party balances	Total balance	Rate %
Non-cash loans	605,042	1,485,218	40.74

Transactions with related parties

	30 June 2020	30 June 2019
Interest income on loans	150,143	196,992
Fee and commission income	3,428	3,278
Other expenses	6,509	7,855

19. Commitments and contingencies

	30 June 2020	31 December 2019
Letters of guarantee	1,393,373	1,036,631
Letters of credit	129,836	155,662
Other guarantees	297,618	292,925
Total non-cash loans	1,820,827	1,485,218
Check limits	3,340	2,844
Other commitments	164,151	423,182
Total	1,988,318	1,911,244

20. Subsequent events

None.