

Türkiye Emlak Katılım Bankası
Anonim Şirketi

Financial Statements, Related Disclosures
and Independent Auditors' Review Report
Thereon as of 30 June 2019

*(Convenience translation of the review report and
financial statements and related disclosures originally issued in Turkish –
see section three Note XXIV)*



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**Convenience Translation of the Review Report Originally Prepared and Issued in
Turkish to English (See note XXIV in section three)**

**Independent Auditors' Report on Review of Unconsolidated Interim Financial
Information**

To the Board of Directors of Türkiye Emlak Katılım Bankası Anonim Şirketi

Introduction

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

Scope of Review

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



Conclusion

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

Other Matter

The unconsolidated statement of profit or loss, unconsolidated profit or loss and other comprehensive income, unconsolidated changes in shareholders' equity and unconsolidated cash flows for the six-month period ended 30 June 2018 are not subject to limited review, prepared in accordance with the Tax Procedures Law and presented in comparison with the Bank's unconsolidated financial information of the Bank for the period ended 30 June 2019.

Report on Other Legal and Regulatory Requirements Arising from Legislation

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

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


Erdal Tıkmak, SMMM
Partner
DENETÇİ

7 August 2019
İstanbul, Turkey

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED FINANCIAL REPORT
AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

Bank's headquarter address : Barbaros Mahallesi, Begonya Sk. No:9A
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Bank's phone number and facsimile : 0 (216) 266 26 26 - 0 (216) 275 25 25
Bank's website : www.emlakbank.com.tr
Electronic mail contact info : emlakbank@emlakbank.com.tr

The financial report for six months, prepared in accordance with the communiqué of Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks as regulated by Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING PRINCIPLES APPLIED IN THE RELATED PERIOD
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY REPORT

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

Mehmet Emin BİRPINAR

Chairman of the Board
of Directors

Deniz AKSU

General
Manager

Cengiz SİNANOĞLU

Assistant General Manager

Tuğba GEDİKLİ

Budget and Financial
Reporting Director

**Associate Prof. Mehmet
ERSOY**

Member of the Audit
Committee

Mehmet Ali KAHRAMAN

Member of the Audit Committee

Contact information of the personnel in charge of the addressing of questions about this financial report:

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TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

(Thousands of Turkish Lira (TL) unless otherwise stated)

SECTION ONE

General Information

I. History of the Bank including its incorporation date, initial legal status and amendments to legal status

The Bank was incorporated in Ankara 3 June 1926 with the name of Emlak ve Eytam Bankası, in accordance with instructions of Mustafa Kemal Atatürk. The aim of establishment of the Bank is to support public construction, to provide necessary loan and to protect orphan's right. The Bank had restructured on 1 September 1946 and after this date the title of the Bank had changed as Türkiye Emlak Kredi Bankası Anonim Ortaklığı. The Bank had merged with Anadolu Bankası A.Ş. and assumed the title of Türkiye Emlak Bankası A.Ş. as of 6 January 1988.

Denizcilik Bankası A.Ş. had transferred to Türkiye Emlak Bankası A.Ş. with the all of its assets and liabilities on 29 November 1992 and maritime loans were also collected at this Bank.

During the period in which the Türkiye Emlak Bankası A.Ş. operates, in addition to its banking activities has become serious brand in the construction of qualified housing projects in line with the its establishment purpose, and has produced important housing projects in many provinces of Turkey, especially in İstanbul, Ankara and İzmir. İstanbul-Ataköy, Ataşehir, Bahçeşehir, Mimaroba, Sinanoba, Ankara-Bilkent, Elvankent, Konutkent, İzmir-Gaziemir and Mavişehir projects are included in the Bank's important projects.

The Bank has entered into a restructuring process with the Law about Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bankası A.Ş. no. 4603 dated 21 November 2000, and the transition from the public law status to the status of private law has achieved.

According to BRSA's decision dated 6 July 2001, Türkiye Emlak Bankası A.Ş. was transferred to Türkiye Cumhuriyeti Ziraat Bankası A.Ş. with its assets and liabilities. In this regard, No. 4684 Certain Laws and Delegated Legislation Law Amending the Law No. 4603 and Article 2 of the Law about Türkiye Cumhuriyeti Ziraat Bank, Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. attached Provisional Article 3 of the Law (3) In accordance with the provisions of paragraph, the permission of Türkiye Emlak Katılım Bankası A.Ş. to accept deposits and perform banking operations came to an end on 6 July 2001.

The Bank's all assets including banking services, branches, deposits, and commitments and liabilities arising from and banking services were transferred to Ziraat and Halk Bank with the protocol held on 7 July 2001. From this date, the Bank's permission for banking activities and collection of deposit removed.

Board of Liquidation, Board of Directors and Board of Supervisors of the Bank had established with the extraordinary general assembly held on 14 September 2001, and liquidation process had actually started with the personnel on temporary duty sent by Türkiye Cumhuriyeti Ziraat Bankası A.Ş.. As a result of the Bank's repayment of its debts to the Treasury Department and all other debts after the end of 16 years with the Law of "Some Receivables and Re-Structuring and Certain Laws and Decree Law Amending No. 7020 with the following regulation made in the Law of Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş. and Türkiye Emlak Bank A.Ş. No. 4603, the liquidation of the Bank has been removed, as of 27 May 2017.

After the liquidation of the Bank, in the General Assembly held on 3 September 2018, the new Articles of Association approved and the status was determined as participation bank. The title of the Bank was registered as Türkiye Emlak Katılım Bankası A.Ş. on 10 September 2018.

The Bank has obtained the operating permission with the decision of the Banking Regulation and Supervision Board dated 26 February 2019 and numbered 8262 published in the Official Gazette dated 27 February 2019 and numbered 30699 and commenced operations as of 21 March 2019.

The Bank's head office is located in İstanbul and there is 1 branch of the bank as of 30 June 2019. The Bank is operating with 222 (31 December 2018: 85) staff.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

(Thousands of Turkish Lira (TL) unless otherwise stated)

II. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any

The Bank's share is TL 750.000 and 99,99% of the Bank's share are owned by Ministry of Treasury and Finance. Except by Ministry of Treasury and Finance, T. Emlak Bankası A.Ş. Emekli ve Yardım Sandığı Vakfı and 33 real person have shares amounting to TL 80,57 (full) and TL 3,38 (full), respectively.

TL 749.999 portion of the capital amounting to TL 750.000 has been paid, and TL 2.82 (full) portion has not been paid by the 33 real person.

The part of the capital belonging to the Ministry of Treasury and Finance is represented by the Ministry of Environment and Urbanization.

III. Shareholding structure, shareholders having direct or indirect, joint or individual control over the management and supervision of the Bank and the disclosures on related changes in the current year, if any

Name and Surname	Administrative Function and Responsibility	Educational Degree	Ownership Percentage(%)
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate	-
Abdullah Ertem CANTİMUR	Member of BOD	Master	-
Doç. Dr. Mehmet ERSOY	Member of BOD and Board of Supervisors	Doctorate	-
Mehmet Ali KAHRAMAN	Member of BOD and Board of Supervisors	Master	-
Mehmet Nuri YAZICI	Member of BOD	Bachelor	-
Doç. Dr. Murat BALCI	Member of BOD	Doctorate	-
Deniz AKSU	Member of BOD/General Manager	Bachelor	-
Hasan APAYDIN	Assistant General Manager Responsible for Operations	Master	-
Cengiz SİNANOĞLU	Assistant General Manager Responsible for Credits	Master	-
Savaş DİVANLIOĞLU(*)	Assistant General Manager Responsible for Investment Banking and Financial Institutions	Master	-

(*) The authority of Savaş Divanlıoğlu, who was appointed Assistant General Manager for Investment Banking & Financial Institutions pursuant to a Board of Directors resolution dated 21 February 2019, to represent and bind the Bank with his signature was published under Trade Registry announcement 123642 dated 24 July 2019.

IV. Information on the Bank's qualified shareholders

The Bank's paid in capital amounting to TL 750.000 consists of 75.000.000.000 number of shares with a nominal value of TL 0,01 (full) for each share.

Name/commercial name	Share amount	Share ratio	Paid shares	Unpaid shares
Ministry of Treasury and Finance	750.000	99,99%	750.000	-
Other	-	0.00001%	-	-

V. Summary on the Bank's service activities and field of operations

The Bank's main purpose and field of operation is to perform all kinds of banking activities, to accept funds and the execution of legal acts, acts and works in the banks' fields of activity within the Banking Law which is in force and the laws and delegated legislations which will be enacted in the future and the regulations that are related to these law.

VI. Differences between the Communiqué on Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards with respect to consolidation and short explanation about the institutions subject to full or proportional consolidation and institutions which are deducted from equity or not included in these three methods

None.

VII. The existing or potential, actual or legal obstacles on immediate transfer of equity or reimbursement of liabilities between the Bank and its subsidiaries

There is no immediate transfer of equity between the Bank and its subsidiaries.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries.

SECTION TWO

Unconsolidated interim financial statements

- I. Balance sheet (Statement of financial position)
- II. Statement of off-balance sheet
- III. Statement of profit or loss
- IV. Statement of profit or loss and other comprehensive income
- V. Statement of changes in shareholders' equity
- VI. Statement of cash flows

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

ASSETS	Note	Reviewed			Audited		
		Current Period			Prior Period (Restated)		
		30 June 2019			31 December 2018 ^(*)		
	(5 - I)	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		134.208	907.617	1.041.825	655.644	1.957	657.601
1.1 Cash and cash equivalents		23.192	174.818	198.010	655.644	1.957	657.601
1.1.1 Cash and balances with Central Bank	(1)	23.031	115.137	138.168	6	-	6
1.1.2 Banks	(2)	161	59.681	59.842	655.638	1.957	657.595
1.1.3 Money market placements		-	-	-	-	-	-
1.2 Financial assets measured at fair value through profit/loss (FVTPL)	(3)	103.273	732.799	836.072	-	-	-
1.2.1 Government Securities		103.273	732.799	836.072	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other financial assets		-	-	-	-	-	-
1.3 Financial assets measured at fair value through other comprehensive income (FVOCI)	(4)	7.659	-	7.659	-	-	-
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		7.659	-	7.659	-	-	-
1.3.3 Other financial assets		-	-	-	-	-	-
1.4 Derivative financial assets	(5)	84	-	84	-	-	-
1.4.1 Derivative Financial Assets Measured at FVTPL		84	-	84	-	-	-
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		1.513.604	1.285.598	2.799.202	-	-	-
2.1 Loans	(6)	1.513.604	230.718	1.744.322	-	-	-
2.2 Lease receivables	(8)	-	-	-	-	-	-
2.3 Measured at amortized cost	(7)	-	1.054.880	1.054.880	-	-	-
2.3.1 Government Securities		-	1.054.880	1.054.880	-	-	-
2.3.2 Other financial assets		-	-	-	-	-	-
2.4 Non-performing loans	(6)	188.340	-	188.340	188.343	-	188.343
2.5 Specific provisions (-)	(6)	188.340	-	188.340	188.343	-	188.343
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(9)	36.679	-	36.679	36.722	-	36.722
3.1 Asset Held for sale		36.679	-	36.679	36.722	-	36.722
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. OWNERSHIP INVESTMENT IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1 Associates (Net)	(10)	-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	(11)	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)	(12)	-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)		42.838	-	42.838	12.021	-	12.021
VI. INTANGIBLE ASSETS (Net)		26.958	-	26.958	20.330	-	20.330
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		26.958	-	26.958	20.330	-	20.330
VII. INVESTMENT PROPERTY (NET)	(15)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		89.061	-	89.061	89.061	-	89.061
IX. DEFERRED TAX ASSETS	(16)	98.241	-	98.241	103.538	-	103.538
X. OTHER ASSETS	(17)	215.880	15	215.895	219.525	-	219.525
TOTAL ASSETS		2.157.469	2.193.230	4.350.699	1.136.841	1.957	1.138.798

^(*) The details of the restatement of the prior period are explained in Note XXIII of Section Three.

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

LIABILITIES		Note (5 - II)	Reviewed			Audited		
			Current Period			Prior Period (Restated)		
			30 June 2019			31 December 2018 ^(*)		
			TL	FC	Total	FC	TL	Total
I.	FUNDS COLLECTED	(1)	950.390	1.124.660	2.075.050	-	-	-
II.	FUNDS BORROWED	(2)	-	9.799	9.799	-	-	-
III.	MONEY MARKET FUNDS		650	-	650	-	-	-
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE		-	-	-	-	-	-
	THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(3)	-	-	-	-	-	-
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	-	-
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII.	LEASE PAYABLES	(4)	18.668	-	18.668	-	-	-
VIII.	PROVISIONS	(6)	43.443	3.459	46.902	30.862	-	30.862
8.1	General Provisions		22.624	3.459	26.083	9.777	-	9.777
8.2	Restructuring Provisions		-	-	-	-	-	-
8.3	Reserve for Employee Benefits		3.931	-	3.931	4.462	-	4.462
8.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.5	Other Provisions		16.888	-	16.888	16.623	-	16.623
IX.	CURRENT TAX LIABILITY	(7)	6.510	-	6.510	1.714	-	1.714
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	-	-	-	-	-	-
11.1	Held for Sale Purpose		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(9)	-	1.032.512	1.032.512	-	-	-
12.1	Loans		-	1.032.512	1.032.512	-	-	-
12.2	Other Debt Instruments		-	-	-	-	-	-
XIII.	OTHER LIABILITIES		13.380	4	13.384	4.601	515	5.116
XIV.	SHAREHOLDERS' EQUITY	(11)	1.147.224	-	1.147.224	1.101.106	-	1.101.106
14.1	Paid-in capital		750.000	-	750.000	750.000	-	750.000
14.2	Capital Reserves		23.088	-	23.088	-	-	-
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserve		23.088	-	23.088	-	-	-
14.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
14.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
14.5	Profit Reserves		351.106	-	351.106	2.631.991	-	2.631.991
14.5.1	Legal Reserves		351.106	-	351.106	311.495	-	311.495
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		-	-	-	-	-	-
14.5.4	Other Profit Reserves		-	-	-	2.320.496	-	2.320.496
14.6	Income or (Loss)		23.030	-	23.030	(2.280.885)	-	(2.280.885)
14.6.1	Prior Periods' Income or (Loss)		-	-	-	(2.824.581)	-	(2.824.581)
14.6.2	Current Period Income or (Loss)		23.030	-	23.030	543.696	-	543.696
TOTAL LIABILITIES			2.180.265	2.170.434	4.350.699	1.138.283	515	1.138.798

^(*) The details of the restatement of the prior period are explained in Note XXIII of Section Three.

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

	Note (5 - III)	Reviewed Current Period 30 June 2019			Audited Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		12.442	4.187	16.629	-	-	-
I. GUARANTEES AND SURETIES	(1)	4.862	-	4.862	-	-	-
1.1. Letters of Guarantees		4.862	-	4.862	-	-	-
1.1.1. Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2. Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3. Other Letters of Guarantee		4.862	-	4.862	-	-	-
1.2. Bank Loans		-	-	-	-	-	-
1.2.1. Import Letter of Acceptances		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letter of Credits		-	-	-	-	-	-
1.3.1. Documentary Letter of Credits		-	-	-	-	-	-
1.3.2. Other Letter of Credits		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Other Guarantees		-	-	-	-	-	-
1.7. Other Collaterals		-	-	-	-	-	-
II. COMMITMENTS	(1)	6.314	3.007	9.321	-	-	-
2.1. Irrevocable Commitments		6.314	3.007	9.321	-	-	-
2.1.1. Asset Purchase and Sale Commitments		1.176	3.007	4.183	-	-	-
2.1.2. Share Capital Commitment to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3. Loan Granting Commitments		5.000	-	5.000	-	-	-
2.1.4. Securities Underwriting Commitments		-	-	-	-	-	-
2.1.5. Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6. Payment Commitment for Cheques		138	-	138	-	-	-
2.1.7. Tax And Fund Liabilities from Export Commitments		-	-	-	-	-	-
2.1.8. Commitments for Credit Card Expenditure Limits		-	-	-	-	-	-
2.1.9. Commitments for Promotions Related with Credit Cards and Banking Activities		-	-	-	-	-	-
2.1.10. Receivables From Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Other Irrevocable Commitments		-	-	-	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1.266	1.180	2.446	-	-	-
3.1. Derivative Financial Instruments for Hedging Purposes		-	-	-	-	-	-
3.1.1. Fair Value Hedge		-	-	-	-	-	-
3.1.2. Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Hedge of Net Investment in Foreign Operations		-	-	-	-	-	-
3.2. Held for Trading Transactions		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Other Forward Buy/Sell Transactions		-	-	-	-	-	-
3.3. Other		1.266	1.180	2.446	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		744	-	744	1.994	11.353	13.347
IV. ITEMS HELD IN CUSTODYs		744	-	744	1.994	11.353	13.347
4.1. Assets Under Management		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	-	-	-
4.3. Cheques Received for Collection		-	-	-	-	-	-
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		744	-	744	1.994	11.353	13.347
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		-	-	-	-	-	-
5.1. Marketable Securities		-	-	-	-	-	-
5.2. Guarantee Notes		-	-	-	-	-	-
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Properties		-	-	-	-	-	-
5.6. Other Pledged Items		-	-	-	-	-	-
5.7. Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		13.186	4.187	17.373	1.994	11.353	13.347

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF PROFIT AND LOSS		Reviewed Current Period	Unreviewed Prior Period
	Note (5 - IV)	1 January - 30 June 2019	1 January - 30 June 2018
I. PROFIT SHARE INCOME	(1)	123.088	133.074
1.1 Profit Share on Loans		73.289	-
1.2 Income Received from Reserve Deposits		452	-
1.3 Income Received from Banks		34.222	-
1.4 Income Received from Money Market Placements		-	-
1.5 Income Received from Marketable Securities Portfolio		14.401	-
1.5.1 Financial Assets at Fair Value Through Profit and Loss		5.710	-
1.5.2 Financial Assets at Fair Value through Other Comprehensive Income		-	-
1.5.3 Financial Assets Measured at Amortised Cost		8.691	-
1.6 Finance Lease Income		-	-
1.7 Other Profit Share Income		724	133.074
II. PROFIT SHARE EXPENSE	(2)	36.037	-
2.1 Expense on Profit Sharing Accounts		25.715	-
2.2 Profit Share Expense on Funds Borrowed		9.779	-
2.3 Profit Share Expense on Money Market Borrowings		2	-
2.4 Expense on Securities Issued		-	-
2.5 Lease Profit Share Expense		541	-
2.6 Other Profit Share Expenses		-	-
III. NET PROFIT SHARE INCOME (I - II)		87.051	133.074
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		(714)	-
4.1 Fees and Commissions Received		45	-
4.1.1 Non-Cash Loans		11	-
4.1.2 Other		34	-
4.2 Fees and Commissions Paid		759	-
4.2.1 Non-Cash Loans		-	-
4.2.2 Other		759	-
V. DIVIDEND INCOME	(3)	-	-
VI. NET TRADING INCOME	(4)	5.352	72.296
6.1 Capital Market Transaction Gains / (Losses)		4.538	-
6.2 Gains/ (Losses) from Derivative Financial Instruments		2.214	-
6.3 Foreign Exchange Gains / (Losses)		(1.400)	72.296
VII. OTHER OPERATING INCOME	(5)	3.278	16.221
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		94.967	221.591
IX. LOAN PROVISIONS (-)	(6)	16.306	17
X. PERSONNEL EXPENSES (-)		29.347	3.032
XI. OTHER OPERATING EXPENSES (-)	(7)	20.987	1.068
XII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		28.327	217.474
XIII. INCOME RESULTED FROM MERGERS		-	-
XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-	-
XV. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVI. PROFIT/LOSS BEFORE TAXES (XIII+...+XV)		28.327	217.474
XVII. PROVISION FOR TAXES (±)	(9)	(5.297)	(42.402)
17.1 Current Tax Provision		-	(42.402)
17.2 Deferred Tax Expense (+)		1.783	-
17.3 Deferred Tax Income (-)		7.080	-
XVIII. NETOPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)		23.030	175.072
XIX. INCOME FROM DISCONTINUED OPERATIONS		-	-
19.1 Income From Assets Held for Sale		-	-
19.2 Income From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
19.3 Income From Other Discontinued Operations		-	-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
20.1 Expenses on Assets Held for Sale		-	-
20.2 Expenses on Sale of Associates, Subsidiaries and Joint-Ventures		-	-
20.3 Expenses from Other Discontinued Operations		-	-
XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)	(9)	-	-
22.1 Current Tax Provision		-	-
22.2 Deferred Tax Expense (+)		-	-
22.3 Deferred Tax Income (-)		-	-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)		23.030	175.072
Earnings Per Share		0,00031	0,00233

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		Reviewed	Unreviewed
		Current period	Prior Period
		1 January – 30 June 2019	1 January - 30 June 2018
I.	CURRENT PERIOD PROFIT/LOSS	23.030	175.072
II.	OTHER COMPREHENSIVE INCOME	-	-
2.1	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.1	Revaluation Surplus on Tangible Assets	-	-
2.1.2	Revaluation Surplus on Intangible Assets	-	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-	-
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.1	Translation Differences	-	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-
2.2.3	Gains/losses from Cash Flow Hedges	-	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-	-
III.	TOTAL COMPREHENSIVE INCOME (I+II)	23.030	175.072

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss						
Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity
Current Period														
(1 January – 30 June 2019)														
I. Balances at Beginning Period	750.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	750.000	-	-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	543.696	1.101.106
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	23.030	23.030
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Other Changes (*)	-	-	-	23.088	-	-	-	-	-	-	-	-	-	23.088
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	(2.280.885)	2.824.581	(543.696)	-	-
11.1 Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	(2.280.885)	2.280.885	-	-	-
11.3 Others	-	-	-	-	-	-	-	-	-	-	543.696	(543.696)	-	-
Balances at end of the period (III+IV...+X+XI)	750.000	-	-	23.088	-	-	-	-	-	-	351.106	-	23.030	1.147.224

1. Tangible and Intangible Assets Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans

3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

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

6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss)

(*) Other changes include the accounting effects of the EUR 200 million (full) subordinated loan which the bank received on 24 April 2019 from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Altı Fonu as an indefinite-term, non-dividend paying addition to its core capital pursuant to BRSA approval dated 22 April 2019 and (2) of financial assets valued at their amortized cost.

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS OF 30 JUNE 2019
(Thousand of Turkish Lira (TL) unless otherwise stated)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss										
						Paid-in Capital			Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Periods' Profit/Loss
Unreviewed																			
Prior Period (1 January – 30 June 2018)																			
I.	Balances at Beginning Period					749.000		-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	-	556.410
II.	Correction made as per TAS 8						-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Corrections						-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies						-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Balances at Beginning of Period (I+II)					749.000		-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	-	556.410
IV.	Total Comprehensive Income						-	-	-	-	-	-	-	-	-	-	-	175.072	175.072
V.	Capital Increase in Cash						-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase from Internal Sources						-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Adjustments to Paid-in Capital						-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds						-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Liabilities						-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Other Changes						-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution						-	-	-	-	-	-	-	-	-	-	-	-	-
11.1	Dividends						-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves						-	-	-	-	-	-	-	-	-	-	-	-	-
11.3	Others						-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)						749.000		-	-	-	-	-	-	-	-	2.631.991	(2.824.581)	175.072	731.482

1. Tangible and Intangible Assets Revaluation Reserve

2. Accumulated Gains/Losses on Remeasurements of Defined Benefit Plans

3. Others (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will not be Reclassified to Profit or Loss)

4. Exchange Differences on Translation

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

6. Others (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income that will be Reclassified to Profit or Loss).

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
AS OF 30 JUNE 2019

(Thousand of Turkish Lira (TL) unless otherwise stated)

		Reviewed	Unreviewed
		Current Period	Prior Period
		1 January - 30 June 2019	1 January - 30 June 2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes In Operating Assets And Liabilities	38.896	102.791
1.1.1	Profit Share Income Received	100.951	6.052
1.1.2	Profit Share Expense Paid	(19.415)	-
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	45	1
1.1.5	Other Income	9.946	88.517
1.1.6	Collections from Previously Written off Loans	40	16.043
1.1.7	Payments to Personnel and Service Suppliers	(58.543)	(3.032)
1.1.8	Taxes Paid	(11.553)	(42.402)
1.1.9	Others	17.425	37.612
1.2	Changes in Operating Assets and Liabilities	(555.764)	(90.848)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value Through Profit or Loss	(832.434)	-
1.2.2	Net (Increase) Decrease in Due From Banks and Other Financial Institutions	-	-
1.2.3	Net (Increase) Decrease in Loans	(114.309)	-
1.2.4	Net (Increase) Decrease in Other Assets	(1.732.661)	(14.986)
1.2.5	Net Increase (Decrease) in Bank Deposits	14.223	-
1.2.6	Net Increase (Decrease) in Other Deposits	330.150	-
1.2.7	Net Increase (Decrease) in Financial Liabilities Measured at Financial Assets at Fair Value Through Profit or Loss	1.736.134	-
1.2.8	Net Increase (Decrease) in Funds Borrowed	10.439	-
1.2.9	Net Increase (Decrease) in Matured Payables	-	-
1.2.10	Net Increase (Decrease) in Other Liabilities	32.694	(75.862)
I.	Net Cash Flows from Banking Operations	(516.868)	11.943
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net cash flow from investing activities	(1.100.736)	7
2.1	Cash Paid For Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained From Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(33.066)	13
2.4	Disposals of Property and Equipment	101	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(7.659)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	(1.049.341)	-
2.8	Sale of Financial Assets Measured at Amortised Cost	-	-
2.9	Other	(10.771)	(6)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Flows from Financing Activities	1.050.061	-
3.1	Cash Obtained from Funds Borrowed and Securities Issued	1.026.532	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	23.088	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	441	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	2.517	72.971
V.	Net (Decrease) Increase in Cash and Cash Equivalents	(566.872)	84.921
VI.	Cash and Cash Equivalents at the Beginning of the period	654.087	459.653
VII.	Cash and Cash Equivalents at the End of the period	87.215	544.574

The accompanying explanations and notes are an integral part of these unconsolidated interim financial statements.

TÜRKİYE EMLAK KATILIM BANKASI A.Ş.
NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2019

(Thousand of Turkish Lira (TL) unless otherwise stated)

SECTION THREE

Accounting Policies

I. Explanations on basis of presentation

a. The preparation of the financial statements and related notes and explanations in accordance with the Turkish Accounting Standards and Regulation on the Principles and Procedures Regarding Banks' Accounting Application and Safeguarding of Documents

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation" which includes the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The accounting policies used and the valuation principles used in the preparation of the unconsolidated financial statements are presented in detail below.

The unconsolidated financial statements have been prepared in thousand TL, under the historical cost method except for the financial assets and liabilities measured at fair value.

The preparation of unconsolidated financial statements in conformity with BRSA Accounting and Financial Reporting Legislation requires the use of certain critical accounting estimates and assumptions by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates and assumptions include fair value calculation of financial instruments and impairment of financial assets are being reviewed regularly and, when necessary, adjustments are made and the effects of these adjustments are reflected to the statement of profit or loss.

As of 1 January 2018, the Bank has complied with TFRS 9 Financial Instruments ("TFRS 9") standard regarding the classification and measurement of financial assets and is exempt from the provision for impairment. The current period financial statements of the Bank are presented in the financial statements format applicable to banks which do not apply TFRS 9 as explained by BRSA.

The Bank has applied to the Banking Regulation and Supervision Agency in the frame of the paragraph 6 of Article 9 of the "Regulation on the Procedures and Principles for the Classification of Loans and the Provisions to be Paid for These Loans" which entered into force on 1 January 2018 to get the permission for the additional time until the preparation of the conditions that would be eligible for provision regarding to TFRS 9 instead of application of TFRS 9 and the allocate it under Article 10, 11, 13 and 15 of the Regulation. The BRSA issued a positive response to the application of the Bank on 7 May 2019, the Bank has obtained permission for the implementation of the current standard until 30 April 2020. Within the scope of this permission, TFRS 9 has not been implemented as of 30 June 2019. The Bank recognizes its specific and general provisions in accordance with the relevant articles of the Regulation.

b. Accounting policies and valuation principles applied in the presentation of financial statements

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements are determined and applied in accordance with BRSA Accounting and Financial Reporting Legislation. These accounting policies and valuation principles are explained in Notes II to XXIV below.

As of 30 June 2019, the amendments to TFRS 16 and other amendments to TAS / TFRS do not have an impact on the Bank's accounting policies, financial position or performance.

c. Restatement of the financial statements according to the current purchasing power of money

Accompanying financial statements are subjected to TAS 29 "Financial Reporting in Hyperinflationary Economies until 31 December 2004 and with regard to this the BRSA explained with its decision numbered 1623 and dated 21 April 2005 and its circular dated 28 April 2005 that the conditions for applying inflation accounting was no longer applicable and accordingly inflation accounting has not been applied in the accompanying financial statements starting from 1 January 2005.

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II. Explanations on strategy of using financial instruments and foreign currency transactions

The Bank's transactions in foreign currencies are accounted in accordance with the TAS 21 "Accounting Standard on the Effect of Changes in Foreign Currency Rates", and converted with the exchange rate ruling at the transaction date into Turkish Lira. Foreign currency assets and liabilities have been translated into Turkish Lira at the rate of exchange rates of the Bank at the balance sheet date. Gains or losses arising from foreign currency transactions and translation of foreign currency assets and liabilities are reflected in the income statement as foreign exchange gain or loss.

The portion of provisions provided for such loans belonging to profit sharing accounts are also evaluated at current foreign exchange rates.

Foreign currency loans, which are accounted for in the loans under follow-up accounts and foreign currency loans and receivables, which are provided from similar sources of the bank, are transferred to related follow-up accounts and the exchange rates are valued there and they can be tracked in Turkish Currency accounts.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial assets into Turkish Lira are included in the income statement.

There are no foreign currency differences capitalized by the Bank.

III. Explanations on forward, option contracts and derivative instruments

None (31 December 2018: None).

IV. Explanations on profit share income and expenses

Profit share income

Profit share income is accounted in accordance with the internal rate of return method, which is equal to the net present value of the future cash flows of the financial asset determined in TFRS 9 and reflected to the accrual basis.

The Bank has not applied TFRS 9 within the scope of 10th substance of article which published in Official Gazette dated 22 June 2016 and numbered 29750 entered into force as of 1 January 2018 "Regulation on the classification of loans and provisions to be reserved for them" and application to "Banking Regulation and Supervision Agency". Due to the fact that TFRS 9 is not applied, loans which are considered as non-performing loans are not subject to remeasurement and no profit share accrual or rediscount is made for them.

Profit share expense

The Bank recognizes its profit share expenses on an accrual basis. The expense accrual calculated using the unit value calculation on profit and loss sharing accounts is presented under the "Funds Collected" account in the balance sheet.

V. Explanations on fees, commission income and expenses

Other than commission income and fees and expenses for various banking services that are reflected as income/expense when collected/paid, fees and commission income and expenses are reflected to income statement depending on the term of the related transaction.

VI. Explanations on financial assets

Financial assets at the fair value through profit or loss

Financial assets at fair value through profit/loss are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and profit share at certain date; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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VI. Explanations on financial assets (continued)

Financial assets at fair value through other comprehensive income

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

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. The accumulated fair value differences that are reflected in shareholders' equity are reflected in the income statement when the stated securities are collected or disposed.

Equity instruments, which are classified as financial assets at fair value through other comprehensive income are accounted for at fair value when they are traded in an organized market and/or the fair value can be reliably measured and these financial assets are not subject to expected losses recognition.

Financial assets measured at amortized cost

Financial assets that are held for collection of contractual cash flows within the scope of business model where those cash flows represent solely payments of principal and profit share on certain dates are classified as financial assets measured at amortized cost.

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

Loans

Loans are non derivative financial assets that have fixed or determinable payments terms and are not quoted in an active market. Stated loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Effective Profit Share Rate (internal rate of return) Method".

Granted cash loans are accounted by using the relevant accounts in accordance with the principles set out in the "Uniform Chart of Accounts to be Applied by the Participation Banks" and published in the Official Gazette dated 20 September 2017 and numbered 30186.

VII. Explanations on impairment of financial assets

Loans are financial assets raised through lending without having the intention to trade in the short term.

The Bank recognizes loans and receivables at initial recognition costs and is subsequently measured at amortized cost using the effective profit share rate method.

In case of the loan portfolio is monitored at regular intervals and there are suspicions that the loans cannot be collected by the Bank's management, loans which have been considered to be problematic reclassified in accordance with the amendments to the "Communique Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" (Provisions Regulation) ". The Bank realizes classification and provision transactions in accordance with the provisions of the Provisions Regulation on the banks that not apply TFRS 9. For the cash loans classified as non-performing, specific provision is set for the remaining loan balance after deducting collateral amount, which is calculated by taking collaterals admission rates into account, and by using the rates specified in the communiqué. Provisions released in same year are recognized as a credit under the "Provision Expenses", released portion of the previous period provisions are recognized under "Other Operating Income" account Collections are accounted for under "Non-performing Loans (including collections from Doubtful Receivables)" and "Interest on Uncollectible Loans and Other Receivables" accounts. Besides the specific provisions, the Bank provided general loan loss provision for loans and other receivables in accordance with the relevant regulations. The amount of the provision is recognized by reversing the provision for the current period and the remaining amount is recorded as income from the previous year's expenses in the collection accounts.

The profit sharing accounts' portion of general and specific provisions for loans and other receivables originated from profit sharing accounts is reflected to the profit sharing accounts.

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VIII. Explanations on offsetting of financial instruments

Financial instruments are offset when the Bank has a legally enforceable right to net off the recognized amounts, and there is an intention to settle on net basis or realize the asset and settle the liability simultaneously.

IX. Explanations on sale and repurchase agreements and lending of securities

Securities subject to repurchase agreement are classified as “Financial Assets Measured at Fair Value through Profit/Loss”, “Financial Assets Measured at Fair Value through Other Comprehensive Income” and “Financial Assets Measured at Amortised Cost” according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from the related agreements are accounted under “Borrowings from Money Markets” in liabilities and expense rediscount is calculated in accordance with the difference between the sale and repurchase price is accrued over the life of the agreements using the internal rate of return method. Profit share expense on such transactions is recorded under “Profit Share Expense on Money Market Borrowings” in the statement of profit or loss.

X. Explanations on assets held for sale and discontinued operations and liabilities related to these assets

Assets held for sale (or disposal group) are measured at the lower of the carrying amount of assets and fair value less any cost to be incurred for disposal. In order to classify an asset as held for sale, the possibility of sale should be highly probable and the asset (or disposal group) should be available for immediate sale in its present condition. Highly saleable condition requires a plan designed by an appropriate level of management regarding the sale of the asset to be disposed of together with an active program for the determination of buyers as well as for the completion of the plan. Also the asset shall be actively marketed in conformity with its fair value. In addition, the sale is expected to be recognized as a completed sale within one year after the classification date and the necessary transactions and procedures to complete the plan should demonstrate the fact that there is remote possibility of making any significant changes in the plan or cancellation of the plan.

The Bank has assets that are possessed due to receivables and debtors’ obligations to the Bank and classified as assets held for sale. In the case that the Bank has not disposed of such assets within a year of receipt or failed to produce a solid plan for sale of the assets, they are reclassified as fixed assets and are amortized. The Bank transfers such assets from assets held for sale and discontinued operations to tangible assets.

A discontinued operation is a part of the Bank’s business which has been disposed of or classified as held for sale. The operating results of the discontinued operations are disclosed separately in the income statement.

XI. Explanations on goodwill and other intangible assets

Goodwill and other intangible assets are recorded at cost in accordance with TAS 38 “Turkish Accounting Standards for Intangible Assets”.

As of the 30 June 2019, there is no goodwill in the financial statements of the Bank (31 December 2018: None). The Bank’s intangible assets consist of software and intangible rights.

The costs of the intangible assets purchased before 31 December 2004 have been restated from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. Intangible assets purchased after this date have been recorded at their historical costs. Intangible assets are amortised by the Bank over their estimated economic useful lives in equal amounts on a straight-line basis. Useful lives of the Bank’s software have been determined as 3 to 4 years and other intangible assets’ useful lives have been determined as 15 years.

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

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XII. Explanations on tangible assets

The cost of the tangible assets purchased before 31 December 2004 have been restated by inflationary index from the purchasing dates to 31 December 2004, the date the hyperinflationary period is considered to be ended. The tangible assets purchased after this date are recorded at their historical costs. Tangible assets are recorded at cost less accumulated depreciation and provision for impairment, if any in compliance with the TAS 16 “Turkish Accounting Standards for Tangible Assets” in the financial statements.

There are no restrictions such as pledges, mortgages or any other restriction on tangible assets. There are no changes in the accounting estimates which are expected to have an impact in the current or subsequent periods.

Depreciation is calculated on a straight-line basis. Depreciation rates used are determined by considering the estimated economic useful life of the assets. The annual rates used are as follows:

	Depreciation Rate (%)
Computers	10-33
Furniture and equipment	20
Other moveables	7-33
Vehicles	20
Intangible assets (Rights)	7-33

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end.

Gain or loss resulting from disposals of the tangible assets is calculated as the difference between the net proceeds from the sale and the net book value of the related asset.

The repair and maintenance costs of the tangible assets are capitalized, if the expenditure increases the economic life of the asset. Other repair and maintenance costs are expensed.

XIII. Explanations on leasing transactions

The Bank has started to apply TFRS 16 Leases standard starting from 1 January 2019.

The Bank 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. TAS 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 TFRS 16 Leases Standard effective from 1 January 2019, the difference between operating leases and financial leases is eliminated and leases are presented as assets by the lessees under Tangible Assets and as liabilities under Liabilities from Leasing Transactions.

TFRS 16 introduces a single leasing accounting model for lessees. As a result, the Bank, 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.

The bank when valuing its leasing obligations, discounted its leasing payments using an alternative borrowing rate. The weighted-average rate applied is 17% for leasing agreements denominated in Turkish liras. The first time application impact of TFRS 16 are summarized below:

	1 January 2019	30 June 2019
Existence of right to use	-	19,487
Lease payables	-	18,668

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XIII. Explanations on leasing transactions (continued)

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 Bank

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 Bank applies depreciation provisions in TAS 16 Property, Plant and Equipment while depreciating the right to use assets.

The lease obligations

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank'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 Bank 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 profit share on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic profit share rate to the remaining balance of the lease liability.

XIV. Explanations on provisions and contingent liabilities

Provisions and contingent liabilities, excluding the general and specific provisions for impairment on loans, are accounted in accordance with TAS 37: "Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets".

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

A provision for contingent liabilities arising from past events should be recognized in the same period of occurrence in accordance with the cut-off principle.

A liability is recognized as a contingent liability where a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of more than one events not wholly within the control of the Bank; or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability and disclosed in the footnotes.

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XV. Explanations on liabilities regarding employee rights

i) *Defined benefit plans:*

Provision for employee severance benefits has been accounted for in accordance with TAS 19 “Employee Benefits”.

Provision for employee termination benefits is calculated at net present value of the estimated future probable obligation arising from the retirement of the employees in accordance with the Turkish Labor Law or the termination of the employee relationship by completing at least one year service, calling for military service, or in case of death.

XV. Explanations on liabilities regarding employee rights (continued)

Provision for the employees’ unused vacations has been booked in accordance with TAS 19 and reflected to the financial statements.

Some of the bank employees are members of T.C. Ziraat Bankası A.Ş. ve T. Halk Bankası A.Ş. Mensupları Emekli ve Yardım Sandığı Vakfı.

The Bank has no liabilities to these foundations (31 December 2018: None).

ii) *Defined contribution plans:*

The Bank pays defined contribution plans to publicly administered Social Security Funds for its employees. The Bank has not any further payment obligations other than this contribution share. The contributions are recognized as personnel expenses when they accrued.

iii) *Short term benefits to employees:*

In accordance with TAS 19, Bank measures the expected costs of the cumulative annual leaves as additional amounts anticipate to pay accumulated and unused rights as of reporting period.

XVI. Explanations on taxation

Current tax

The Bank is subject to tax laws and legislation effective in Turkey.

While the corporate tax rate was at the rate of 20% since 1 January 2006, such rate has been set as 22% for the tax bases of the years 2018, 2019, and 2020 based on the legislation of the Amendment on Certain Tax Laws and Other Laws no. 7061. Furthermore, the Council of Ministers has been authorized to reduce the rate of 22% down to 20%.

Dividends paid to the resident institutions are not subject to withholding tax in Turkey. Withholding tax rate on the dividend payments other than these is 15%. Appropriation of the retained earnings to capital is not considered as profit distribution and accordingly is not subject to withholding tax.

The prepaid taxes are calculated based on quarterly profits of the Bank using current rate which must be announced by the 14th day and paid by the 17th day of the second month following the taxed period. The prepaid taxes can be deducted from the annual corporate tax calculated on the annual corporate income. The remaining prepaid tax, if any after deduction, can be refunded in cash or deducted from other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and a 50% portion of the capital gains derived from the sale of immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special fund account under liability for five years.

In accordance with the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

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

Deferred tax

The Bank calculates and accounts for deferred income taxes for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”).

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XVI. Explanations on taxation (continued)

Deferred tax (continued)

Deferred tax asset is calculated on all temporary differences to the extent that is probable that taxable profit will be available and deferred tax liability is calculated for all temporary differences. Deferred tax asset and liabilities are shown in the accompanying financial statements on a net basis.

Deferred tax liabilities are calculated for all of the temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

Deferred tax is measured at enacted tax rates prevailing in the period when the assets are realized or liabilities are settled, and the tax is recorded as income or expense in the income statement. Nonetheless, if the deferred tax is related to assets directly associated with the equity in the same or different period, it is directly recognized in the equity accounts. According to a change in Corporate Tax Law, which were published in the Official Gazette dated 5 December 2017 and numbered 30261, Article 91, Corporate Tax has been increased to 22% from 20% in order to be applied to the profits of the institutions for the taxation periods of 2018, 2019 and 2020. The Bank calculates deferred taxes using related ratios considering the realization period of the temporary differences.

Transfer pricing

Transfer pricing is regulated through the article 13 of Corporate Tax Law titled “Disguised Profit Distribution by way of Transfer Pricing”. Detailed information for the practice regarding the subject is found in the “General Communiqué on Disguised Profit Distribution by way of Transfer Pricing”.

According to the related regulation, in the case of making purchase or sales of goods or services with related persons/corporations at a price that is determined against “the arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not deductible in calculation of corporate tax.

XVII. Additional explanations on borrowings

There are no debt securities issued by the Bank.

XVIII. Explanations on issued share certificates

None.

XIX. Explanations on acceptances and availed drafts

None.

XX. Explanations on government grants

None.

XXI. Explanations on segment reporting

Business segment is a component of the Bank that engages in business activities from which the Bank may earn revenues and incur expenses, whose operating results are regularly reviewed by the Bank’s chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial available.

XXII. Explanations on investments in associates, subsidiaries and joint ventures

Non-financial subsidiaries and associates (in Turkish Lira) are accounted at cost in the unconsolidated financial statements and if any, provisions for impairment losses are deducted in accordance with TAS 27.

XXIII. Explanations on other matters

As of 31 December 2018, the provision balance amounting to TL 9.777, which is classified under Expected Loss Provisions under assets section in the statement of financial position as of 31 December 2018, has been reclassified under General Provisions under the liabilities in the balance sheet as of 31 December 2018 in compliance with current period financial statements.

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XXIV. Additional paragraph for convenience translation

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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SECTION FOUR

Information on Financial Structure and Risk Management

I. Explanations on capital adequacy standard ratio

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”. As of 30 June 2019, the Bank’s total capital has been calculated as TL 2.155.777 and capital adequacy standard ratio is 114,54%. As of 31 December 2018, Bank’s total capital amounted to TL 1.085.818 and capital adequacy ratio was 268,36%. The Bank’s capital adequacy standard ratio is above the minimum ratio required by the legislation.

a. Information on capital

	Current Period	Prior Period
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	750.000	750.000
Share issue premiums	-	-
Reserves	351.106	-
Gains recognized in equity as per TAS	-	2.320.496
Profit	23.030	543.696
Current Period Profit	23.030	543.696
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	1.124.136	3.614.192
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	2.513.084
Improvement costs for operating leasing	74	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	26.958	20.330
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué related to principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	27.032	2.533.414
Total Common Equity Tier 1 Capital	1.097.104	1.080.778

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I. Explanations on capital adequacy standard ratio (continued)

a. Information on capital (continued)

	Current Period	Prior Period
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA ^(*)	1.046.258	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	1.046.258	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	2.143.362	1.080.778
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	12.415	5.040
Tier II Capital Before Deductions	12.415	5.040
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank(-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	12.415	5.040
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.155.777	1.085.818
Deductions from Total Capital		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA (-)	-	-

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I. Explanations on capital adequacy standard ratio (continued)

a. Information on capital (continued)

	Current Period	Prior Period
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Total Capital (The sum of Tier I Capital and Tier II Capital and After The Deductions from Total Capital)	2.155.777	1.085.818
Total Risk Weighted Amounts	1.882.197	404.609
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	58,29	267,12
Tier 1 Capital Adequacy Ratio (%)	113,88	267,12
Capital Adequacy Ratio (%)	114,54	268,36
BUFFERS		
Total buffer requirement (a+b+c)	2,50	1,88
a) Capital conservation buffer requirement (%)	2,50	1,88
b) Bank specific counter-cyclical buffer requirement (%)	-	-
c) Systemic important bank buffer ratio (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	53,79	260,36
Amounts Lower Than Excesses as per Deduction Rules		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Limits related to provisions considered in Tier II calculation	-	-
Amount arising from deferred tax assets based on temporary differences	98.241	103.538
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	12.415	9.777
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	12.415	5.040
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) Pursuant to BRSA approval dated 22 April 2019, on 24 April 2019 the bank received a EUR 200 million (full) subordinated loan as an indefinite-term, non-dividend paying addition to its core capital from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu.

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I. Explanations on capital adequacy standard ratio (continued)

b. Details on subordinated liabilities

Issuer	Türkiye Varlık Fonu Piyasa İstikrar Ve Denge Alt Fonu
Unique Identifier (CUSIP, ISIN etc.)	TRT240424F22
Governing Law(s) of the Instrument	Regulation on Equity of Banks
Special Consideration in the Calculation of Equity	
As of 1 January 2015 consideration to be subject to a 10% reduction application status	No
Eligible at Unconsolidated/Consolidated	Unconsolidated/Consolidated
Instrument Type	Subordinated Loan
Amount recognized in regulatory capital (as of most recent reporting date)	1.046.258
Par Value of Instrument	1.310.942
Accounting Classification	Subordinated Loan
Original date of Issuance	24.04.2019
Perpetual or dated	Undated
Maturity date	-
Issuer call subject to prior supervisory (BRSA) approval	Yes
Optional call date, contingent call dates and redemption amount	Last Payment Date: 24.05.2024
Subsequent call dates	Total Repayment Amount: EUR 200 million (full)
Profit Share/Dividends	
Fixed or floating profit share/dividend	-
Profit share rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Optional
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	Noncumulative
Convertible or Non-convertible	
If convertible, conversion trigger	As per BRSA regulations and Communiqués it is convertible
If convertible, fully or partially	
	As per BRSA approval, it is convertible and the rate may be determined.
If convertible, conversion rate	Subject to BRSA's approval.
If convertible, mandatory or optional conversion	Share certificate
If convertible, specify instrument type convertible into	
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	Non-sustainability-The ratio of Core Capital to below 5,125%
If write-down, full or partial	At least to ensure that the core capital ratio exceeds 5,125%
If write down, permanent or temporary	Permanent and Temporary
	In case of the ratio of core capital is 5,125%
If temporary write-down, description of write-up mechanism	
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After all creditors and participation fund owners
In compliance with article number 7 and 8 of "Own fund regulation"	No
Details of incompliance with article number 7 and 8 of "Own fund regulation"	No

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I. Explanations on capital adequacy standard ratio (continued)

b. Information on capital

The difference between Total Capital and Equity in the unconsolidated balance sheet mainly arises from Stage 1 and Stage 2 expected credit losses, debt instruments, and share issue premiums deemed suitable by the BRSA. In the calculation of Total Capital, Stage 1 and Stage 2 expected credit losses up to 1,25% of the credit risk is taken into consideration as Tier II Capital. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

II. Explanations on credit risk

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

III. Explanations on currency risk of the Bank

Foreign currency risk arises from the Bank's possible exposure to the changes in foreign currencies.

- a.** The Bank is exposed to currency risks as a market risk and tries to balance the currency risks by avoiding to keep any long or short positions. The currency risk of the Bank is monitored on a daily basis. Net foreign currency position/shareholders' equity ratio is also controlled on a daily basis. All foreign currency assets, liabilities and foreign currency forward transactions are taken into consideration while capital requirement to be employed for foreign currency risk is calculated. Standard Method used in legal reporting and amount subject to risk is calculated on a monthly basis.
- b.** The Bank does not have any derivative financial instruments held for hedging purposes.
- c.** As a result of the uncertainty and volatility in the markets, foreign currency position is kept at a balance, and accordingly, no currency risk is anticipated. The Bank takes necessary measures to keep the currency risk at a minimum level.
- d.** Foreign exchange buying rates of the last five working days before the balance sheet date as publicly announced by the Bank are as follows:

	USD	EUR
Balance sheet evaluation rate	5,7582	6,5547
28 June 2019	5,7582	6,5547
27 June 2019	5,7684	6,5577
26 June 2019	5,7692	6,5551
25 June 2019	5,7923	6,5970
24 June 2019	5,7560	6,5547

- e.** The simple arithmetical average of the major foreign exchange buying rates of the Bank for the thirty days before the balance sheet date is TL 5,8193 for 1 USD (December 2018: TL 5,2995), TL 6,5631 for 1 EUR (December 2018: TL 6,0319).

The Bank is mainly exposed to EUR and USD currency risks.

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III. Explanations on currency risk (continued)

Information on currency risk of the Bank

	EUR	USD	Other FC	Total
Current Period				
Assets				
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey.	87.293	27.397	447	115.137
Banks	49.271	10.302	108	59.681
Financial Assets At Fair Value Through Profit And Loss	553.510	167.957	11.332	732.799
Money market placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans	203.620	27.098	-	230.718
Subsidiaries, Associates And Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	1.054.880	-	-	1.054.880
Derivative financial assets for hedging purposes	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	15	-	-	15
Total Assets	1.948.589	232.754	11.887	2.193.230
Liabilities				
Current account and funds collected from banks via participation accounts	892.678	220.109	11.873	1.124.660
Other current and profit sharing accounts	-	-	-	-
Money Market Borrowings	-	-	-	-
Funds provided from other financial institutions and subordinated loans	1.032.512	9.799	-	1.042.311
Marketable securities issued	-	-	-	-
Miscellaneous payables	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other Liabilities	3.053	410	-	3.463
Total Liabilities	1.928.243	230.318	11.873	2.170.434
Net balance sheet position	20.346	2.436	14	22.796
Net off balance sheet position	(2.032)	205	-	(1.827)
Derivative financial instruments assets	-	1.180	-	1.180
Derivative financial instruments liabilities	2.032	975	-	3.007
Non-cash loans	-	-	-	-
Prior Period				
Total Assets	50	1.907	-	1.957
Total Liabilities	-	515	-	515
Net balance sheet position	50	1.392	-	1.442
Net balance sheet position	-	-	-	-
Derivative financial instruments assets	-	-	-	-
Derivative financial instruments liabilities	-	-	-	-
Non-cash loans	-	-	-	-

(*) Non-cash loans are not included in the foreign currency position accounts.

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IV. Explanations on position risk of equity securities in banking book

None (31 December 2018: None).

V. Explanations on liquidity risk

Liquidity Risk is managed by Asset and Liability Committee (“ALCO”) in line with risk management policies and risk appetite approved by the Board of Directors in order to take the necessary measures in a timely and correct manner against possible liquidity shortages that may result from market conditions and balance sheet structure of the Bank. Under stressed conditions, liquidity risk is managed within the Contingency Funding Plan framework.

The Board of Directors reviews the liquidity risk management strategy, policy and practices and approves the liquidity strategy and policies within the framework of risk management strategy and policies, ensures the effective of practice of policies and integrations with Bank’s risk management strategy. The Board of Directors determines the basic metrics in liquidity risk measurement and monitoring. The Board of Directors establishes risk appetite of the Bank in liquidity risk management and identifies the risk limits in accordance with the risk appetite and reviews it regularly.

ALCO takes necessary decisions which will be executed by related departments by assessing the liquidity risk that the Bank is exposed to and considering the Bank’s strategy and conditions of competition and pursues the implementations.

The liquidity structure is evaluated in the framework of ALCO decisions for liquidity management and a placement strategy is developed. Liquidity risk management strategy is determined by considering both normal economic conditions and stress conditions

Risk Management Presidency, liquidity risk; periodically reports to the relevant unit, the relevant committee and the senior management with the methods of measurement of liquidity risk in compliance with the standards. It manages liquidity risk in accordance with the Bank's portfolio, strategic plans and policies and legal limits, and informs and coordinates the relevant parties on time. In accordance with the market conditions and the Bank's structure, the relevant liquidity risk measurement methods establish, assumptions and parameters used in liquidity risk analyzes are reviewed. Liquidity risk analyzes and important liquidity indicators are regularly reported to senior management. In the stress conditions are carried out in the framework of “Emergency Funding Plan”.

The Bank's high level management to determine management strategies for liquidity risk;

- follows obligations arising from domestic and foreign currencies,
- determine the concentration risks of placements,
- actively follows funding sources,
- consider the portfolio diversity,
- follow up the fund flows related to assets and liabilities depending on the maturities.

Market conditions are continuously follow and access problems for the bank's fund requirements are analyzed and the impact of sudden changes in fund sources is evaluated. Liquidity adequacy is measured by applying stress test to the factors affecting liquidity. Liquidity Risk Stress Test analyzes the compliance of the Bank's cash flow capacity to the cash flow capacity within the framework of the specified scenarios. The scenarios needed for stress tests are based on the changing balance sheet structure. The results are taken into consideration in determining the policies related to liquidity risk and in the preparation of an emergency action plan.

For the purpose of reducing the liquidity risk that the Bank may be exposed to compliance with the strategies implemented (monitoring of concentration, diversification of funding sources, high quality liquid assets, etc.) is monitored effectively by the senior management of the Bank taking into account legal and prudential limits. For non-mitigation risks, acceptance of the current risk level, reducing or terminating the risk-causing activity are evaluated.

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V. Explanations on liquidity risk (continued)

Liquidity coverage ratio

		Rate of “Percentage to be taken into account” not Implemented Total value ⁽¹⁾		Rate of “Percentage to be taken into account” Implemented Total value ⁽¹⁾	
	Current Period	TL+FC	FC	TL+FC	FC
	HIGH QUALITY LIQUID ASSETS (HQLA)				
1	HIGH QUALITY LIQUID ASSETS			1.409.628	1.363.194
	CASH OUTFLOWS				
2	Retail and Small Business Funds Collected	19.267	4.817	1.789	482
3	Stable Funds Collected	2.752	-	138	-
4	Less stable Funds Collected	16.515	4.817	1.651	482
5	Unsecured Funding other than Retail and Small	606.239	319.698	321.904	197.461
6	Operational Funds Collected	-	-	-	-
7	Non-Operational Funds Collected	597.224	316.881	312.889	194.644
8	Other Unsecured Funding	9.015	2.817	9.015	2.817
9	Secured funding			-	-
10	Other Cash Outflows	13.140	9.812	13.140	9.812
11	Liquidity needs related to derivatives and market valuation changes on derivatives transactions	13.140	9.812	13.140	9.812
12	Debts related to the structured financial products	-	-	-	-
13	Commitment related to debts to financial markets and other off balance sheet liabilities	-	-	-	-
14	Commitments that are unconditionally revocable at any time by the Bank and other contractual commitments	-	-	-	-
15	Other irrevocable or conditionally revocable commitments	3.811	38	1.688	38
16	TOTAL CASH OUTFLOWS			338.521	207.793
	CASH INFLOWS				
17	Secured Lending Transactions	-	-	-	-
18	Unsecured Lending Transactions	1.098.025	50.604	1.094.991	49.527
19	Other contractual cash inflows	34.423	24.817	34.423	24.817
20	TOTAL CASH INFLOWS	1.132.448	75.421	1.129.414	74.344
				Upper limit applied amounts	
21	TOTAL HQLA			1.409.628	1.363.194
22	TOTAL NET CASH OUTFLOWS			84.630	133.449
23	Liquidity Coverage Ratio (%)			1.665,63	1.021,51

⁽¹⁾ Average of the last three months liquidity coverage ratios calculated considering weekly simple arithmetic averages.

As per “Regulation on Liquidity Coverage Ratio Calculation” published in the Official Gazette numbered 28948, dated 21 March 2014, the dates on which the minimum and maximum liquidity coverage ratios have been calculated for the last three months are as follows:

Liquidity Coverage Ratio (%)	Current Period	
	TL+FC	FC
Lowest	118,79	174,96
Date	2 April 2019	1 April 2019
Highest	4.196,77	2.920,92
Date	17 May 2019	9 May 2019
Average	1.668,81	1.023,69

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V. Explanations on liquidity risk (continued)

Liquidity coverage ratio (continued)

Liquidity coverage ratio is calculated by comparing the high quality liquid assets owned by the Bank to net cash outflow in 30 days maturity. Balance sheet accounts that are significant on the ratio can be listed as reserve requirements maintained at CBRT, marketable securities that are not subject to repurchase agreements or not given as collateral, banks receivables, funds collected, funds borrowed. The effect of these accounts on the liquidity coverage ratio is higher than other accounts, since these accounts have a higher share in liquid assets and net cash outflows.

High quality liquid assets consist of cash, deposits in central banks and securities considered as high quality liquid assets. Reserve deposits are included in high quality liquid assets, limited by the amount that is allowed by central bank to use in liquidity shortages. The Bank's high quality liquid assets are composed of 0,05% cash, 3,55% deposits in central banks and 96,40% securities considered as high quality liquid assets.

The Bank's main funding sources are funds collected, funds borrowed, borrowings from money market and subordinated loans. Funding source composition in report date is 66,55% funds collected, 33,11% funds borrowed, borrowings from money market and subordinated loans and 0,34% other funding sources.

Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Unallocated	Total
Current Period								
Assets								
Cash (cash in vault, foreign currency, money in transit, cheques purchased) and balances with the Central Bank of Republic of Turkey	138.168	-	-	-	-	-	-	138.168
Banks	59.842	-	-	-	-	-	-	59.842
Financial Assets at Fair Value Through Profit and Loss	649	-	-	492.737	340.020	2.666	-	836.072
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	-	-	7.659	7.659
Loans	-	1.038.412	1.213	206.587	498.110	-	-	1.744.322
Financial Assets Measured at Amortised Cost	-	-	-	-	1.054.880	-	-	1.054.880
Other Assets ⁽¹⁾	-	-	-	-	-	-	509.756	509.756
Total Assets	198.659	1.038.412	1.213	699.324	1.893.010	2.666	517.415	4.350.699
Liabilities								
Current account and funds collected from banks via participation accounts	-	-	330.150	-	-	-	-	330.150
Other current and profit sharing accounts	159.915	11.098	1.473.925	99.838	124	-	-	1.744.900
Funds provided from other financial institutions and subordinated loans	-	-	-	-	1.032.512	-	-	1.032.512
Funds borrowed	-	9.799	-	-	-	-	-	9.799
Money Market Borrowings	650	-	-	-	-	-	-	650
Marketable securities issued	-	-	-	-	-	-	-	-
Other liabilities	-	16.888	-	-	-	-	1.215.800	1.232.688
Total liabilities	160.565	37.785	1.804.075	99.838	1.032.636	-	1.215.800	4.350.699
Liquidity Gap	38.094	1.000.627	(1.802.862)	599.486	860.374	2.666	(698.385)	-
Net Off-balance sheet Position								
Financial Derivative Assets	2.446	-	-	-	-	-	-	2.446
Financial Derivative Liabilities	4.183	-	-	-	-	-	-	4.183
Non-cash Loans	1.012	-	-	3.850	-	-	-	4.862
Prior Period								
Total Assets	6	657.595	-	-	-	-	481.197	1.138.798
Total Liabilities	-	-	-	-	-	-	1.138.798	1.138.798
Liquidity Gap	6	657.595	-	-	-	-	(657.601)	-
Net Off-balance sheet Position								
Financial Derivative Assets	-	-	-	-	-	-	-	-
Financial Derivative Liabilities	-	-	-	-	-	-	-	-
Non-cash Loans	-	-	-	-	-	-	-	-

⁽¹⁾ Unallocated other assets column consist of assets held for sale, investment in associates, tangible and intangible assets, current and deferred tax assets and other assets.

⁽²⁾ Unallocated other liabilities column consists of equity and provision balances.

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VI. Explanations on Leverage Ratio

As of 30 June 2019, leverage ratio of the Bank calculated from the arithmetic average of the last three months is 61,49%. Leverage ratio is required to remain minimum 3% as per “Communiqué on Measurement and Evaluation for Leverage Ratios of Banks”.

	Current Period⁽¹⁾
Balance sheet assets	
1 Balance sheet assets (except for derivative financial instruments and credit derivatives, including warranties)	3.793.201
2 (Assets deducted from main capital)	26.520
3 Total risk related to balance sheet assets (1+2)	3.766.681
Derivative financial instruments and credit derivatives	
4 Replacement cost of derivative financial instruments and credit derivatives	-
5 Potential credit risk amount of derivative financial assets and credit derivatives	492
6 Total risk amount of derivative financial instruments and credit derivatives (4 +5)	492
Security or secured financing transactions	
7 Risk amount of security or secured financing transactions (except balance sheet)	-
8 Risk amount due to intermediated transactions	-
9 Total risk of security or secured financing transactions (7+8)	-
Off-balance sheet transactions	
10 Gross nominal amount of off-balance sheet transactions	11.524
11 (Adjustment amount resulting from multiplying by credit conversion rates)	-
12 Total risk due to off-balance sheet transactions (10+11)	11.524
Equity and total risk	
13 Main capital	2.323.373
14 Total risk amount (3+6+9+12)	3.778.697
Leverage ratio	
15 Leverage ratio (%)	61,49

(1) Table represents three months average amounts.

VII. Explanations on Presentation of Financial Assets and Liabilities at Fair Value

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VIII. Explanations Regarding the Activities Carried Out on Behalf and Account of Other Persons

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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IX. Explanations on Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to Public by Banks, promulgated in the Official Gazette, No. 29511, dated 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for credit risk in the calculation of capital adequacy by the Bank, tables required by Internal Rating Based approach (“IRB”) are not presented.

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

-RWA flow statements of credit risk exposures under IRB

-RWA flow statements of market risk exposures under an IMA

a Risk management strategy and weighted amounts

a.1 Risk management strategy

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

a.2 Risk weighted amounts

		Risk weighted amount		Minimum capital requirement
		Current period	Prior period	Current period
1	Credit risk (excluding counterparty credit risk)	1.635.966	403.166	130.877
2	Standard approach	1.635.966	403.166	130.877
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	28	-	2
5	Standard approach for counterparty credit risk	28	-	2
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies –look-through approach	-	-	-
9	Investments made in collective investment companies-mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings based approach (RBA)	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/Simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	246.203	1.443	19.696
17	Standard approach	246.203	1.443	19.696
18	Internal model approaches	-	-	-
19	Operational risk	-	-	-
20	Basic indicator approach	-	-	-
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	1.882.197	404.609	150.575

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IX. Explanations on Risk Management (continued)

b. Financial statements and regulatory exposures reconciliation

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

c. Credit risk

c.1 General information on credit risk

c.1.1 General qualitative information on credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

c.1.2 Credit quality of assets

Current Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	188.340	1.744.322	214.423	1.718.239
2 Debt securities	-	1.054.880	-	1.054.880
3 Off-balance sheet exposures	-	12.085	-	12.085
4 Total	188.340	2.811.287	214.423	2.785.204

Prior Period	Gross carrying value in financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/ amortisation and impairments	Net values
	Defaulted	Non-defaulted		
1 Loans	188.343	-	188.343	-
2 Debt securities	-	-	-	-
3 Off-balance sheet exposures	-	-	-	-
4 Total	188.343	-	188.343	-

c.1.3. Changes in stock of default loans and debt securities

	Current Period
1 Defaulted loans and debt securities at end of the previous reporting period	188.343
2 Loans and debt securities that have defaulted since the last reporting period	-
3 Receivables back to non-defaulted status	-
4 Amounts written off	-
5 Other changes	(3)
6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	188.340

c.1.4 Additional information on credit quality of assets

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

c.2 Credit risk mitigation

c.2.1 Qualitative disclosure on credit risk mitigation techniques

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

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IX. Explanations on Risk Management (continued)

c.2.2. Credit risk mitigation techniques

Current Period	Exposures unsecured: carrying amount as pes TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	1.718.239	-	-	-	-	-	-
2 Dept securities	1.054.880	-	-	-	-	-	-
3 Total	2.773.119	-	-	-	-	-	-
4 Of which defaulted	188.340	-	-	-	-	-	-

c.3. Credit risk under standardised approach

c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

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IX. Explanations on Risk Management (continued)

c.3.1. Qualitative disclosures on banks' use of external credit ratings under the standardised approach for credit risk

Not prepared in compliance with the "Regulation on Calculation of Risk Management Disclosures".

c.3.2. Credit risk exposure and credit risk mitigation techniques

Current Period		Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Risk classes							
1	Receivables from central governments or central banks	1.179.919	-	1.179.919	-	523.099	-
2	Receivables from regional or local governments	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from International organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	1.089.581	-	856.612	-	195.619	23
7	Receivables from corporates	713.290	8.380	610.541	2.648	613.178	100
8	Retail receivables	908	1.620	462	804	950	75
9	Receivables secured by mortgages on property	-	-	-	-	-	-
10	Receivables secured by mortgages on commercial property	401	-	401	-	140	35
11	Past due receivables	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	521.755	-	521.755	-	302.980	58
17	Equity share investments	-	-	-	-	-	-
18	Total	3.505.854	10.000	3.169.690	3.452	1.635.966	52

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IX. Explanations on Risk Management (continued)

c.3.2. Credit risk exposure and credit risk mitigation techniques

Prior Period	Risk classes	Exposures before Credit Conversion Rate and Credit Risk Mitigation		Credit Risk Mitigation and Exposures post-Credit Conversion Rate		Risk Weighted Average and Risk Weighted Average Density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Receivables from central governments or central banks	-	-	-	-	-	-
2	Receivables from regional or local governments	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-
5	Receivables from International organizations	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	654.081	-	652.124	-	131.404	20
7	Receivables from corporates	11.214	-	11.214	-	11.214	100
8	Retail receivables	1	-	1	-	-	-
9	Receivables secured by mortgages on property	-	-	-	-	-	-
10	Receivables secured by mortgages on commercial property	-	-	-	-	-	-
11	Past due receivables	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-
16	Other receivables	473.502	-	473.502	-	260.548	55
17	Equity share investments	-	-	-	-	-	-
18	Total	1.138.798	-	1.138.798	-	403.166	35

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IX. Explanations on risk management (continued)

c.3.3 Exposures by asset classes and risk weights

	Current Period				35% secured by							Total risk amount
	Risk Classes/Risk Weighted	0%	10%	20%	Property mortgage	50%	75%	100%	150%	200%	Others	(post-CCF and CRM)
1	Receivables from central governments or central banks	133.722	-	-	-	1.046.197	-	-	-	-	-	1.179.919
2	Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	775.623	-	80.989	-	-	-	-	-	856.612
7	Receivables from corporates	12	-	-	-	-	-	613.177	-	-	-	613.189
8	Retail receivables	-	-	-	-	-	1.266	-	-	-	-	1.266
9	Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-	-
10	Receivables secured by mortgages on commercial property	-	-	-	401	-	-	-	-	-	-	401
11	Past due receivables	-	-	-	-	-	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	218.773	-	-	-	-	-	302.982	-	-	-	521.755
17	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
18	Total	352.507	-	775.623	401	1.127.186	1.266	916.159	-	-	-	3.173.142

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IX. Explanations on risk management (continued)

c.3.3 Exposures by asset classes and risk weights

	Current Period				35% secured by							Total risk amount
	Risk Classes/Risk Weighted	0%	10%	20%	Property	50%	75%	100%	150%	200%	Others	(post-CCF and CRM)
					mortgage							
1	Receivables from central governments or central banks	-	-	-	-	-	-	-	-	-	-	-
2	Receivables from regional or local governments	-	-	-	-	-	-	-	-	-	-	-
3	Receivables from administrative units and non-commercial enterprises	-	-	-	-	-	-	-	-	-	-	-
4	Receivables from multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
5	Receivables from international organizations	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from banks and brokerage houses	-	-	652.124	-	1.957	-	-	-	-	-	654.081
7	Receivables from corporates	-	-	-	-	-	-	11.214	-	-	-	11.214
8	Retail receivables	-	-	-	-	-	1	-	-	-	-	1
9	Receivables secured by mortgages on property	-	-	-	-	-	-	-	-	-	-	-
10	Receivables secured by mortgages on commercial property	-	-	-	-	-	-	-	-	-	-	-
11	Past due receivables	-	-	-	-	-	-	-	-	-	-	-
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-	-	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables from banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
15	Investments similar to collective investment funds	-	-	-	-	-	-	-	-	-	-	-
16	Other receivables	212.954	-	-	-	-	-	260.548	-	-	-	473.502
17	Equity share investments	-	-	-	-	-	-	-	-	-	-	-
18	Total	212.954	-	652.124	-	1.957	1	271.762	-	-	-	1.138.798

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IX. Explanations on risk management (continued)

d. Counterparty credit risk

d.1. Qualitative disclosure on counterparty credit risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

d.2. Counterparty credit risk (CCR) approach analysis

Current Period		Replacement cost	Potential Future exposure	EBPRT ^(*)	Alpha used for computing regulatory exposure at default	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	79	40			119	28
2	Internal Model Method (for repo transactions, Securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					-	-
6	Total						28

(*) Effective Expected Positive Exposure

None (31 December 2018: None).

d.3. Capital requirement for credit valuation adjustment (CVA):

None (31 December 2018: None).

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IX. Explanations on risk management (continued)

d.4. CCR exposures by risk class and risk weights (continued)

Risk Classes	Current Period									Total credit exposure(*)
	Risk Weighted	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from central governments or central banks		6	-	-	-	-	-	-	-	6
Receivables from regional or local governments		-	-	-	-	-	-	-	-	-
Receivables from administrative units and non-commercial enterprises		-	-	-	-	-	-	-	-	-
Receivables from multilateral development banks		-	-	-	-	-	-	-	-	-
Receivables from international organizations		-	-	-	-	-	-	-	-	-
Receivables from banks and brokerage houses		-	-	96	17	-	-	-	-	113
Receivables from corporates		-	-	-	-	-	-	-	-	-
Retail receivables		-	-	-	-	-	-	-	-	-
Receivables secured by mortgages on property		-	-	-	-	-	-	-	-	-
Past due receivables		-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA		-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages		-	-	-	-	-	-	-	-	-
Securitisation positions		-	-	-	-	-	-	-	-	-
Short-term receivables from banks, brokerage houses and corporates		-	-	-	-	-	-	-	-	-
Investments similar to collective investment funds		-	-	-	-	-	-	-	-	-
Equity share investments		-	-	-	-	-	-	-	-	-
Other receivables		-	-	-	-	-	-	-	-	-
Other assets		-	-	-	-	-	-	-	-	-
Total		6	-	96	17	-	-	-	-	119

(*) Total credit risk represents the amount relating to CAR calculation after application of counterparty risk measurement techniques.

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IX. Explanations on risk management (continued)

d.5. Collaterals for CCR

The Bank does not have any collaterals for CCR (31 December 2018: None).

d.6. Information on the risks of the Bank arising from purchased or sold credit derivatives

The Bank does not have any risks arising from purchased or sold credit derivatives (31 December 2018: None).

d.7. Information on risks of the Bank arising from central counterparty

The Bank does not have any risks arising from central counterparty (31 December 2018: None).

e. Information to be announced to public on Securitization

There is not any information to be announced to public on securitization (31 December 2018: None).

f. Market risk

f.1. Qualitative disclosure on market risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

f.2 Market risk under standardised approach

	Current Period	Prior Period
	RAT	RAT
Outright products^(*)		
1 Profit rate risk (general and specific)	221.037	-
2 Equity risk (general and specific)	-	-
3 Foreign exchange risk	25.166	1.443
4 Commodity risk	-	-
Optionsr		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	246.203	1.443

(*) Outright products refer to positions in products that are not optional.

f. Operational risk

Not prepared in compliance with the “Regulation on Calculation of Risk Management Disclosures”.

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X. Explanations on Operating Segments

The Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Current period	Retail banking	Corporate and Commercial Banking	Treasury	Unallocated	Total
Operating income	-	-	128.485	3.278	131.763
Operating expense	-	25.715	10.538	67.183	103.436
Profit before tax	-	(25.715)	117.947	(63.905)	28.327
Tax provision	-	-	-	5.297	5.297
Net profit/loss	-	(25.715)	117.947	(69.202)	23.030
Total assets	-	41.165	3.799.862	509.672	4.350.699
Total liabilities	20.745	2.054.305	1.042.311	1.233.338	4.350.699

The Bank received permission to operate in accordance with the Banking Regulation and Supervision Agency's dated 26 February 2019 and numbered 8262 decision which published in dated 27 February 2019 and numbered 30699 Official Gazette and started operations as of 21 March 2019. As a consequence of Bank started Banking operations as of 21 March 2019, no explanations related to the operation segments for the previous period were presented.

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SECTION FIVE

Explanations and notes on the unconsolidated financial statements

I. Explanations and notes related to assets

1. a. Cash and balances with the Central Bank of Republic of Turkey (CBRT)

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign currency	103	3.894	6	-
CBRT	22.928	110.802	-	-
Other	-	441	-	-
Total	23.031	115.137	6	-

b. Information related to CBRT

	Current period		Prior period	
	TL	FC	TL	FC
Unrestricted demand deposit	22.928	8	-	-
Unrestricted time deposit	-	-	-	-
Restricted time deposit	-	110.794	-	-
Total	22.928	110.802	-	-

The Bank has obtained the operating license as of 27 February 2019 and has started to perform its banking activities as of 21 March 2019 therefore as of 30 June 2019, there is no reserve balance (31 December 2018: None).

2. Information about banks

	Current period		Prior period	
	TL	FC	TL	FC
Banks				
Domestic	161	59.668	655.638	1.957
Foreign	-	13	-	-
Foreign head Office and branches	-	-	-	-
Total	161	59.681	655.638	1.957

3. Financial assets measured at fair value through profit or loss

a. Financial assets subject to repurchase agreements and provided as collateral/blocked

As of 30 June 2019, the nominal amount subject to repurchase agreements is TL 649 (31 December 2018: None).

As of 30 June 2019, there is not any amount subject to blocked/guaranteed (31 December 2018: None).

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I. Explanations and notes related to assets (continued)

3. Information on financial assets measured at fair value through other comprehensive income

b. Information on financial assets measured at fair value through other comprehensive income

	Current Period	Prior Period
Debt securities	837.074	-
Quoted on a stock exchange	620.313	-
Unquoted	216.761	-
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment provision (-)	(1.002)	-
Total	836.072	-

4. Financial assets measured at fair value through other comprehensive income

a. Information on financial assets measured at fair value through other comprehensive income subject to repurchase transactions, given as a guarantee or blocked

None (31 December 2018: None).

b. Information on financial assets measured at fair value through other comprehensive income

	Current period	Prior period
Debt securities	-	-
Quoted in stock exchange	-	-
Not quoted in stock exchange	-	-
Share certificates	7.659	-
Quoted in stock exchange	-	-
Not quoted in stock exchange	7.659	-
Impairment provision (-)	-	-
Total	7.659	-

5. Information on derivative financial assets

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	-	-	-	-
Swap Transactions	84	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	84	-	-	-

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I. Explanations and Notes Related to Assets (continued)

6. Information on loans

a. Information on all types of loans and advances given to shareholders and employees of the Bank

None (31 December 2018: None).

b. Information on standard loans and loans under close monitoring including restructured or rescheduled Loans

Cash loans Current period	Standard loans	Loans under close monitoring		
		Not under the scope of restructuring or rescheduling	Restructured	
			Amendments to terms or contracts	Refinancing
Loans	1.744.322	-	-	-
Export loans	-	-	-	-
Import loans	-	-	-	-
Business loans	650.206	-	-	-
Consumer loans	-	-	-	-
Credit cards	-	-	-	-
Loans given to financial sector	1.029.739	-	-	-
Other	64.377	-	-	-
Other receivables	-	-	-	-
Total	1.744.322	-	-	-

As of 30 June 2019, there is not any amount subject to loans under close monitoring (31 December 2018: None).

c. Maturity analysis of cash loans

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

d. Information on consumer loans, retail credit cards, loans given to personnel and personnel credit cards

None (31 December 2018: None)

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I. Explanations and Notes Related to Assets (continued)

6. Information on loans (continued)

e. Information on commercial loans with installments and corporate credit cards

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TL	880	40.281	41.161
Business loans	-	-	-
Vehicle loans	880	40.281	41.161
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans-FC indexed	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment Loans-FC	-	-	-
Business loans	-	-	-
Vehicle loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Corporate credit cards-FC	-	-	-
With installment	-	-	-
Without installment	-	-	-
Overdraft account-TL (Legal Entity)	-	-	-
Overdraft account-FC (Legal Entity)	-	-	-
Total	880	40.281	41.161

(31 December 2018: None).

f. Allocation of loans by customers

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

g. Breakdown of domestic and foreign loans

	Current period	Prior period
Domestic loans	1.744.322	-
Foreign loans	-	-
Total	1.744.322	-

h. Loans granted to subsidiaries and associates

None (31 December 2018: None).

j. Specific provisions for loans

	Current Period	Prior Period
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	188.340	188.343
Total	188.340	188.343

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I. Explanations and Notes Related to Assets (continued)

6. Information on loans (continued)

k.1 Non-performing loans and receivables which are restructured or rescheduled

None (31 December 2018: None).

k.2. Movements of total non-performing loans

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Closing balance of prior period	-	-	188.343
Additions in the current period (+)	-	-	-
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	(3)
Exchange rate valuation	-	-	-
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Closing balance of the current period	-	-	188.340
Provisions (-)	-	-	188.340
Net balance at the balance sheet	-	-	-

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Closing balance of prior period	-	-	1.303.781
Additions in the current period (+)	-	-	10.075
Transfers from other categories of non-performing loans (+)	-	-	-
Transfers to other categories of non-performing loans (-)	-	-	-
Collections in the current period (-)	-	-	(18.711)
Exchange rate valuation	-	-	55.036
Write offs (-)	-	-	(1.161.838)
Corporate and commercial loans	-	-	-
Retail loans	-	-	(220)
Credit cards	-	-	-
Other	-	-	(1.161.618)
Closing balance of the current period	-	-	188.343
Provisions (-)	-	-	188.343
Net balance at the balance sheet	-	-	-

(*) The Bank makes provisions for the entire non-performing loan portfolio, and has sold from its non performing loan portfolio amounting to TL 1.161.838 to Birleşim Varlık Yönetimi A.Ş. (Asset Management Company) for TL 7.700.

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I. Explanations and notes related to assets (continued)

6. Information on loans (continued)

j.3. Non-performing loans in foreign currencies

None (31 December 2018: None).

j.4. Gross and net amounts of non-performing loans according to user groups

	Group III	Group IV	Group V
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible Loans
Current period (net)	-	-	-
Loans to individuals and corporates (gross)	-	-	188.340
Provision (-)	-	-	188.340
Loans to individuals and corporates (net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks(Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Provision (-)	-	-	-
Other loans (net)	-	-	-
Prior period (net)	-	-	-
Loans to individuals and corporates (gross)	-	-	188.343
Specific provision (-)	-	-	188.343
Loans to individuals and corporates (net)	-	-	-
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (gross)	-	-	-
Specific provision (-)	-	-	-
Other loans and receivables (net)	-	-	-

k. Liquidation policy for uncollectible loans and other receivables

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

l. Information on write-off policies

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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I. Explanations and notes related to assets (continued)

6. Information on loans (continued)

1. Information on write-off policies

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

7. Explanations on financial assets measured at amortised cost

a. Information on related to government securities measured at amortised cost

	Current Period	Prior Period
Debt securities	1.054.880	-
Quoted on a stock exchange	-	-
Unquoted	1.054.880	-
Share certificates	-	-
Quoted on a stock exchange	-	-
Unquoted	-	-
Impairment provision (-)	-	-
Total	1.054.880	-

b. Information related to financial assets measured at amortised cost

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities ^(*)	1.054.880	-
Total	1.054.880	-

^(*) At the date of initial recognition, in accordance with TFRS 9 and TFRS 13, the Bank recognized those securities in their fair values, using the fair values of similar financial assets at that date. In accordance with TFRS 9 and TFRS 13, the Bank booked these debt securities having calculated their fair value using the prices of similar financial assets as of the balance sheet date.

c. Movements of the government securities measured at amortised cost

	Current Period	Current Period
Balance at beginning of period	-	-
Foreign currency differences on monetary assets	(3.152)	-
Purchases during period ^(*)	1.058.032	-
Disposals through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing balance	1.054.880	-

^(*) Accruals are shown in "Purchases during period" line.

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I. Explanations and notes related to assets (continued)

8. Explanations on lease receivables (Net)

a. Presentation of remaining maturities of funds lent under finance lease method

None (31 December 2018: None).

b. Information on net investments through finance lease

None (31 December 2018: None).

c. General explanation on finance lease contracts

None (31 December 2018: None).

9. Information on assets held for sale and assets of discontinued operations

Assets held for sale consist of tangible assets which have been acquired due to non-performing loans.

	Current period	Prior period
Opening balance	36.722	22.679
Additions	-	14.043
Disposals	(43)	-
Transfers	-	-
Impairment provision(-)/Reversal of impairment provision	-	-
Closing balance	36.679	36.722

10. Information on Associates

a1. Information on unconsolidated associates

As of 30 June 2019, the Bank does not have any unconsolidated associates (31 December 2018: None).

a.2. Information on consolidated associates

As of 30 June 2019, the Bank does not have any consolidated associates (31 December 2018: None).

11. Information on subsidiaries (net)

b.1. Information on unconsolidated subsidiaries

Emlak Menkul Değerler A.Ş., which is owned by the Bank by 50%, has been reported to be bankrupt in the Audit Report prepared by Court of Account dated 31 October 2018.

Emlak Menkul Değerler A.Ş. has not been consolidated as of 30 June 2019 and 31 December 2018.

b.2. Information on consolidated subsidiaries

The Bank does not have consolidated subsidiaries as of 30 June 2019 (31 December 2018: None).

12. Information on investments in joint-ventures

None (31 December 2018: None).

13. Information on tangible assets

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

14. Information on intangible assets

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

15. Information on investment property

None (31 December 2018: None).

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I. Explanations and notes related to assets (continued)

16. Information related to deferred tax asset

	Current period	Prior period
Deferred tax provision for transferred financial loss	94.435	100.964
Provisions for retirement premium and vacation pay liabilities	865	981
Other provisions for debts and expense	3.715	3.657
Prepaid fees and commission income and unearned revenues	1.539	-
Other	62	-
Deferred tax asset	100.616	105.602
Revaluation difference of properties	2.118	1.827
Rediscount on profit share	239	237
Rediscount on derivative financial instruments	18	-
Deferred tax liability	2.375	2.064
Deferred tax asset (Net)	98.241	103.538

The time limits for deferred tax losses are as follows:

	Current period	Prior period
2023	472.177	504.819
Losses brought forward	472.177	504.819

17. Breakdown of items in other assets except commitments presented in off-balance sheet, which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

	Current Period	Prior Period
Receivables from Public Institutions and Cooperations ^(*)	175.700	175.700
Other	40.194	43.825
Total	215.894	219.525

^(*) Includes receivables from Ministry of Treasury and Finance, General Directorate of Highways and Housing Development Administration.

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II. Explanations and Notes Related to Liabilities

1. Information on funds collected

a. Information on maturity structure of funds collected

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	3.082	-	-	-	-	-	-	-	3.082
II. Real persons profit sharing accounts TL	-	884	7.567	532	-	-	-	-	8.983
III. Other current accounts-TL	54.060	-	-	-	-	-	-	-	54.060
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	53.618	-	-	-	-	-	-	-	53.618
Other institutions	-	-	-	-	-	-	-	-	-
Commercial and other institutions	442	-	-	-	-	-	-	-	442
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	5.498	851.141	26.616	-	885	124	-	884.264
Public sector	-	-	153.431	-	-	-	-	-	153.431
Commercial sector	-	5.498	403.586	22.779	-	-	-	-	431.863
Other institutions	-	-	284.035	3.837	-	885	124	-	288.881
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	10.089	-	-	-	-	-	10.089
V. Real persons current accounts-FC	880	-	-	-	-	-	-	-	880
VI. Real persons profit sharing accounts-FC	-	52	7.466	282	-	-	-	-	7.800
VII. Other current accounts-FC	101.861	-	-	-	-	-	-	-	101.861
Commercial residents in Turkey	101.861	-	-	-	-	-	-	-	101.861
Commercial residents in Abroad	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	4.664	931.954	65.641	-	-	-	-	1.002.259
Public sector	-	-	-	-	-	-	-	-	-
Commercial sector	-	-	557.262	65.641	-	-	-	-	622.903
Other institutions	-	4.664	54.631	-	-	-	-	-	59.295
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	320.061	-	-	-	-	-	320.061
IX. Precious metal funds	-	-	-	-	-	-	-	-	-
X. Profit sharing accounts special funds - TL	32	-	-	-	-	-	-	-	32
Residents in Turkey	32	-	-	-	-	-	-	-	32
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	5.947	5.882	-	-	-	-	11.829
Residents in Turkey	-	-	5.947	5.882	-	-	-	-	11.829
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	159.915	11.098	1.804.075	98.953	-	885	124	-	2.075.050

(31 December 2018: None.)

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II. Explanations and Notes Related to Liabilities (continued)

1. Information on funds collected (continued)

b. Information on participation fund under the guarantee of insurance

b.1. Exceeding the limit of insurance fund

Information on real persons' current and participation accounts not subject to trading transactions under the guarantee of insurance and exceeding the limit of Insurance Fund:

	Under the guarantee of insurance		Exceeding the guarantee of insurance	
	Current period	Prior period	Current period	Prior period
Real persons' current and participation accounts not subject to trading transactions	7.722	-	13.132	-
Turkish Lira accounts	6.355	-	5.710	-
Foreign currency accounts	1.367	-	7.422	-
Foreign branches' deposits subject to foreign authorities insurance	-	-	-	-
Off-shore deposits under foreign authorities' insurance	-	-	-	-

Funds collected by Participation Banks (except foreign branches) from current and participation accounts denominated in Turkish Lira or foreign currency up to a limit of maximum TL 100 (including both capital and profit shares) for each real person is under the guarantee of Saving Deposit Insurance Fund in accordance with the Banking Law numbered 5411.

b.2. Funds collected which are not under the guarantee of insurance fund

Funds collected of real persons which are not under the guarantee of insurance fund:

	Current period	Prior period
Foreign Branches' Profit Sharing Accounts and Other Accounts	-	-
Profit Sharing Accounts and Other Accounts of Controlling Shareholders and Profit Sharing accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	-	-
Profit Sharing Accounts and Other Accounts of Chairman and Members of Board Of Directors or Managers, General Manager and Assistant General Managers and Profit Sharing Accounts and Other Accounts of Their Mother, Father, Spouse, and Children in Care	145	-
Profit Sharing Accounts and Other Accounts in Scope of the Property Holdings Derived from Crime Defined in article 282 of Turkish Criminal Law no:5237 dated 26.09.2004	-	-
Profit Sharing Accounts in Participation Banks Established in Turkey in order to engage solely in Offshore Banking Activities	-	-

2. Information on borrowings

a.1 Information on types of borrowings

	Current period		Prior period	
	TL	FC	TL	FC
Syndication loans	-	-	-	-
Wakala loans	-	9.799	-	-
Loans obtained from Issued Lease (Sukuk)	-	-	-	-
Other	-	-	-	-
Total	-	9.799	-	-

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II. Explanations and Notes Related to Liabilities (continued)

2. Information on borrowings (continued)

a.2 Information on banks and other financial institutions

	Current period		Prior period	
	TL	FC	TL	FC
Loans from CBRT	-	-	-	-
Loans from domestic banks and institutions	-	9.799	-	-
Loans from foreign banks, institutions and funds	-	-	-	-
Total	-	9.799	-	-

a.3 Maturity analysis of funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Short-term	-	9.799	-	-
Medium and long-term	-	-	-	-
Total	-	9.799	-	-

b. Additional disclosures on concentration areas of Bank's liabilities

The Bank does not have concentration on customer or sector group providing funds (31 December 2018: None).

3. Information on derivative financial liabilities

None (31 December 2018: None).

4. Lease payables

	Current Period		Prior Period	
	TL	FC	TL	FC
Less than a year	1.543	-	-	-
1 to 5 years	14.208	-	-	-
Over 5 years	2.917	-	-	-
Total	18.668	-	-	-

5. Information on hedging derivative financial liabilities

None (31 December 2018: None).

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II. Explanations and Notes Related to Liabilities (continued)

6. Information on provisions

a. Information on provisions for employee rights

Provisions for employee benefits consist of reserve for employee termination benefits amounting to TL 1.623 (31 December 2018: TL 1.284), vacation pay liability amounting to TL 308 (31 December 2018: TL 153), performance premium amounting to TL 2.000 (31 December 2018: 3.025) and totaling to TL 3.931 (31 December 2018: 4.462).

The Bank has calculated the reserve for employee termination benefits using actuarial valuation methods as indicated in TAS 19. Accordingly, following actuarial assumptions were used in the calculation of the total liability.

	Current Period	Prior Period
Discount rate (%)	3,57	3,57

Movement of the reserve for employment termination benefits in the balance sheet is as follows:

	Current Period	Prior Period
Prior period ending balance	1.284	1.319
Change in the period	339	239
Actuarial (gain)/loss	-	(274)
Balance at the end of the period	1.623	1.284

b. Other provisions

	Current Period	Prior Period
Provisions for cases on trial	16.888	16.623
Total	16.888	16.623

c. Information on provisions for foreign exchange losses on foreign currency indexed loans and financial lease receivables

None (31 December 2018: None).

d. Information on general provisions

	Current period	Prior period
General provisions		
I.Group Loans and receivables (Total)	26.083	9.777
Participation accounts share	13.668	-
Bank's share	3.324	9.777
Other	9.091	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group I	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
II. Group loans and receivables (Total)	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
Additional provision for loans and receivables with extended maturities for loans and receivables in Group II	-	-
Participation accounts' share	-	-
Bank's share	-	-
Other	-	-
Non-cash loans	-	-
Other	-	-

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II. Explanations and Notes Related to Liabilities (continued)

7. Information on taxes payable

a. Explanations on current tax liability

a.1. Explanations on tax provisions

As of 30 June 2019, the Bank has no remaining tax liability after offsetting prepaid corporate tax (31 December 2018: None).

a.2. Information on taxes payable

	Current Period	Prior Period
Corporate taxes payable	1.793	420
Banking insurance transaction tax	1.489	855
Taxation on securities income	823	-
Value added tax payable	55	-
Taxation on real estate income	45	10
Foreign exchange transaction tax	4	-
Other	61	63
Total	4.270	1.348

a.3. Information on premiums

	Current Period	Prior Period
Social security premiums-employer	1.084	198
Social security premiums-employee	741	138
Bank pension fund premium-employer	-	-
Pension fund membership fees and provisions-employer	-	-
Pension fund membership fees and provisions-employee	-	-
Unemployment insurance-employer	119	20
Unemployment insurance-employee	59	10
Other	237	-
Total	2.240	366

8. Liabilities for assets held for sale and discontinued operations

None (31 December 2018: None).

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II. Explanations and Notes Related to Liabilities (continued)

9. Detailed explanations on number, maturity, profit share rate, creditor and option to convert to share certificates; if any; of subordinated loans

	Current Period		Prior Period	
	TL	FC	TL	FC
To be included in the calculation of additional capital				
borrowing instruments	-	1.032.512	-	-
Subordinated loans	-	1.032.512	-	-
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital				
calculation	-	-	-	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	-	-	-	-
Total	-	1.032.512	-	-

Pursuant to BRSA approval dated 22 April 2019, on 24 April 2019 the bank received a EUR 200 million (full) subordinated loan as an indefinite-term, non-dividend paying addition to its core capital from the Türkiye Varlık Fonu Piyasa İstikrar ve Denge Alt Fonu.

10. Breakdown of items in other liabilities which exceed 10% of the balance sheet total and breakdown of items which constitute at least 20% of grand total

None (31 December 2018: None)

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II. Explanations and Notes Related to Liabilities (continued)

11. Information on shareholders' equity

a. Presentation of paid-in capital

	Current Period	Prior Period
Common stock	750.000	750.000
Preferred stock	-	-

b. Paid-in capital amount, explanation as to whether the registered share capital system is applicable at the Bank and if so, amount of the registered share capital ceiling

Share Capital System	Paid-in Capital	Ceiling
Registered Capital	750.000	750.000

c. Information on the share capital increases during the period and their sources; other information on increased capital in the current period

There is no capital increase in the current period.

d. Information on share capital increases from capital reserves during the current period

There is no share capital increase from capital reserves during the current period.

e. Capital commitments in the last fiscal year and by the end of the following interim period, general purpose of these commitments and projected resources required to meet these commitments

There are no capital commitments until the end of the last fiscal year and following interim period.

f. Estimated effects on the shareholders equity of the Bank, of predictions to be made by taking into account previous period indicators regarding the Bank's income, profitability and liquidity, and uncertainties regarding such indicators

The Bank continues its operations in a profitable manner and majority of the profits are kept in shareholders' equity through transfer to reserves. Moreover, the Bank's shareholders' equity is invested in liquid and earning assets.

g. Information on privileges given to stocks representing the capital

There is no privilege given to stocks representing the capital.

h. Information on marketable securities valuation reserve

None (31 December 2018: None).

i. Information on other capital reserves

None (31 December 2018: None).

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III. Explanations and Notes Related to Off-Balance Sheet

1. Explanations on off balance sheet

a. Type and amount of irrevocable loan commitments

	Current Period	Prior Period
Commitments for credit card limits	5.000	-
Asset purchase and sale commitments	4.183	-
Payment commitments for cheques	138	-
Tax and funds liabilities arising from export commitments	-	-
Commitments for promotions related with credit cards and banking activities	-	-
Other irrevocable commitments	-	-
Total	9.321	-

b. Type and amount of possible losses and commitments arising from off-balance sheet items

b.1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letters of credit

	Current Period	Prior Period
Letters of guarantees	4.862	-
Bank loans	-	-
Letters of credit	-	-
Other guaranties and sureties	-	-
Total	4.862	-

b.2. Revocable, irrevocable guarantees and other similar commitments and contingencies

	Current Period	Prior Period
Letters of guarantees	3.262	-
Temporary letters of guarantees	1.600	-
Advance letters of guarantees	-	-
Letters of guarantees given to customs	-	-
Other guaranties and sureties	-	-
Total	4.862	-

c. Total Within the Non-cash Loans

c.1 Within the Non-cash Loans

	Current Period	Prior Period
Non-cash loans given against cash loans	-	-
With original maturity of 1 year or less	-	-
With original maturity of more than 1 year	-	-
Other non-cash loans	9.321	-
Total	9.321	-

c.2 Sectoral risk concentration of non-cash loans

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

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III. Explanations and Notes Related to Off-Balance Sheet (continued)

1. Explanations on off balance sheet

c.3 Information on the non-cash loans classified in Group I and Group II

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

2. Explanations on derivative transactions

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

3. Explanations on contingent assets and liabilities

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

4. Explanations on services rendered on behalf of third parties

The Bank has no activities such as placements on behalf of individuals and corporates, foundations, pension insurance funds and other institutions.

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IV. Explanations and Notes Related to the Statement of Profit or Loss

1. Information on profit share income

a. Information on profit share income received from loans

	Current period		Prior period	
	TL	FC	TL	FC
Profit share received from loans				
Short term loans	73.289	-	-	-
Medium and long term loans	-	-	-	-
Profit share on non-performing loans	-	-	-	-
Total	73.289	-	-	-

b. Information on profit share income received from banks

	Current period		Prior period	
	TL	FC	TL	FC
CBRT	-	-	-	-
Domestic banks	34.222	-	-	-
Foreign banks	-	-	-	-
Head offices and branches abroad	-	-	-	-
Total	34.222	-	-	-

c. Information on profit share income received from marketable securities

	Current period		Prior period	
	TL	FC	TL	FC
Financial assets measured at fair value through profit/loss	1.858	3.852	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortised cost	-	-	-	-
Total	1.858	3.852	-	-

d. Information on profit share income received from associates and subsidiaries

None (30 June 2018: None).

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IV. Explanations and Notes Related to the Statement of Profit or Loss (continued)

2. Explanations on profit share expenses

a. Distribution of profit share expense on funds collected based on maturity of funds collected

Current period	Profit sharing accounts						Accumulated profit sharing account	Total
	Up to 1 month	Up to 3 month	Up to 6 month	Up to 9 month	Up to 1 year	More than 1 year		
TL								
Funds collected from banks through current and profit sharing accounts	-	542	-	-	-	-	-	542
Real person's non-trading profit sharing accounts	17	210	2	-	-	-	-	229
Public sector profit sharing accounts	-	2.433	-	-	-	-	-	2.433
Commercial sector profit sharing accounts	944	11.380	696	-	-	-	-	13.020
Other institutions profit sharing accounts	492	6.856	95	-	15	-	-	7.458
Total	1.453	21.421	793	-	15	-	-	23.682
FC								
Banks	-	290	-	-	-	-	-	290
Real person's non-trading profit sharing accounts	-	19	-	-	-	-	-	19
Public sector profit sharing accounts	-	-	-	-	-	-	-	-
Commercial sector profit sharing accounts	180	1.234	94	-	-	-	-	1.508
Other institutions profit sharing accounts	28	171	-	-	-	-	-	199
Precious metals deposit	-	9	8	-	-	-	-	17
Total	208	1.723	102	-	-	-	-	2.033
Grand total	1.661	23.144	895	-	15	-	-	25.715

b. Information on profit share expense paid to funds borrowed

	Current period		Prior period	
	TL	FC	TL	FC
Banks	-	437	-	-
CBRT	-	-	-	-
Domestic banks	-	437	-	-
Foreign banks	-	-	-	-
Head offices and branches abroad	-	-	-	-
Other institutions	-	9.342	-	-
Total	-	9.779	-	-

c. Profit share expense paid to associates and subsidiaries

None (30 June 2018: None).

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IV. Explanations and Notes Related to the Statement of Profit or Loss (continued)

2. Explanations on profit share expenses (continued)

d. Profit share expenses paid to marketable securities issued

None (30 June 2018: None).

3. Information on dividend income

None (30 June 2018: None).

4. Explanations on trading income/loss (net)

	Current period	Prior period
Income	12.506	72.356
Income from capital market transactions	4.993	-
Income from derivative financial instruments	3.248	-
Foreign exchange income	4.265	72.356
Loss (-)	7.154	60
Income from capital market transactions	455	-
Income from derivative financial instruments	1.035	-
Foreign exchange income	5.664	60
Trading Income/Loss (net)	5.352	72.296

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IV. Explanations and Notes Related to the Statement of Profit or Loss (continued)

5. Explanations related to other operating income

	Current period	Prior period
Income from sale of assets	3.135	16.059
Reversal of prior year provisions	82	162
Reversal of communication expenses provision	25	-
Other income	36	-
Total	3.278	16.221

6. Loan provisions

	Current period	Prior period
Specific Provisions	-	-
Loans with limited collectability	-	-
Loans with doubtful collectability	-	-
Uncollectible loans	-	-
General provisions ⁽¹⁾	16.306	17
Marketable securities impairment expense	-	-
Financial assets measured at fair value through profit/loss	-	-
Financial assets measured at fair value through other comprehensive income	-	-
Impairment provision for associates, subsidiaries and joint ventures	-	-
Associates	-	-
Subsidiaries	-	-
Joint ventures	-	-
Other	-	-
Total	16.306	17

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IV. Explanations and Notes Related to the Statement of Profit or Loss (continued)

7. Information on other operating expenses

	Current period	Prior period
Provision for retirement pay liability	339	-
Deficit provision for pension fund	-	-
Impairment expenses of tangible assets	-	-
Depreciation expenses of tangible assets	1.683	23
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	4.655	5
Impairment provision for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	-	-
Impairment expenses of assets held for sale and assets of discontinued operations	-	-
Other operational expenses	8.554	536
Lease Expenses Related to TFRS 16 Exemptions	2	92
Maintenance expenses	713	38
Advertisement expenses	1.633	-
Other expenses ⁽¹⁾	6.206	406
Loss on sale of assets	-	-
Other ⁽²⁾	5.756	504
Total	20.987	1.068

⁽¹⁾ Other expenses under “other operating expenses” are provided below:

	Current period	Prior period
Cleaning expenses	1.366	6
Stationery expenses	638	118
Communication expenses	626	22
Expense share for common expenses	505	37
Vehicle expenses	497	87
Securities insurance expenses	355	5
Heating, lighting and water expenses	226	5
Representation and hosting expenses	237	35
Lawsuit and court expenses	95	11
Other	1.661	80
Total	6.206	406

⁽²⁾ Details of other balance are provided as below:

	Current period	Prior period
Taxes, duties, charges and funds	3.837	176
Audit and consultancy fees	1.049	63
Institution and Union participation share expense	250	-
Saving Deposit Insurance Fund	13	-
Other	607	265
Total	5.756	504

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IV. Explanations and Notes Related to the Statement of Profit or Loss (continued)

8. Explanations on income/loss from continued and discontinued operations before taxes

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

9. Explanations on tax provision for continued and discontinued operations

As of 30 June 2019, the Bank has deferred tax expense amounting to TL 7.080 and deferred tax income amounting to TL 1.783.

Since the Bank does not have any discontinued operations, there is no tax provision for discontinued operations.

10. Explanations on net income/loss from continued and discontinued operations

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

11. Explanations on net income/loss

a. The nature and amount of certain income and expense items from ordinary operations; if the disclosure for nature, amount and repetition rate of such items is required for a complete understanding of the Bank's performance for the period

None.

b. The effect of the change in accounting estimates to the net income/loss; including the effects on the future period

None.

V. Explanations and notes related to the statement of changes in shareholders' equity

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VI. Explanations and notes related to the statement of cash flows

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

VII. Explanations related to the risk group of the Bank

1. Information on the volume of transactions relating to the Bank's risk group, outstanding loans and funds collected and income and expenses related to the period

None (31 December 2018: None).

A.1. Information on current and profit sharing accounts of the Bank's risk group

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and Indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	-	-	158	-
Profit share expense	-	-	-	-	-	-

A.2. Information on forward and option agreements and other similar agreements with related parties

The Bank does not have forward and option agreements with the risk group of the Bank.

As of 30 June 2019, the Bank has paid TL 3.069 (30 June 2018: TL 748) to key management.

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VIII. Explanations related to domestic, foreign and offshore branches or investments and foreign representative offices

Not prepared in compliance with the 25th article of the Communiqué about Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks in interim period.

IX. Explanations related to subsequent events and footnotes

As of 29 July 2019, the Bank was authorized by the Capital Markets Board pursuant to article 40 (1) of the Capital Markets Law (Statute 6362) to engage in the businesses of “Order Transmission Brokerage”, “Transaction Brokerage”, and “Portfolio Brokerage” and to provide “Limited Custodianship Services”.

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SECTION SIX

Review report

I. Explanations on review report

The Bank's unconsolidated financial statements as of and for the period ended 30 June 2019 have been reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of the KPMG International Cooperative) and the review report dated 7 August 2019 is presented at the beginning of the financial statements and related notes.

II. Other notes and explanations prepared by the independent auditors

None.

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SECTION SEVEN

I. Explanations of Interim Activity Report

a. Message from the Chairman of the Board of Directors

In the first quarter of 2019 we opened our main branch with the utmost excitement and alacrity. We quite successfully completed a process that was both very important and very difficult and we take pride in sharing the happiness that this gives us with all of you, our stakeholders. Most recently we have completed another successful three months in which we did business as a newly-constituted participation bank.

The path on which we have set out is summed up in our “Your Trusted Strength” watchword. We are striving with all of our might to come up with solutions that best address the needs of both the real sector and the real estate industry. We have already begun reaping the benefits of these efforts in the form of the confidence that people have in our bank.

We anticipate that 2019 Q3 will mark the onset of a period in which economic activity will grow more rapidly and economic growth will regain momentum once again. Since recommencing operations, EmlakBank has been making a significant contribution to the national economy in the form of TL 4.4 billion (full) worth of assets and TL 1.7 billion (full) worth of lendings. In the period ahead our bank will continue to fulfill the duties incumbent upon it in the best way possible and to consistently support the real economy under every condition.

Especially with inflation subsiding to the 15% level during the summer months, we are about to enter a period during which lower costs will be a topic for discussion during the rest of 2019. Decisions taken by the US Federal Reserve, the ECB, and TCMB will be setting the economic course in Turkey and throughout the world.

We believe that the investment climate will benefit from such a period of lower costs and that EmlakBank as well as other participation banks will be providing markets with strong financial support in the near term. Paralleling the recovery in investment, we also expect that unemployment will fall and that we will see much stronger employment numbers.

Owing to changes in the interest perspective in parallel with both the Fed’s and the ECB’s expansionist monetary policies, there is obviously going to be an increase in foreign direct investment coming into our country. This expectation is supported by the approximately USD 150 million that has already entered Turkey’s stock market since June of this year. With the strong financial support of EmlakBank and of the Turkish banking industry as a whole in the period ahead, the wheels of the real economy will turn even faster and the growth performance we long for can be achieved.

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Explanations of Interim Activity Report (continued)

b. Message from the CEO

We are most pleased to have revived the EmlakBank brand, a name that has held a place in everyone's heart for ninety-three years. In 2019 Q2 we picked up the pace of our banking operations, which we resumed with the opening of our main branch in March. This quarter has been a rather important one for our bank from the standpoints of its return to the marketplace and of our getting a sense of the market's favorable perception of our brand image. We were pleased to see that the EmlakBank brand and logo still command significant favor in people's and markets' minds.

We achieved a significant performance with a single branch as EmlakBank. Our teams were actively engaged in the field with a heavy schedule of customer visits. During this quarter we listened carefully to what sector representatives and producers had to say and we developed and implemented solutions aimed at addressing their needs.

It must be admitted that the numbers we managed to register in such a short period of time are a significant success. The volumes of funding that we took in and lent out are indications of the confidence we have both in ourselves and in our country's economy.

As of end-June our total assets, total deposits, and total lendings reached TL 4.4 billion (full), TL 2 billion (full), and TL 1.7 billion (full) respectively. Additionally and as announced by the Treasury and Finance Ministry, EUR 200 million (full) worth of government debt securities has been added to our balance sheet as a subordinated loan. This injection has substantially strengthened our equity structure and increased our ability to lend.

The second quarter of 2019 was witness to important developments both in Turkey and the world. The ones having the most fundamental impact on the course of the global economy were a change in the US Federal Reserve Bank's monetary expansion policy, increasingly greater anxieties as the Brexit process unfolds, and trade disputes between China and the US. As their economies lose momentum, countries around the world are encouraged to adopt expansionist policies. The resulting liquidity that this generates provides us with good opportunities to create benefit for our own country's economy.

In parallel with such global developments, we worked intensively on devising a number of products for both the real sector and the real estate industry during the last three months. We are still actively involved in these efforts. As required by our bank's mission statement, we are developing products and practices capable of setting the standards by which relationships between the real estate sector and financial institutions are judged and we are now on the threshold of introducing these.

In the second half of 2019 our goal will be to interact with customers through branches that we will be opening in metropolitan areas in all seven of our country's regions. We have completed the design of the fifteen branches that we plan to have opened by the end of the current year and their locations have been identified. Many of them will be commencing operation towards the end of summer.

We have entered a period in which economic indicators have become favorable for our country once again and inflation is subsiding. During this period, we are striving impatiently to begin offering our customers the structured financial products and services that we have developed.

In closing let me thank both our customers for the generous kindness of their favor and our personnel who have been striving with all their might to serve them since the day we resumed doing business. They are the ones to whom we owe the successful results that we have achieved.

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Explanations of Interim Activity Report (continued)

c. Capital and Shareholder Structure

Name and Surname/ Trade name	Share Amounts	Share Rates	Paid Shares	Unpaid Shares
Ministry of Treasury and Finance	750.000	99.99%	750.000	-
Other	-	0.00001%	-	-

d. Amendments to the articles of association of the company between 1 January 2019 and 30 June 2019

The Bank's Articles of Association did not change in the relevant period.

The Bank received permission to operate in accordance with the Banking Regulation and Supervision Agency's dated 26 February 2019 and numbered 8262 decision which published in dated 27 February 2019 and numbered 30699 Official Gazette and started operations as of 21 March 2019.

e. Branch and Personnel Information

The Bank's total number of branches is 1 and the total number of personnel is 222 at 30 June 2019.

f. Board of Directors and Executive Management

Name Surname	Area of Responsibility	Education
Prof. Dr. Mehmet Emin BİRPINAR	Chairman of BOD	Doctorate
Abdullah Ertem CANTİMUR	Member of BOD	Master
Assoc. Prof. Dr. Mehmet ERSOY	Member of BOD and Board of Supervisors	Doctorate
Mehmet Ali KAHRAMAN	Member of BOD and Board of Supervisors	Master
Mehmet Nuri YAZICI	Member of BOD	University
Doç. Dr. Murat BALCI	Member of BOD	Doctorate
Deniz AKSU	Member of BOD/General Manager	University
Hasan APAYDIN	Assistant General Manager Responsible for Operations	Master
Cengiz SİNANOĞLU	Assistant General Manager Responsible for Credits	Master
Savaş DİVANLIOĞLU(*)	Assistant General Manager Responsible for Investment Banking and Financial Institutions	Master

(*) The authority of Savaş Divanlioğlu, who was appointed Assistant General Manager for Investment Banking & Financial Institutions pursuant to a Board of Directors resolution dated 21 February 2019, to represent and bind the Bank with his signature was published under Trade Registry announcement 123642 dated 24 July 2019.

g. Managers of Internal Systems

Name and Surname	Professional Experience	Seniority in the Field of Responsibility	Education	Area of Responsibility
Yusuf Abdullah KARADAĞ	21 year 3 month	18 year 9 month	University	Internal Systems Senior Manager
Süha SELEŞ	12 year 1 month	7 year 1 month	University	Head of Audit Committee
Hasan Selçuk ÇOBAN	12 year 4 month	8 month	University	Head of Risk Management
Sabri Korhan BİLSEL	14 year 3 month	1 year 5 month	Master	Head of Internal Audit and Compliance

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h. Committee and committee members formed after the distribution of duties among the board members

AUDIT COMITEE

Associate Prof. Mehmet ERSOY
Mehmet Ali KAHRAMAN

CREDIT COMITEE

Prof. Dr. Mehmet Emin BİRPINAR
Doç. Dr. Murat BALCI
Deniz AKSU
Mehmet Ali KAHRAMAN

CORPORATE GOVERNANCE COMMITTEE

Abdullah Ertem CANTİMUR
Associate Prof. Mehmet ERSOY
Mehmet Nuri YAZICI
Yusuf Abdullah KARADAĞ

REMUNERATION COMMITTEE

Mehmet Ali KAHRAMAN
Doç. Dr. Murat BALCI
Mehmet Nuri YAZICI

PERSONNEL COMMITTEE

Prof. Dr. Mehmet Emin BİRPINAR
Doç. Dr. Mural BALCI
Deniz AKSU

EXECUTIVE COMMITTEE

Prof. Dr. Mehmet Emin BİRPINAR
Doç. Dr. Murat Balcı
Deniz Aksu

i. Türkiye Emlak Katılım Bankası A.Ş. Selected Financial Indicators as of 30 June 2019

Profit before tax and provision	44.633
Net Profit	23.030
Total Cash Loans	1.744.322
Shareholders' Equity	1.147.224
Total Assets	4.350.699
Leverage Ratio	61,49
Capital Adequacy Ratio	114,54
Number of Branches	1
Number of Employees	222