

**TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ
AND ITS SUBSIDIARIES**

Condensed Consolidated
Interim Financial Statements
For the Six-month Period Ended
30 June 2020

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

Güney Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

30 October 2020

This report contains 1 page of independent auditors' report on consolidated financial statements and 72 pages of consolidated financial statements and notes to the consolidated financial statements.

Türkiye İş Bankası Anonim Şirketi and Its Subsidiaries

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Report on the Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Türkiye İş Bankası A.Ş.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Türkiye İş Bankası A.Ş. (the “Bank”) and its subsidiaries (together referred to as the “Group”) as at June 30, 2020, comprising of the condensed consolidated interim statement of financial position as at June 30, 2020 and the related condensed consolidated interim statements of income, consolidated interim statement of profit or loss and other comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting” (IAS 34). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, consequently it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 15 and 19, the accompanying interim condensed consolidated financial statements as at June 30, 2020 include a free provision for possible risks amounting to TL 1,580,000 thousands, of which TL 980,000 thousands was provided in prior years and TL 600,000 thousands provided in the current period by the Group management for the possible effects of the negative circumstances which may arise from the possible changes in the economy and market conditions which does not meet the recognition criteria of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

Qualified Conclusion

Based on our review, except for the effect of the matter referred in the “Basis for Qualified Conclusion” paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatma Ebru Yücel, SMMM
Partner

30 October 2020
Istanbul, Turkey

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

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

Assets	Note	30 June 2020	31 December 2019
Cash on hand		6,542,971	5,528,713
Balances with central bank	8	52,339,701	48,369,677
Loans and advances to banks		28,042,718	22,027,221
Financial assets at fair value through profit or loss	9	3,661,368	2,666,162
Derivative financial assets	23	7,576,001	5,369,818
Loans and advances to customers	10	363,889,309	318,424,746
- Measured at amortised cost		361,739,496	316,274,933
- Measured at fair value through profit or loss		2,149,813	2,149,813
Trade receivables		6,485,370	5,847,878
Insurance receivables		6,259,405	5,008,178
Inventories		4,906,719	4,315,307
Investment securities	9	115,662,157	96,625,522
- Financial assets at fair value through other comprehensive income		71,714,132	61,023,546
- Financial assets measured at amortised cost		43,948,025	35,601,976
Current tax assets		108,925	90,429
Investments in equity-accounted investees		1,112,923	981,049
Property, plant and equipment	12	23,695,622	23,172,273
Investment properties		4,293,073	4,314,742
Intangible assets and goodwill		2,329,652	1,920,650
Non-current assets held for sale		1,207,539	1,218,276
Deferred tax assets		4,204,744	3,075,980
Other assets		15,714,270	10,668,377
Total assets		648,032,467	559,624,998

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

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

Liabilities and equity	Note	30 June 2020	31 December 2019
Deposits		339,310,123	294,647,350
- Deposits from banks		6,167,866	5,905,168
- Deposits from customers		333,142,257	288,742,182
Obligations under repurchase agreements		16,663,868	2,863,882
Derivative financial liabilities	23	5,541,911	3,013,852
Lease payables		1,272,625	1,245,427
Funds borrowed	13	85,534,799	79,295,160
Debt securities issued		43,608,544	44,266,745
Payables to money market		743,835	166,453
Trade payables		6,084,200	6,343,693
Taxes and dues payable		914,143	819,762
Employee benefits		5,662,656	5,455,826
Corporate tax liability		2,295,602	1,043,071
Insurance contract liabilities		15,286,300	13,188,011
Provisions	15	3,090,064	1,989,940
Deferred tax liabilities		328,469	287,030
Other liabilities		19,754,375	15,394,612
Subordinated liabilities		22,670,763	15,365,226
Total liabilities		568,762,277	485,386,040
Share capital	16	6,115,938	6,115,938
Share premium		38,621	38,611
Legal reserves	16	6,107,828	5,631,247
Fair value reserves		1,247,813	486,376
Revaluation reserves		4,854,900	4,821,759
Hedging reserves		110,897	3,149
Translation reserves		3,446,313	3,302,365
Other reserves		(790,416)	(789,608)
Retained earnings		41,573,259	39,172,563
Total equity attributable to equity holders of the Bank		62,705,153	58,782,400
Non-controlling interests		16,565,037	15,456,558
Total equity		79,270,190	74,238,958
Total liabilities and equity		648,032,467	559,624,998
Commitment and contingencies	23	183,961,874	159,867,175

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

	Note	1 January- 30 June 2020	1 January- 30 June 2019
Interest income on loans		16,404,049	18,117,519
Interest income on securities		5,660,390	5,396,411
Interest income on deposits at banks		251,538	302,692
Interest income on reserve deposit at central banks		10,125	280,815
Interest income on finance leases		248,615	241,273
Interest income on factoring transactions		148,564	254,587
Other interest income		86,619	325,031
Total interest income		22,809,900	24,918,328
Interest expense on deposits		(4,517,014)	(8,759,926)
Interest expense on borrowings		(1,451,111)	(1,717,126)
Interest expense on interbank borrowings		(518,640)	(1,059,696)
Interest expense on debt securities issued		(2,444,374)	(2,560,857)
Interest expense on leasing		(91,869)	(92,602)
Other interest expense		(412,469)	(65,301)
Total interest expense		(9,435,477)	(14,255,508)
Net interest income		13,374,423	10,662,820
Fee and commission income	17	3,332,986	3,326,007
Fee and commission expense	17	(1,127,822)	(1,140,357)
Net fee and commission income	17	2,205,164	2,185,650
Securities trading income, net		497,163	162,306
Derivative trading expense, net		(2,690,502)	(3,945,756)
Income from manufacturing operations		8,820,362	8,605,972
Income from insurance operations		4,102,677	3,165,862
Income from other operations		425,460	641,692
Cost of manufacturing operations		(6,248,297)	(5,809,570)
Cost of insurance operations		(3,183,790)	(2,697,016)
Cost of other operations		(790,112)	(739,836)
Other operating income	18	610,839	815,101
Other operating expenses	19	(9,189,385)	(7,272,436)
Foreign exchange gains/(losses), net		1,971,390	1,449,692
Impairment losses, net		(4,794,112)	(3,765,875)
Dividend income		22,491	18,004
Share of income from equity-accounted investees		37,453	65,345
Profit before income tax		5,171,224	3,541,955
Income tax expense		(1,323,368)	(292,060)
Profit for the period		3,847,856	3,249,895
Profit attributable to			
Equity holders of the Bank		2,877,296	2,074,989
Non-controlling interest		970,560	1,174,906
Profit for the period		3,847,856	3,249,895
Basic and diluted earnings per share (Full TL)	21	0.0256	0.0184

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

	1 January – 30 June 2020	1 January – 30 June 2019
Profit for the period	3,847,856	3,249,895
Other comprehensive income		
Items that will never be reclassified to profit or loss:		
Remeasurements of defined benefit liability	(950)	(925)
Revaluation of property, plant and equipment	40,638	111,750
Related tax	(5,684)	(19,318)
	34,004	91,507
Items that are or may be reclassified to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income	989,867	(453,057)
Foreign currency translation differences	602,841	693,004
Cash flow hedges- effective portion of changes in fair value	242,711	54,181
Related tax	(274,681)	114,442
	1,560,738	408,570
Other comprehensive income / (expenses), net of tax	1,594,742	500,077
Total comprehensive income for the period	5,442,598	3,749,972
Attributable to		
Equity holders of the Bank	3,909,639	2,542,518
Non-controlling interest	1,532,959	1,207,454
Total comprehensive income for the period	5,442,598	3,749,972

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

Current Period	Attributable to equity holders of the Bank										Non-controlling interests	Total Equity
	Share capital	Share premium	Legal reserves	Fair value reserves	Revaluation reserves	Hedging reserves	Translation reserves	Other reserves	Retained earnings	Total		
Balance at 1 January 2020	6,115,938	38,611	5,631,247	486,376	4,821,759	3,149	3,302,365	(789,608)	39,172,563	58,782,400	15,456,558	74,238,958
Total comprehensive income for the period												
Net profit for the period	--	--	--	--	--	--	--	--	2,877,296	2,877,296	970,560	3,847,856
Other comprehensive income, net of tax												
Items that are or may be reclassified subsequently to profit or loss:												
Net change in fair value financial assets at fair value through other comprehensive income	--	--	--	761,437	--	--	--	--	--	761,437	7,144	768,581
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	107,167	--	--	--	107,167	82,149	189,316
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	147,087	--	--	147,087	455,754	602,841
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	17,484	--	--	--	--	17,484	17,250	34,734
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	(832)	--	(832)	102	(730)
Total other comprehensive income/(expense)	--	--	--	761,437	17,484	107,167	147,087	(832)	--	1,032,343	562,399	1,594,742
Total comprehensive income/(expense) for the period	--	--	--	761,437	17,484	107,167	147,087	(832)	2,877,296	3,909,639	1,532,959	5,442,598
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	--	--	(280,628)	(280,628)
Transfer to legal reserves	--	--	469,635	--	--	--	--	--	(469,635)	--	--	--
Other ^(*)	--	--	--	--	--	--	--	--	13,508	13,508	7,932	21,440
Total contributions and distributions	--	--	469,635	--	--	--	--	--	(456,127)	13,508	(272,696)	(259,188)
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	10	6,946	--	15,657	581	(3,139)	24	62,018	82,097	(121,428)	(39,331)
Effects of change in scope of consolidation and other changes	--	--	--	--	--	--	--	--	(82,491)	(82,491)	(30,356)	(112,847)
Total changes in ownership interests	--	10	6,946	--	15,657	581	(3,139)	24	(20,473)	(394)	(151,784)	(152,178)
Balance at 30 June 2020	6,115,938	38,621	6,107,828	1,247,813	4,854,900	110,897	3,446,313	(790,416)	41,573,259	62,705,153	16,565,037	79,270,190

(*) According to the Articles of Incorporation of the Bank, a portion of the net profit for the period is distributed to the employees as a dividend. Provision recognised in 2019 for dividends to be distributed to employees within the scope of “IAS 19 Employee Benefits” has been added to distributable profit.

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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

Prior Period	Attributable to equity holders of the Bank										Non-controlling interests	Total Equity
	Share capital	Share premium	Legal reserves	Fair value reserves	Revaluation reserves	Hedging reserves	Translation reserves	Other reserves	Retained earnings	Total		
Balance at 1 January 2019	6,115,938	38,550	5,131,840	(1,935,012)	4,828,448	(145)	2,277,619	(728,886)	34,191,616	49,919,968	13,620,270	63,540,238
Total comprehensive income for the period												
Net profit for the period	--	--	--	--	--	--	--	--	2,074,989	2,074,989	1,174,906	3,249,895
Other comprehensive income, net of tax												
Items that are or may be reclassified subsequently to profit or loss:												
Net change in fair value financial assets at fair value through other comprehensive income	--	--	--	(355,296)	--	--	--	--	--	(355,296)	28,601	(326,695)
Cash flow hedges effective portion of changes in fair value	--	--	--	--	--	27,916	--	--	--	27,916	14,345	42,261
Foreign currency translation differences for foreign operations	--	--	--	--	--	--	751,461	--	--	751,461	(58,457)	693,004
Items that are or may not be reclassified subsequently to profit or loss:												
Revaluation surplus on tangible assets	--	--	--	--	43,936	--	--	--	--	43,936	48,496	92,432
Net change in actuarial loss related to employee benefits	--	--	--	--	--	--	--	(488)	--	(488)	(437)	(925)
Total other comprehensive income/(expense)	--	--	--	(355,296)	43,936	27,916	751,461	(488)	--	467,529	32,548	500,077
Total comprehensive income/(expense) for the period	--	--	--	(355,296)	43,936	27,916	751,461	(488)	2,074,989	2,542,518	1,207,454	3,749,972
Contributions and distributions												
Dividend distribution	--	--	--	--	--	--	--	--	--	--	(467,464)	(467,464)
Transfer to legal reserves	--	--	500,166	--	--	--	--	--	(500,166)	--	--	--
Other ^(*)	--	--	--	--	--	--	--	--	9,880	9,880	6,198	16,078
Total contributions and distributions	--	--	500,166	--	--	--	--	--	(490,286)	9,880	(461,266)	(451,386)
Changes in ownership interests and other changes												
Changes in non-controlling interests without a change in control	--	--	--	--	--	(7)	--	(101)	--	(265)	(373)	373
Effects of bussiness combinations and other changes ^(***)	--	--	--	--	--	--	--	(2,331)	--	(133,370)	(135,701)	(84,204)
Total changes in ownership interests	--	--	--	--	--	(7)	--	(2,432)	--	(133,635)	(136,074)	51,870
Balance at 30 June 2019	6,115,938	38,550	5,632,006	(2,290,308)	4,872,377	27,771	3,026,648	(729,374)	35,642,684	52,336,292	14,418,328	66,754,620

(*)According to the Articles of Incorporation of the Bank, a portion of the net profit for the period is distributed to the employees as a dividend. Provision recognised in 2018 for dividends to be distributed to employees within the scope of “IAS 19 Employee Benefits” has been added to distributable profit.

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

	Note	1 January – 30 June 2020	1 January – 30 June 2019
Cash flows from operating activities:			
Profit for the period		3,847,856	3,249,895
<i>Adjustments for:</i>			
Depreciation and amortisation		1,338,078	1,115,677
Net interest income		(13,374,423)	(10,662,820)
Income tax expense		1,323,368	292,060
Increase/decrease in fair value of investment properties		--	(2,740)
Impairment losses on financial assets		4,794,112	3,765,875
Increase in provision for employee benefits		206,830	195,392
Unearned premium reserve		301,825	342,814
Provision for outstanding claims		651,095	310,121
Life mathematical provisions		435,474	70,320
Other provision releases/expenses, net		1,117,238	(200,902)
Share of income from equity accounted investees		(37,453)	(65,345)
Increase/decrease in other allowances of impairment losses, net		54,993	(21,984)
Gain on sale of property, plant and equipment and others		(105,867)	(2,740)
Dividend income		(22,491)	(18,004)
		530,635	(1,632,381)
Change in trading assets		(3,254,143)	(89,492)
Change in reserve deposits		(10,135,202)	(870,744)
Change in loans and advances to banks		4,720,867	907,086
Change in loans and advances to customers		(27,923,098)	1,647,448
Change in trade receivables		(632,926)	(641,102)
Change in insurance receivables		(1,300,637)	(513,736)
Change in inventories		(601,561)	(504,488)
Change in other assets		(5,760,699)	130,916
Change in deposits from banks		(16,312)	(258,195)
Change in deposits from customers		24,584,414	7,708,281
Change in obligations under repurchase agreements		13,359,290	386,887
Change in trade payables		(259,493)	942,313
Change in other liabilities and provisions		17,052,722	(2,064,045)
		10,363,857	5,148,748
Interest received		21,323,135	23,457,938
Interest paid		(9,292,968)	(13,855,943)
Income taxes paid		(1,830,294)	(1,879,114)
Net cash (used in)/from operating activities		20,563,730	12,871,629

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

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

Cash flows from investing activities:	Note	1 January – 30 June 2020	1 January – 30 June 2019
Dividends received		22,491	18,004
Acquisition of subsidiary, net of cash acquired		(16,183)	--
Acquisition of property, plant and equipment	12	(904,691)	(1,901,505)
Acquisition of intangible assets		(382,684)	(232,377)
Acquisition of investment properties		(10,304)	--
Proceeds from sale of investment properties		31,973	5,324
Proceeds from the sale of property, plant and equipment	12	282,818	574,339
Acquisition of investment securities		(30,048,513)	(17,218,850)
Proceeds from sale of investment securities		16,439,985	10,991,493
Net cash (used in) investing activities		(14,585,108)	(7,763,572)
Cash flows from financing activities:			
Proceeds from issue of debt securities and subordinated liabilities		20,483,202	22,161,733
Repayments of debt securities and subordinated liabilities		(22,707,865)	(20,552,704)
Proceeds from funds borrowed		35,870,584	17,046,649
Repayments of funds borrowed		(38,790,377)	(17,379,573)
Repayments of lease payables		(261,091)	(293,178)
Dividends paid		(280,628)	(467,464)
Net cash from financing activities		(5,686,175)	515,463
Net increase in cash and cash equivalents		292,447	5,623,520
Effects of foreign exchange rate fluctuations on cash and cash equivalents		1,758,078	770,871
Cash and cash equivalents at 1 January		47,928,635	34,610,082
Cash and cash equivalents at 30 June		49,979,160	41,004,473

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

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TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AS AT AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

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

1. Activities of the Bank and the Group

Türkiye İş Bankası Anonim Şirketi (“the Bank”) was incorporated in Turkey in 1924. The Bank provides private, retail, commercial and corporate banking, money market and securities market operations as well as international banking services. The Bank now operates a nationwide network of 1,257 (31 December 2019: 1,249) branches, 6,583 ATMs (31 December 2019: 6,506 ATMs), 15 branches in Turkish Republic of Northern Cyprus, 2 branches in U.K. (London), 2 branches in Kosovo (Pristina and Prizen), 2 branches in Iraq (Erbil and Baghdad), 1 branch in Bahrain (Manama).

The Bank also have representative offices in China and Egypt and three banking subsidiaries in Germany, Russia and Georgia. The Bank directly invests in equity participations of 27 companies operating mainly in industry and the financial sector.

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Fax : +90 212 316 09 00
Website : www.isbank.com.tr

The Bank and its subsidiaries are herein referred to as the “Group”.

The consolidated financial statements as at and for the period ended 30 June 2020 have been approved on 30 October 2020 by relevant managers of Financial Management Division of the Bank. Authorised boards of the Bank and other regulatory bodies have the power to amend the statutory financial statements on which these IFRS financial statements are based.

The Group controls equity stakes in companies that are active in the areas of banking, insurance, private pensions, capital market brokerage, asset management, venture capital, factoring, reinsurance, finance leasing, investment banking, real estate investment, service and manufacturing. Activities carried out in these business areas and main companies are explained below in summary.

Financial services

Anadolu Anonim Türk Sigorta Şirketi (“Anadolu Sigorta”)

The Company was established in 1925 and operates in almost all non-life insurance branches. The headquarters of the Company is in İstanbul. The Company’s shares are traded in Borsa İstanbul A.Ş.

Anadolu Hayat Emeklilik A.Ş. (“Anadolu Hayat”)

The Company was founded in 1990 and its headquarters is in İstanbul. The Company’s main activities are private individual or group pension and life insurance. There are 34 private pension funds founded by the Company. The Company’s shares are traded in Borsa İstanbul A.Ş.

Efes Varlık Yönetim A.Ş. (“Efes Varlık”)

The field of activity of the Company, which was founded in February 2011, is to purchase and sell the receivables and other assets of deposit banks, participation banks and other financial institutions. The Company’s headquarters is in İstanbul.

İş Faktoring A.Ş. (“İş Faktoring”)

The Company, which operates in the factoring sector since 1993, is engaged in domestic and foreign factoring operations. The Company’s headquarter is in İstanbul.

İş Finansal Kiralama A.Ş.

The Company, whose field of activity is financial leasing within the country and abroad started its operations in 1988. The headquarters of the Company is in İstanbul. The Company’s shares are traded in Borsa İstanbul A.Ş.

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İş Gayrimenkul Yatırım Ortaklığı A.Ş. (“İş GYO”)

The Company, whose main field of activity is investing in real estate, capital market instruments backed by real estate, real estate projects and capital market instruments, is conducting its business in the sector as a real estate investment trust since 1999. The Company’s shares are traded in Borsa İstanbul A.Ş. since its establishment.

İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. (“İş Girişim”)

The Company, which began its venture capital operations in 2000, is making long-term investments in entrepreneurship founded or to be found in Turkey with a development potential and in need of capital. The Company’s shares are traded in Borsa İstanbul A.Ş. since 2004.

İş Portföy Yönetimi A.Ş. (“İş Portföy”)

The purpose of the Company, which was founded in 2000, is to engage in capital market operations stated in its articles of association. Among the capital market operations, the Company offers portfolio management and investment consulting services for corporate investors exclusively.

İş Yatırım Menkul Değerler A.Ş. (“İş Menkul”)

The Company is mainly engaged in intermediation, corporate finance, investment consulting and private portfolio management services. The Company’s shares are traded in Borsa İstanbul A.Ş. since May 2007.

İş Yatırım Ortaklığı A.Ş.

The field of activity of the Company, which was founded in İstanbul in 1995, is portfolio management. The Company’s shares are traded in Borsa İstanbul A.Ş. since April 1996.

İşbank AG

İşbank AG was founded to carry out the banking transactions of the Bank in Europe. İşbank AG has 11 branches in total, 10 branches in Germany and 1 branch in the Netherlands.

Joint Stock Company İşbank (“JSC İşbank”)

JSC İşbank, which was founded in 1998 and headquartered in Moscow, provides banking services by focusing on deposit, loan and brokerage operations with its 3 branches in several regions of the Russian Federation.

Joint Stock Company İşbank Georgia (“JSC İşbank Georgia”)

The Bank which was established in Georgia in the third quarter of 2015, is operating banking services mainly deposit, loan and exchange transactions. As part of the organisational structure of the Bank in abroad, Batumi and Tbilisi branches which were established in 2012 and 2014 respectively and proceed its operations as JSC İşbank Georgia.

Maxis Girişim Sermayesi Portföy Yönetimi A.Ş. (“Maxis Girişim”)

The purpose of the Company, which was founded in November 2017, is to establish and manage capital investment funds in accordance with the Capital Markets Law and related legislations.

Maxis Investments Ltd.

The purpose of the Company, which was founded in U.K. in 2005, is to engage in activities in foreign capital markets.

Milli Reasürans T.A.Ş. (“Milli Reasürans”)

The Company, which was founded in 1929 to provide reinsurance services, is located in İstanbul.

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TSKB Gayrimenkul Yatırım Ortaklığı A.Ş. (“TSKB GYO”)

The major field of activity of the Company, which was founded in 2006, is to create and develop an investment property portfolio and to invest in capital market instruments that are based on investment properties. The Company’s shares are traded in Borsa İstanbul A.Ş. since April 2010.

Türkiye Sınai Kalkınma Bankası A.Ş. (“TSKB”)

TSKB, the first private industrial development and investment bank of Turkey, is founded especially to support private sector investments and facilitate contribution of domestic and foreign capital to Turkish companies. The Bank’s shares are traded in Borsa İstanbul A.Ş.

Yatırım Finansman Menkul Değerler A.Ş. (“Yatırım Finansman”)

The purpose of the Company, which was founded in 1976, is to engage in capital market operations stated in its articles of association. The Company is located in İstanbul.

Yatırım Varlık Kiralama A.Ş.

The purpose of the Company, which was founded in 2019, is to issue lease certificates in accordance with the Capital Markets Law and related legislations.

Arap Türk Bankası A.Ş. (“Arap Türk”)

Arap Türk has been established on 18 July 1976 as a joint stock entity in accordance with an agreement signed between the Republic of Turkey and the Libyan Arab Republic. In accordance with the Articles of Association, the Board of Directors shall elect a Chairman among its Turkish members and a Deputy Chairman among its Arab members. The General Manager shall always be nominated by the Arab shareholders and assigned by the Board.

Glass

Türkiye Şişe ve Cam Fabrikaları A.Ş. (“Şişecam Group”)

Şişecam Group consists of a holding company, Türkiye Şişe ve Cam Fabrikaları A.Ş., 63 subsidiaries, 2 joint ventures and 2 associates. Türkiye Şişe ve Cam Fabrikaları A.Ş. started its glass production in 1935. Besides Turkey, Şişecam Group operates in various countries such as Austria, Bosnia-Herzegovina, Bulgaria, China, Egypt, UK, USA, Georgia, Germany, Hungary, Netherlands, India, Italy, Ukraine, Russia, Romania, Slovakia and Spain.

Şişecam Group’s core business is mainly glass production. In addition, Şişecam Group is engaged in the complementary industrial and commercial operations related to glass production and participated in various industrial and commercial companies’ capital and management.

Other

Bayek Tedavi Sağlık Hizmetleri ve İşletme A.Ş. (“Bayek”)

The Company was founded in 1992 and it operates in medical and education services.

Erişim Müşteri Hizmetleri A.Ş. (“Erişim”)

The company was founded in November 2012 as customer contact center.

Gullseye Lojistik Teknolojileri A.Ş. (“Gullseye”)

The company provides IT solutions specialised in logistics industry since 2018.

İş Altınhas İnşaat Taahhüt ve Ticaret A.Ş. (“İş Altınhas”)

The Company operates as a contractor of large size construction projects since its establishment in 1997.

İş Merkezleri Yönetim ve İşletim A.Ş. (“İşmer”)

The company was founded in 1999 and operates in facility management services.

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İş Net Elektronik Bilgi Üretim Dağıtım Ticaret ve İletişim Hizmetleri A.Ş. (“İş Net”)

İş Net locally and globally provides service in information and technology sectors since 1999.

Kanyon Yönetim İşletim ve Pazarlama Ltd. Şti. (“Kanyon”)

Kanyon was established on 6 October 2004. The main objective and operation of the investment is the management of Kanyon Complex, which includes residences, offices and shops; providing maintenance, security, basic environmental set up and similar activities as well as acting as an agent in the introduction and marketing of the projects belonging to the complex, including property letting and sale.

Kültür Yayınları İş-Türk A.Ş. (Kültür)

The field of activity of the company, which was founded in 1956, is to contribute to studies of cultural and art activities, museology and science.

Livewell Giyilebilir Sağlık Ürün Hizmetleri ve Teknolojileri San. ve Tic A.Ş. (“Livewell”)

The Company was founded in 2012 and provides mobile health and preventive health care services.

Nevotek Bilişim Ses ve İletişim Sistemleri San. ve Tic. A.Ş. (“Nevotek”)

Nevotek providing project consultancy, research and development of computer hardware audio technologies and telecommunication systems in domestic and foreign market. The Company is acting as an agent and performing, exporting, importing, distributorship, agency, installation, maintenance, after sale services, training and management, and marketing of these systems.

Mikla Yiyecek ve İçecek A.Ş. (“Mikla”)

Mikla was founded in 2020 after the division of Numnum Yiyecek ve İçecek A.Ş. The Company is managing and operating restaurants.

Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş. (“Ortopro”)

Ortopro was founded in 2002 and it produces, trades, exports and imports the orthopedics, medical and surgical instruments.

Radore Veri Hizmetleri A.Ş. (“Radore”)

Radore was established in 2004 with the aim of developing individual and corporate web hosting services.

Softtech Yazılım Teknolojileri A.Ş. (“Softtech”)

Softtech was founded under the business title of Tagsoft A.Ş in 2006. The title of the Tagsoft A.Ş, was changed to SoftTech A.Ş. and has continued its commercial activities as SoftTech A.Ş. since 28 February 2008. The Company operates as a software firm.

Tatil Budur Seyahat Acenteliği ve Turizm A.Ş. (“Tatil Budur”)

The Company was founded in 1997 and it provides services in tourism sector.

Toksöz Spor Malzemeleri Tic A.Ş. (“Toksöz Spor”)

Toksöz Spor is selling sporting goods and products since 1985.

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2. Basis of preparation

2.1 Basis of presentation

The Bank and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira (“TL”) in accordance with the accounting principles as promulgated by the Banking Regulation and Supervision Agency (“BRSA”), Capital Markets Board of Turkey, Ministry of Treasury and Finance, the Turkish Commercial Code and tax legislation. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

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

Covid-19 outbreak, which started in China and spread globally in the first half of 2020, caused serious effects on both economic and social life. In addition to the social life effects of the cautions taken to ensure the control of outbreak in many countries, there are also consequences observed which is negatively affecting economic activity both on regional and global scale. As in other countries where the pandemic is effective, various cautions also have been taken in our country in social and economic terms in order to reduce that negativeness and the cautions taken continue to be implemented with partial changes. The Bank and its consolidated subsidiaries sustain its activities for the period precisely by closely monitoring the processes related to outbreak, postponing retail and non-retail customers’ due debts, restructuring with grace period and existing or additional limit allocations in respect with customers’ needs. Assessments regarding the possible effects of the Covid-19 in 30 June 2020 consolidated financial statements are explained in relevant notes.

2.2 Use of estimates and judgments

The preparation of the consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the application of policies and in the measurement of income and expenses in the profit and loss statement and in the carrying value of assets and liabilities in the statement of financial position, and in the disclosure of information in the notes to the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were in consistent with those that applied to the consolidated Financial statements as at and for the year ended 31 December 2019, except for the assessments which are disclosed in Note 4 and 11 regarding the possible effects of Covid-19 in 30 June 2020 consolidated financial statements.

3. Significant accounting policies

These interim condensed consolidated financial statements have been prepared in accordance with “IAS 34 Interim Financial Reporting”. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended 31 December 2019.

The accounting policies applied in these interim consolidated financial statements are in consistent with those applied in the Group’s consolidated financial statements as at and for the year ended 31 December

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2019. However, assessments regarding the possible effects of Covid-19 outbreak in the measurement of expected credit losses are explained in Note 11.

3.1 Basis of consolidation

Subsidiaries

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

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

Business combinations

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

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

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

Interests in equity-accounted investees

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

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

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Structured entities

Structured entities are entities that are created to accomplish a narrow and well defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. Structured entities are consolidated when the substance of the relationship between the Group and the structured entity indicates that the structured entity is controlled by the Group.

Non-controlling interests

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

Loss of control

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

Transactions eliminated on consolidation

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

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Group entities

Subsidiaries	Country of Incorporation	Effective Ownership Rate %	
		30 June 2020	31 December 2019
Manufacturing (Glass industry)			
AC Glass Holding B.V. ^(*)	Netherlands	--	52.21
Anadolu Cam Investment B.V. ^(*)	Netherlands	--	52.21
Anadolu Cam San. A.Ş.	Turkey	52.90	52.21
Automotive Glass Alliance Rus Trading OOO	Russia	48.51	47.54
Automotive Glass Alliance Rus AO	Russia	48.51	47.54
CJSC Brewery Pivdenna	Ukraine	52.90	52.21
Camiş Ambalaj San. A.Ş.	Turkey	67.57	67.57
Çayırova Cam San. A.Ş.	Turkey	62.21	61.93
Denizli Cam San. A.Ş.	Turkey	34.28	34.28
Glasscorp S.A.	Romania	48.51	47.54
JSC Mina	Georgia	52.90	52.21
Merefa Glass Company Ltd.	Ukraine	52.90	52.21
Nude Design Investment B.V.	Netherlands	67.22	67.22
Nude Glass Investment B.V.	Netherlands	67.22	67.22
OOO Posuda	Russia	67.22	67.22
OOO Ruscam Glass Packaging Holding	Russia	52.90	52.21
OOO Ruscam Management Company	Russia	52.90	52.21
OOO Energosystems	Russia	52.90	52.21
Paşabahçe Bulgaria EAD	Bulgaria	67.22	67.22
Paşabahçe Cam San. ve Tic. A.Ş.	Turkey	67.22	67.22
Paşabahçe Egypt Glass Manufacturing S.A.E.	Egypt	67.22	67.22
Paşabahçe Glass Gmbh	Germany	67.22	67.22
Paşabahçe Investment B.V.	Netherlands	67.22	67.22
Paşabahçe Mağazaları A.Ş.	Turkey	67.22	67.22
Paşabahçe Spain SL	Spain	67.22	67.22
Paşabahçe SRL	Italy	67.22	67.22
Paşabahçe USA Inc	USA	67.22	67.22
Paşabahçe (Shanghai) Trading Co. Ltd.	China	67.22	67.22
Richard Fritz Holding GmbH	Germany	48.51	47.54
Richard Fritz Kft	Hungary	48.51	47.54
Richard Fritz Prototype+Spare Parts GmbH	Germany	48.51	47.54
Richard Fritz Spol S.R.O	Slovakia	48.51	47.54
Şişecam Automotive Bulgaria EAD	Bulgaria	48.51	47.54
Şişecam Flat Glass Holding B.V.	Netherlands	48.51	47.54
Şişecam Flat Glass India Private Limited	India	48.51	47.54
Şişecam Flat Glass Italy S.R.L	Italy	48.51	47.54
Şişecam Flat Glass South Italy SRL	Italy	48.51	47.54
Şişecam Glass Packaging B.V. ^(*)	Netherlands	52.90	52.21
Şişecam Otomotiv A.Ş.	Turkey	48.51	47.54
Şişecam Trade Co. Ltd.	China	42.58	41.91
Trakya Cam Sanayii A.Ş.	Turkey	48.51	47.54
Trakya Glass Bulgaria EAD	Bulgaria	48.51	47.54
Trakya Glass Rus AO	Russia	33.96	33.28
Trakya Glass Rus Trading OOO	Russia	33.96	33.28
Trakya Investment B.V.	Netherlands	48.51	47.54
TRSG Glass Holding B.V.	Netherlands	33.96	33.28
Türkiye Şişe ve Cam Fab. A.Ş.	Turkey	67.57	67.57
Manufacturing (Other)			
Cam Elyaf San. A.Ş.	Turkey	65.43	65.33
Camiş Egypt Mining Co.	Egypt	67.37	67.37
Camiş Elektrik Üretim A.Ş.	Turkey	57.18	56.67
Camiş Madencilik A.Ş.	Turkey	67.57	67.57
Cromital S.p.A.	Italy	42.58	41.91
Istanbul Investment B.V.	Netherlands	67.22	67.22
Madencilik San. ve Tic. A.Ş.	Turkey	67.57	67.57

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Subsidiaries	Country of Incorporation	Effective Ownership Rate %	
		30 June 2020	31 December 2019
<u>Manufacturing (Other)</u>			
Oxyvit Kimya Sanayii ve Tic. A.Ş.	Turkey	42.58	41.91
Ortopro	Turkey	34.27	31.95
SC Glass Trading B.V.	Netherlands	67.57	67.57
Soda San. A.Ş.	Turkey	42.58	41.91
Şişecam Bulgaria EOOD	Bulgaria	42.58	41.91
Şişecam Chem Investment B.V.	Netherlands	42.58	41.91
Sisecam Chemicals USA Inc.	USA	42.58	41.91
Şişecam Elyaf Sanayii A.Ş.	Turkey	42.58	41.91
Şişecam Enerji A.Ş.	Turkey	67.57	67.57
Şişecam Soda Lukavac DOO	Bosnia Herzegovina	42.58	41.91
Toksöz Spor	Turkey	31.95	31.12
<u>Holding</u>			
Trakya Yatırım Holding A.Ş.	Turkey	100.00	100.00
<u>Service</u>			
Bayek	Turkey	99.80	99.80
Erişim	Turkey	99.68	99.68
Gullseye(**)	Turkey	100.00	--
İş Mer	Turkey	99.50	99.50
İş Net	Turkey	98.20	98.20
Kültür	Turkey	99.59	99.59
Livewell(**)	Turkey	100.00	--
Maxi Digital GmbH	Germany	100.00	100.00
Maxitech	USA	100.00	100.00
Mikla(***)	Turkey	29.46	--
Nevotek	Turkey	33.62	33.62
Num Num(***)	Turkey	--	29.46
Softtech	Turkey	100.00	100.00
Softtech (Shanghai) Technology Co. Ltd.	China	100.00	100.00
Şişecam Çevre Sistemleri A.Ş.	Turkey	60.81	60.81
Şişecam Dış Ticaret A.Ş.	Turkey	67.57	67.57
<u>Banking</u>			
JSC İşbank	Russia	100.00	100.00
JSC Isbank Georgia	Georgia	100.00	100.00
İşbank AG	Germany	100.00	100.00
TSKB	Turkey	49.81	49.81
<u>Reinsurance</u>			
Milli Reasürans	Turkey	77.06	77.06
<u>Insurance</u>			
Anadolu Hayat	Turkey	73.00	73.00
Anadolu Sigorta	Turkey	51.16	51.16
Şişecam Sigorta Aracılık Hizmetleri A.Ş.	Turkey	67.57	67.57
<u>Leasing</u>			
İş Finansal Kiralama A.Ş.	Turkey	43.45	43.45
<u>Factoring</u>			
İş Faktoring	Turkey	44.83	44.83
<u>Other financial</u>			
Efes Varlık	Turkey	66.72	65.78
İş Girişim	Turkey	35.25	35.25
İş GYO	Turkey	58.97	58.96
İş Menkul	Turkey	67.97	67.97
İş Portföy	Turkey	67.14	67.14
İş Yatırım Ortaklığı A.Ş.	Turkey	24.83	24.83
Maxis Girişim	Turkey	67.97	67.97
Maxis Investments Ltd.	U.K.	67.97	67.97
TSKB GYO	Turkey	44.49	42.86
Yatırım Finansman	Turkey	48.26	48.26
Yatırım Varlık Kiralama A.Ş.	Turkey	48.26	48.26

(*) AC Glass Holding B.V. and Anadolu Cam Investment B.V. merged within Şişecam Glass Packaging B.V. in March 2020.

(**) Trakya Yatırım Holding A.Ş. acquired 100% partnership of the companies in March 2020.

(***) Numnum Yiyecek ve İçecek A.Ş., a subsidiary of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş., divided into three new companies established by the method of split-up. Group shares in two of those companies were sold to third parties. The shares of İş Girişim Sermayesi Yatırım Ortaklığı A.Ş. in the third company named Mikla Yiyecek ve İçecek A.Ş., remained as the same with its shares in Numnum Yiyecek ve İçecek A.Ş.

Structured entity	Country of Incorporation
TIB Diversified Payment Rights Finance Company	Cayman Islands

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The following investments in associates and joint ventures which the Group has significant influences have been accounted for using the equity method:

Investment in associates	Country of Incorporation	30 June 2020 Ownership %	31 December 2019 Ownership %
Anavarza Otelcilik A.Ş.	Turkey	50.00	50.00
Arap Türk Bankası A.Ş.	Turkey	20.58	20.58
Bankalararası Kart Merkezi(*)	Turkey	--	9.98
İş Altınhas İnşaat Taahhüt ve Ticaret A.Ş.	Turkey	50.00	50.00
Kanyon Yönetim ve İşl. Paz. A.Ş.	Turkey	50.00	50.00
Kredi Kayıt Bürosu	Turkey	9.09	9.09
Tatil Budur	Turkey	20.00	20.00
Pacific Soda LLC	USA	50.00	50.00
Radore Veri Merkezi Hizmetleri A.Ş.	Turkey	25.50	25.50
Rudnika Krecnjaka Vijenac D.O.O.	Bosnia Herzegovina	50.00	50.00
Saint Gobain Glass Egypt S.A.E.	Egypt	30.00	30.00
Solvay Şişecam Holding AG (“Solvay Şişecam”)	Austria	25.00	25.00

(*) Due to the change in the partnership structure of Bankalararası Kart Merkezi A.Ş. and the loss of the significant influence within the scope of “IAS 28 Investments in Subsidiaries and Joint Ventures”, the company has been classified from “Equity accounted investees” to “Financial assets at fair value through other comprehensive income” account in current period.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

3.3 Changes in accounting policy

The condensed consolidated interim financial statements have been prepared on a basis consistent with the accounting policies set out in the financial statements of the Group for the year ended 31 December 2019 except for the adoption of new standards and interpretations effective as of 1 January 2020 which are listed below.

The new standards, amendments and interpretations which are effective as at 1 January 2020 are as follows:

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in “IFRS 3 Business Combinations”. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;

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- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments did not have a significant impact on the financial position or performance of the Group.

Definition of Material (Amendments to IAS 1 and IAS 8)

In October 2018, the IASB issued amendments to “IAS 1 Presentation of Financial Statements” and “IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

The amendments did not have a significant impact on the financial position or performance of the Group.

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

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.

The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to “IFRS 16 Leases” to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020.

The amendments did not have a significant impact on the financial position or performance of the Group.

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Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective. The Group considers that new standards, interpretations and amendments would not have a significant impact on Group’s financial position. The Group is in the process of assessing the impact of that new standards, interpretations and amendments on financial position or performance of the Group.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The Group continues adoption process regarding IFRS 17.

Amendments to IAS 1- Classification of Liabilities as Current and Non-Current Liabilities

In January 2020, the IASB issued amendments to “IAS 1 Presentation of Financial Statements”. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with “IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors”. Early application is permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to “IFRS 3 Business combinations”. The amendments are intended to replace to a reference to a previous version of the IASB’s Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to “IAS 16 Property, plant and equipment”. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be

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applied prospectively only to items of property plant and equipment made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters.

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to “IAS 37 Provisions, Contingent Liabilities and Contingent assets”. The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a “directly related cost approach”. Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed.

Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- IFRS 9 Financial Instruments – Fees in the “10 percent test” for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other’s behalf.
- IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

4. Financial risk management

4.1 Introduction and overview

Risk management framework

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group’s risk management framework. The Board of Directors monitors the effectiveness of the risk management system through the Audit Committee. Consequently, the Risk Management Division of the Bank, which carries out the risk management activities and works independently from executive activities, report to the Board of Directors.

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

The risks are measured using internationally accepted methodologies, in compliance with local and international regulations, and the Bank’s structure, policy and procedures. It is aimed to develop these

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methodologies to enable the Bank to manage the risks effectively. At the same time, studies for compliance with the international banking applications are carried out.

Subsidiaries within the Bank’s consolidated risk policy, in terms of their own business lines, measure, evaluate and monitor risks, establish risk limits. Risk limits are approved by their own Board of Directors. Risk levels are reported to the Bank’s Risk Committee within the periods set by the Bank, to monitor risk levels on consolidated basis. The Bank’s Risk Committee, assesses the risk levels and report the results to the Board of the Directors of the Bank.

Audit Committee: The Audit Committee consists of two members of the Board of Directors who do not have any executive functions. The Audit Committee, established to assist the Board of Directors in its auditing and supervising activities, is responsible for:

- The supervision of the efficiency and effectiveness of the internal control, risk management and internal audit systems of the Group, functioning of these systems as well as accounting and reporting systems within the framework of related procedures, and the integrity of information generated;
- The preliminary assessment on the selection process of independent audit firms and the systematic monitoring of the activities of these companies;
- The maintenance and coordination of the internal audit functions of corporations subject to consolidated internal audits.

The Group’s strategy for the use of financial instruments

The Group’s liabilities are composed of short-term deposits and other middle and long-term resources. The liquidity risk, which may be caused by this status, can easily be controlled through deposit sustainability, as well as widespread network of correspondent banks, market maker status (the Bank is one of the market maker banks) and by the use of liquidity facilities of the Central Bank of Turkey. In this regard, the liquidity of the Group is constantly monitored. On the other hand, demand for foreign currency liquidity is met by money market operations and money swaps.

TRY denominated CPI bonds and floating rate notes in the Group’s securities portfolio have sufficient quality and capacity to reduce the risk which may be caused by the fluctuations in the interest rates. Funds collected are, to a great extent, fixed-interest rated. Sectoral developments are closely monitored and both fixed and floating rated placements are made according to the yields of alternative investment instruments. Some part of the funds is transferred to the Treasury guaranteed projects. In terms of placements, security principle has always been the priority of the Bank and the placements are oriented to high yielding and low risk assets by considering their maturity structure. Accordingly, a pricing policy that aims high return is implemented in long-term placements. Placements to loans and marketable securities are the fields with higher yields than the average return calculated for the Group’s field of activities.

The Group determines its lending strategy by taking into consideration the international and national economic data and expectations, market conditions, current and potential credit customers’ expectations and tendencies, and the risks like interest rate, liquidity, currency and credit risks. Furthermore, parallel to this strategy, the Group acts within the legal limits in terms of asset-liability management.

Main growth targets for different asset classes are set by long-term plans, which are shaped along with budgeting; and the bank takes necessary position in accordance with the said plans and the course of the market conditions against the short-term currency, interest rates and price movements.

Foreign currency, interest rate and price movements are monitored instantaneously. When taking position, the Group’s own transaction and control limits are also effectively monitored in addition to the legal limits and limit overrides are avoided. Besides the Bank’s asset-liability management is executed by the

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Asset-Liability Management Committee, within the risk limits determined by the Risk Committee, in order to keep the liquidity risk (within the boundaries of the equity), interest rate risk, currency risk and credit risk within certain limits and to maximise profitability.

4.2 Credit Risk

Credit risk is defined as the probability of loss if the customer or counterparty fails to meet its obligations partially or completely on the terms set. Credit risk is considered in depth, covering the counterparty risks arising not only from loans and debt securities but also credit risks originating from the transactions defined as loans in the Banking Law.

The Bank performs stress tests towards to digitize the effects of the Covid-19 outbreak on credit portfolio and credit risk indicators. In the stress tests studies conducted, components such as sectors likely to be affected by the Covid-19 outbreak, leading indicators for consumption in the market, exchange rate sensitivity, supply chain complexity and demand difficulties are taken into consideration. As a result of the stress test, levels that the Bank's expected credit loss provisions, non-performing loan amount and the capital adequacy ratio might reach are estimated and monitored. In addition to the aforementioned analysis, reverse stress tests are conducted regularly by determining the increase in non-performing loans ratio and exchange rate which will cause the Bank's capital adequacy to decrease to the legal limits.

For risk management reporting purposes the Group considers and consolidates all elements of credit risk exposure.

Exposure to credit risk

30 June 2020	Loans and advances to customers	Trade receivables	Other assets expose to credit risk(*)
Risk exposure			
Non performing financial assets	8,660,483	--	--
Gross amount	21,324,914	142,285	443,027
Expected credit loss for Stage 3	(12,664,431)	(142,285)	(443,027)
Performing financial assets	355,228,826	6,485,370	550,850,189
Gross amount	363,814,562	6,485,370	551,370,107
Expected credit loss for Stage 1 and 2	(8,585,736)	--	(519,918)
Carrying amount	363,889,309	6,485,370	550,850,189

(*) Loans and advances to banks, trading and investment securities, insurance receivables, non-cash loans, commitments and derivative transactions are also included.

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31 December 2019	Loans and advances to customers	Trade receivables	Other assets expose to credit risk(*)
Risk exposure			
Non performing financial assets	9,811,020	--	--
Gross amount	21,102,729	141,121	389,526
Expected credit loss for Stage 3	(11,291,709)	(141,121)	(389,526)
Performing financial assets	308,613,726	5,847,878	459,186,488
Gross amount	314,418,080	5,847,878	459,624,589
Expected credit loss for Stage 1 and 2	(5,804,354)	--	(438,101)
Carrying amount	318,424,746	5,847,878	459,186,488

(*) Loans and advances to banks, trading and investment securities, insurance receivables, non-cash loans, commitments and derivative transactions are also included.

Restructuring in performing loans are made by extending the maturity of the loan with changing conditions of contract aiming to enhance solvency of customer or customer’s demand. Restructuring in non-performing loans are generally made by establishing a new redemption plan within the context of a protocol aiming the collection of those receivables whose redemption plan are not valid because of delinquency previously.

As of 30 June 2020 and 31 December 2019, details of restructured loans under Stage 2 are as follows:

Restructured Loans under Stage 2	30 June 2020		31 December 2019	
	Loans with revised contract terms	Refinanced	Loans with revised contract terms	Refinanced
Corporate and commercial loans	12,031,027	6,288,776	6,122,835	5,635,911
Export loans	134,146	275,823	148,264	152,391
Consumer loans	261	1,462,582	201	1,044,840
Credit cards	423,610	--	473,727	--
Other receivables	5,079,966	4,228,333	3,202,623	4,512,159
Total restructured loans under Stage 2	17,669,010	12,255,514	9,947,650	11,345,301

Collateral policy

The Group give utmost importance to ensure that loans are furnished with collaterals. Most of the loans extended are collateralised by establishing pledge over real estate, movable or commercial enterprise, holding promissory notes and other liquid assets as collateral, or by acceptance of letters of guarantee and individual or corporate guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held at 30 June 2020 and 31 December 2019.

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An estimate of the fair value of collateral and other security enhancements held against closely monitored loans and advances to customers (stage 2) as follows:

	30 June 2020	31 December 2019
Secured closely monitored loans:	39,048,190	35,462,934
<i>Secured by mortgages^(*)</i>	10,818,359	10,079,700
<i>Pledges on wages and vehicles</i>	1,665,251	1,600,125
<i>Cheques & Notes</i>	5,746	460
<i>Secured by cash collateral</i>	227,441	216,844
<i>Other (surety, commercial enterprise under pledge etc.)</i>	26,331,393	23,565,805
Unsecured closely monitored loans	5,580,200	5,124,516
Total closely monitored loans and advances to customers	44,628,390	40,587,450

(*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair value of the real estate provided in expertise reports. This net value is compared to loan balance and mortgage amount, and lowest of the three values is presented here as collateral’s fair value.

As at 30 June 2020 and 31 December 2019, the Group has no closely monitored loans and advances to banks, investment securities, trade receivables or other assets.

An estimate of the fair value of collateral held against non-performing loans and advances to customers (stage 3) is as follows:

	30 June 2020	31 December 2019
Secured non-performing loans	14,094,395	13,717,851
<i>Secured by cash collateral</i>	550	1,680
<i>Secured by mortgages^(*)</i>	5,617,965	6,266,997
<i>Vehicle pledge</i>	324,613	350,072
<i>Other (surety, commercial enterprise under pledge etc.)</i>	8,151,267	7,099,102
Unsecured non-performing loans	7,230,519	7,384,878
Total non-performing loans and advances to customers	21,324,914	21,102,729

(*) The mortgage and/or pledge amounts on which third parties have priorities are deducted from the fair value of the real estate provided in expertise reports. This net value is compared to loan balance and mortgage amount, and lowest of the three values is presented here as collateral’s fair value.

Rating system

Credit risk limits of customers are determined depending on the financial situation and loan requirements of the borrowers, in strict compliance with the relevant banking legislation, within the framework of loan authorisation limits of Branches, Regional Offices, Loan Divisions, and the Deputy Chief Executives responsible for loans, the CEO, the Credit Committee and the Board of Directors. These limits may be changed as may be deemed necessary by the Bank. Moreover, all commercial credit limits are revised periodically, provided that each period does not exceed a year. Furthermore, the borrowers and borrower groups forming a large proportion of the overall loan portfolio are subject to risk limits in order to provide further minimisation of potential risk.

The rating/scoring results related to the cash commercial and corporate loans portfolio are classified as “Strong”, “Standard” and “Below Standard” by considering their default features. The loans whose borrowers’ capacity to fulfill their obligations is very good, are defined as “Strong”, whose borrowers’ capacity to fulfill its obligations in due time is reasonable, are defined as “Standard” and whose borrowers’ capacity to fulfill their obligations is poor, are defined as “Below Standard”. The percentage of the portfolio according to the rating/scoring results is as follows:

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	30 June 2020 (%)	31 December 2019 (%)
Strong	46.37	43.92
Standard	44.77	47.42
Below standard	8.86	8.66

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4.3 Liquidity risk

Maturity analysis of financial assets and liabilities according to their remaining maturities:

30 June 2020	Demand	Less than one month	1-3 months	3-12 months	1-5 Years	Over 5 years	Carrying amount
Cash on hand	6,542,971	--	--	--	--	--	6,542,971
Balances with central bank ^(*)	17,769,604	34,577,062	--	--	--	--	52,346,666
Loans and advances to banks ^(*)	14,359,688	12,115,645	1,129,937	484,836	--	--	28,090,106
Financial assets at fair value through profit or loss ^(**)	3,081,474	1,625,872	2,208,292	2,327,257	960,861	102,175	10,305,931
Loans and advances to customers ^(***)	13,482,752	34,731,286	28,007,319	107,560,434	143,882,795	36,149,976	363,814,562
Trade receivables	19,404	4,091,252	2,062,140	297,123	15,451	--	6,485,370
Insurance receivables	250,053	358,573	951,808	2,462,393	1,908,159	328,419	6,259,405
Financial assets at fair value through other comprehensive income	1,738,441	160,945	1,043,070	8,993,294	35,182,659	24,595,723	71,714,132
Financial assets measured at amortised cost ^(*)	--	1,157,308	705,574	10,479,127	21,778,005	9,883,813	44,003,827
Other assets ^(*)	6,419,791	7,915,854	369,460	456,042	553,123	--	15,714,270
Total assets	63,664,178	96,733,797	36,477,600	133,060,506	204,281,053	71,060,106	605,277,240
Deposits	127,180,101	152,273,003	44,004,502	12,756,828	2,498,103	597,586	339,310,123
Obligations under repurchase agreements	--	14,468,622	2,187,605	7,641	--	--	16,663,868
Funds borrowed	--	5,664,070	3,329,452	32,315,995	31,023,464	13,201,818	85,534,799
Debt securities issued	--	4,520,310	2,503,739	8,301,096	23,184,027	5,099,372	43,608,544
Payables to money market	--	743,835	--	--	--	--	743,835
Trade payables	49,518	5,075,860	254,176	704,646	--	--	6,084,200
Taxes and dues payable	--	914,143	--	--	--	--	914,143
Insurance contract liabilities	2,819,994	384,353	1,378,862	5,209,398	4,474,285	1,019,408	15,286,300
Subordinated liabilities	--	--	109,455	--	11,628,520	10,932,788	22,670,763
Other liabilities	15,329,051	1,493,642	2,269,010	591,646	71,026	--	19,754,375
Total liabilities	145,378,664	185,537,838	56,036,801	59,887,250	72,879,425	30,850,972	550,570,950
Net	(81,714,486)	(88,804,041)	(19,559,201)	73,173,256	131,401,628	40,209,134	54,706,290

(*) Expected credit losses are not included.

(**) Derivative financial instruments measured at fair value through profit or loss are included.

(***) Non-performing loans and expected credit losses are not included.

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Maturity analysis of financial assets and liabilities according to their remaining maturities

31 December 2019	Demand	Less than one month	1-3 months	3-12 months	1-5 Years	Over 5 years	Carrying amount
Cash on hand	5,528,713	--	--	--	--	--	5,528,713
Balances with central bank ^(*)	23,955,075	24,420,618	--	--	--	--	48,375,693
Loans and advances to banks ^(*)	7,424,472	10,373,868	3,303,265	981,790	--	--	22,083,395
Financial assets at fair value through profit or loss ^(**)	2,039,329	1,568,760	1,475,442	2,003,881	565,020	57,113	7,709,545
Loans and advances to customers ^(***)	15,094,132	32,155,509	24,141,341	80,174,684	128,937,024	33,915,390	314,418,080
Trade receivables	31,382	3,664,881	1,842,732	289,277	19,606	--	5,847,878
Insurance receivables	2,785,175	239,390	667,552	1,120,027	196,034	--	5,008,178
Financial assets at fair value through other comprehensive income	1,827,999	617,642	1,797,788	3,396,042	29,742,875	23,641,200	61,023,546
Financial assets measured at amortised cost ^(*)	--	993,241	1,389,846	2,170,348	25,118,341	5,979,006	35,650,782
Other assets ^(*)	4,855,106	3,803,805	296,396	903,563	809,507	--	10,668,377
Total assets	63,541,383	77,837,714	34,914,362	91,039,612	185,388,407	63,592,709	516,314,187
Deposits	85,941,672	160,352,017	30,914,470	14,003,842	3,088,708	346,641	294,647,350
Obligations under repurchase agreements	--	2,846,159	7,648	10,075	--	--	2,863,882
Funds borrowed	74,929	3,075,820	4,660,516	31,486,083	28,178,323	11,819,489	79,295,160
Debt securities issued	--	2,940,384	2,378,367	11,581,256	22,966,530	4,400,208	44,266,745
Payables to money market	--	166,453	--	--	--	--	166,453
Trade payables	128,403	5,717,582	445,065	52,643	--	--	6,343,693
Taxes and dues payable	--	818,303	1,459	--	--	--	819,762
Insurance contract liabilities	9,485,694	217,126	434,252	730,653	1,577,149	743,137	13,188,011
Subordinated liabilities	--	--	--	--	10,143,695	5,221,531	15,365,226
Other liabilities	1,847,316	11,535,428	1,408,693	72,216	453,334	77,625	15,394,612
Total liabilities	97,478,014	187,669,272	40,250,470	57,936,768	66,407,739	22,608,631	472,350,894
Net	(33,936,631)	(109,831,558)	(5,336,108)	33,102,844	118,980,668	40,984,078	43,963,293

(*) Expected credit losses are not included.

(**) Derivative financial instruments measured at fair value through profit or loss are included.

(***) Non-performing loans and expected credit losses are not included.

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4.4 Market risk

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. The ALCO is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. A summary of the Group’s interest rate gap position on non-trading portfolios is as follows:

30 June 2020	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
Cash on hand	--	--	--	--	--	6,542,971	6,542,971
Balances with central bank ^(*)	1,630,087	--	--	--	--	50,716,579	52,346,666
Loans and advances to banks ^(*)	12,637,646	1,133,048	484,836	--	--	13,834,576	28,090,106
Loans and advances to customers ^(**)	67,539,313	33,258,662	106,103,377	130,260,159	25,821,418	831,633	363,814,562
Trade receivables	4,091,252	2,065,087	294,173	15,451	--	19,407	6,485,370
Insurance receivables	358,573	951,808	2,462,393	1,908,159	328,419	250,053	6,259,405
Financial assets at fair value through other comprehensive income	16,265,683	8,612,609	15,318,583	15,657,099	14,121,717	1,738,441	71,714,132
Financial assets measured at amortised cost ^(*)	7,751,540	7,100,767	19,450,905	8,111,272	1,589,343	--	44,003,827
Other assets ^(*)	6,924,181	320,620	391,640	312,890	--	7,764,939	15,714,270
Total assets	117,198,275	53,442,601	144,505,907	156,265,030	41,860,897	81,698,599	594,971,309
Deposits	152,273,236	44,006,605	12,761,693	2,490,902	597,586	127,180,101	339,310,123
Obligations under repurchase agreements	14,468,622	2,187,605	7,641	--	--	--	16,663,868
Funds borrowed	10,811,150	29,597,408	29,262,426	11,493,060	4,370,755	--	85,534,799
Debt securities issued	4,151,616	3,565,581	7,781,109	23,010,865	5,099,373	--	43,608,544
Payables to money market	743,835	--	--	--	--	--	743,835
Trade payables	5,075,860	254,176	704,646	--	--	49,518	6,084,200
Taxes and dues payable	296,844	--	--	--	--	617,299	914,143
Insurance contract liabilities	--	--	--	--	--	15,286,300	15,286,300
Subordinated liabilities	--	2,277,379	--	11,737,975	8,655,409	--	22,670,763
Other liabilities	485,610	335,868	464,906	213,960	268,250	17,985,781	19,754,375
Total liabilities	188,306,773	82,224,622	50,982,421	48,946,762	18,991,373	161,118,999	550,570,950
Net	(71,108,498)	(28,782,021)	93,523,486	107,318,268	22,869,524	(79,420,400)	44,400,359

(*) Expected credit losses are not included.

(**) Non-performing loans and expected credit losses are not included.

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Exposure to interest rate risk – non-trading portfolios

31 December 2019	Less than one month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Carrying amount
Cash on hand	--	--	--	--	--	5,528,713	5,528,713
Balances with central bank ^(*)	805,105	--	--	--	--	47,570,588	48,375,693
Loans and advances to banks ^(*)	2,910,794	11,671,782	981,790	--	--	6,519,029	22,083,395
Loans and advances to customers ^(**)	63,209,864	32,679,856	79,616,825	113,186,794	25,353,457	371,284	314,418,080
Trade receivables	3,664,881	1,843,406	288,603	19,606	--	31,382	5,847,878
Insurance receivables	239,390	667,552	1,120,027	196,034	--	2,785,175	5,008,178
Financial assets at fair value through other comprehensive income	13,801,531	7,406,549	10,366,064	13,600,354	14,021,049	1,827,999	61,023,546
Financial assets measured at amortised cost ^(*)	6,297,548	6,658,670	10,214,310	10,606,128	1,874,126	--	35,650,782
Other assets ^(*)	2,019,767	250,167	839,697	596,752	--	6,961,994	10,668,377
Total assets	92,948,880	61,177,982	103,427,316	138,205,668	41,248,632	71,596,164	508,604,642
Deposits	160,353,110	30,914,745	14,009,488	3,081,695	346,641	85,941,671	294,647,350
Obligations under repurchase agreements	2,846,159	7,648	10,075	--	--	--	2,863,882
Funds borrowed	8,693,591	29,164,656	22,528,224	7,452,221	11,361,152	95,316	79,295,160
Debt securities issued	2,841,315	2,823,730	9,203,540	24,997,954	4,400,206	--	44,266,745
Payables to money market	166,453	--	--	--	--	--	166,453
Trade payables	4,026,336	1,750,100	423,294	15,560	--	128,403	6,343,693
Taxes and dues payable	183,887	1,459	--	--	--	634,416	819,762
Insurance contract liabilities	--	--	--	--	--	13,188,011	13,188,011
Subordinated liabilities	--	2,281,084	--	10,143,695	2,940,447	--	15,365,226
Other liabilities	2,227,902	418,342	315,459	165,392	78,696	12,188,821	15,394,612
Total liabilities	181,338,753	67,361,764	46,490,080	45,856,517	19,127,142	112,176,638	472,350,894
Net	(88,389,873)	(6,183,782)	56,937,236	92,349,151	22,121,490	(40,580,474)	36,253,748

(*) Expected credit losses are not included.

(**) Non-performing loans and expected credit losses are not included.

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4.5 Currency risk

The Group is exposed to currency risk through transactions in foreign currencies and through its investment in foreign operations.

Management of currency risk

Risk policy of the Group is based on keeping the transactions within defined limits and keeping the currency position well-balanced. The Group has established a foreign currency risk management policy that enables the Group to take a position between lower and upper limits which are determined, taking total equity of the Group into account.

30 June 2020^(*)	USD	EURO	Other currencies	Total
Cash on hand	2,513,066	1,320,775	368,918	4,202,759
Balances with central bank ^(**)	13,153,228	28,908,475	8,871,915	50,933,618
Loans and advances to banks	12,455,759	4,258,341	4,571,150	21,285,250
Financial assets at fair value through profit or loss	3,459,798	1,002,993	--	4,462,791
Derivative assets held for hedge accounting	392,129	--	--	392,129
Loans and advances to customers	86,836,653	75,362,147	1,793,190	163,991,990
Trade receivables	1,634,132	682,504	31,805	2,348,441
Insurance receivables	841,149	234,575	300,165	1,375,889
Financial assets at fair value through other comprehensive income	20,209,082	3,458,487	4,531	23,672,100
Financial assets measured at amortised cost	4,844,570	2,213,869	1,336,625	8,395,064
Other assets	4,582,195	2,430,929	549,500	7,562,624
Total foreign currency denominated monetary assets	150,921,761	119,873,095	17,827,799	288,622,655
Deposits ^(***)	97,721,194	58,913,405	30,301,156	186,935,755
Obligations under repurchase agreements	4,880,559	126,453	--	5,007,012
Funds borrowed	45,016,608	30,192,608	9,065	75,218,281
Derivative liabilities held for hedge accounting	--	--	--	--
Debt securities issued	33,611,509	--	71,328	33,682,837
Trade payables	1,125,640	300,253	5,586	1,431,479
Insurance contract liabilities	1,824,499	512,310	294,272	2,631,081
Subordinated liabilities	20,382,311	--	--	20,382,311
Other liabilities	5,192,486	2,284,862	235,650	7,712,998
Total foreign currency denominated monetary liabilities	209,754,806	92,329,891	30,917,057	333,001,754
Net statement of financial position	(58,833,045)	27,543,204	(13,089,258)	(44,379,099)
Net off balance sheet position	69,876,246	(29,610,160)	13,551,267	53,817,353
Net long/(short) position	11,043,201	(2,066,956)	462,009	9,438,254

(*) Assets and liabilities of foreign subsidiaries denominated in their own functional currencies are not included in the table above.

(**) Reserve deposits in terms of precious metals amounting to TL 9,087,688 are included.

(***) Precious metal deposit accounts amounting to TL 22,226,361 are included.

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31 December 2019^(*)	USD	EURO	Other currencies	Total
Cash on hand	1,572,194	1,447,283	386,770	3,406,247
Balances with central bank ^(**)	18,316,573	18,788,421	8,099,193	45,204,187
Loans and advances to banks	9,043,306	5,466,882	2,480,568	16,990,756
Financial assets at fair value through profit or loss	2,309,565	649,917	--	2,959,482
Derivative assets held for hedge accounting	67,884	--	--	67,884
Loans and advances to customers	78,400,158	69,175,827	1,592,387	149,168,372
Trade receivables	1,000,341	512,736	42,995	1,556,072
Insurance receivables	519,136	162,320	291,072	972,528
Financial assets at fair value through other comprehensive income	16,372,634	2,896,080	3,932	19,272,646
Financial assets measured at amortised cost	3,647,709	1,377,164	178,496	5,203,369
Other assets	3,358,606	1,393,979	246,701	4,999,286
Total foreign currency denominated monetary assets	134,608,106	101,870,609	13,322,114	249,800,829
Deposits ^(***)	83,149,623	57,250,975	17,822,640	158,223,238
Obligations under repurchase agreements	1,273,078	128,954	--	1,402,032
Funds borrowed	39,379,752	29,999,737	15,273	69,394,762
Derivative liabilities held for hedge accounting	16,545	--	--	16,545
Debt securities issued	35,089,463	--	63,071	35,152,534
Trade payables	814,903	405,194	6,217	1,226,314
Insurance contract liabilities	1,557,369	452,460	254,946	2,264,775
Subordinated liabilities	13,084,142	--	--	13,084,142
Other liabilities	1,475,093	1,151,283	124,312	2,750,688
Total foreign currency denominated monetary liabilities	175,839,968	89,388,603	18,286,459	283,515,030
Net statement of financial position	(41,231,862)	12,482,006	(4,964,345)	(33,714,201)
Net off balance sheet position	48,515,546	(13,471,556)	5,583,108	40,627,098
Net long/(short) position	7,283,684	(989,550)	618,763	6,912,897

(*) Assets and liabilities of foreign subsidiaries denominated in their own functional currencies are not included in the table above.

(**) Reserve deposits in terms of precious metals amounting to TL 8,271,399 are included.

(***) Precious metal deposit accounts amounting to TL 10,432,383 are included.

For the purposes of the evaluation of the table above, the figures represent the TL equivalent of the related foreign currencies.

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5. Management of insurance risk

Insurance risk is defined as coverage for exposures that exhibit a possibility of financial loss due to applying inappropriate and insufficient insurance techniques. Main reasons of insurance risk exposure result from the risk selection and inaccurate calculation of insurance coverage, policy terms and fee or inaccurate calculation of coverage portion kept within the company and coverage portion transfers to policyholders and transfer conditions.

Objective of managing risks arising from insurance contracts and policies used to minimise such risks

Potential risks that may be exposed in transactions are managed based on the requirements set out in the Group’s “Risk Management Policies” issued by the approval of the Board of Directors. The main objective of risk management policies is to determine the risk measurement, assessment, and control procedures and maintain consistency between the Group’s asset quality and limitations allowed by the insurance standards together with the Group’s risk tolerance of the accepted risk level assumed in return for a specific consideration. In this respect, instruments that are related to risk transfer, such as; insurance risk selection, risk quality follow-up by providing accurate and complete information, effective monitoring of level of claims by using risk portfolio claim frequency, treaties, facultative reinsurance contracts and coinsurance agreements, and risk management instruments, such as; risk limitations, are used in achieving the related objective.

Risk tolerance is determined by the Group’s Board of Directors by considering the Group’s long-term strategies, equity resources, potential returns and economical expectations, and it is presented by risk limitations. Authorisation limitations during policy issuing include authorisations for risk acceptances granted based on geographical regions in relation to unacceptable special risks or pre-approved acceptable special risks, insurance coverage to agencies, district offices, technical offices, assistant general managers and top management in the policy issuance period and authorisations for claim payment granted to district offices, claim management administration, automobile claims administration and Claim Committee established by the managing director and assistant managing director in the claim payment period.

Whatsoever, risk acceptance is based on technical income expectations under the precautionary principle. In determining insurance coverage, policy terms and fee, these expectations are based accordingly.

It is essential that all the authorised personnel in charge of executing policy issuance transactions, which is the initial phase of insurance process, should ensure to gather or provide all the accurate and complete information to issue policies in order to obtain evidence on the acceptable risks that the Group can tolerate from the related insurance transactions. On the other hand, decision to be made on risk acceptance will be possible by transferring the coverage to the reinsurers and/or coinsurers and considering the terms of the insurance policy.

In order to avoid destructive losses over company’s financial structure, company transfers the exceeding portion of risks assumed over the Group’s risk tolerance and equity resources through treaties, facultative reinsurance contracts and coinsurance agreements to reinsurance and coinsurance companies. Insurance coverage and policy terms of reinsurance are determined by assessing the nature of each insurance branch.

Reinsurance risk is defined as a possibility of financial loss due to inappropriate and insufficient application of reinsurance techniques in the activities of taking insurance contract responsibility partially or completely.

Reinsurance risk is measured by quantitative methods and kept under pre-specified limits based on the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” updated and approved annually by the Board of Directors.

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Reinsurance risk is monitored regularly according to criteria described in the “Limit over Acceptable Reinsurance Risk and Maximum Custody Share Limit” policy and results are analysed by the Risk Committee and reported to the Board of Directors. Action plan is determined by the Board of Directors in the case of having exposure higher than acceptable level of risk and probability.

6. Business combinations

There is no business combination within the scope of “IFRS 3 Business Combinations” between 1 January and 30 June 2020.

7. Financial Instruments

Fair value information

The estimated fair values of financial instruments have been determined using available market information by the Group, and where it exists, appropriate valuation methodologies. However, judgment is necessary to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances.

Management has estimated that the fair value of certain financial assets and liabilities recorded at amortised cost are not materially different than their recorded values except for those of loans and advances to customers and investment securities. These financial assets and liabilities include loans and advances to banks, obligations under repurchase agreements and other short-term assets and liabilities that are of a contractual nature. Management believes that the carrying amount of these particular financial assets and liabilities approximates their fair values, partially due to the fact that it is practice to renegotiate interest rates to reflect current market conditions.

Classification of fair value measurement

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Loans at fair value through profit or loss

All creditors including the Group reached an agreement on restructuring the loans granted to the company in the previous period. As previously stated, loans of the company had been planning to be restructured based on required permits and necessary approvals within a new structured entity which was already incorporated or will be incorporated in the Republic of Turkey and owned by the creditors either directly or indirectly through takeover of the shares, that have been pledged by the company as a guarantee for the credit risk. Above mentioned process was completed in 2018 and, in this context the Bank owns 11.5972% and Türkiye Sınai Kalkınma Bankası A.Ş., a group company owns 1.6172% of the newly formed structured entity.

At the Ordinary Meeting of the General Assembly of 2018, it has been decided to increase the share capital of the mentioned company by TL 3,982,230, all to be covered by common receivables. Whereas the Bank’s and Türkiye Sınai Kalkınma Bankası A.Ş.’ ownership ratio in the company has not changed, the nominal value of the shares owned increased from TL 6 to TL 461,833 and from TL 1 to TL 64,403 respectively. These amounts are recognised under Assets Held for Sale and Discontinued Operations account.

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The remaining loan amount after the capital increase of the mentioned company amounting to TL 2,149,813 (31 December 2019: TL 2,149,813) is accounted under “Loans at fair value through profit or loss”. The amount of impairment recognised for the total asset converted into loan and capital is TL 742,873 and is classified under the specified item.

Assets, which are converted into loan and capital, amounted TL 2,676,049 are measured at fair value in scope of “IFRS 9 Financial Instruments” and “IFRS 5 Assets Held for Sale and Discontinued Operations”. The mentioned loan’s fair value is determined by an independent valuation company, considering the various valuation method such as discounted cash flows, similar market multipliers, similar transaction multipliers in the same sector, market value and analyst reports. The potential changes in the fundamental estimations and assumptions in the valuation work may affect the carrying fair value of the asset. As of the reporting date, the Bank has re-evaluated the fair value of the financial asset by considering the current market conditions and macroeconomic indicators and has not made any changes in the current value of the asset at the end of the year. Balance of related asset is followed in financial statements as Level 3 within the scope of “IFRS 13 Fair Value Measurement” standard.

If the growth rate and risk-free return rate on investment used in the discounted cash flow method in the valuation report are increased or decreased by 0.25%, provided that all other variables are constant, the total value of assets recognised in the financial statements and profit before tax will increase by about 63 million (full amount) or decrease 56 million TL (full amount).

Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value.

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The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments.

30 June 2020	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	3,661,368	1,738,090	1,912,431	10,847	3,661,368
Derivative financial instruments	6,644,563	--	6,644,563	--	6,644,563
Derivatives used for hedging purposes	931,438	--	931,438	--	931,438
Investment securities - Financial assets at fair value through other comprehensive income (*)	71,714,132	45,767,811	24,985,969	894,843	71,648,623
Loans - Financial assets at fair value through profit or loss	2,149,813	--	--	2,149,813	2,149,813
Financial liabilities measured at fair value					
Derivative financial instruments	5,288,946	--	5,288,946	--	5,288,946
Derivative liabilities held for hedge accounting	252,965	--	252,965	--	252,965

(*) As of 30 June 2020, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 65,509 have been measured at cost.

31 December 2019	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investment securities - Financial assets at fair value through profit or loss	2,666,162	710,703	1,948,363	7,096	2,666,162
Derivative financial instruments	5,043,383	--	5,043,383	--	5,043,383
Derivatives used for hedging purposes	326,435	--	326,435	--	326,435
Investment securities - Financial assets at fair value through other comprehensive income (*)	61,023,546	43,505,967	16,846,186	614,677	60,966,830
Loans - Financial assets at fair value through profit or loss	2,149,813	--	--	2,149,813	2,149,813
Financial liabilities measured at fair value					
Derivative financial instruments	2,715,280	--	2,715,280	--	2,715,280
Derivative liabilities held for hedge accounting	298,572	--	298,572	--	298,572

(*) As of 31 December 2019, equity shares that are not publicly traded and the determination of fair values could not be obtained reliably amounting to TL 56,716 have been measured at cost.

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The reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at and for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows

	1 January- 30 June 2020	1 January- 31 December 2019
Balance at the beginning of the year	2,771,586	2,595,148
Purchases	222,058	476,387
Redemption or sales	(50,498)	(51,633)
Valuation difference	11,901	277,913
Transfer	100,456	(526,229)
Balance at the end of the period	3,055,503	2,771,586

Level 3 of the fair value hierarchy includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Properties that are recorded under “Property plant and equipment” at fair value by the Bank and consolidated companies are classified in 3rd level, whereas investment properties are classified both in the 2nd and 3rd level.

The loans measured at fair value through profit and loss under Level 3 consists of loan granted to the structured entity which is disclosed above. The mentioned loan’s fair value is determined by the various valuation methods. The potential changes in the fundamental estimations and assumptions in the valuation work can affect the carrying fair value of the loan.

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8. Balances with central bank

	30 June 2020	31 December 2019
Unrestricted balances with central bank		
Demand deposits – Turkish Lira	1,414,496	3,171,506
Demand deposits – Foreign currency	16,375,408	20,792,607
	17,789,904	23,964,113
Restricted balances with central bank		
Restricted time deposit – Foreign currency	23,143,630	--
Reserve deposits – Foreign currency ^(*)	11,413,132	24,411,580
	34,556,762	24,411,580
Expected credit loss	(6,965)	(6,016)
Total balances with central bank	52,339,701	48,369,677

(*) Reserve deposits in terms of precious metals amounting to TL 9,087,688 is included (31 December 2019: TL 8,271,399).

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (“CBRT”), banks keep reserve deposits at the CBRT for their TL and FC liabilities mentioned in the communiqué. The reserve deposit rates vary according to their maturity compositions; the reserve deposit rates are realised between 1% - 7% for TL deposits and other liabilities, between 11% - 22% for FC deposits and between 3% - 24% for other FC liabilities. Reserves are calculated and set aside every two weeks on Friday for 14-day periods. In accordance with the related communiqué, CBRT pays interests to TL and USD reserves.

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9. Securities portfolio

At 30 June 2020 and 31 December 2019, financial assets at fair value through profit or loss comprised the following items:

	30 June 2020	31 December 2019
Treasury bills and government bonds	366,307	283,873
Other countries government bonds	37,990	132,451
Debt securities issued by corporations	175,597	144,776
Mutual funds	2,276,491	1,949,010
Equity shares	804,983	156,052
Total of financial assets at fair value through profit or loss	3,661,368	2,666,162

Financial assets at fair value through profit and loss, which are subject to repurchase agreements as at 30 June 2020 are amounting to TL 101,973 (31 December 2019: TL 91,705).

TL 37,273 of the financial assets at fair value through profit and loss comprise marketable securities of Anadolu Hayat, reserved in the name of life insurance policy holders (31 December 2019: TL 35,524).

TL 1,130,324 of the mutual funds consists of Quasar İstanbul Konut Gayrimenkul and Quasar İstanbul Ticari Gayrimenkul which were founded by İş Portföy Yönetimi A.Ş.

At 30 June 2020 and 31 December 2019, financial assets at fair value through other comprehensive income comprised the following:

	30 June 2020	31 December 2019
Treasury bills and government bonds	66,605,465	56,998,970
Other countries government bonds	873,512	849,958
Debt securities issued by corporations	2,521,281	1,294,980
Mutual funds	1,020,526	1,311,869
Equity shares	726,528	601,448
Allowance for impairment on securities	(33,180)	(33,679)
Total of financial assets at fair value through other comprehensive income	71,714,132	61,023,546

Financial assets at fair value through other comprehensive income which are subject to repurchase agreements are amounting to TL 12,320,618 as at 30 June 2020 (31 December 2019: TL 2,423,549).

TL 2,072,028 of the financial assets at fair value through other comprehensive income comprise marketable securities of Anadolu Hayat, reserved in the name of life insurance policy holders. (31 December 2019: TL 1,674,215).

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At 30 June 2020 and 31 December 2019, the equity shares in financial assets at fair value through other comprehensive income are detailed as follows:

	30 June 2020	31 December 2019
VISA Inc.	425,853	363,807
İMKB Takas ve Saklama Bankası A.Ş.	96,741	96,741
Borsa İstanbul A.Ş.	18,766	18,766
Other	185,168	122,134
Allowance for impairment	(8,610)	(9,110)
Total equity shares in financial assets at fair value through other comprehensive income	717,918	592,338

At 30 June 2020 and 31 December 2019, the details of allowance for impairment in financial assets at fair value through other comprehensive income is as follows:

	30 June 2020	31 December 2019
Debt securities by corporations	24,570	24,569
Terme Metal San. ve Tic. A.Ş.	3,250	3,250
Bakırsan Bakır Sanayi Mamülleri Tic. A.Ş.	2,107	2,107
Other	3,253	3,753
Allowance for impairment on securities	33,180	33,679

At 30 June 2020 and 31 December 2019, financial assets measured at amortised cost comprised the following items:

	30 June 2020	31 December 2019
Treasury bills and government bonds	39,960,123	32,736,600
Other countries government bonds	47,713	79,399
Bonds issued by financial institutions	3,995,989	2,834,783
Expected credit loss (-)	(55,800)	(48,806)
Total of financial assets measured at amortised cost	43,948,025	35,601,976

There are financial assets measured at amortised cost subject to a repurchase agreement amounting to TL 5,891,223 as at 30 June 2020 (31 December 2019: TL 465,212).

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The following table summarise securities that were deposited as collaterals with respect to various transactions for 30 June 2020 and 31 December 2019:

	30 June 2020	31 December 2019
Guarantee given for fund borrowed	4,132,591	3,506,536
Guarantee given for Export Finance Int. Loan (“EFIL”)	3,727,217	3,416,532
Central Bank of Turkey	5,202,657	1,449,204
Turkish Treasury	2,115,564	1,709,738
Central banks of other countries	--	41,754
Clearing house	894,705	858,733
International foreign banks	1,409,490	1,433,256
Interbank money market	10,051	10,314
Security firm	--	1,168
Securities deposited as collaterals	17,492,275	12,427,235

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10. Loans and advances to customers

	30 June 2020	31 December 2019
Consumer loans	59,991,773	49,154,589
Credit cards	19,214,727	19,897,023
Financial institutions	11,694,229	9,726,272
Corporate loans	263,697,195	227,385,386
Finance lease receivables	5,872,264	5,110,064
Factoring receivables	3,344,374	3,144,746
Total performing loans and advances to customers	363,814,562	314,418,080
Non-performing loans and advances to customers		
Non-performing loans	20,746,439	20,504,279
Non-performing leasing receivables	351,519	370,909
Non-performing factoring receivables	226,956	227,541
Total non-performing loans and advances to customers	21,324,914	21,102,729
Expected credit loss		
Expected credit loss on loans (-)		
Stage 1 & 2 (-)	(8,407,505)	(5,706,792)
Stage 3 (-)	(12,277,755)	(10,920,768)
Expected credit loss on leasing receivables (-)		
Stage 1 & 2 (-)	(147,398)	(69,402)
Stage 3 (-)	(189,959)	(190,553)
Expected credit loss on factoring receivables (-)		
Stage 1 & 2 (-)	(30,833)	(28,160)
Stage 3 (-)	(196,717)	(180,388)
Total expected credit loss (-)	(21,250,167)	(17,096,063)
Loans and advances to customers, net	363,889,309	318,424,746

The movement of non-performing loans for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

Stage 3	1 January- 30 June 2020
Balances at 1 January 2020	20,504,279
Additions	1,584,345
Collections	(1,465,292)
Write offs	(2,439)
NPL sale	--
Effects of movements in exchange rates	125,546
Balance as at 30 June 2020	20,746,439

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Stage 3	1 January- 31 December 2019
Balances at 1 January 2019	12,194,630
Additions	13,397,896
Collections	(3,631,415)
Write offs	(891,926)
NPL sale	(668,405)
Effects of movements in exchange rates	103,499
Balance as at 31 December 2019	20,504,279

The part of the receivables constitute non-performing loans amounting to TL 246,108 are transferred to Gelecek Varlık Yönetimi A.Ş. in May 2019 by collecting TL 23,600 of sales amount in cash and part of the receivables constitute non-performing loans amounting to TL 422,297 are transferred to Hayat Varlık Yönetimi A.Ş., Birikim Varlık Yönetim A.Ş. and Doğru Varlık Yönetimi A.Ş. in September 2019 by collecting TL 29,700 of sales amount in cash. Remaining balance regarding non-performance loans receivables transferred to Efes Varlık Yönetim A.Ş. subsidiary of the Group, is classified as “write-offs”.

The movement in the expected credit loss on loans for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	1,656,150	4,050,642	10,920,768
Provision for the period	1,434,952	3,185,047	1,790,618
Recoveries and reversals	(1,014,441)	(881,690)	(677,368)
Write offs	--	--	--
Transfer to stage 1	109,303	(103,683)	(5,620)
Transfer to stage 2	(93,633)	97,282	(3,649)
Transfer to stage 3	(1,217)	(202,675)	203,892
Effects of movements in exchange rates	84,082	87,386	49,114
Balance as at 30 June 2020	2,175,196	6,232,309	12,277,755

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2019	2,033,222	3,097,239	6,900,407
Provision for the year	1,218,592	3,163,846	5,444,564
Recoveries and reversals	(1,377,524)	(1,566,402)	(971,656)
Write offs	--	--	(1,451,475)
Transfer to stage 1	119,588	(113,179)	(6,409)
Transfer to stage 2	(337,319)	341,882	(4,563)
Transfer to stage 3	(45,547)	(925,267)	970,814
Effects of movements in exchange rates	45,138	52,523	39,086
Balance as at 31 December 2019	1,656,150	4,050,642	10,920,768

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As at 30 June 2020 and 31 December 2019 , details of finance lease receivables are as follows:

30 June 2020	Short term	Long term	Total
Finance lease receivables	2,725,763	4,013,395	6,739,158
Unearned interest income (-)	(414,565)	(452,329)	(866,894)
Expected credit loss – Stage 1	(1,281)	(17,468)	(18,749)
Expected credit loss – Stage 2	(4,881)	(123,768)	(128,649)
Total performing finance lease receivables	2,305,036	3,419,830	5,724,866
Non-performing leasing receivables	329,651	21,868	351,519
Expected credit loss – Stage 3	(178,401)	(11,558)	(189,959)
Finance lease receivables, net	2,456,286	3,430,140	5,886,426
31 December 2019	Short term	Long term	Total
Finance lease receivables	2,433,582	3,409,831	5,843,413
Unearned interest income (-)	(362,416)	(370,933)	(733,349)
Expected credit loss – Stage 1	(1,641)	(19,285)	(20,926)
Expected credit loss – Stage 2	(4,141)	(44,335)	(48,476)
Total performing finance lease receivables	2,065,384	2,975,278	5,040,662
Non-performing leasing receivables	346,671	24,238	370,909
Expected credit loss – Stage 3	(181,811)	(8,742)	(190,553)
Finance lease receivables, net	2,230,244	2,990,774	5,221,018

The movement of non-performing leasing receivables for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

Stage 3	1 January- 30 June 2020
Balances at 1 January 2020	370,909
Additions	11,523
Collections	(30,913)
Write offs	--
Debt sale	--
Effects of movements in exchange rates	--
Balance as at 30 June 2020	351,519

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Stage 3	1 January- 31 December 2019
Balances at 1 January 2019	266,392
Additions	193,350
Collections	(88,833)
Write offs	--
Debt sale	--
Effects of movements in exchange rates	--
Balance as at 31 December 2019	370,909

The movement in the expected credit losses on finance lease receivables for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	20,926	48,476	190,553
Provision for the period	13,086	88,198	6,515
Recoveries and reversals	(18,420)	(4,759)	(7,218)
Write offs	--	--	--
Transfer to stage 1	26,134	(25,895)	(239)
Transfer to stage 2	(22,977)	23,407	(430)
Transfer to stage 3	--	(778)	778
Effects of movements in exchange rates	--	--	--
Balance as at 30 June 2020	18,749	128,649	189,959
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2019	10,667	15,316	136,608
Provision for the year	10,933	38,781	66,987
Recoveries and reversals	(505)	--	(18,083)
Write offs	--	--	(749)
Transfer to stage 1	1,592	(1,421)	(171)
Transfer to stage 2	(171)	1,592	(1,421)
Transfer to stage 3	(1,590)	(5,792)	7,382
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2019	20,926	48,476	190,553

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As at 30 June 2020 and 31 December 2019, finance lease receivables according to their maturities are as follows:

2020	2020^(*)	2021	2022	2023	2024	2025 +	Total
Finance lease receivables (Gross)	1,505,297	2,323,513	1,422,738	834,382	483,622	183,768	6,753,320
Unearned interest income (-)	(222,257)	(337,720)	(165,288)	(91,872)	(39,349)	(10,408)	(866,894)
Finance lease receivables (Net)	1,283,040	1,985,793	1,257,450	742,510	444,273	173,360	5,886,426

(*) Includes non-performing lease receivables.

2019	2020^(*)	2021	2022	2023	2024	2025 +	Total
Finance lease receivables (Gross)	2,526,998	1,696,941	951,487	497,577	207,933	73,431	5,954,367
Unearned interest income (-)	(362,417)	(206,634)	(95,105)	(54,386)	(11,631)	(3,176)	(733,349)
Finance lease receivables (Net)	2,164,581	1,490,307	856,382	443,191	196,302	70,255	5,221,018

(*) Includes non-performing lease receivables.

As at 30 June 2020 and 31 December 2019, details of factoring receivables are as follows:

	30 June 2020	31 December 2019
Factoring receivables	3,359,845	3,158,682
Unearned interest income	(15,471)	(13,936)
Expected credit loss on Stage 1 factoring receivables (-)	(26,876)	(23,486)
Expected credit loss on Stage 2 factoring receivables (-)	(3,957)	(4,674)
Total performing factoring receivables	3,313,541	3,116,586
Non-performing factoring receivables	226,956	227,541
Expected credit loss on Stage 3 factoring receivables (-)	(196,717)	(180,388)
Factoring receivables, net	3,343,780	3,163,739

Except for its non-performing receivables for which allowance is provided, the Group has factoring receivables of TL 409 that are overdue less than 90 days (31 December 2019: TL 16). As at the reporting date, the Group does not have restructured factoring receivables (31 December 2019: None).

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The movement of non-performing factoring receivables for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

Stage 3	1 January- 30 June 2020
Balances at 1 January 2020	227,541
Additions	2,470
Collections	(3,055)
Write offs	--
Debt sale	--
Effects of movements in exchange rates	--
Balance as at 30 June 2020	226,956

Stage 3	1 January- 31 December 2019
Balances at 1 January 2019	31,016
Additions	221,212
Collections	(12,768)
Write offs	(11,919)
Debt sale	--
Effects of movements in exchange rates	--
Balance as at 31 December 2019	227,541

The movement in the expected credit loss on factoring receivables for the period ended 30 June 2020 and for the year ended 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	23,486	4,674	180,388
Provision for the period	12,003	1,101	15,912
Recoveries and reversals	(7,755)	(1,203)	(1,056)
Write offs	--	--	--
Transfer to stage 1	3	(3)	--
Transfer to stage 2	(861)	861	--
Transfer to stage 3	--	(1,473)	1,473
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2020	26,876	3,957	196,717

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2019	9,412	2,875	23,826
Provision for the year	26,991	94,945	80,352
Recoveries and reversals	(10,719)	(1,158)	(6,951)
Write offs	--	--	(11,025)
Transfer to stage 1	687	(687)	--
Transfer to stage 2	(2,885)	2,885	--
Transfer to stage 3	--	(94,186)	94,186
Effects of movements in exchange rates	--	--	--
Balance as at 31 December 2019	23,486	4,674	180,388

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11. Expected Credit Loss

With the aim of mitigating the impact of Covid-19, various international bodies and local regulators have made pronouncements aimed at following flexibility in the implementation of the accounting prudential frameworks. Therefore, the group amended its assessments and updated the indicators regarding the measurement of impairment in terms of possible effects of the pandemic as at 30 June 2020 financial statements.

In usual circumstances, the Group acknowledges the approach that past due more than 30 days and 90 days as a quantitative indicator that requires an exposure to be transferred to Stage 2 and Stage 3. However, when taking the staging decision in the current period, the Group has not directly applied the existing methodology but also has applied qualitative indicators such as whether the due date is realised as a consequence of Covid-19 or not.

Also, the Group has updated the macroeconomic data used in the scenarios as of 30 June 2020 regarding the effects of Covid-19 outbreak on expected credit losses, and besides that, allocated expected credit losses by reflecting additional provisions in accordance with its risk policies through individual assessments performed for the customers which operates in sectors where the impact might be high.

At 30 June 2020 and 31 December 2019, the details of expected credit loss which on-balance sheet financial assets and non-cash loans in scope of expected credit loss requirements is as follows:

30 June 2020	Carrying amount			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and cash equivalents (*)	58,889,637	--	--	6,965	--	--
Financial assets (**)	147,469,433	--	--	103,190	--	--
Loans	317,036,359	44,628,390	21,324,914	2,220,819	6,364,917	12,664,431
Trade receivables	6,485,370	--	142,285	--	--	142,285
Other assets	15,796,169	--	--	81,899	--	--
Non-cash loans	180,935,978	4,785,325	1,007,251	199,784	128,082	587,466

(*) Consists of cash and cash equivalents and balances with central bank.

(**) Consists of loans and advances to banks and securities.

31 December 2019	Carrying amount			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Cash and cash equivalents (*)	53,904,406	--	--	6,016	--	--
Financial assets (**)	121,423,885	--	--	104,980	--	--
Loans	271,680,817	40,587,450	21,102,729	1,700,562	4,103,792	11,291,709
Trade receivables	5,847,878	--	141,121	--	--	141,121
Other assets	10,722,777	--	--	54,400	--	--
Non-cash loans	156,909,161	4,566,226	1,025,680	168,284	91,200	538,085

(*) Consists of cash and cash equivalents and balances with central bank.

(**) Consists of loans and advances to banks and securities.

The loan amount, that has been granted to a structured entity, with a share pledge collateral and classified under loans measured at fair value through profit or loss within the scope of IFRS 9 is not included in the table above.

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As of 30 June 2020 and 31 December 2019, the breakdown of individually and collectively assessed expected credit losses for loans, factoring and financial lease receivables and non-cash loans is as follows:

30 June 2020	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash loans	615,371	1,605,448	5,322,274	1,042,643	2,780,103	9,884,328
Non-cash loans	25,411	174,373	88,712	39,370	179,744	407,722
Total	640,782	1,779,821	5,410,986	1,082,013	2,959,847	10,292,050

31 December 2019	Stage 1		Stage 2		Stage 3	
	Individual	Collective	Individual	Collective	Individual	Collective
Cash loans	293,052	1,407,510	2,624,697	1,479,095	2,564,004	8,727,705
Non-cash loans	20,359	147,925	39,060	52,140	115,051	423,034
Total	313,411	1,555,435	2,663,757	1,531,235	2,679,055	9,150,739

12. Property, plant and equipment

During the six-month period ended 30 June 2020 the Group acquired assets with a cost of TL 1,042,537 (31 December 2019: TL 3,409,906). Property, plant and equipment with a carrying amount of TL 285,792 were disposed of during six-month period ended 30 June 2020 (31 December 2019: TL 706,468).

13. Funds borrowed

As at 30 June 2020 and 31 December 2019, funds borrowed comprised the following:

	30 June 2020			31 December 2019		
	Short term	Long term	Total	Short term	Long term	Total
Funds borrowed from domestic banks and institutions	5,300,150	6,204,154	11,504,304	4,102,372	7,516,705	11,619,077
Funds borrowed from foreign banks and institutions	4,713,560	69,316,935	74,030,495	5,276,609	62,399,474	67,676,083
Funds borrowed	10,013,710	75,521,089	85,534,799	9,378,981	69,916,179	79,295,160

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Borrowings from foreign banks and institutions include syndicated loans, securitisation transactions and other borrowings. Details of syndicated loans and securitisation transactions as at 30 June 2020 are as follows:

Remaining principal	Maturity
EURO 21 Million (1)	August 2024
EURO 32 Million (1)	August 2024
EURO 28 Million (2)	November 2025
USD 170 Million (3)	November 2028
USD 21 Million (4)	February 2022
USD 15 Million (4)	February 2030
USD 145 Million (5)	August 2025
USD 28 Million (6)	November 2021
USD 46 Million (6)	November 2028
USD 35 Million (6)	November 2021
USD 23 Million (6)	November 2021
USD 39 Million (7)	November 2026
USD 106 Million (7)	November 2029
USD 50 Million (8)	November 2024
USD 63 Million (8)	November 2022
USD 50 Million (8)	November 2022
USD 21 Million (8)	November 2022
USD 42 Million (8)	November 2022
EURO 63 Million (8)	November 2022
EURO 42 Million (8)	November 2022
USD 105 Million (8)	February 2027
USD 20 Million (8)	February 2027
USD 68 Million (9)	July 2020
EURO 98 Million (9)	July 2020
USD 215 Million (10)	November 2020
EURO 545 Million (10)	November 2020
USD 208 Million (11)	June 2021
EURO 539 Million (11)	June 2021

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Details of syndicated loans and securitisation transactions as at 31 December 2019 are as follows:

Remaining principal	Maturity
EURO 24 Million (1)	August 2024
EURO 36 Million (1)	August 2024
EURO 30 Million (2)	November 2025
USD 180 Million (3)	November 2028
USD 27 Million (4)	February 2022
USD 15 Million (4)	February 2030
USD 5 Million (4)	February 2020
USD 17 Million (4)	February 2020
USD 6 Million (4)	February 2020
USD 13 Million (4)	February 2020
USD 159 Million (5)	August 2025
USD 37 Million (6)	November 2021
USD 48 Million (6)	November 2028
USD 46 Million (6)	November 2021
USD 31 Million (6)	November 2021
USD 42 Million (7)	November 2026
USD 111 Million (7)	November 2029
USD 55 Million (8)	November 2024
USD 75 Million (8)	November 2022
USD 60 Million (8)	November 2022
USD 25 Million (8)	November 2022
USD 50 Million (8)	November 2022
EURO 75 Million (8)	November 2022
EURO 50 Million (8)	November 2022
USD 105 Million (8)	February 2027
USD 20 Million (8)	February 2027
USD 68 Million (9)	July 2020
EURO 98 Million (9)	July 2020
USD 215 Million (10)	November 2020
EURO 545 Million (10)	November 2020
USD 324 Million (12)	June 2020
EURO 645 Million (12)	June 2020
EURO 75 Million (13)	April 2020

(1) In June 2012, the Bank utilised the DPR program for the additional issuance of USD 225 million and EURO 125 million by TIB Diversified Payment Rights Finance Company (EURO 50 million Series 2012-A Notes, EURO 75 million Series 2012-B Notes, USD 175 million Series 2012-C Notes, USD 50 million Series 2012-D Notes). Series 2012-C Notes and Series 2012-D Notes have been fully repaid in August 2017.

(2) In December 2013, the Bank utilised the DPR program for the additional issuance of EURO 185 million and USD 50 million by TIB Diversified Payment Rights Finance Company (USD 50 million Series 2013-A Notes, EURO 60 million Series 2013-B Notes, EURO 75 million Series 2013-C Notes, EURO 50 million Series 2013-D Notes). Series 2013-A Notes, Series 2013-B Notes and Series 2013-C Notes have been fully repaid in November 2018.

(3) In December 2014, the Bank utilised the DPR program for the additional issuance of USD 250 million by TIB Diversified Payment Rights Finance Company (USD 220 million Series 2014-B Notes and USD 30 million Series 2014-C Notes). Series 2014-C Notes have been fully repaid in November 2019.

(4) In March 2015, the Bank utilised the DPR program for the additional issuance of USD 555 million by TIB Diversified Payment Rights Finance Company (USD 60 million Series 2015-A Notes, USD 15 million Series 2015-B Notes, USD 55 million Series 2015-C Notes, USD 200 million Series 2015-D Notes, USD 75 million Series 2015-E Notes, USD 150 million Series 2015-F Notes). Series 2015-C Notes, Series 2015-D Notes, Series 2015-E Notes and Series 2015-F Notes have been fully repaid in February 2020.

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- (5) In October 2015, the Bank utilised the DPR program for the additional issuance of USD 221 million Series 2015-G Notes by TIB Diversified Payment Rights Finance Company.
- (6) In October 2016, the Bank utilised the DPR program for the additional issuance of USD 240 million by TIB Diversified Payment Rights Finance Company (USD 60 million Series 2016-A Notes, USD 55 million Series 2016-B Notes, USD 75 million Series 2016-C Notes, USD 50 million Series 2016-D Notes).
- (7) In December 2016, the Bank utilised the DPR program for the additional issuance of USD 159 million by TIB Diversified Payment Rights Finance Company (USD 48 million Series 2016-E Notes, USD 111 million Series 2016-F Notes).
- (8) In December 2017, the Bank utilised the DPR program for the additional issuance of EURO 125 million and USD 390 million by TIB Diversified Payment Rights Finance Company (USD 55 million Series 2017-A Notes, USD 75 million Series 2017-B Notes, USD 60 million Series 2017-C Notes, USD 25 million Series 2017-D Notes, USD 50 million Series 2017-E Notes, EURO 75 million Series 2017-F Notes, EURO 50 million Series 2017-G Notes, USD 105 million Series 2017-H Notes, USD 20 million Series 2017-I Notes).
- (9) In July 2019, TSKB has signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 68 million and EURO 98 million, under the coordination of Commerzbank Aktiengesellschaft. The syndicated loan with one-year maturity in two tranches amounting to USD 25 million and EURO 169 million has been fully repaid in July 2019.
- (10) In November 2019, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 215 million and EURO 545 million.
- (11) In May 2020, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 207.5 million and EURO 539 million.
- (12) In May 2019, the Bank signed a syndicated loan agreement with one-year maturity in two tranches amounting to USD 324 million and EURO 645 million. The loan has been fully repaid in June 2020.
- (13) In April 2019, İşbank AG signed a syndicated loan agreement with one-year maturity amounting to EURO 75 million. The loan has been fully repaid in April 2020.

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14. Taxation

The Group is subject to taxation in accordance with the tax procedures and the legislation effective in Turkey. Corporate income tax in Turkey is 22% on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes as at 30 June 2020 (31 December 2019: 22%). Provision is made in the accompanying consolidated financial statements for the estimated charge based on the Group's results for the period.

With the changes made in Corporate Tax Law in Turkey, published in the Official Gazette dated 5 December 2017 and numbered 30261, corporate tax rate is increased to 22% from 20% to be applied to the profits of taxation periods 2018, 2019 and 2020.

According to the Corporate Tax Law, 50% of the capital gains arising from the sale of tangible assets and 75% of the capital gains arising from the sale of equity investments, owned for at least two years, are exempted from corporate tax on the condition that such gains are reflected in the equity from the date of the sale.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2020 is 22% (31 December 2019: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

There is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income withholding tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from 24 April 2003. This rate was changed to 15% in accordance with Article 15 of the Law No. 5520 commencing 23 July 2006.

Dividends paid to the resident institutions and the institutions working through local offices or representatives in Turkey are not subject to withholding tax. As per the decisions No.2009/14593 and 2009/14594 of the Council of Ministers published in the Official Gazette No.27130 dated 3 February 2009, certain duty rates included in the articles No.15 and 30 of the new Corporate Tax Law No.5520 are revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the nonresident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, is 15%. In applying the withholding tax rates on dividend payments to the nonresident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Transfer pricing

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered

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to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

Tax applications for foreign branches and foreign operations

The principal tax rates (%) of the tax authorities in each country used to calculate deferred taxes as of 30 June 2020 is as follows:

Country	Tax rate
Bosnia Herzegovina	10.0
Bulgaria	10.0
China (*)	25.0
Egypt	22.5
Georgia	15.0
Germany (**)	31.4
India	34.9
Italy (**)	27.9
Kosovo	10.0
Netherlands (***)	16.5-25.0
Northern Cyprus	10.0
Romania	16.0
Russia (****)	2.0-20.0
The Republic of Iraq	15.0
Ukraine	18.0
United Kingdom	19.0

(*) 15% of tax rate for the profit up to Chinese Yuan 300,000 and 25% of tax rate for the exceeding portion are applied in China.

(**) Progressive tax rate is applied.

(***) 16.5% of tax rate for the profit up to EURO 200,000 and 25% of tax rate for the exceeding portion are applied in Netherlands.

(****) The general tax rate in Russia is 20%, of which 18% is allocated to the “Regional Budget” and 2% to the “General Budget”. Since our subsidiaries in Russia's Tatarstan region have been located in Special Economic Zone, they pay 2% tax for the profits from their main operations and pay 20% tax for the profits from the non-core operating income.

15. Provisions

Developments about tax audit

As announced by material event disclosures dated 31 December 2012 and 19 December 2013, an inspection was conducted by Tax Audit Committee Inspectors regarding payments (contributions) made by the Bank to “Türkiye İş Bankası A.Ş. Mensupları Munzam Sosyal Güvenlik ve Yardımlaşma Sandığı Vakfı” (İşbank Supplementary Pension Fund), which is founded according to Turkish Commercial Law and Civil Law, for fulfilling Bank’s obligations within the framework of the Foundation Share and relevant legislations.

As a result of this investigation, tax audit reports were prepared for 2007, 2008, 2009, 2010 and 2011 claiming that the aforementioned contributions should be taxed in terms of wage base. According to these reports, the total amount of tax and penalties notified to Bank was TL 74,353 for 2007 and 2008; and as of reporting date TL 151,899 for 2009, 2010 and 2011. Bank applied to tax courts to cancel these tax notifications; some of the court decisions were in favour of the Bank and some others were against the Bank.

In this context, for the finalised decisions of Regional Administrative Courts related to 2007 and 2008 against the Bank, the Bank applied to the Constitutional Court. According to decisions made by the Constitutional Court up to the reporting date, there is no predictable legal basis for taxing the Bank's contributions to the İşbank Supplementary Pension Fund by considering them as wage and it was accepted that property right of the Bank has been violated according to the 35th article of Constitution.

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The Court decided that the amount of tax, penalties and default interest which was paid by the Bank should be paid back to the Bank as for compensation with its legal interest.

Besides the Bank, inspections were conducted by Tax Audit Committee Inspectors for the period 2007-2011 regarding the contributions of TSKB, Milli Reasürans and Anadolu Sigorta to their supplementary pension funds which are founded according to Turkish Commercial Law and Civil Law. As a result of the issued reports, aforementioned companies were notified a total of TL 33 million (full amount) tax penalty notices. The companies assessed their practice regarding the contributions and concluded that their practice is in conformity with the legislation and the tax penalty notices lack legal basis. They filed lawsuits at various tax courts against the tax penalties. A number of cases concluded in favour of these companies, another part of lawsuits concluded against them.

According to the decisions of the Constitutional Court mentioned above, it is expected that the cases related to the periods 2007, 2008, 2009, 2010 and 2011 will conclude in favour of the Group. In this context, the provisions amounting to TL 217,265 which had been allocated for the mentioned periods, have been reversed in 2015. Within the scope of the legal process, lawsuits amounted TL 61,060 regarding 20 periods in 2012 and 2013 resulted against the Group and related legal procedures are in progress. In addition, at a case file, which was one of the lawsuits regarding the repayment of income tax stoppage and stamp tax that has been paid by reservation statement beginning from December 2013, where court decision was rendered in favour of the Bank, has been reversed by the majority of the votes of the Assembly after it was submitted to the General Assembly of Tax Courts. Regarding the mentioned issue, the legal process is ongoing.

Group companies are liaising with the Bank, and considering developments on the issue the Group has recognised a provision expense of TL 48,334 as at 30 June 2020 (30 June 2019: TL 31,345).

Other provisions

In 1993, Dışbank A.Ş. shares which were owned by the Bank were sold to Lapis Holding A.Ş. In 2008, by arguing that USD 52,6 million of the upfront payment which was paid within the context of the sale agreement by the buyer had been provided from the funds of the insolvent TYT Bank A.Ş., payment of USD 52,6 million together with its interest to the Savings Deposit Insurance Fund (SDIF) was claimed.

The administrative actions initiated by the SDIF in 2008 were revoked by Council of State Administrative Law Chambers 13th upon the application of the Bank. The decisions which were in favour of the Bank were reversed by Plenary Session of the Law Chamber upon the appeal of the SDIF. Council of State Administrative Law Chambers 13th decided to reject the applications of the Bank in January 2016 due to their obligation to obey the decisions of reversal.

After the aforementioned juridical decisions, despite the legal process still in progress, the collection procedures were carried out within the context of Law No. 6183 and TL 298,466 including the default interest was collected from the Bank by the SDIF in 2016. As a result, a provision has been set for the whole amount in previous years.

As a part of the legal process, individual application to the Constitutional Court of Republic of Turkey has been made by the Bank was not concluded positively. On the other hand the legal process is continued within the framework of the ongoing lawsuits and other available legal options.

In the current period, a provision amounting to TL 360,000 has been set by taking into consideration the possible technical deficit within the framework of the actuarial valuation of the Türkiye İş Bankası A.Ş. Mensupları Emekli Sandığı Vakfı as of 31 December 2019.

Group management allocated free provision within conservatism principle, for possible changes that may arise in the economy and market conditions, amounting to TL 1,580,000, of which TL 980,000 provided in prior years and TL 600,000 recognised as expense in current period.

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Expected credit loss from non-cash loans

Movement in expected credit losses from non-cash loans as of 30 June 2020 and 31 December 2019 are as follows:

	Stage 1	Stage 2	Stage 3
Balances at 1 January 2020	168,284	91,200	538,085
Provision for the period	85,377	53,727	141,962
Recoveries and reversals	(66,410)	(20,895)	(98,337)
Write offs	--	--	--
Transfer to stage 1	8,077	(4,059)	(4,018)
Transfer to stage 2	(2,473)	5,741	(3,268)
Transfer to stage 3	(3)	(726)	729
Effects of movements in exchange rates	6,932	3,094	12,313
Balance as at 30 June 2020	199,784	128,082	587,466
	Stage 1	Stage 2	Stage 3
Balances at 1 January 2019	164,527	62,513	366,677
Provision for the year	109,123	68,734	305,607
Recoveries and reversals	(112,525)	(59,042)	(120,033)
Write offs	--	--	--
Transfer to stage 1	9,318	(3,531)	(5,787)
Transfer to stage 2	(5,314)	40,530	(35,216)
Transfer to stage 3	(371)	(20,263)	20,634
Effects of movements in exchange rates	3,526	2,259	6,203
Balance as at 31 December 2019	168,284	91,200	538,085

16. Capital and reserves

The Bank’s share capital is divided into Group A, Group B and Group C shares.

With nominal values of full 0.01 TL (full amount) Group A shares have the privileges:

- to obtain 20 times share at the distribution of bonus shares issued from conversion of extraordinary reserves and revaluation funds generated in accordance with the relevant laws (Article 18 of the Articles of Incorporation)
- to exercise 20 times of pre-emption rights (Article 19 of the Articles of Incorporation)
- for 20 voting rights (Article 49 of the Articles of Incorporation)

Despite having a lower nominal value, Group (B) shares, each with a nominal value of 0.01 TL (full amount), have the same rights with the Group (C) shares having a nominal value of 0.04 TL (full amount) each. Furthermore, Group (A) and (B) shares, each with a nominal value of 0.01 TL (full amount), are granted privileges in distribution of profits pursuant to Article 58 of the Articles of Incorporation.

The Bank has accepted the registered capital system set out in accordance with the Law No. 6362 of the Capital Markets Board. The registered capital of the Bank is TL 10,000,000.

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Authorised and nominal paid in capital can be analysed as follows:

Group	Par Value Full TL	30 June 2020		31 December 2019	
		Authorised	Paid-in	Authorised	Paid-in
A	0.0100	1	1	1	1
B	0.0100	29	29	29	29
C	0.0400	4,499,970	4,499,970	4,499,970	4,499,970
		4,500,000	4,500,000	4,500,000	4,500,000

The shareholders’ structure of the Bank is presented below:

	30 June 2020		31 December 2019	
	Paid-up capital	(%)	Paid-up capital	(%)
Supplementary Pension Fund of İşbank Members	2,294,989	37.52	2,391,336	39.10
Republican People's Party (“CHP”)	1,718,092	28.09	1,718,092	28.09
Publicly traded	2,102,857	34.39	2,006,510	32.81
	6,115,938	100.00	6,115,938	100.00

Share premium

Excess amount of selling price and nominal value for each share was recorded as share premium in equity.

Legal reserves

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

As at 30 June 2020, the Group has legal reserves amounting to TL 6,107,828 (31 December 2019: TL 5,631,247).

Fair value reserves

The fair value reserves include the cumulative net change in the fair value of financial assets at fair value through other comprehensive income, excluding impairment losses, until the investment is derecognised.

Hedging reserves

The hedging reserves comprise the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Revaluation reserves

The revaluation reserves relate to the revaluation of real estate properties which are held for Group’s own use.

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Other reserves

Other reserves comprise actuarial gains and losses related to employee benefits.

Dividends

Regarding the profit for the year 2019, at the Ordinary General Assembly of the Bank held on 31 March 2020, it was decided not to distribute any cash dividend, to allocate TL 347,647 to legal and special reserves and TL 5,723,814 to be set as extraordinary reserves from retained earnings.

17. Net fee and commission income

An analysis of the Group's net fee and commission income for the period ended 30 June is as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
Fee and commission income		
Credit card fees and commission	1,071,590	1,706,800
Non-cash loan commission	545,608	546,479
Money transfer charges	250,187	316,219
Commission income from insurance/reinsurance transactions	226,293	152,168
Commission income from payment/collection and other banking transactions	321,369	217,584
Commission income from agency and brokerage	686,927	256,804
Mutual funds portfolio management commission	52,868	22,036
Customer investigation charges	122,752	92,701
Other	55,392	15,216
Total fee and commission income	3,332,986	3,326,007
Fee and commission expense		
Deferred acquisition costs	(561,326)	(454,339)
Commissions given for credit cards	(353,289)	(543,596)
Brokerage and other commission	(193,813)	(125,544)
Stock exchange operations commission	(19,394)	(16,878)
Total fee and commission expense	(1,127,822)	(1,140,357)
Net fee and commission income	2,205,164	2,185,650

18. Other operating income

An analysis of the Group's other operating income for the period ended 30 June is as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
Gain on sale of assets	105,867	207,894
Reversal of excess provisions ^(*)	120,951	598,141
Other	384,021	9,066
Total other operating income	610,839	815,101

^(*) Prior period balance includes reversal of provision for general banking risks amounting to TL 375,000.

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19. Other operating expenses

An analysis of the Group’s other operating expenses for the period ended 30 June is as follows:

	1 January- 30 June 2020	1 January- 30 June 2019
General administrative expenses	6,028,688	5,152,095
Marketing, selling and distribution expenses	1,624,072	1,541,057
Provision expenses, net (*)	1,131,369	305,502
Deposit insurance premium expense	360,332	219,256
Research and development expenses	44,924	54,526
Total of other operating expenses	9,189,385	7,272,436

An analysis of the Group’s general administrative expenses for the period ended 30 June is as follows:

General administrative expenses	1 January- 30 June 2020	1 January- 30 June 2019
Salaries and employee benefits	3,754,546	3,049,663
Depreciation and amortisation expenses	536,463	565,768
Administration expenses	560,511	454,762
Leasing expenses related to exceptions to IFRS 16	64,407	54,769
Taxation expense other than income	281,498	236,930
Maintenance expense	120,759	112,425
Communication expense	128,986	92,456
Judiciary expenses	76,075	94,203
Outsourcing services	152,229	201,152
Other	353,214	289,967
Total general administrative expenses	6,028,688	5,152,095

(*) Current period balance includes free provision expense amounting to TL 600,000.

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20. Operating segments

The Group is organised in two main business segments as described below, which are the Group’s strategic business units: Banking and non-banking. The strategic business units offer different products and services, and are managed separately based on the Group’s management and internal reporting structure. For each of the strategic business units, the Board of Directors reviews internal management reports on at least a semi-annually basis.

Banking segment includes corporate, commercial, retail and private banking, as well as treasury. Non-banking operations are followed according to insurance, ‘investment and finance’ and ‘manufacturing, trading and service’ segments.

The following summary describes the operations in each of the Group’s reportable segments:

Banking business

The Group provides services to the large corporations, SMEs and other trading companies (excluding real trading persons) within the course of its corporate and commercial operations through various financial media. Services such as project financing, operating and investment loans, deposit and cash management, credit cards, cheques and bills, foreign trade transactions and financing, letter of guarantee, letter of credit, forfeiting, foreign currency trading, bill collections, payrolls, investment accounts, tax collections and other banking services are being provided for the aforementioned customer segments.

Services are being provided to individuals, real trading persons and non-trading corporations and institutions within the context of “Retail Banking”. This customer segment’s requirements are met by banking services such as deposits, consumer loans, overdraft accounts, credit cards, bill collections, remittances, foreign currency trading, safe-deposit boxes, insurance, tax collections, investment accounts and by other banking services. As for the private banking category, any kind of financial and cash management services are provided for individuals in the high-income group.

Within the context of treasury transactions, medium and long term funding is being fulfilled by tools such as security trading, money market transactions, spot and installment based TL and foreign currency trading, and derivative transactions such as forward, swap, futures and options, as well as syndication and securitisation.

All other banking segments include combined information about operating segments that do not meet the quantitative thresholds.

Non-banking business

Insurance segment includes the Group’s insurance and reinsurance activities.

Investment and finance operations include the Group’s leasing, factoring, brokerage, corporate finance, investment advisory, private portfolio management and real estate investment activities.

Core business of the manufacturing, trading and service segment is mainly glass production. In addition, complementary industrial and commercial operations related to glass production are included into manufacturing and trading segment as well as food production operations.

Information regarding the results of each reportable segment is included below. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Measurement of segment assets and liabilities and operating segment results is based on the accounting policies set out in the accounting policy notes.

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	Banking business				Non-banking business			Reconciliation	Total
	Corporate / Commercial	Retail / Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing, trading and service		
At 30 June 2020									
Total assets	290,669,555	69,990,026	162,684,279	81,995,298	22,829,757	23,780,586	61,759,441	(65,676,475)	648,032,467
Total liabilities and equity	166,737,560	199,044,608	128,385,177	111,171,813	22,829,757	23,780,586	61,759,441	(65,676,475)	648,032,467
At 31 December 2019									
Total assets	254,462,017	57,143,269	134,953,010	74,737,956	20,092,407	23,096,007	58,838,425	(63,698,093)	559,624,998
Total liabilities and equity	152,172,406	167,353,047	99,082,542	102,688,257	20,092,407	23,096,007	58,838,425	(63,698,093)	559,624,998

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1 January – 30 June 2020	Banking business				Non-banking business			Combined	Adjustments	Total
	Corporate / Commercial	Retail/ Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing trading and service			
Income statement										
Interest income	12,635,585	3,952,833	5,230,753	16,986	414,874	543,707	681,506	23,476,244	(666,344)	22,809,900
Interest expense	(2,199,979)	(2,567,780)	(3,621,864)	(721,889)	(12,095)	(430,242)	(632,515)	(10,186,364)	750,887	(9,435,477)
Net interest income	10,435,606	1,385,053	1,608,889	(704,903)	402,779	113,465	48,991	13,289,880	84,543	13,374,423
Net fee and commission income	2,113,044	1,037,385	(1,695)	(509,092)	(702,563)	311,399	(5,310)	2,243,168	(38,004)	2,205,164
Securities trading income, net	--	--	164,225	--	86,640	247,940	6,789	505,594	(8,431)	497,163
Derivative trading income / (expense), net	--	--	(3,020,993)	--	19,659	118,496	79,004	(2,803,834)	113,332	(2,690,502)
Income from manufacturing operations	--	--	--	--	--	--	12,671,512	12,671,512	(3,851,150)	8,820,362
Income from insurance operations	--	--	--	--	4,171,781	--	--	4,171,781	(69,104)	4,102,677
Cost of manufacturing operations	--	--	--	--	--	--	(9,750,013)	(9,750,013)	3,501,716	(6,248,297)
Cost of insurance operations	--	--	--	--	(3,184,189)	--	--	(3,184,189)	399	(3,183,790)
Other operating income	--	--	--	215,329	81,547	393,790	1,076,064	1,766,730	(730,431)	1,036,299
Other operating expense	(898,493)	(2,053,560)	--	(3,923,007)	(571,865)	(557,101)	(2,974,374)	(10,978,400)	998,903	(9,979,497)
Foreign exchange gains / (losses), net	--	--	--	1,522,405	403,581	(11,761)	51,503	1,965,728	5,662	1,971,390
Impairment losses on loans and advances, net	--	--	--	(4,673,684)	(1,324)	(117,469)	--	(4,792,477)	(1,635)	(4,794,112)
Dividend income	--	--	--	32,253	142,173	49,978	1,453,048	1,677,452	(1,654,961)	22,491
Share of losses of equity accounted investees	--	--	--	1,119,007	--	(799)	--	1,118,208	(1,080,755)	37,453
Profit / (loss) before taxation	11,650,157	368,878	(1,249,574)	(6,921,692)	848,219	547,938	2,657,214	7,901,140	(2,729,916)	5,171,224
Income tax expense	--	--	(677,513)	--	(172,893)	(134,896)	(337,469)	(1,322,771)	(597)	(1,323,368)
Net profit / (loss)	11,650,157	368,878	(1,927,087)	(6,921,692)	675,326	413,042	2,319,745	6,578,369	(2,730,513)	3,847,856

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1 January – 30 June 2019	Banking business				Non-banking business			Combined	Adjustments	Total
	Corporate / Commercial	Retail/ Private	Treasury / Investment	All other banking segments	Insurance	Investment and finance	Manufacturing trading and service			
Income statement										
Interest income	14,252,238	3,838,729	5,658,817	146,619	466,231	692,046	696,878	25,751,558	(833,230)	24,918,328
Interest expense	(3,605,785)	(5,108,209)	(3,856,073)	(916,593)	(21,219)	(1,054,002)	(575,768)	(15,137,649)	882,141	(14,255,508)
Net interest income	10,646,453	(1,269,480)	1,802,744	(769,974)	445,012	(361,956)	121,110	10,613,909	48,911	10,662,820
Net fee and commission income	2,382,678	899,458	438	(643,837)	(547,731)	122,878	1,019	2,214,903	(29,253)	2,185,650
Securities trading income, net	--	--	87,550	--	65,536	(21,557)	108	131,637	30,669	162,306
Derivative trading income / (expense), net	--	--	(4,854,322)	--	73,086	658,513	(23,307)	(4,146,030)	200,274	(3,945,756)
Income from manufacturing operations	--	--	--	--	--	--	13,171,808	13,171,808	(4,565,836)	8,605,972
Income from insurance operations	--	--	--	--	3,234,721	--	--	3,234,721	(68,859)	3,165,862
Cost of manufacturing operations	--	--	--	--	--	--	(10,043,723)	(10,043,723)	4,234,153	(5,809,570)
Cost of insurance operations	--	--	--	--	(2,697,255)	--	--	(2,697,255)	239	(2,697,016)
Other operating income	--	--	--	812,839	95,763	496,055	893,230	2,297,887	(841,094)	1,456,793
Other operating expense	(882,432)	(1,787,756)	(4,858)	(2,268,374)	(541,094)	(603,343)	(2,838,748)	(8,926,605)	914,333	(8,012,272)
Foreign exchange gains / (losses), net	--	--	--	946,834	398,949	127,868	12,677	1,486,328	(36,636)	1,449,692
Impairment losses on loans and advances, net	--	--	--	(3,613,292)	(3,576)	(149,402)	--	(3,766,270)	395	(3,765,875)
Dividend income	--	--	--	18,383	92,248	41,698	925,964	1,078,293	(1,060,289)	18,004
Share of losses of equity accounted investees	--	--	--	1,267,014	--	(3,748)	--	1,263,266	(1,197,921)	65,345
Profit / (loss) before taxation	12,146,699	(2,157,778)	(2,968,448)	(4,250,407)	615,659	307,006	2,220,138	5,912,869	(2,370,914)	3,541,955
Income tax expense	--	--	(142,900)	--	(132,474)	(78,204)	57,019	(296,559)	4,499	(292,060)
Net profit / (loss)	12,146,699	(2,157,778)	(3,111,348)	(4,250,407)	483,185	228,802	2,277,157	5,616,310	(2,366,415)	3,249,895

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Geographic information

Financial position	Turkey	Europe	Russia, Ukraine & Georgia	Other	Reconciliation	Consolidated
At 30 June 2020						
Assets	676,422,903	29,110,538	6,946,887	1,228,614	(65,676,475)	648,032,467
Liabilities	573,099,744	16,394,052	3,995,069	628,261	(25,354,849)	568,762,277
Total equity	103,323,159	12,716,486	2,951,818	600,353	(40,321,626)	79,270,190
Total liabilities and equity	676,422,903	29,110,538	6,946,887	1,228,614	(65,676,475)	648,032,467
At 31 December 2019						
Assets	588,701,421	26,841,936	6,668,849	1,110,885	(63,698,093)	559,624,998
Liabilities	491,972,720	15,031,282	3,712,754	540,714	(25,871,430)	485,386,040
Total equity	96,728,701	11,810,654	2,956,095	570,171	(37,826,663)	74,238,958
Total liabilities and equity	588,701,421	26,841,936	6,668,849	1,110,885	(63,698,093)	559,624,998

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21. Earnings per share

Basic earnings per share (“EPS”) are calculated by dividing the net income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

There is no dilution of shares as at 30 June 2020 and 2019.

The following reflects the comprehensive income and share data used in the basic earnings per share computations:

	30 June 2020	30 June 2019
Profit available to shareholders	2,877,296	2,074,989
Weighted average number of shares during the year (thousand)	112,502	112,502
Basic earnings per share (full TL per share)	0.0256	0.0184

22. Related parties

In the course of conducting its banking business, the Group conducted various business transactions with related parties. These include loans, customer accounts, funds borrowed and non-cash transactions. These are all commercial transactions and realised on an arms-length basis. The volumes of related party transactions, outstanding balances at the period end and relating expense and income for the periods are as follows:

Direct and indirect shareholders	30 June 2020	31 December 2019	30 June 2019
Deposits	35,620	8,896	216,714
Interest expense	1,564	10,004	3,882
Others	30 June 2020	31 December 2019	30 June 2019
Loans and advances			
-Measured at amortised cost	71,424	53,914	58,538
-Measured at fair value through profit or loss(*)	2,149,813	2,149,813	2,548,261
Non-cash loans	15,596	14,171	16,353
Deposits	21,573	37,132	23,550
Trade receivables	6,286	9,122	6,650
Trade payables	70,040	287,172	82,100
Interest income	3,436	10,275	7,134
Interest expense	938	3,156	1,357
Fee and commission income	140	259	148
Other operating income	8,963	27,510	9,878
Other operating expense	175,003	370,264	163,968

(*) The balance consist of loans that has been granted to a structured entity owned by the Group considered as related party.

Compensation of key management personnel of the Group

The executive and non-executive member of Board of Directors and management received remuneration and fees amounted to TL 120,768 (30 June 2019: TL 91,081) comprising salaries and other short-term benefits.

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23. Commitment and contingencies

	30 June 2020	31 December 2019
Letters of guarantee	81,088,084	71,547,339
Commitments for credit card expenditure limits	36,550,523	31,090,963
Letters of credit	19,010,939	16,316,834
Loan granting commitments	19,925,915	19,621,757
Commitments for check payments	2,654,568	2,673,042
Acceptance loans	11,313,828	6,040,332
Endorsements and other guarantees	2,924,373	2,688,827
Other commitments	10,493,644	9,888,081
	183,961,874	159,867,175

Derivative financial instruments held for trading

The Group has forward, swap, option and future transactions as of the reporting date. The Group’s derivative transactions predominantly consist of currency swaps, forward foreign currency trading, credit default swaps, currency options and option contracts on securities. The Group has no derivative products that are detached from the host contract. Derivative financial instruments are carried at their fair value at the contract date and re-measured by their prevailing fair value in the following reporting periods. Even though some derivative transactions economically provide risk hedging, since all necessary conditions to be defined as items suitable for financial risk hedging accounting are not met, they are recognised as “held for trading purposes” and the profit and loss resulting from such instruments are associated with the income statement.

	30 June 2020		31 December 2019	
	Buy	Sell	Buy	Sell
Currency swaps	93,156,922	100,039,827	81,693,751	79,949,538
Interest rate swaps	70,830,279	70,830,279	62,810,769	62,810,769
Forward foreign exchange contracts	22,663,242	22,998,313	16,532,814	16,579,043
Currency options	4,176,206	4,087,775	5,892,583	5,681,564
Interest rate options	3,770,737	3,770,737	3,190,743	3,190,743
Marketable security and index options	85,476	109,243	24,499	36,255
Other	10,302,401	2,229,423	1,866,022	1,913,533
	204,985,263	204,065,597	172,011,181	170,161,445

	30 June 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Interest rate swaps	2,727,691	(3,271,107)	1,296,251	(1,365,263)
Currency swaps	2,971,852	(1,316,020)	3,275,692	(933,016)
Currency options	90,112	(89,850)	22,262	(57,878)
Forward foreign exchange contracts	621,609	(611,961)	415,538	(359,122)
Interest rate options	27,203	(8)	33,640	(1)
Other	206,096	--	--	--
Fair value of derivatives	6,644,563	(5,288,946)	5,043,383	(2,715,280)

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Derivative assets and liabilities designed as cash flow hedges

Şişecam Group has made a swap contract with Citibank N.A. in order to hedge against cash flow risk which might rise due to the fluctuations of silver prices. The contract has been made between 15 January 2020 and 19 June 2020 and consists of a silver purchase swap agreement, which contains 221.496,65 troy ons (almost equals to 6.9 tons). Silver futures sales agreement swap has signed with a final term dated 29 December 2020 and an ounce price to be fixed at prices ranging from \$12.35 to \$18.85.

Şişecam Group has made a swap contract with Citibank N.A. in order to hedge against cash flow risk which might rise due to the fluctuations of coal prices. The contract has been made between 9 July 2020 and 7 January 2021 and consists of a coal purchase swap agreement, which contains 180 thousand tons of coal and a ton price to be fixed at prices ranging from \$ 43.40 to \$ 49.60.

	30 June 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Interest rate swaps	552,886	(252,965)	258,551	(282,027)
Total derivative assets /(liabilities) held for hedge accounting	552,886	(252,965)	258,551	(282,027)

Derivative assets and liabilities designed as fair value hedges

Fixed rate Eurobonds issued by TSKB and a portion of fixed rate borrowings of TSKB are subject to fair value hedge accounting. TSKB entered into interest rate swap agreements in order to hedge the change in fair value of its fixed rate financial liabilities.

IFRS 9 permits to defer application of IFRS 9 hedge accounting and continue to apply hedge accounting in accordance with IAS 39 as a policy choice. Accordingly, the Group continues to apply hedge accounting in accordance with IAS 39 in this context.

The fair values of derivatives designed as fair value hedges are as follows.

	30 June 2020		31 December 2019	
	Asset	Liability	Asset	Liability
Interest rate swaps	269,004	--	67,884	(16,545)
Currency swaps	109,548	--	--	--
Total derivative assets/(liabilities) held for hedge accounting	378,552	--	67,884	(16,545)

Fiduciary activities

The Group provides custody, investment management and advisory services to third parties. Those assets that are held in a fiduciary capacity are not included in the accompanying consolidated financial statements. 30 mutual funds which are founded by the Anadolu Hayat Emeklilik A.Ş. are managed by İş Portföy Yönetimi A.Ş.

Litigations

In the normal course of its operations, the Group can be constantly faced with legal disputes, claims and complaints. The necessary provision, if any, for those cases are provided based on management estimates and professional advice.

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Option agreements

Put/call option agreements were signed between Şişecam Group and European Bank for Reconstruction and Development ("EBRD") in 2014. Accordingly, the Group has call option for Paşabahçe Cam San. ve Tic. A.Ş. while the agreement granted a put option to EBRD. Since Paşabahçe did not go public and fulfill the requirements until 24 October 2019, the put/call options have expired. Shares of Paşabahçe are taken over in 2019 after the option is closed in exchange for EURO 152,6 million payment. In order to finance the option, Şişecam Group received a loan of EURO 100 million from EBRD. Conditions of the loan are as follows: The group will not make any principal payments for the first two years, thereafter, principal payment will be made in 5 equal instalments once every six months; interest rate of the loan is Euribor+ 2.40%.

As a result, Paşabahçe shares that was in the EBRD's portfolio in 2018 are taken over by the Group; therefore the transactions with regards to non-controlling interests are accounted for under funds borrowed. Difference in the valuation for the transactions is accounted for under the equity.

Other commitments

According to the agreements made among Şişecam Group, Türkiye Petrolleri Anonim Ortaklığı A.Ş., Shell Enerji A.Ş., Mersin Organize Sanayi Bölgesi, Aygaz Doğal Gaz Toptan Satış A.Ş., Boru Hatları ve Petrol Taşıma A.Ş. (BOTAS), Eskişehir Organize Sanayii Bölge Müdürlüğü, Palgaz Doğalgaz A.Ş., Eneya Denizli Gaz Dağıtım A.Ş., Akfel Petrol and Doğalgaz Mühendislik A.Ş., the Group has a purchase commitment of 807.028.000 sm³ of natural gas between 1 July 2020 and 31 December 2020 (1 January- 31 December 2019: 1.570.528.000 sm³).

Government grants

In line with the Law on the Support of R & D Activities No. 5746 on the basis of new technology and research and development activities in search of information, 100% of the expenditures made in the R & D centers within the scope of the enterprises are considered as R & D discounts in determining the corporate income until 31 December 2023. On the basis of the provisions of the law no 5746, the amount of R & D reduction that cannot be deducted in the relevant accounting period due to insufficient earnings is transferred to the next accounting period. Amounts transferred shall be taken into consideration by increasing the revaluation rate determined every year according to Tax Procedure Law No: 213 without any time limit in the following years.

In addition, according to the Law No. 5746, withholding tax incentive and insurance premium support is provided for personnel working in the R & D center. According to this law, among the design and support personnel working in R & D and design centers; 95% for those who have at least a master's degree in one of the basic sciences, 90% for those who have a bachelor's degree in one of the basic sciences, others 80% are excluded from income tax. Among design and support personnel working in R & D and design centers; half of the employer's share of the insurance premium calculated on the wages they have obtained in return for these works shall be met from the appropriation to be made to the Ministry of Finance for each employee. R & D incentives mentioned in our group are also utilised.

Exporting activities and other foreign currency generating operations, within the scope of the standards determined by the Ministry of Finance and Undersecretariat of Foreign Trade, are exempt from stamp tax and fees. Government grants are paid to support participating in international fairs in accordance with the decision No: 2004/11 of the Money Credit and Coordination Committee issued at 16 December 2004.

A memorandum for government incentive was signed between Trakya Glass Bulgaria EAD, Paşabahçe Bulgaria EAD and Ministry of Economy and Energy of Republic of Bulgaria under "Regulation of Investment Incentive and Implementation" of Bulgaria and "Government Incentive Legislation" of European Union.

Glasscorp S.A. and the Ministry of Finance of the Republic of Romania signed a Memorandum on Government Grants within the framework of the European Union's "Government Grant Regulations" with "Investment Incentive Law and Implementation Regulation". In this context; As of 30 June 2020,

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Glasscorp S.A. has an obligation to reimburse the government incentive amounting to RON 77,766 thousand (31 December 2019: RON 77,766 thousand) and the government incentives collected in cash and deferred income in accordance with the related legislation. As of 30 June 2020, the amount of non-repayable incentive is RON 27,016 thousand (31 December 2019: RON 27,016 thousand). Glasscorp S.A. continues to negotiate with the relevant institutions to extend the reimbursement period for the relevant incentive.

24. Events after the reporting period

Explanations regarding issuance of bills and bonds and other borrowings

Within the scope of the decision of Board of Directors regarding the issue of debt instrument on 17 September 2019, the Bank issued financial bonds with a nominal value of TL 5,645,681.

On 9 July 2020, TSKB signed a syndicated loan agreement amounting to USD 150 million (full amount) with participation of twelve banks from twelve different countries. The interest rate of the loan with 367 days maturity is Euribor / Libor + 1,75% annually and the renewal rate is 85%.

Also, TSKB has signed a loan agreement with Asian Infrastructure Investment Bank (AIIB) amounting to USD 200 million (full amount) for “Covid-19 Credit Line Project” on 30 July 2020 under the repayment guarantee of the Republic of Turkey Ministry of Treasury and Finance.

Other disclosures

Within the scope of the decision of Board of Directors dated 27 July 2020, the General Directorate has been authorised for the acquisition of Moka Ödeme Kuruluşu A.Ş.'s total shares at an amount of USD 3.8 million and to carry out all transactions related to process.

Trakya Cam Sanayii A.Ş., Paşabahçe Cam Sanayii ve Ticaret A.Ş., Denizli Cam Sanayii ve Ticaret A.Ş., Anadolu Cam Sanayii A.Ş. and Soda Sanayii A.Ş. have merged with all of their assets and liabilities under Türkiye Şişe ve Cam Fabrikaları A.Ş. as of 30 September 2020.

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

25. Other disclosures

As at and for the period ended 30 June 2020, the Bank’s, TSKB’s and İş Finansal Kiralama A.Ş.’s ratings assigned by international rating agencies are as follows;

Türkiye İş Bankası A.Ş.

MOODY’S – 15 September 2020	Rating	Outlook^(*)
Long-term Foreign Currency Deposit	Caa1	Negative
Long-term Local Currency Deposit	B3	Negative
Long-term Foreign Currency Senior Debt	B3	Negative
Short-term Foreign Currency Deposit	Not-Prime	--
Short-term Local Currency Deposit	Not-Prime	--

FITCH RATINGS – 1 September 2020	Rating	Outlook^(*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	B+	Negative
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Long-term Rating	A+ (tur)	Stable
Viability Rating	b+	--
Support Rating	5	--

STANDARD & POOR’S – 17 August 2018	Rating	Outlook^(*)
Long-term Counterparty Credit Rating	B+	Negative
Short-term Counterparty Credit Rating	B	--
Long-term National Scale Rating	trA+	--
Short-term National Scale Rating	trA-1	--

TÜRKİYE İŞ BANKASI ANONİM ŞİRKETİ AND ITS SUBSIDIARIES
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated)

TSKB

MOODY’S – 18 June 2019	Rating	Outlook (*)
Baseline Credit Assessment Rating	caa1	--
Long-term Foreign Currency Issuer Rating	B3	Negative
Short-term Foreign Currency Issuer Rating	Not-Prime	--
Long-term Local Currency Issuer Rating	B3	Negative
Short-term Local Currency Issuer Rating	Not-Prime	--
Long-term Foreign Currency Senior Debt	B3	Negative
Senior Unsecured MTN Program Rating	(P)B3	--

FITCH RATINGS – 1 September 2020	Rating	Outlook (*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	BB-	Negative
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Rating	AA(tur)	Stable
Support Rating	4	--
Support Rating Floor	B	--
Subordinated Debt Rating	B-	--
Viability Rating	b+	--

İş Finansal Kiralama A.Ş.

FITCH RATINGS – 2 September 2020	Rating	Outlook (*)
Long-term Foreign Currency Issuer Default Rating	B+	Negative
Long-term Local Currency Issuer Default Rating	B+	Negative
Short-term Foreign Currency Issuer Default Rating	B	--
Short-term Local Currency Issuer Default Rating	B	--
National Long-term Rating	A+ (tur)	Stable
Support Rating	4	--

(*) “Stable” indicates that the current rating will not be changed in the short term; “positive” indicates that the current rating is very likely to be upgraded and “negative” indicates that the current rating is very likely to be downgraded.