



*(Convenience Translation of Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)*

**Alternatifbank A.Ş.**

Unconsolidated Interim Financial Statements  
As of and For the Six-Month Period Ended 30 June 2017  
With Independent Auditors' Review Report Thereon  
*(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)*

26 July 2017

*This report includes "Independent Auditors' Review Report" comprising 2 pages and; "Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes" comprising 83 pages.*



Akis Bağımsız Denetim ve  
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Convenience Translation of the Independent Auditors' Review Report  
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)

To the Board of Directors of Alternatifbank A.Ş.;

#### *Introduction*

We have reviewed the unconsolidated statement of financial position of Alternatifbank A.Ş. ("the Bank") at 30 June 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

#### *Scope of Review*

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



*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Alternatifbank A.Ş. as at 30 June 2017 and of the results of its operations and its cash flows for the six-month period then ended in all material respects in accordance with the BRSA Accounting and Reporting Legislation.

*Report on other regulatory requirements arising from legislation*

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

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



26 July 2017  
İstanbul, Türkiye

**Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

## THE UNCONSOLIDATED FINANCIAL REPORT OF ALTERNATİFBANK A.Ş. AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

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The unconsolidated financial report as of and for the six-month period ended 30 June 2017 prepared in accordance with the communiqué of "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" as regulated by the Banking Regulation and Supervision Agency, comprises the following sections.

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


The accompanying unconsolidated financial statements and notes to these financial statements for the six-month period ended which are expressed, unless otherwise stated, in thousands of Turkish Lira (TL), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently reviewed and presented as attached.


  
Omer Hussain I H  
Al-Fardan  
Chairman of the Board  
of Directors

  
Müge Öner  
CEO

  
Kağan Gündüz  
Financial Control and  
Planning Executive Vice  
President

  
Alper Uzeli  
Financial Control  
Manager

  
İzzat Dajani  
Member of the Board of Directors  
and Chairman of Board Audit and  
Compliance Committee

  
Joseph Abraham  
Member of the Board of Directors  
and Member of Board Audit and  
Compliance Committee

  
Didem Çerçi  
Vice-Chairlady of the Board of  
Directors and Member of Board  
Audit and Compliance Committee

The authorised contact person for questions on this financial report:

Name-Surname / Title : Alper Uzeli / Financial Control Manager  
Telephone Number : 0 212 315 69 53  
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**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**SECTION ONE**

**GENERAL INFORMATION ABOUT THE BANK**

**I. Explanations on Establishment Date and Initial Status of the Bank, History Including the Changes in the Former Status**

Alternatifbank A.Ş. (“the Bank”) was established in Istanbul on 6 November 1991 and started banking activities on February 1992. The Bank’s ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995. The Bank is still a privately owned commercial bank status and provides banking services through 53 (31 December 2016: 53) branches.

The Bank made an application to Capital Market Board and Borsa İstanbul A.Ş. about to leave the partnership and delisting the stock-exchange quotation in accordance with clauses of Capital Market Board “Squeeze-out and Sell-out Rights Communiqué” on 11 July 2014. “Capital Issue Document” prepared for the capital increase allocated to controlling shareholder Commercial Bank of Qatar in the context of the process of squeeze-out and sell-out rights from the minority in accordance with “Squeeze-out and Sell-out Rights Communiqué” has been approved by Capital Market Board on 23 July 2015. As of this date, Alternatifbank A.Ş. delisted from the stock-exchange.

**II. Explanations on the Capital Structure, Shareholders who Directly or Indirectly, Solely or Jointly Undertake the Management and Control of the Bank, any Changes in the Period, and Information on the Bank’s Risk Group**

As of 30 June 2017, 100% of the shares of the Bank are owned by The Commercial Bank (P.S.Q.C.) Shareholder’s structure of the Bank is as follows:

Name/Commercial Name	30 June 2017		31 December 2016	
	Share Amount	Share Amount	Share Amount	Share Ratio
The Commercial Bank (P.S.Q.C.)	980,000	100%	980,000	100%
<b>Total</b>	<b>980,000</b>	<b>100%</b>	<b>980,000</b>	<b>100%</b>

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**GENERAL INFORMATION ABOUT THE BANK (Continued)**

**III. Explanation on the Board of Directors, Members of the Audit Committee, President and Executive Vice Presidents, Changes in These Matters (if any) and Shares in the Bank**

<b>Title</b>	<b>Name</b>	<b>Responsibility</b>	<b>Indirect Share Capital (%)</b>
Chairman of Board of Directors	Omer Hussain I H Al-Fardan	Chairman of Board of Directors	-
Member of Board of Directors	Didem Çerçi	Vice-Chairlady of the Board of Directors, Member of the Board Audit and Compliance Committee, Member of the Executive Committee of the Board, Member of the Remuneration Committee, Alternate Member of the Credit Committee	-
	Mohd Ismail M Mandani Al-Emadi	Chairman of the Risk Committee	-
	Joseph Abraham	Chairman of the Executive Committee of the Board, Chairman of the Remuneration Committee, Member of the Risk Committee, Member of the Board Audit and Compliance Committee, Alternate Member of the Credit Committee,	-
	Ali Saleh N Alfadala(*)	-	-
	Fahad Abdulrahman Badar	Chairman of the Credit Committee, Member of the Executive Committee of the Board	-
	İzzat Dajani(**)	Chairman of the Board Audit and Compliance Committee, Member of the Executive Committee of the Board, Member of the Remuneration Committee, Member of the Risk Committee	-
	Paul Gossiaux	Member of the Credit Committee	-
Member of Board of Directors and General Manager	Müge Öner	Member of the Credit Committee and The Executive Committee of the Board	-
Executive Vice Presidents (***)	Seher Demet Tanrıöver Çaldağ	Credit Risk Management-Chief Risk Officer	-
	Tanol Türkoğlu	Information Technologies and Operations-Chief Operating Officer	-
	Ahmet Kağan Yıldırım	Chief Business Officer	-
	Suat Çetin	Operations- Consumer Relations Coordination Officer	-
	Kağan Gündüz	Financial Control and Planning	-
	Mete Hakan Güner	Commercial Banking	-
	Musa Kerim Mutluay	Restructuring and Legal Follow-up	-
	Durul Selçuk	Human Resources	-
	Muzaffer Gökhan Songül	Credit Allocation	-
	Şakir Sömek	Financial Institutions	-
	Boğaç Levent Güven	Treasury	-
Chairman of Board of Inspectors	Mustafa Mutlu Çalışkan	Board of Inspectors	-

(\*) With the decision number 45 of the Board of Directors dated on 13 April 2017, Kimberley Ann Reid was resigned from the Board of Directors and Ali Saleh N Alfadala is appointed as member of Board of Directors.

(\*\*) With the decision number 70 of the Board of Directors dated on 25 April 2017, instead of Didem Çerçi, İzzat Dajani is appointed as member of Chairman of the Board Audit and Compliance Committee.

(\*\*\*) On 10 April 2017, Sezin Erken was resigned from the Executive Vice President of Retail Banking.

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**GENERAL INFORMATION ABOUT THE BANK (Continued)**

**IV. Information on the Bank's Qualified Shareholders**

According to the Banking Act No: 5411 regarding definition of Qualified Shares and Bank Transactions that are subject to Permission and Indirect Shareholding Regulation's article 13, direct and indirect qualified shareholders of the Bank's Capital is as follows.

<b>Name/Commercial Title</b>	<b>Share Amounts (Nominal)</b>	<b>Share Rates</b>	<b>Paid-in Capital (Nominal)</b>	<b>Unpaid Portion</b>
The Commercial Bank (P.S.Q.C.)	980,000	100.00%	980,000	-

**V. Summary Information on the Bank's Activities and Services**

The Bank's operations are extending TL and foreign currency cash and non-cash loans, performing Capital market transactions, opening deposit and making other banking transactions according to regulation principles given by the Bank's Articles of Association.

As of 30 June 2017, the Bank has 53 branches (31 December 2016: 53 branches) and has 941 employees (31 December 2016: 928 employees).

**VI. Differences Between the Communique on Preperation of Unconsolidated Financial Statements of Banks and Turkish Accounting Standarts and Short Explanation About the Institutions Subject to Line-by-Line Method or Proportional Consolidation and Institutions Which Are Deducted From Equity or Not Included in These Three Methods**

None.

**VII. Existing or Potential, Actual or Legal Obstacles to Immediate Transfer of Equity or Repayment of Debt between the Bank and Its Subsidiaries**

None.



**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**FOR THE INTERIM PERIOD ENDED 30 JUNE 2017**

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five)	30 June 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
	<b>ASSETS</b>							
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	<b>I-a</b>	<b>272,872</b>	<b>1,692,732</b>	<b>1,965,604</b>	<b>149,340</b>	<b>1,820,848</b>	<b>1,970,188</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	<b>I-b</b>	<b>108,868</b>	<b>14,004</b>	<b>122,872</b>	<b>26,673</b>	<b>35,277</b>	<b>61,950</b>
2.1	Financial Assets Held for Trading		108,868	14,004	122,872	26,673	35,277	61,950
2.1.1	Public Sector Debt Securities		-	752	752	-	526	526
2.1.2	Equity Securities		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		108,868	13,252	122,120	26,673	34,751	61,424
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value Through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>I-c</b>	<b>415,658</b>	<b>608,521</b>	<b>1,024,179</b>	<b>120,814</b>	<b>419,583</b>	<b>540,397</b>
<b>IV.</b>	<b>MONEY MARKET PLACEMENTS</b>		<b>220,074</b>	-	<b>220,074</b>	<b>350,081</b>	-	<b>350,081</b>
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		220,074	-	220,074	350,081	-	350,081
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)</b>	<b>I-d</b>	<b>305,396</b>	<b>1,272,789</b>	<b>1,578,185</b>	<b>299,939</b>	<b>2,028,756</b>	<b>2,328,695</b>
5.1	Share Certificates		4,898	-	4,898	4,721	-	4,721
5.2	Government Debt Securities		298,475	933,934	1,232,409	293,186	1,701,761	1,994,947
5.3	Other Marketable Securities		2,023	338,855	340,878	2,032	326,995	329,027
<b>VI.</b>	<b>LOANS</b>	<b>I-e</b>	<b>5,871,028</b>	<b>4,916,065</b>	<b>10,787,093</b>	<b>5,298,550</b>	<b>5,272,137</b>	<b>10,570,687</b>
6.1	Loans		5,677,078	4,916,065	10,593,143	5,085,781	5,272,137	10,357,918
6.1.1	Loans to the Bank’s Risk Group		74	219,902	219,976	161	121,210	121,371
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		5,677,004	4,696,163	10,373,167	5,085,620	5,150,927	10,236,547
6.2	Non Performing Loans		482,641	-	482,641	553,355	-	553,355
6.3	Specific Provisions (-)		288,691	-	288,691	340,586	-	340,586
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>HELD-TO-MATURITY INVESTMENTS (Net)</b>	<b>I-f</b>	-	<b>822,601</b>	<b>822,601</b>	-	-	-
8.1	Public Sector Debt Securities		-	822,601	822,601	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>I-g</b>	-	-	-	-	-	-
9.1	Accounted for Under Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		-	-	-	-	-	-
<b>X.</b>	<b>INVESTMENT IN SUBSIDIARIES (Net)</b>	<b>I-h</b>	<b>166,380</b>	-	<b>166,380</b>	<b>166,380</b>	-	<b>166,380</b>
10.1	Unconsolidated Financial Subsidiaries		166,380	-	166,380	166,380	-	166,380
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)</b>	<b>I-i</b>	-	-	-	-	-	-
11.1	Consolidated Under Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	<b>I-j</b>	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operation Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	<b>I-k</b>	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
<b>XIV.</b>	<b>TANGIBLE ASSETS (Net)</b>		<b>38,054</b>	-	<b>38,054</b>	<b>35,914</b>	-	<b>35,914</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>		<b>40,021</b>	-	<b>40,021</b>	<b>34,747</b>	-	<b>34,747</b>
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		40,021	-	40,021	34,747	-	34,747
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>I-l</b>	-	-	-	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>	<b>II-i</b>	<b>21,175</b>	-	<b>21,175</b>	<b>46,524</b>	-	<b>46,524</b>
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		21,175	-	21,175	46,524	-	46,524
<b>XVIII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>I-m</b>	-	-	-	-	-	-
18.1	Assets Held for Sale		-	-	-	-	-	-
18.2	Assets of Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>I-n</b>	<b>299,196</b>	<b>127,224</b>	<b>426,420</b>	<b>233,160</b>	<b>126,034</b>	<b>359,194</b>
	<b>TOTAL ASSETS</b>		<b>7,758,722</b>	<b>9,453,936</b>	<b>17,212,658</b>	<b>6,762,122</b>	<b>9,702,635</b>	<b>16,464,757</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**FOR THE INTERIM PERIOD ENDED 30 JUNE 2017**

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five)	30 June 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
	<b>LIABILITIES</b>							
<b>I.</b>	<b>DEPOSITS</b>	<b>II-a</b>	<b>3,625,355</b>	<b>5,649,798</b>	<b>9,275,153</b>	<b>4,643,384</b>	<b>4,265,262</b>	<b>8,908,646</b>
1.1	Deposits from Bank’s Risk Group		15,247	155,880	171,127	56,648	75,543	132,191
1.2	Other		3,610,108	5,493,918	9,104,026	4,586,736	4,189,719	8,776,455
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>II-b</b>	<b>74,827</b>	<b>57,296</b>	<b>132,123</b>	<b>49,287</b>	<b>18,725</b>	<b>68,012</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>II-c</b>	<b>6,598</b>	<b>3,110,902</b>	<b>3,117,500</b>	<b>12,123</b>	<b>2,987,945</b>	<b>3,000,068</b>
<b>IV.</b>	<b>MONEY MARKET FUNDS</b>		<b>108</b>	<b>475,391</b>	<b>475,499</b>	<b>173,326</b>	<b>313,068</b>	<b>486,394</b>
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		108	475,391	475,499	173,326	313,068	486,394
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		-	<b>889,353</b>	<b>889,353</b>	-	<b>889,656</b>	<b>889,656</b>
5.1	Bills		-	889,353	889,353	-	889,656	889,656
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>FUNDS</b>		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>92,180</b>	<b>115,718</b>	<b>207,898</b>	<b>87,180</b>	<b>83,127</b>	<b>170,307</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	<b>II-d</b>	<b>133,679</b>	<b>342</b>	<b>134,021</b>	<b>74,137</b>	<b>297</b>	<b>74,434</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>II-e</b>	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	<b>II-f</b>	<b>76</b>	-	<b>76</b>	<b>404</b>	-	<b>404</b>
11.1	Fair Value Hedges		76	-	76	404	-	404
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedge		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>II-g</b>	<b>100,196</b>	<b>30</b>	<b>100,226</b>	<b>111,024</b>	<b>8</b>	<b>111,032</b>
12.1	General Loan Loss Provision		43,430	-	43,430	52,211	-	52,211
12.2	Provisions for Restructuring		-	-	-	-	-	-
12.3	Reserve for Employee Benefit		9,977	-	9,977	9,328	-	9,328
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		46,789	30	46,819	49,485	8	49,493
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>II-h</b>	<b>34,274</b>	-	<b>34,274</b>	<b>21,783</b>	-	<b>21,783</b>
13.1	Current Tax Liability		34,274	-	34,274	21,783	-	21,783
13.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XIV.</b>	<b>PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		<b>1,400</b>	<b>3,353</b>	<b>4,753</b>	<b>1,200</b>	<b>3,100</b>	<b>4,300</b>
14.1	Held for Sale		1,400	3,353	4,753	1,200	3,100	4,300
14.2	Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>II-j</b>	-	<b>1,503,237</b>	<b>1,503,237</b>	-	<b>1,504,693</b>	<b>1,504,693</b>
<b>XVI.</b>	<b>SHAREHOLDERS’ EQUITY</b>	<b>II-k</b>	<b>1,371,734</b>	<b>(33,189)</b>	<b>1,338,545</b>	<b>1,375,837</b>	<b>(150,809)</b>	<b>1,225,028</b>
16.1	Paid-in Capital		980,000	-	980,000	980,000	-	980,000
16.2	Capital Reserves		(83,688)	(33,189)	(116,877)	(18,435)	(150,809)	(169,244)
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(80,329)	(33,189)	(113,518)	(15,303)	(150,809)	(166,112)
16.2.4	Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		-	-	-	-	-	-
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(3,413)	-	(3,413)	(3,186)	-	(3,186)
16.3	Profit Reserves		405,089	-	405,089	405,089	-	405,089
16.3.1	Legal Reserves		26,254	-	26,254	26,254	-	26,254
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		378,835	-	378,835	378,835	-	378,835
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit or (Loss)		70,333	-	70,333	9,183	-	9,183
16.4.1	Prior Years’ Profit or (Loss)		9,183	-	9,183	379	-	379
16.4.2	Current Year Profit or (Loss)		61,150	-	61,150	8,804	-	8,804
	<b>TOTAL LIABILITIES</b>		<b>5,440,427</b>	<b>11,772,231</b>	<b>17,212,658</b>	<b>6,549,685</b>	<b>9,915,072</b>	<b>16,464,757</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**FOR THE INTERIM PERIOD ENDED 30 JUNE 2017**

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

II.	OFF- BALANCE SHEET ITEMS	Note (Section Five)	30 June 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>8,152,805</b>	<b>14,898,750</b>	<b>23,051,555</b>	<b>7,342,239</b>	<b>12,826,298</b>	<b>20,168,537</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>III-a-2</b>	<b>1,297,494</b>	<b>1,927,671</b>	<b>3,225,165</b>	<b>1,042,789</b>	<b>1,907,803</b>	<b>2,950,592</b>
1.1	Letters of Guarantee	III-a-2.ii	1,295,827	1,145,459	2,441,286	1,041,129	1,045,258	2,086,387
1.1.1	Guarantees Subject to State Tender Law		23,993	38,236	62,229	19,059	17,442	36,501
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		1,271,834	1,107,223	2,379,057	1,022,070	1,027,816	2,049,886
1.2	Bank Acceptances	III-a-2.i	-	5,735	5,735	-	3,885	3,885
1.2.1	Import Letter of Acceptance		-	5,735	5,735	-	3,885	3,885
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit	III-a-2.i	1,667	302,887	304,554	1,660	266,777	268,437
1.3.1	Documentary Letters of Credit		1,667	302,887	304,554	1,660	266,777	268,437
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees	III-a-2.i	-	473,590	473,590	-	591,883	591,883
1.9	Other Warrantees		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>595,183</b>	<b>197,307</b>	<b>792,490</b>	<b>604,653</b>	<b>252,959</b>	<b>857,612</b>
2.1	Irrevocable Commitments		595,183	197,307	792,490	604,653	252,959	857,612
2.1.1	Asset Purchase and Sales Commitments		77,455	197,307	274,762	20,846	60,548	81,394
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	192,411	192,411
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits	III-a-1	163,572	-	163,572	191,311	-	191,311
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		221,882	-	221,882	218,711	-	218,711
2.1.8	Tax and Fund Liabilities from Export Commitments		3,738	-	3,738	3,738	-	3,738
2.1.9	Commitments for Credit Card Limits		88,323	-	88,323	128,405	-	128,405
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		40,213	-	40,213	41,642	-	41,642
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-b</b>	<b>6,260,128</b>	<b>12,773,772</b>	<b>19,033,900</b>	<b>5,694,797</b>	<b>10,665,536</b>	<b>16,360,333</b>
3.1	Hedging Derivative Financial Instruments		110,000	-	110,000	220,000	-	220,000
3.1.1	Transactions for Fair Value Hedge		110,000	-	110,000	220,000	-	220,000
3.1.2	Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		6,150,128	12,773,772	18,923,900	5,474,797	10,665,536	16,140,333
3.2.1	Forward Foreign Currency Buy/Sell Transactions		240,955	379,528	620,483	124,595	253,116	377,711
3.2.1.1	Forward Foreign Currency Transactions-Buy		110,319	188,136	298,455	47,584	128,590	176,174
3.2.1.2	Forward Foreign Currency Transactions-Sell		130,636	191,392	322,028	77,011	124,526	201,537
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		4,954,539	9,691,836	14,646,375	4,596,309	8,029,429	12,625,738
3.2.2.1	Foreign Currency Swap-Buy		1,899,242	5,240,126	7,139,368	2,773,068	3,536,711	6,309,779
3.2.2.2	Foreign Currency Swap-Sell		3,055,297	4,096,788	7,152,085	1,823,241	4,492,718	6,315,959
3.2.2.3	Interest Rate Swap-Buy		-	177,461	177,461	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	177,461	177,461	-	-	-
3.2.3	Foreign Currency, Interest Rate and Securities Options		954,634	2,646,139	3,600,773	753,893	2,326,684	3,080,577
3.2.3.1	Foreign Currency Options-Buy		408,702	973,286	1,381,988	310,722	849,263	1,159,985
3.2.3.2	Foreign Currency Options-Sell		545,932	841,653	1,387,585	443,171	708,925	1,152,096
3.2.3.3	Interest Rate Options-Buy		-	415,600	415,600	-	384,248	384,248
3.2.3.4	Interest Rate Options-Sell		-	415,600	415,600	-	384,248	384,248
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	56,269	56,269	-	56,307	56,307
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>42,687,985</b>	<b>17,764,460</b>	<b>60,452,445</b>	<b>39,833,977</b>	<b>17,692,992</b>	<b>57,526,969</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>548,564</b>	<b>207,756</b>	<b>756,320</b>	<b>641,207</b>	<b>567,996</b>	<b>1,209,203</b>
4.1	Customer Fund and Portfolio Balances		203,694	-	203,694	249,254	-	249,254
4.2	Investment Securities Held in Custody		1,220	37,872	39,092	6,480	40,195	46,675
4.3	Cheques Received for Collection		197,478	14,805	212,283	233,535	9,556	243,091
4.4	Commercial Notes Received for Collection		33,492	25,993	59,485	38,858	24,736	63,594
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		112,680	129,086	241,766	113,080	493,509	606,589
4.8	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>41,364,577</b>	<b>17,503,761</b>	<b>58,868,338</b>	<b>39,177,050</b>	<b>17,124,804</b>	<b>56,301,854</b>
5.1	Marketable Securities		-	-	-	-	-	-
5.2	Guarantee Notes		28,202,773	10,079,137	38,281,910	26,912,553	9,829,715	36,742,268
5.3	Commodity		866,274	83,956	950,230	877,870	119,322	997,192
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		9,971,021	5,809,341	15,780,362	9,117,030	5,392,089	14,509,119
5.6	Other Pledged Items		2,324,509	1,531,327	3,855,836	2,269,597	1,783,678	4,053,275
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>774,844</b>	<b>52,943</b>	<b>827,787</b>	<b>15,720</b>	<b>192</b>	<b>15,912</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>50,840,790</b>	<b>32,663,210</b>	<b>83,504,000</b>	<b>47,176,216</b>	<b>30,519,290</b>	<b>77,695,506</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF INCOME**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

III.	INCOME STATEMENT	Note (Section Five)	1 January 2017– 30 June 2017	1 January 2016– 30 June 2016	1 April 2017 – 30 June 2017	1 April 2016 – 30 June 2016
	<b>INCOME AND EXPENSE ITEMS</b>					
<b>I.</b>	<b>INTEREST INCOME</b>	<b>IV-a</b>	<b>626,249</b>	<b>522,490</b>	<b>308,142</b>	<b>252,357</b>
1.1	Interest on Loans		512,681	414,362	261,316	208,951
1.2	Interest Received from Reserve Requirements		6,722	4,646	3,429	2,177
1.3	Interest Received from Banks		21,501	11,691	14,800	3,759
1.4	Interest Received from Money Market Transactions		10,249	51,566	3,060	16,017
1.5	Interest Received from Marketable Securities Portfolio		72,735	37,381	23,963	20,059
1.5.1	Trading Financial Assets		756	381	(40)	302
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
1.5.3	Available-for-sale Financial Assets		49,097	37,000	16,550	19,757
1.5.4	Held-to-maturity Investments		22,882	-	7,453	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		2,361	2,844	1,574	1,394
<b>II.</b>	<b>INTEREST EXPENSE</b>	<b>IV-b</b>	<b>393,729</b>	<b>341,217</b>	<b>193,498</b>	<b>166,732</b>
2.1	Interest on Deposits		267,787	247,943	132,325	114,444
2.2	Interest on Funds Borrowed		86,050	70,312	32,165	41,899
2.3	Interest Expense on Money Market Transactions		3,375	8,920	1,591	4,527
2.4	Interest on Securities Issued		33,377	11,398	26,084	5,605
2.5	Other Interest Expenses		3,140	2,644	1,333	257
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>		<b>232,520</b>	<b>181,273</b>	<b>114,644</b>	<b>85,625</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>29,702</b>	<b>12,661</b>	<b>13,847</b>	<b>8,609</b>
4.1	Fees and Commissions Received		38,939	28,148	18,806	14,277
4.1.1	Non-cash Loans		16,000	14,940	8,523	6,561
4.1.2	Other	IV-k	22,939	13,208	10,283	7,716
4.2	Fees and Commissions Paid		9,237	15,487	4,959	5,668
4.2.1	Non-cash Loans		325	263	172	137
4.2.2	Other	IV-k	8,912	15,224	4,787	5,531
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>IV-c</b>	<b>177</b>	<b>-</b>	<b>177</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME / LOSS (Net)</b>	<b>IV-d</b>	<b>(650)</b>	<b>(21,240)</b>	<b>(10,289)</b>	<b>(798)</b>
6.1	Trading Gains/ Losses on Securities		(980)	6,522	(477)	6,998
6.2	Trading Gains/ Losses on Derivative Financial Instruments		(159,755)	(82,672)	(108,873)	17,856
6.3	Foreign Exchange Gains/ Losses		160,085	54,910	99,061	(25,652)
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>IV-e</b>	<b>45,693</b>	<b>35,718</b>	<b>24,493</b>	<b>21,782</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>307,442</b>	<b>208,412</b>	<b>142,872</b>	<b>115,218</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>IV-f</b>	<b>92,144</b>	<b>132,493</b>	<b>27,198</b>	<b>63,654</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>IV-g</b>	<b>143,979</b>	<b>144,088</b>	<b>74,118</b>	<b>67,587</b>
<b>XI.</b>	<b>NET OPERATING INCOME/ LOSS (VIII-IX-X)</b>		<b>71,319</b>	<b>(68,169)</b>	<b>41,556</b>	<b>(16,023)</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/ LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>IV-h</b>	<b>71,319</b>	<b>(68,169)</b>	<b>41,556</b>	<b>(16,023)</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (±)</b>	<b>IV-i</b>	<b>(10,169)</b>	<b>13,801</b>	<b>(4,589)</b>	<b>1,345</b>
16.1	Current Tax Provision		(16,074)	-	(12,842)	-
16.2	Deferred Tax Provision		5,905	13,801	8,253	1,345
<b>XVII.</b>	<b>NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XV±XVI)</b>		<b>61,150</b>	<b>(54,368)</b>	<b>36,967</b>	<b>(14,678)</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1	Income from Non-Current Assets Held for Resale		-	-	-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-	-	-
18.3	Other Income from Discontinued Operations		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1	Expense from Non-Current Assets Held for Resale		-	-	-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-	-	-
19.3	Other Expenses from Discontinued Operations		-	-	-	-
<b>XX.</b>	<b>INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII -XIX)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1	Current Tax Provision		-	-	-	-
21.2	Deferred Tax Provision		-	-	-	-
<b>XXII.</b>	<b>NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XX± XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET PROFIT/LOSS (XVII+XXII)</b>	<b>IV-j</b>	<b>61,150</b>	<b>(54,368)</b>	<b>36,967</b>	<b>(14,678)</b>
	Earnings / (Loss) Per Share in (Full TL)		0.0624	(0.0796)	0.0377	(0.0215)

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED UNDER SHAREHOLDER’S EQUITY**

INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	1 January 2017- 30 June 2017	1 January 2016- 30 June 2016
<b>I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>65,743</b>	<b>42,985</b>
<b>II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-
<b>III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS</b>	-	-
<b>VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	<b>(284)</b>	-
<b>IX. DEFERRED TAX ON VALUATION DIFFERENCES</b>	<b>(13,092)</b>	<b>(8,597)</b>
<b>X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>52,367</b>	<b>34,388</b>
<b>XI. CURRENT PERIOD INCOME/LOSS</b>	<b>61,150</b>	<b>(54,368)</b>
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	(784)	5,217
11.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4 Other	61,934	(59,585)
<b>XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>113,517</b>	<b>(19,980)</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**V. STATEMENTS OF CHANGES  
IN SHAREHOLDERS’ EQUITY**

30 June 2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders’ Equity
I. Prior Period End Balance		620,000	-	54	-	22,993	-	316,868	(1,475)	59,511	6,096	(27,437)	-	-	-	-	996,610
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	34,388	-	-	-	-	34,388
IV. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
12.1 Cash		150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Net Profit or Loss for the Period		-	-	-	-	-	-	-	-	(54,368)	-	-	-	-	-	-	(54,368)
XVIII. Profit Distribution		-	-	-	-	3,261	-	61,967	-	(59,511)	(5,717)	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	3,261	-	61,967	-	(59,511)	(5,717)	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (I+II+III+.... +XVIII)</b>		<b>770,000</b>	<b>-</b>	<b>54</b>	<b>-</b>	<b>26,254</b>	<b>-</b>	<b>378,835</b>	<b>(1,475)</b>	<b>(54,368)</b>	<b>379</b>	<b>6,951</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,126,630</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**V. STATEMENTS OF CHANGES  
IN SHAREHOLDERS’ EQUITY**

30 June 2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders’ Equity
<b>I. Prior Period End Balance</b>		980,000	-	54	-	26,254	-	378,835	(3,186)	8,804	379	(166,112)	-	-	-	-	1,225,028
<b>Changes in the Period</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Increase/Decrease due to the Merger</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Marketable Securities Valuation Differences</b>		-	-	-	-	-	-	-	-	-	-	52,594	-	-	-	-	52,594
<b>IV. Hedging Reserves (Effective Portion)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>V. Revaluation Differences of Tangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VI. Revaluation Differences of Intangible Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Foreign Exchange Difference</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Changes due to the Disposal of Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Changes due to the Reclassification of the Assets</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Effects of Changes in Equity of Investments in Associates</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XII. Capital Increase</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIII. Share Premium</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XIV. Share Cancellation Profits</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XV. Adjustment to Share Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XVI. Other</b>		-	-	-	-	-	-	-	(227)	-	-	-	-	-	-	-	(227)
<b>XVII. Net Profit or Loss for the Period</b>		-	-	-	-	-	-	-	-	61,150	-	-	-	-	-	-	61,150
<b>XVIII. Profit Distribution</b>		-	-	-	-	-	-	-	-	(8,804)	8,804	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	-	-	-	-	(8,804)	8,804	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (I+II+III+... +XVIII)</b>		980,000	-	54	-	26,254	-	378,835	(3,413)	61,150	9,183	(113,518)	-	-	-	-	1,338,545

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CASH FLOW**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

VI. STATEMENT OF CASH FLOWS	Note (Section Five)	1 January 2017- 30 June 2017	1 January 2016- 30 June 2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	342,921	113,366
1.1.1	Interest Received	598,883	504,575
1.1.2	Interest Paid	(404,546)	(324,418)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	38,939	28,148
1.1.5	Other Income	135,020	65,303
1.1.6	Collections from Previously Written-off Loans and Other Receivables	64,212	97,170
1.1.7	Payments to Personnel and Service Suppliers	(66,975)	(76,646)
1.1.8	Taxes Paid	(7,126)	(4,436)
1.1.9	Other	(15,486)	(176,330)
1.2	Changes in Operating Assets and Liabilities	201,944	112,104
1.2.1	Net (Increase)/Decrease in Trading Securities	(206)	(31)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets	-	-
1.2.3	Net Increase/(Decrease) in due from Banks	158,424	105,100
1.2.4	Net (Increase)/Decrease in Loans	(476,794)	(177,000)
1.2.5	Net (Increase)/Decrease in Other Assets	(501)	(50,989)
1.2.6	Net (Increase)/Decrease in Bank Deposits	231,426	(171,220)
1.2.7	Net Increase/(Decrease) in Other Deposits	103,926	1,326,939
1.2.8	Net Increase/(Decrease) in Funds Borrowed	90,754	(819,726)
1.2.9	Net Increase/(Decrease) in Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	94,915	(100,969)
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>	<b>544,865</b>	<b>225,470</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>	<b>(15,682)</b>	<b>(1,112,650)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	(16,216)	(15,382)
2.4	Disposals of Property and Equipment	2,039	5,194
2.5	Cash Paid for Purchase of Investments Available-for-sale	(1,415,870)	(2,553,764)
2.6	Cash Obtained from Sale of Investments Available-for-sale	1,414,365	1,451,302
2.7	Cash Paid for Purchase of Investment Securities	-	-
2.8	Cash Obtained from Sale of Investment Securities	-	-
2.9	Other	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>-</b>	<b>607,177</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	-	457,177
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	-
3.3	Issued Capital Instruments	-	150,000
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>(21,570)</b>	<b>15,029</b>
<b>V.</b>	<b>Net Increase in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>507,613</b>	<b>(264,974)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>1,473,507</b>	<b>1,286,132</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at End of the Period</b>	<b>1,981,120</b>	<b>1,021,158</b>

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



**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. Basis of Presentation**

As prescribed in the Article 37 of the Banking Act No. 5411, the Bank prepares its financial statements and underlying documents in accordance with the “Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks” and other regulations, explanations and circulars on accounting and financial reporting principles announced by the Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The unconsolidated financial statements have been prepared in TL, under the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated financial statements in conformity with BRSA Accounting and Reporting Legislation requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles are defined and applied in accordance with BRSA Accounting and Reporting Legislation. Those accounting policies and valuation principles are explained in Notes II to XXVI below.

**Additional paragraph for convenience translation to English**

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

**II. Strategy of Using Financial Instruments and Foreign Currency Transactions**

A major portion of the Bank’s funding has fixed interest rates; almost all TL placements consist of low-risk short-term transactions. Liquidity risk is monitored closely and the adequacies of available resources (which will be due within a certain period of fulfillment of obligations) are closely monitored. The maturity structure of placements is aimed to be in line with the maturities of resources of the country to the extent permitted by current conditions.

Risk bearing short term positions of currency, interest or price movements in money and capital markets is evaluated within the trading risk. The Bank evaluated the required economic Capital for trading risk and based on that risk limits are determined. This portfolio, being priced by the market on a daily basis and the limits are monitored on a daily basis. Risk limits are approved by Board of Directors once a year following the approval of the budget except a revision is required due to the economic conditions.

As of 30 June 2017 and 31 December 2016, the Bank does not have any investment in foreign companies.

**III. Investments in Associates, Subsidiaries and Joint Ventures**

The Bank has two subsidiaries denominated in Turkish Liras, which are Alternatif Finansal Kiralama A.Ş., Alternatif Yatırım A.Ş. Non – public traded subsidiaries are Alternatif Finansal Kiralama A.Ş. ve Alternatif Menkul Değerler A.Ş., they are accounted for cost value according to “Individual Financial Statements” (TAS 27) and if they have provision for impairment, provision is deducted, after reflected to financial statements.

As of 30 June 2017 and 31 December 2016, the Bank has not any foreign currency association and subsidiaries.

As of 30 June 2017 and 31 December 2016, the Bank has not any joint ventures.

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. Forward Transactions, Options and Derivative Instruments**

The Bank uses derivative financial instruments to hedge its foreign currency and interest rate risk.

Bank’s derivative transactions include foreign currency swap, interest rate swap, foreign exchange forward contracts, futures and options.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded on gain or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The method of accounting gain or loss changes according to related derivative transaction whether to be held for hedges or not and to the content of hedge accounting.

The Bank notifies in written the relationship between hedging instrument and related account, risk management aims of hedge and strategies and the methods using to measure of the hedge effectiveness. The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in “Trading Gains/Losses on derivative financial instruments” account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to “Trading gains/losses on derivative financial instruments” account in income statement.

The Bank classifies its derivative instruments except for derivatives held for cash flow hedges as “Held-for-hedging” or “Held-for-trading” in accordance with “Financial Instruments: Turkish Accounting Standard for Recognition and Measurement (“TAS 39”)”. According to this, certain derivative transactions while providing effective economic hedges under the Bank’s risk management position, are recorded under the specific rules of TAS 39 and are treated as derivatives “Held-for-trading”.

The notional amounts of derivative transactions are recorded in off-balance sheet accounts based on their contractual amounts. “Financial instruments at fair value through profit or loss” are measured at fair value. If the fair value of derivative financial instruments is positive, it is disclosed under the main account “financial assets at fair value through profit or loss” in “derivative financial assets held for trading” and if the fair value difference is negative, it is disclosed under “derivative financial liabilities held for trading”. Fair value changes are recorded under “Derivative Financial Transactions Gains/ (Losses)” in the income statement. The fair values of the derivative financial instruments are calculated using quoted market prices or by using discounted cash flow models.

**V. Interest Income and Expense**

Interest income and expenses are recognized in the income statement on an accrual basis by using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its presented book value) periodically.

The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made according to the related regulation.

**VI. Fee and Commission Income and Expense**

Except for the banking services revenues are recognized as income at the time of collection, commission income related with the cash and non-cash loans are deferred and recognized as income by using with the effective interest rate method depending on nature of fees and commission income derived from agreements and asset purchases for third parties are recognized as income when realized.

Fees and commission expenses paid to the other institutions are recognized as operation cost in the prepaid expense and recorded using the effective interest rate method and reflected to expense accounts in related period according to periodicity.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Financial Assets**

Financial instruments comprise financial assets and liabilities and derivative instruments. Financial instruments constitute the basis of the Bank’s business activities and operations. Risks related to these activities form a significant part among total risks the Bank undertakes. Financial instruments affect liquidity, market, and credit risks on the Bank’ balance sheet in all respects. The Bank trades these instruments on behalf of its customers and on its own behalf.

Basically, financial assets create the majority of the commercial activities of the Bank. These instruments expose, affect and diminish the liquidity, credit and interest risks in the financial statements.

Regular purchases and sales of financial assets are recorded based on settlement date. Settlement date of a financial asset is the date that the asset is received or delivered by the Bank. Settlement date accounting requires; (a) accounting for the financial asset when the asset is received and (b) accounting of disposal of the financial asset and recording the related profit and loss when the asset is delivered. The fair value changes of an asset to be acquired between the trade date and settlement date is accounted in accordance with the basis of valuation of assets.

The purchase or sale of financial assets is a transaction based on regulation or market convention that requires delivery of assets within a defined time frame. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets. Changes occurring in the fair value, cost or amortized cost are not recognized for the asset; fair value recognition in profit or loss in respect of a financial asset classified as the resulting gain or loss in profit or loss; the gain and loss arising in financial assets available for sale is recognized in equity.

The methods and assumptions used in determining the reasonable estimated values of all of the financial instruments are described below.

**a. Cash, Banks and Other Financial Institutions**

Cash and cash equivalents consists of cash on hand, demand deposits, and highly liquid short-term investments, not bearing risk of significant value change, and that are readily convertible to a known amount of cash. The carrying values of these assets are their fair values.

**b. Marketable securities**

Financial assets which are classified as “financial assets at fair value through profit or loss”, are classified in two main groups; (i) Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer’s margin, or are securities included in a portfolio with a pattern of short-term profit taking. (ii) These are the financial assets that are classified as fair value difference profit/loss during the initial recognition performed by the Bank. The Bank may only use this kind of classification under allowance and in the cases which results in a better presentation of information.

Trading financial assets are initially recognized at fair value and are subsequently re-measured at their fair value in the financial statements. The fair values of the listed marketable securities are being calculated by using the stock market fair values.

The differences between the costs and fair values of financial assets at fair value through profit or loss are reflected to interest income and accruals or impairment provision. All gains and losses arising from these evaluations are recognized in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

In 2014, the Bank has sold a significant portion of its securities, classified in held to maturity portfolio as 31 December 2013 amounting TL 1,727,972 before the maturity dates of such securities. Therefore the Bank was not able to classify its investment in held to maturity portfolio for two years beginning from 1 January 2015.

Available for sale assets are initially recognized at cost including the transaction costs. After initial recognition, subsequent valuation of available for sale financial assets are carried over fair value and the unrealized profit or loss arising in the changes resulting from changes in fair value and the changes between discounted value of assets is shown in “Marketable Securities Value Increase Fund” in equity. In the case that disposal of available for sale financial assets, the value gains/losses transferred to the income statement from “Marketable Securities Value Increase Fund”.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Financial Assets (Continued)**

**c. Loans and receivables**

Bank loans and receivables are carried initially at cost and subsequently recognized at the amortized cost value calculated using "effective interest rate method". The expenses incurred for the assets received as collateral are considered as transaction costs and are not recognized in the expense accounts.

Cash loans in personal and corporate loans, according to the Uniform Chart of Accounts ("UCA") and Prospectus are recognized in accordance with their original balances in the account specified.

The foreign exchange indexed commercial and individual loans are being monitored by the exchange rate of the opening date over Turkish Lira in the TL accounts. Repayments are calculated at the exchange rate at the date of payment, the resulting exchange differences are recognized in the income and expense account.

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan amounting TL 21,297 with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2017, the difference of TL 430 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 20 March 2019.

**VIII. Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss or not. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event ("loss event") after the first recognition of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses caused by the future events are not recognized.

Impairment losses attributable to the held to maturity investments are measured as the difference between the present values of expected future cash flows discounted using the original interest rate of financial asset and the carrying value of asset. The related difference is recognized as a loss and it decreases the carrying value of the financial asset. At subsequent periods, if the impairment loss amount decreases, impairment loss recognized is reversed.

When impairment occurs in the fair values of the "financial assets available for sale" of which value decreases and increases are recognized in equity, the accumulated profit/loss that had been recognized directly in equity is transferred from equity to period profit or loss. If, in a subsequent period, the fair value of the related asset increases, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Loans are classified and followed in line with the provisions of the "Regulation on Procedures And Principles For Determination Of Qualifications Of Loans And Other Receivables By Banks And Provisions To Be Set Aside", published on the Official Gazette numbered 26333 dated 1 November 2006. Within the in line with of the relevant legislation, the Bank allocated of the credit amount as provisions in accordance with mentioned the minimum provision rates in the Communiqué. Provisions released in the same year, "Provision Expense" account are credited in the past years, the remaining part of the provisions in the "Other Operating Income" account transferred to and recognized.

Except than specific allowances, the Bank provides general provision for its loans and other receivables according to above mentioned regulation.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IX. Offsetting Financial Assets**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognized amounts and to collect/pay related financial assets and liabilities on a net basis, or there is an intention to realize the asset and settle the liability simultaneously. Otherwise, any related financial assets and liabilities are not offset.

**X. Sales and Repurchase Agreements and Securities Lending Transactions**

Funds obtained by the Bank from repurchase agreements (“repo”) are accounted under “Funds Provided Under Repurchase Agreements” in liabilities.

The Bank’s repurchase agreements are composed short-term government bonds and treasury bills. Financial assets subject to repurchase agreements, parallel to the classification of financial instruments, the fair value recognition in profit or loss, are classified as available for sale or held to maturity financial assets. Repo subjected financial assets’ income recognized in interest income, while expenses paid under repurchase agreements are recognized in interest expenses.

Funds given against securities purchased under agreements to resell (“Reverse Repo”) are accounted under “Receivables from Reverse Repurchase Agreements” on the balance sheet.

**XI. Assets Held for Sale and Discontinued Operations**

A tangible asset (or a group of assets to be disposed) classified as “asset held for resale” is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as “asset held for resale” only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

Additionally, assets that were acquired due to non-performing receivables are accounted in the financial statements in accordance with the “Communiqué Regarding the Principles and Procedures for the Disposals of Immovables and Commodities Acquired due to Receivables and for Trading of Precious Metal” published in the Official Gazette dated November 1, 2006, No. 26333 and classified as assets held for resale.

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

The Bank has no discontinued operations.

**XII. Goodwill and Other Intangible Assets**

There is no goodwill in unconsolidated financial statements as of balance sheet date.

The intangible assets which are purchased before 1 January 2005 have been restated for the effects of inflation and the intangible assets after this date are presented with their purchase cost, accumulated depreciation and amortization and impairment. According to the regular amortization method, long term assets depreciate regarding to their useful lives. The amortization method and the period are reviewed in each year-end. The intangible assets are mainly consisted of software programs and rights and according to the straight line method of depreciation, they amortize in between 3 to 15 years.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. Property and Equipment**

Property and equipment is measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for impairment, if any.

Fixed assets are being depreciated by applying the straight-line method, in accordance with the Tax Procedure Law which estimates the useful lives.

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

If fix assets’ value, adjusted for inflation (until 31 December 2004) is higher than the current value, exceeding amount is being allocated for impairment and determined amounts are reflected in the financial statements.

Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Expenditures for the repair and renewal of property and equipment are recognised as expense.

There are no pledges, mortgages or other restrictions on the tangible fixed assets.

**XIV. Leasing Transactions**

The Bank does perform financial operations as “Lessor”.

Tangible assets acquired through finance leasing are recognized in tangible assets and the obligations under finance leases arising from the lease contracts are presented under ‘Finance Lease Payables’ account in the financial statements. In the determination of the related asset and liability amounts, the lower of the fair value of the leased asset and the present value of leasing payments is considered. Financial costs on leasing agreements are expanded in lease periods at a fixed interest rate. If there is impairment in the value of the assets obtained through finance lease and in the expected future benefits, the leased assets are valued with net realizable value. Depreciation for assets obtained through finance lease is calculated in the same manner as tangible assets.

**Operating lease transactions**

Transactions regarding operational lease agreements are accounted as an expense on an accrual basis in accordance with the terms of the related contracts.

**XV. Provisions, Contingent Commitments and Contingent Assets**

Provisions and contingent liabilities except for the specific and general provisions recognized for loans and other receivables are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” ( TAS 37 ).

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are determined by using the Bank Management’ s best expectation of expenses in fulfilling the obligation, and discounted to present value if material. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

**XVI. Obligations Related to Employee Rights**

Obligations related to employee termination and vacation rights are accounted in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”). Under the Turkish Labor Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than for the reasons specified in the Turkish Labor Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation arising from this liability. Actuarial gains and losses are accounted for under equity.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. Taxation**

**a. Current tax**

Corporate Tax Law No. 5520 became effective after being published in the Official Gazette dated 21 June 2006 No. 26205. According to the Tax Law, the corporate tax rate in Turkey is payable at the rate of 20%. The corporate tax rate is calculated on the total income after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 15th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

**b. Deferred tax**

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with “Turkish Accounting Standard for Income Taxes” (“TAS 12”) and the related decrees of the BRSB concerning income taxes. In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

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

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

**XVIII. Additional Explanations on Borrowings**

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortized cost” using the “effective interest rate method” (internal rate of return).

**XIX. Share Certificates and Issuance of Share Certificates**

At capital increases, the Bank accounts the difference between the issued value and nominal value as “share issue premium under shareholders” in equity, in the case where the issued value is higher than the nominal value.

There is no decision of Bank for dividend distribution after the balance sheet date.

**XX. Avalized Drafts and Acceptances**

Guaranteed bills and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”.

**XXI. Government Grants**

As of 30 June 2017 and 31 December 2016, the Bank has no government grants.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXII. Profit Reserves and Profit Distribution**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

**XXIII. Earnings Per Share**

Earnings per share disclosed in the income statement are calculated by dividing net profit/(loss) for the year to the weighted average number of shares outstanding during the period concerned.

	<b>30 June 2017</b>	<b>30 June 2016</b>
Profit Attributable to Shareholders	61,150	(54,368)
Weighted Average Number of Issued Ordinary Shares (Thousand)	980,000	683,333
<b>Earnings Per Share (Disclosed in full TL)</b>	<b>0.0624</b>	<b>(0.0796)</b>

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

No bonus shares were issued as of and for the year ended 30 June 2017 (31 December 2016: None).

**XXIV. Related Parties**

For the purpose of these financial statements, shareholders, key management personnel and board members together with their families and companies controlled by/affiliated with them, and associated companies are considered and referred to as related parties in accordance with “Turkish Accounting Standard for Related Parties” (“TAS 24”). The transactions with related parties are disclosed in detail in Note V. of Section Five.

**XXV. Cash And Cash Equivalents**

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

**XXVI. Operating Segments**

Information about operating segments which are determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments” together with organizational and internal reporting structure of the Bank, are disclosed.

- The Bank provides basic banking services in corporate/commercial banking and treasury.
- Corporate banking services consists of automatic money transfers, current accounts, deposits, open loan transactions as well as option and other derivative instruments that are used for banking operations.
- Investment banking services consists of trading of financial instruments and fund management.
- Other operations consist of subsidiaries and joint ventures, tangible assets, intangible assets, deferred tax asset and equity amounts and other income/loss accounts associated with these accounts.
- The Bank’s software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Bank.
- According to the table provided, share of each Bank’s operating segment in the Balance sheet is as follows; corporate/retail banking 63%, investment banking 32% and other 5%.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. Operating Segments (Continued)**

**Major balance sheet and income statement items based on operating segments**

	<b>Corporate / Retail Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
<b>30 June 2017</b>				
Net Interest Income	244,115	(11,595)	-	232,520
Net Fees and Commissions Income and Other Operating Income	75,395	-	-	75,395
Trading Profit/Loss	-	(650)	-	(650)
Dividend Income	-	177	-	177
Impairment Provision for Loans and Other Receivables (-)	(88,055)	(4,089)	-	(92,144)
Other Operating Expenses (-)	(140,890)	(3,089)	-	(143,979)
Profit Before Taxes	90,565	(19,246)	-	71,319
Tax Provision	-	-	-	(10,169)
<b>Net Profit for the Period</b>				<b>61,150</b>
<b>30 June 2017</b>				
Segment Assets	10,787,093	5,513,441	745,744	17,046,278
Investments in Associates and Subsidiaries	-	-	166,380	166,380
<b>Total Assets</b>	<b>10,787,093</b>	<b>5,513,441</b>	<b>912,124</b>	<b>17,212,658</b>
Segment Liabilities	9,275,153	3,725,198	2,873,762	15,874,113
Shareholders' Equity	-	-	1,338,545	1,338,545
<b>Total Liabilities</b>	<b>9,275,153</b>	<b>3,725,198</b>	<b>4,212,307</b>	<b>17,212,658</b>

	<b>Corporate / Retail Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
<b>30 June 2016</b>				
Net Interest Income	166,619	14,654	-	181,273
Net Fees and Commissions Income and Other Operating Income	48,379	-	-	48,379
Trading Profit/Loss	-	(21,240)	-	(21,240)
Dividend Income	-	-	-	-
Impairment Provision for Loans and Other Receivables (-)	(132,435)	(58)	-	(132,493)
Other Operating Expenses (-)	(144,088)	-	-	(144,088)
Profit Before Taxes	(61,525)	(6,644)	-	(68,169)
Tax Provision	-	-	-	13,801
<b>Net Profit for the Period</b>				<b>(54,368)</b>
<b>31 December 2016</b>				
Segment Assets	10,570,687	4,901,230	826,460	16,298,377
Investments in Associates and Subsidiaries	-	-	166,380	166,380
<b>Total Assets</b>	<b>10,570,687</b>	<b>4,901,230</b>	<b>992,840</b>	<b>16,464,757</b>
Segment Liabilities	8,908,646	3,554,474	2,776,609	15,239,729
Shareholders' Equity	-	-	1,225,028	1,225,028
<b>Total Liabilities</b>	<b>8,908,646</b>	<b>3,554,474</b>	<b>4,001,637</b>	<b>16,464,757</b>

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**SECTION FOUR**

**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**

**I. Explanations on Shareholders’ Equity**

The standard rate of the capital adequacy of the Bank is 20.20% (31 December 2016: 18.31%).

The calculation of the standard rate of the Capital adequacy is made within framework of the “Regulation on the Measurement and Assessment of the Capital Adequacy of Banks (Regulation)”, which was published in Official Gazette No.29111 dated 6 September 2014.

**a. Information on Shareholder’s Equity**

**30 June 2017**

	Amount	Amounts related to treatment before 1/1/2014 (*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	980,000	
Share issue premiums	54	
Reserves	405,089	
Gains recognized in equity as per TAS	-	
Profit	70,470	
Current Period Profit	61,150	
Prior Period Profit	9,320	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,455,613</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	117,068	
Improvement costs for operating leasing (-)	18,464	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	32,017	40,021
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	21,175	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders' Equity (Continued)**

**a. Information on Shareholder's Equity (Continued)**

Other items to be defined by the BRSA		
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital		
<b>Total Deductions From Common Equity Tier 1 Capital</b>		<b>188,724</b>
<b>Total Common Equity Tier 1 Capital</b>		<b>1,266,889</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums		
Debt instruments and premiums approved by BRSA		
Debt instruments and premiums approved by BRSA(Temporary Article 4)		
<b>Additional Tier I Capital before Deductions</b>		
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		
Other items to be defined by the BRSA (-)		
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		8,004
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)		
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		
<b>Total Deductions From Additional Tier I Capital</b>		<b>8,004</b>
<b>Total Additional Tier I Capital</b>		
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)</b>		<b>1,258,885</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA		1,484,195
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)		
Debt instruments and share issue premiums deemed suitable by the BRSA		43,430
<b>Tier II Capital Before Deductions</b>		<b>1,527,625</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)		
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions		
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)		
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank		
Other items to be defined by the BRSA (-)		
<b>Total Deductions from Tier II Capital</b>		
<b>Total Tier II Capital</b>		<b>1,527,625</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>		<b>2,786,510</b>
<b>Deductions from Total Capital</b>		<b>2,786,510</b>
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law		544
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years		9,820
Other items to be defined by the BRSA		

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**a. Information on Shareholder’s Equity (Continued)**

<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds		
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds		
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds		
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,776,146	2,776,146
Total risk weighted amounts	13,745,748	13,745,748
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	9.22%	9.16%
Tier I Capital Adequacy Ratio (%)	9.16%	9.16%
Capital Adequacy Ratio (%)	20.20%	20.20%
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (%)	1.25%	
Capital conservation buffer requirement (%)	1.25%	
Bank specific counter-cyclical buffer requirement (%)		
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	3.16%	
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital		
Remaining Mortgage Servicing Rights		
Amount arising from deferred tax assets based on temporary differences		
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	43,430	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	43,430	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation		
<b>Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4		
Upper limit for Additional Tier II Capital subjected to temporary Article 4		
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4		

(\*) Amounts taken in consideration during the transition period.

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**a. Information on Shareholder’s Equity (Continued)**

**31 December 2016**

	Amount	Amounts related to treatment before 1/1/2014 (*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	980,000	
Share issue premiums	54	
Reserves	405,089	
Gains recognized in equity as per TAS	-	
Profit	9,183	
Current Period Profit	8,804	
Prior Period Profit	379	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>1,394,326</b>	
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	169,298	
Improvement costs for operating leasing (-)	17,482	
Goodwill (net of related tax liability)	20,848	34,747
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	46,524	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	

**ALTERNATİFBANK A.Ş.**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**a. Information on Shareholder’s Equity (Continued)**

Other items to be defined by the BRSA	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>254,152</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>1,140,174</b>
<b>ADDITIONAL TIER I CAPITAL</b>	
Preferred Stock not Included in Common Equity and the Related Share Premiums	-
Debt instruments and premiums approved by BRSA	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-
<b>Additional Tier I Capital before Deductions</b>	-
<b>Deductions from Additional Tier I Capital</b>	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA (-)	-
<b>Transition from the Core Capital to Continue to deduce Components</b>	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	13,899
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>13,899</b>
<b>Total Additional Tier I Capital</b>	-
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)</b>	<b>1,126,275</b>
<b>TIER II CAPITAL</b>	
Debt instruments and share issue premiums deemed suitable by the BRSA	1,485,208
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-
Debt instruments and share issue premiums deemed suitable by the BRSA	52,211
<b>Tier II Capital Before Deductions</b>	<b>1,537,419</b>
<b>Deductions From Tier II Capital</b>	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-
Other items to be defined by the BRSA (-)	-
<b>Total Deductions from Tier II Capital</b>	-
<b>Total Tier II Capital</b>	<b>1,537,419</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>2,663,694</b>
<b>Deductions from Total Capital</b>	<b>2,663,694</b>
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	355
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	3,344
Other items to be defined by the BRSA (-)	-

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**a. Information on Shareholder’s Equity (Continued)**

<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,659,995	2,659,995
Total risk weighted amounts	14,524,534	14,524,534
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	7.85%	7.75%
Tier 1 Capital Adequacy Ratio (%)	7.75%	7.75%
Capital Adequacy Ratio (%)	18.31%	18.31%
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (%)	0.63%	-
Capital conservation buffer requirement (%)	0.63%	-
Bank specific counter-cyclical buffer requirement (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	1.75%	-
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	52,211	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	52,211	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0.6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4</b>		
<b>(to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) Amounts taken in consideration during the transition period.

**ALTERNATİFBANK A.Ş.**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**b. Details on Subordinated Liabilities**

	<b>The Commercial Bank (P.S.Q.C.), United Arab Bank, National Bank Of Oman</b>
Issuer	-
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	439,600
Par value of instrument (Million TRL)	439,600
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date	10 years +1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	Libor+6
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
<b>Write-down feature</b>	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	-



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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**b. Details on Subordinated Liabilities (Continued)**

Issuer	Alternatif Bank A.Ş.
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	1,044,595
Par value of instrument (Million TRL)	1,044,595
Accounting classification	347
Original date of issuance	15.04.2016
Demand or time	Time
Original maturity date	10 years+ 1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	8.75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts int	-
<b>Write-down feature</b>	
If write-down, write-down trigger (s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	-

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**I. Explanations on Shareholders’ Equity (Continued)**

**The Internal Assessment Process of Internal Capital Adequacy Regarding the Current and Future Operations**

The ultimate objective of the internal assessment process of capital requirement is to sustain considering assess the capital adequacy of the Bank in line with the risk profile and risk appetite by considering the Bank’s strategies, credit growth prospects, structure of assets and liabilities, future funding sources and liquidity, and dividend distribution policy and possible fluctuations in the capital due to the economic cycle.

Within this scope, legal and internal capital requirements are assessed prospectively, along with the annual targets of the Bank, in parallel to the preparation of 3 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Banking accounts, concentration risk, business risk, reputation risk, model risk, and exchange risk are also included.

The risks that the Bank can encounter due to its operations are being evaluated in 2016 budget works and the possible capital requirements according to The Bank’s goal and strategies are evaluated.

The evaluation of legal and internal capital ratio requirements considers normal conditions as well as the stress conditions. The stress scenarios are designed after estimation of post macroeconomic variables, the effects of these variables on the loan costs and market risk factors (exchange rate, interest rates etc.). The effects of stress scenarios on capital, income, risk weighted assets and capital requirement are calculated.

Internal assessment of internal capital requirement is considered by the Bank as an improving process and further upgrades to this method is planned for the future.

**II. Explanations on Currency Risk**

The difference between the Bank’s foreign currency denominated and foreign currency indexed on and off-balance sheet assets and liabilities is defined as the “Net Foreign Currency Position” and it is the basis of currency risk. Another important dimension of the currency risk is the change in the exchange rates of different foreign currencies in “Net Foreign Currency Position” (cross currency risk).

The Bank keeps the amount at currency risk within the legal limits and monitors the foreign currency positions daily/momentarily. Even though the Bank’s determined foreign currency limit is minimal compared to the legal limit, the positions throughout the year did not exceed the limits. Term option contracts such as swap and forward are used for hedging the currency risk. Stress tests are performed to mitigate the fluctuations of the exchange rates.

The Bank’s publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five days prior to that date.

	<b>Usd</b>	<b>Euro</b>
<b>Rate used:</b>	<b>TL 3.5168</b>	<b>TL 4.0126</b>
30 June 2017 Foreign Currency Bid Rate	TL 3.5168	TL 4.0126
29 June 2017 Foreign Currency Bid Rate	TL 3.5071	TL 4.0030
28 June 2017 Foreign Currency Bid Rate	TL 3.5211	TL 4.0015
23 June 2017 Foreign Currency Bid Rate	TL 3.5000	TL 3.9100
22 June 2017 Foreign Currency Bid Rate	TL 3.5180	TL 3.9283

The Bank’s foreign currency bid rates for the reporting date and average of 30 days before the reporting day is as follows:

Usd: TL 3.5162  
Euro: TL 3.9435

As of 31 December 2016;

	<b>Usd</b>	<b>Euro</b>
<b>Rate Used:</b>	<b>TL 3.5192</b>	<b>TL 3.7099</b>

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**II. Explanations on Currency Risk (Continued)**

**a. Information on currency risk of the Bank**

The Bank’s real foreign currency position, both in financial and economic terms, is presented in the table below:

	<b>Euro</b>	<b>Usd</b>	<b>Yen</b>	<b>Other FC</b>	<b>Total</b>
<b>30 June 2017</b>					
<b>Assets</b>					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	280,069	1,117,849	1	294,813	<b>1,692,732</b>
Banks	21,102	569,753	10,791	6,875	<b>608,521</b>
Financial Assets at Fair Value Through Profit and Loss (*)	5	6,907	-	1	<b>6,913</b>
Money Market Placements	-	-	-	-	<b>-</b>
Financial Assets Available-For-Sale	-	1,272,789	-	-	<b>1,272,789</b>
Loans (**)	3,472,729	2,560,020	-	-	<b>6,032,749</b>
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	<b>-</b>
Held-to-Maturity Investments	-	822,601	-	-	<b>822,601</b>
Hedging Derivative Financial Assets	-	-	-	-	<b>-</b>
Tangible Assets	-	-	-	-	<b>-</b>
Intangible Assets	-	-	-	-	<b>-</b>
Other Assets (***)	54,500	72,637	-	44	<b>127,181</b>
<b>Total Assets</b>	<b>3,828,405</b>	<b>6,422,556</b>	<b>10,792</b>	<b>301,733</b>	<b>10,563,486</b>
<b>Liabilities</b>					
Bank Deposits	27,090	225,713	-	2,616	<b>255,419</b>
Foreign Currency Deposits	1,383,987	3,450,602	7,137	552,653	<b>5,394,379</b>
Money Market Funds	-	475,391	-	-	<b>475,391</b>
Funds Borrowed From Other Financial Institutions	1,084,523	3,529,616	-	-	<b>4,614,139</b>
Marketable Securities Issued	-	889,353	-	-	<b>889,353</b>
Miscellaneous Payables	25,363	85,881	3,772	702	<b>115,718</b>
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-	<b>-</b>
Other Liabilities (****)	3,592	7,547	3	54	<b>11,196</b>
<b>Total Liabilities</b>	<b>2,524,555</b>	<b>8,664,103</b>	<b>10,912</b>	<b>556,025</b>	<b>11,755,595</b>
<b>Net Balance Sheet Position</b>	<b>1,303,850</b>	<b>(2,241,547)</b>	<b>(120)</b>	<b>(254,292)</b>	<b>(1,192,109)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(1,294,436)</b>	<b>2,341,934</b>	<b>99</b>	<b>260,800</b>	<b>1,308,397</b>
Financial Derivative Assets	1,543,097	4,690,756	212	312,613	6,546,678
Financial Derivative Liabilities	2,837,533	2,348,822	113	51,813	5,238,281
<b>Non-Cash Loans (*****)</b>	<b>816,412</b>	<b>1,042,248</b>	<b>8,373</b>	<b>60,638</b>	<b>1,927,671</b>
<b>31 December 2016</b>					
Total Assets	3,274,859	7,163,151	338	332,990	10,771,338
Total Liabilities	2,518,522	7,014,320	338	520,567	10,053,747
<b>Net Balance Sheet Position</b>	<b>756,337</b>	<b>148,831</b>	<b>-</b>	<b>(187,577)</b>	<b>717,591</b>
<b>Net Off-Balance Sheet Position</b>	<b>(737,268)</b>	<b>(170,228)</b>	<b>4</b>	<b>192,604</b>	<b>(714,888)</b>
Financial Derivative Assets	1,737,935	2,672,898	3,504	207,012	4,621,349
Financial Derivative Liabilities	2,475,203	2,843,126	3,500	14,408	5,336,237
<b>Non-Cash Loans</b>	<b>752,380</b>	<b>1,135,648</b>	<b>19,188</b>	<b>587</b>	<b>1,907,803</b>

(\*) Accruals of derivative assets held for trading amounting to TL 7,091 (31 December 2016: TL 23,665) have been deducted from fair value through profit and loss.

(\*\*) FC indexed loans and accruals amounting to TL 1,116,684 (31 December 2016: TL 1,092,396) are shown in loans.

(\*\*\*) Accruals of spot transaction amounting to TL 43 (31 December 2016: TL 28) have been deducted from other assets.

(\*\*\*\*) Accruals of derivative liabilities held for trading amounting to TL 49,975 (31 December 2016: TL 12,126) and other provisions amounting to TL 30 (31 December 2016: TL 8) have been deducted from other liabilities.

(\*\*\*\*\*) No effect on net off-balance sheet position.

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**(Continued)**

**II. Explanations on Currency Risk (Continued)**

**b. Exposure to Currency Risk**

The table below represent the sensitivity Bank’s 10% weakening of TL against USD, EUR and other currencies and the effects on equity and income statement (without tax effect) as of 30 June 2017 and 30 June 2016.

	30 June 2017		30 June 2016	
	Income statement	Equity	Income statement	Equity
Usd	10,039	10,039	692	692
Euro	941	941	182	182
Other FC	649	649	39	39
<b>Total, net</b>	<b>11,629</b>	<b>11,629</b>	<b>913</b>	<b>913</b>

The table below represent the sensitivity Bank’s 10% strenghtening of TL against USD, EUR and other currencies and the effects on equity and income statement (without tax effect) as of 30 June 2017 and 30 June 2016.

	30 June 2017		30 June 2016	
	Income statement	Equity	Income statement	Equity
Usd	(10,039)	(10,039)	(692)	(692)
Euro	(941)	(941)	(182)	(182)
Other FC	(649)	(649)	(39)	(39)
<b>Total, net</b>	<b>(11,629)</b>	<b>(11,629)</b>	<b>(913)</b>	<b>(913)</b>

Analysis are assumed with other variables especially interest rate remain stable.

**III. Explanations on Interest Rate Risk**

Assets, liabilities and off-balance sheet items’ interest rate sensitivity are measured.

The expected impact on the financial position and on the cash flow of the bank due to the fluctuations in the market interest rates are being followed within the framework of Asset-Liability management principles and also interest rate risk limits restricted on balance sheet by the Board of Directors. These limits also impose restriction to indirect profit centers can carry on maturity mismatches.

The Bank has not encountered to any significant interest rate risk in last period.

Average interest rates applied to monetary financial instruments reflect market rates.

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**III. Explanations on Interest Rate Risk (Continued)**

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates)**

<b>30 June 2017</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,779,125	-	-	-	-	186,479	<b>1,965,604</b>
Banks	977,900	-	-	-	-	46,279	<b>1,024,179</b>
Financial Assets at Fair Value Through Profit and Loss	10,444	7,284	56,861	44,321	3,962	-	<b>122,872</b>
Money Market Placements	220,074	-	-	-	-	-	<b>220,074</b>
Financial Assets Available-for-Sale	2,024	650,616	920,647	-	-	4,898	<b>1,578,185</b>
Loans	2,060,065	1,161,880	3,290,011	3,453,666	627,521	193,950	<b>10,787,093</b>
Held-to-Maturity Investments	-	-	822,601	-	-	-	<b>822,601</b>
Other Assets (*)	311	170	765	1,020	-	689,784	<b>692,050</b>
<b>Total Assets</b>	<b>5,049,943</b>	<b>1,819,950</b>	<b>5,090,885</b>	<b>3,499,007</b>	<b>631,483</b>	<b>1,121,390</b>	<b>17,212,658</b>
<b>Liabilities</b>							
Bank Deposits (**)	801,873	96,807	-	-	-	6,211	<b>904,891</b>
Other Deposits	5,369,724	2,164,266	444,938	239	-	391,095	<b>8,370,262</b>
Money Market Funds	223,802	251,697	-	-	-	-	<b>475,499</b>
Miscellaneous Payables	-	-	-	-	-	207,898	<b>207,898</b>
Marketable Securities Issued	-	-	-	889,353	-	-	<b>889,353</b>
Funds Borrowed From Other Financial Institutions	1,066,935	465,346	3,085,003	3,453	-	-	<b>4,620,737</b>
Other Liabilities and Shareholders' Equity (***)	40,390	13,602	30,312	44,320	3,962	1,611,432	<b>1,744,018</b>
<b>Total Liabilities</b>	<b>7,502,724</b>	<b>2,991,718</b>	<b>3,560,253</b>	<b>937,365</b>	<b>3,962</b>	<b>2,216,636</b>	<b>17,212,658</b>
<b>Balance Sheet Long Position</b>	-	-	1,530,632	2,561,642	627,521	-	<b>4,719,795</b>
<b>Balance Sheet Short Position</b>	(2,452,781)	(1,171,768)	-	-	-	(1,095,246)	<b>(4,719,795)</b>
Off-Balance Sheet Long Position	-	-	24,468	-	-	-	<b>24,468</b>
Off-Balance Sheet Short Position	(250,214)	(4,773)	-	-	-	-	<b>(254,987)</b>
<b>Total Position</b>	<b>(2,702,995)</b>	<b>(1,176,541)</b>	<b>1,555,100</b>	<b>2,561,642</b>	<b>627,521</b>	<b>(1,095,246)</b>	<b>(230,519)</b>

(\*) Investments in associates and subsidiaries are classified as tangible and intangible fixed assets, sundry receivables, deferred tax assets, other assets and other non-interest bearing assets.

(\*\*) Precious metal bank account is presented under “Bank Deposits”.

(\*\*\*) Tax payables, levies, charges and premiums, provisions and shareholders equity are classified as non-interest bearing other liabilities.

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**III. Explanations on Interest Rate Risk (Continued)**

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on (re-pricing dates)**  
**(Continued)**

<b>31 December 2016</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,749,540	-	-	-	-	220,648	1,970,188
Banks	515,322	-	-	-	-	25,075	540,397
Financial Assets at Fair Value Through Profit and Loss	42,054	7,950	11,856	90	-	-	61,950
Money Market Placements	350,081	-	-	-	-	-	350,081
Financial Assets Available-for-Sale	2,033	814,083	1,475,266	-	32,592	4,721	2,328,695
Loans	2,625,700	1,180,542	3,105,751	2,746,580	699,345	212,769	10,570,687
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	121	170	765	1,530	-	640,173	642,759
<b>Total Assets</b>	<b>5,284,851</b>	<b>2,002,745</b>	<b>4,593,638</b>	<b>2,748,200</b>	<b>731,937</b>	<b>1,103,386</b>	<b>16,464,757</b>
<b>Liabilities</b>							
Bank Deposits	562,825	86,015	-	-	-	24,581	673,421
Other Deposits	5,194,047	2,201,791	491,762	277	-	347,348	8,235,225
Money Market Funds	416,096	70,298	-	-	-	-	486,394
Miscellaneous Payables	-	-	-	-	-	170,307	170,307
Marketable Securities Issued	-	-	-	889,656	-	-	889,656
Funds Borrowed From Other Financial Institutions	895,775	765,672	2,841,169	2,145	-	-	4,504,761
Other Liabilities and Shareholders' Equity (**)	28,855	32,298	7,527	31	-	1,436,282	1,504,993
<b>Total Liabilities</b>	<b>7,097,598</b>	<b>3,156,074</b>	<b>3,340,458</b>	<b>892,109</b>	<b>-</b>	<b>1,978,518</b>	<b>16,464,757</b>
<b>Balance Sheet Long Position</b>	-	-	1,253,180	1,856,091	731,937	-	<b>3,841,208</b>
<b>Balance Sheet Short Position</b>	(1,812,747)	(1,153,329)	-	-	-	(875,132)	<b>(3,841,208)</b>
Off-Balance Sheet Long Position	-	-	9,291	-	-	-	9,291
Off-Balance Sheet Short Position	(137,337)	(45,557)	-	(541)	-	-	(183,435)
<b>Total Position</b>	<b>(1,950,084)</b>	<b>(1,198,886)</b>	<b>1,262,471</b>	<b>1,855,550</b>	<b>731,937</b>	<b>(875,132)</b>	<b>(174,144)</b>

(\*) Investments in associates and subsidiaries are classified as tangible and intangible fixed assets, sundry receivables, deferred tax assets, other assets and other non-interest bearing assets.

(\*\*) Tax payables, levies, charges and premiums, provisions and shareholders equity are classified as non-interest bearing other liabilities.

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**III. Explanations on Interest Rate Risk (Continued)**

**b. Average interest rates for monetary financial instruments**

The following average interest rates have been calculated by weighting the rates with their principal amounts as of the balance sheet date.

<b>30 June 2017</b>	<b>Euro</b>	<b>Usd</b>	<b>Other FC</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	1.25	-	4.00
Banks	-	1.30	-	12.11
Financial Assets at Fair Value Through Profit and Loss	-	5.21	-	-
Money Market Placements	-	-	-	12.25
Financial Assets Available-for-Sale	-	6.62	-	8.86
Loans	4.83	6.23	-	15.64
Held-to-Maturity Investments	-	5.28	-	-
<b>Liabilities</b>				
Bank Deposits	1.94	1.22	-	11.05
Other Deposits	2.08	4.12	1.68	14.02
Money Market Funds	-	0.40	-	5.99
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.13	-	-
Funds Borrowed From Other Financial Institutions	1.62	4.43	-	6.63

<b>31 December 2016</b>	<b>Euro</b>	<b>Usd</b>	<b>Other FC</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0.75	-	3.31
Banks	0.01	0.79	-	8.35
Financial Assets at Fair Value Through Profit and Loss	4.64	4.71	-	-
Money Market Placements	-	-	-	8.49
Financial Assets Available-for-Sale	-	6.48	-	8.09
Loans	4.71	5.60	-	14.34
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	2.42	3.00	-	9.03
Other Deposits	2.02	3.07	-	11.10
Money Market Funds	-	0.38	-	6.80
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.12	-	-
Funds Borrowed From Other Financial Institutions	2.05	5.08	-	7.52

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**IV. Explanation on Stock Position Risk**

None.

**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio**

There is a liquidity limit approved and monitored on a weekly basis by the Bank Risk Committee. This limit is used by the Assets-Liability Management Committee for deciding to funding sources composition and pricing policy.

Maturity and interest rate mismatches impact on profitability and capital is measured using scenario analysis.

The Bank’s most important source of liquidity is deposits denominated in TL and foreign exchange deposit accounts. In addition, there are also borrowing opportunities available from Borsa İstanbul repo market, Takas Bank and Interbank market.

In accordance with the “Regulation on calculation of Bank’s liquidity coverage ratio”, published in Official Gazette no. 28948, dated 21 March 2014, the deposit banks are subject to set 80% and 60% liquidity ratios for Total and Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows.

**1.a. Information on liquidity risk management regarding how to provide communication with the Board of Directors and lines of business for risk capacity of the Bank, liquidity risk, responsibility and structure of management, reporting of Bank’s liquidity risk, liquidity risk strategy, policies and practices.**

Liquidity risk management aims to take necessary measures in a timely manner and correct way with respect to potential liquidity shortage caused by cash flow mismatches of Bank's balance sheet structure and/or market conditions. It is on ground of the meeting the liquidity needs cash and disposable borrowing resources at specified level and time of held deposits and other liabilities creating liquidity. Bank monitors liquidity position both in terms of foreign currency and total liquidity basis.

According to the liquidity risk management about the liquidity position, necessary guidance to the line of businesses and pricing are performed by the Asset and Liability Management Department by taking into account the cash flow of the Bank with maturities. Liquidity risk informations are reported regularly to the such Asset and Liability Committee and Management Risk Committees. The liquidity risk parameters determined within the frame of liquidity risk parameters are monitored and reported to the business units by Risk Management consistently. The actions need to be taken in conditions such as convergence and excess of limits are decided by Asset-Liability Committee.

**1.b. Information on the centralization degree of liquidity management and funding strategy and the operation between the Bank and the Bank's shareholders:**

The responsibility of liquidity risk management in accordance with the risk appetite determined by the Board of Directors belongs to the Treasury Asset-Liability Management Department. Risk Management Department is responsible for determining the level of bank-wide liquidity risk and its measurement, monitoring and reporting. Liquidity management and funding strategies of Bank and its shareholders are determined by Bank’s Asset and Liability Management Committees and monitored by the Treasury Department.

**1.c. Information on the Bank's funding strategy including policies on diversity of fund terms and resources**

For the Bank's effective, correct and sustainable liquidity risk management, it is provided to be followed by the relevant committees with the approval of Liquidity Management Policy Board. The Bank's core funding source has been targeted as a deposit. Non-deposit funding sources are used to provide a variety of core sources and maturities. These resources are mainly syndicated loans, subordinated loans and bond issuances. Despite term of deposits are determined by market conditions and generally on short term basis, it is aimed to collect the deposits of customers who have high stickiness to the Bank. Non-deposit sources also preferred because they are more long-term resources.



**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)**

**1.d. Information on liquidity management on the basis of currencies constitute the minimum five percentage of the Bank's total liabilities**

Turkish Lira, US Dollars and Euros are the currencies that constitute the minimum five per cent of the Bank's liabilities. It is intended to have effective foreign currency and liquidity risk management analysing these currencies on foreign exchange and total liquidity management basis. Liquidity gap analysis are measured and managed with the same way. Deposits and other long term sources should be preferred, performing liquidity management on currency basis, in order to avoid the increase of market risk fluctuations on foreign currency positions.

**1.e. Information on current liquidity risk mitigation techniques**

Liquid assets as defined under Basel III are held with the intention of liquidity risk management managing the Bank's liquidity risk. Market liquidity and maturity of liquid assets are considered as risk reduction for liquidity management. In this context, the range of liquid assets is important in the management of liquidity risk. Potential risks are minimized by avoiding concentration of liquid assets during the potential liquidity needs and the Bank's ability to fulfill its obligations.

**1.f. Information on the use of stress testing**

Stress tests on the basis of the liquidity risk are performed at the beginning of the each year. The test results are presented with the details of the stress test and ICAAP report annually. The Board of Directors approve the stress test results and they are shared with the BRSA during the process. In addition to these stress tests, cash flow and liquidity position analyzes are maintained according to the Bank's internal needs.

**1.g. General information about the emergency and contingency liquidity plan**

Information on emergency and contingency liquidity plan is detailed in the Bank "Emergency Funding Plan Policy". Definitions regarding the liquidity crisis and actions that the Bank may take against a liquidity crisis that may occur in the market are implemented the action plan outlined. The Bank's special liquidity crisis levels set out in alarm conditions and the parameters to be monitored as an indicator are detailed. Crisis Committee members and the Committee's duties and responsibilities are determined for the Bank's stress scenarios specific to the market and the Bank.

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**(Continued)**

**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)**

**2. Liquidity Coverage Ratio**

The Bank’s calculated liquidity coverage ratios are presented as below pursuant to “Measurement and Assessment of the Liquidity Coverage Ratios of Banks” published in the Official Gazette on 21 March 2014 and numbered 28948. The highest and lowest values of the average of last three months unconsolidated foreign currency and total liquidity coverage ratios are as follows:

30 June 2017	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High Quality Liquid Assets			2,629,979	2,210,857
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers	3,062,650	1,501,275	277,888	150,127
3 Stable Deposits	567,529	-	28,376	-
4 Less Stable Deposit	2,495,121	1,501,275	249,512	150,127
5 Unsecured Wholesale Funding	5,467,719	3,725,010	3,625,206	2,308,341
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	4,313,255	2,945,849	2,470,742	1,529,180
8 Other Unsecured Fundings	1,154,464	779,161	1,154,464	779,161
9 Secured Funding			61,091	61,091
10 Other Cash Outflows	52,479	24,304	52,479	24,304
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	52,479	24,304	52,479	24,304
12 Obligations related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	2,556,066	1,273,576	450,998	213,891
15 Other irrevocable or conditionally revocable off-balance sheet obligations	524,986	524,986	26,249	26,249
<b>16 TOTAL CASH OUTFLOWS</b>			<b>4,493,911</b>	<b>2,784,003</b>
<b>CASH INFLOWS</b>				
17 Secured lending	101,331	-	434	-
18 Unsecured lending	2,451,627	811,739	1,867,531	722,611
19 Other cash inflows	1,087	990	1,087	990
<b>20 TOTAL CASH INFLOWS</b>	<b>2,554,045</b>	<b>812,729</b>	<b>1,869,052</b>	<b>723,601</b>
			<b>Total Adjusted Value</b>	
<b>21 TOTAL HIGH QUALITY ASSETS STOCKS</b>			<b>2,629,979</b>	<b>2,210,857</b>
<b>22 TOTAL CASH OUTFLOWS</b>			<b>2,624,859</b>	<b>2,060,402</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>101.32%</b>	<b>109.76%</b>

(\*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly simple averages.

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)**

**1. Liquidity Coverage Ratio (Continued)**

31 December 2016	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1 High Quality Liquid Assets			2,229,413	1,818,505
<b>CASH OUTFLOWS</b>				
2 Retail and Small Business Customers	3,110,666	1,289,888	281,201	128,989
3 Stable Deposits	597,316	-	29,866	-
4 Less Stable Deposit	2,513,350	1,289,888	251,335	128,989
5 Unsecured Wholesale Funding	4,472,992	2,149,216	3,046,466	1,369,383
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	3,504,281	1,746,980	2,078,028	967,147
8 Other Unsecured Fundings	968,711	402,236	968,438	402,236
9 Secured Funding			101,710	101,710
10 Other Cash Outflows	31,321	1,524	31,321	1,524
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	31,321	1,524	31,321	1,524
12 Obligations related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	2,773,401	1,301,581	422,040	181,397
15 Other irrevocable or conditionally revocable off-balance sheet obligations	584,746	584,746	29,237	29,237
<b>16 TOTAL CASH OUTFLOWS</b>			<b>3,911,975</b>	<b>1,812,240</b>
<b>CASH INFLOWS</b>				
17 Secured lending	218,335	-	-	-
18 Unsecured lending	1,890,068	645,308	1,434,005	582,236
19 Other cash inflows	6,988	6,904	6,988	6,904
<b>20 TOTAL CASH INFLOWS</b>	<b>2,115,391</b>	<b>652,212</b>	<b>1,440,993</b>	<b>589,140</b>
			<b>Total Adjusted Value</b>	
<b>21 TOTAL HIGH QUALITY ASSETS STOCKS</b>			<b>2,229,413</b>	<b>1,818,505</b>
<b>22 TOTAL CAH OUTFLOWS</b>			<b>2,470,982</b>	<b>1,226,085</b>
<b>23 LIQUIDITY COVERAGE RATIO (%)</b>			<b>91.45%</b>	<b>161.48%</b>

(\*) The average of the last three months liquidity coverage ratio calculated by monthly and weekly simple averages.

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)**

**3. Banks explanations as a minimum regarding the liquidity ratio:**

**3.a Important factors affected by the results of Liquidity Coverage Ratio and the change of the items taken into account in the ratio calculation over time.**

Despite all components have significant role, bond and reverse repurchase amounts cash outflows/unsecured debts of due to banks line, cash outflows/irrevocable commitments or revocable contingent commitments of off balance sheet liabilities, cash inflows/unsecured receivables of due from financial institutions are high volatile assets. Related items have an effective role on variability of ratio.

**3.b Explanations on the components of high-quality liquid assets:**

High-quality assets is generated by cash balances and Central Bank and issued debt securities by those with 0% risk weightings of credit quality level risk. The changes in the reverse repo balance at the period effects high-quality asset stock value.

**3.c Funding source components and the intensity of them in all funds**

Basically deposits, loans and subordinated loans as unsecured debt items have the most significant portion in Bank's funding balances. As of 30 June 2017, the proportion of total liabilities to all deposits of the bank is 54% and borrowings constitutes 18% portion whereas subordinate debt is 9%. Secured borrowings such as repo transactions has lower portion (3%). In addition, as a funding item, the Bank has issued securities amounting to USD 250,000.

**3.d Information about the outflows arising from derivative transactions and the possible completing collateral transactions**

Cash outflows arising from derivative product balances are occurred when the derivative products liabilities are higher than the receivables. As of 30 June 2017, net of derivative assets and liabilities amounting to TL 30,724. In addition, cash outflow balances are reported with calculation against the change of derivatives fair value. This calculation is performed by checking the output margin within last 24 months of the counterparty balance. The maximum value in the past 24 months is considered as cash outflow as of reporting date. In this context, according to calculations as of 30 June 2017, the liability balance is computed as TL 29,763 in case of a change in fair value of derivatives products.

**3.e Counterparty and fund resources on the basis of products and concentration limits on collaterals**

As of 30 June 2017, the Bank's more than 36.7% of time deposit cap arised from retail banking. The remaining time deposits are constituted from legal entities. Another significant funding resource of borrowings generated from foreign banks (97%). As of 30 June 2017, 30% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (P.S.Q.C.), United Arab Bank and National Bank of Oman.

**3.f The liquidity risk for the potential funding needs for the bank itself , the branches in foreign countries and its consolidated partnerships with considering the operational and legal factors inhibiting the liquidity transfer**

In the current position of the Bank and its consolidated subsidiaries, there are no such risks drawing attention.

**3.g The information about the other cash inflows and outflows located in the liquidity leverage ratio calculation but not located in the second paragraph of disclosure template and considered as related with liquidity profile**

In this context, there is no excluded cash inflow and outflow in statements on the current situation.

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)**

**Breakdown of assets and liabilities according to their outstanding maturities**

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified	Total
<b>30 June 2017</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	186,479	1,779,125	-	-	-	-	-	1,965,604
Due From Banks	46,279	977,900	-	-	-	-	-	1,024,179
Financial Assets at Fair Value Through Profit and Loss	-	10,444	6,700	56,784	44,321	4,623	-	122,872
Money Market Placements	-	220,074	-	-	-	-	-	220,074
Financial Assets Available-for-Sale	-	-	-	32,594	635,349	905,344	4,898	1,578,185
Loans	-	1,085,445	570,359	2,674,524	4,561,556	1,701,259	193,950	10,787,093
Held-to-Maturity Investments	-	-	-	-	211,848	610,753	-	822,601
Other Assets (*)	2,034	70,119	322	8,410	38,717	13,198	559,250	692,050
<b>Total Assets</b>	<b>234,792</b>	<b>4,143,107</b>	<b>577,381</b>	<b>2,772,312</b>	<b>5,491,791</b>	<b>3,235,177</b>	<b>758,098</b>	<b>17,212,658</b>
<b>Liabilities</b>								
Bank Deposits (***)	6,211	801,873	96,807	-	-	-	-	904,891
Other Deposits	391,095	5,369,724	2,164,266	444,938	239	-	-	8,370,262
Funds Borrowed From Other Financial Institutions	-	1,059,603	172,930	677,639	999,714	1,710,851	-	4,620,737
Money Market Funds	-	223,803	251,696	-	-	-	-	475,499
Marketable Securities Issued	-	-	-	-	889,353	-	-	889,353
Miscellaneous Payables	-	-	-	-	-	-	207,898	207,898
Other Liabilities (**)	-	177,211	13,602	30,236	44,396	3,962	1,474,611	1,744,018
<b>Total Liabilities</b>	<b>397,306</b>	<b>7,632,214</b>	<b>2,699,301</b>	<b>1,152,813</b>	<b>1,933,702</b>	<b>1,714,813</b>	<b>1,682,509</b>	<b>17,212,658</b>
<b>Liquidity Gap</b>	<b>(162,514)</b>	<b>(3,489,107)</b>	<b>(2,121,920)</b>	<b>1,619,499</b>	<b>3,558,089</b>	<b>1,520,364</b>	<b>(924,411)</b>	<b>-</b>
<b>31 December 2016</b>								
Total Assets	246,310	4,152,802	421,358	2,978,719	4,487,969	3,395,574	782,025	16,464,757
Total Liabilities	371,929	6,357,643	2,414,933	2,220,559	1,476,158	2,088,279	1,535,256	16,464,757
<b>Liquidity Gap</b>	<b>(125,619)</b>	<b>(2,204,841)</b>	<b>(1,993,575)</b>	<b>758,160</b>	<b>3,011,811</b>	<b>1,307,295</b>	<b>(753,231)</b>	<b>-</b>

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed and intangible assets, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

(\*\*) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

(\*\*\*) Precious Metal bank account is presented under "Bank Deposits".

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**VI. Explanations on Leverage Ratio**

**Explanations about the aspects that cause the difference between the leverage ratios of current and prior years**

The Bank's unconsolidated leverage ratio is 5.69% and calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks' (31 December 2016: 4.98%). Changes in the leverage ratio are mainly due to the increase in the amount of assets' risk on-balance sheet. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

		<b>30 June 2017 (*)</b>	<b>31 December 2016 (*)</b>
	<b>Assets in Balance Sheet</b>		
<b>1</b>	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	17,118,990	15,739,124
<b>2</b>	Assets deducted in determining Tier 1 capital	(83,446)	(90,915)
<b>3</b>	<b>Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives</b>	<b>17,035,544</b>	<b>15,648,209</b>
	<b>Derivative financial instruments and credit derivatives</b>		
<b>4</b>	Replacement cost associated with all derivative financial instruments and credit derivatives	178,937	117,569
<b>5</b>	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	474,500	364,750
<b>6</b>	<b>Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5 Securities or commodity financing transactions (SCFT))</b>	<b>653,437</b>	<b>482,319</b>
	<b>Securities or commodity financing transactions</b>		
<b>7</b>	Risks from SCFT assets of off-balancesheet	-	-
<b>8</b>	Risks from brokerage activities related exposures	-	-
<b>9</b>	<b>Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions</b>	<b>-</b>	<b>-</b>
	<b>Off-balance sheet transactions</b>		
<b>10</b>	Gross notional amounts of off-balance sheet transactions	5,101,687	4,840,824
<b>11</b>	(Adjustments for conversion to credit equivalent amounts)	(766,601)	(591,489)
<b>12</b>	<b>Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks</b>	<b>4,335,086</b>	<b>4,249,335</b>
	<b>Capital and Total Risk</b>		
<b>13</b>	Tier 1 capital	1,254,170	1,015,915
<b>14</b>	<b>Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio</b>	<b>22,024,067</b>	<b>20,379,863</b>
	<b>Leverage ratio</b>		
<b>15</b>	<b>Leverage ratio</b>	<b>5.69%</b>	<b>4.98%</b>

(\*) Amounts in the table are three-month average amounts.

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**VII. Explanations on the Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 30 June 2016. According to the Communiqué these notes have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of 30 June 2017:

- RWA flow statements of credit risk exposures under IRB
- RWA flow statements of CCR exposures under the Internal Model Method (IMM)
- RWA flow statements of market risk exposures under an IMA

**a. Risk Management and General Information on Risk Weighted Amount**

**1. Overview of Risk Weighted Amount**

	Risk Weighted Amount		Minimum capital requirement
	30 June 2017	31 December 2016	30 June 2017
1 Credit risk (excluding counterparty credit risk) (CCR)	12,304,719	13,183,912	984,378
2 Standardised approach (SA)	12,304,719	13,183,912	984,378
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	517,349	343,594	41,388
5 Standardised approach for counterparty credit risk (SA-CCR)	517,349	343,594	41,388
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the banking account	-	-	-
8 Investments made in collective investment companies – look-through approach	-	-	-
9 Investments made in collective investment companies – mandate-based approach	-	-	-
10 Investments made in collective investment companies - %1250 weighted risk approach	-	-	-
11 Settlement risk	-	-	-
12 Securitization positions in banking accounts	-	-	-
13 IRB ratings-based approach (RBA)	-	-	-
14 IRB Supervisory Formula Approach (SFA)	-	-	-
15 SA/simplified supervisory formula approach (SSFA)	-	-	-
16 Market risk	42,675	141,975	3,414
17 Standardised approach (SA)	42,675	141,975	3,414
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	881,005	855,053	70,480
20 Basic Indicator Approach	881,005	855,053	70,480
21 Standart Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
<b>25 Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>13,745,748</b>	<b>14,524,534</b>	<b>1,099,660</b>

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**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**b. Explanations on Credit Risk**

**1. Credit Quality of Assets**

		Gross carrying value in consolidated financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/amortisation and impairments	Net values (a+b-c)
		Defaulted (a)	Non-defaulted (b)	c	d
1	Loans	482,641	10,593,143	288,691	10,787,093
2	Debt securities	-	2,692,863	72,003	2,620,860
3	Off-balance sheet exposures	86,277	3,652,878	27,564	3,711,591
4	<b>Total</b>	<b>568,918</b>	<b>16,938,884</b>	<b>388,258</b>	<b>17,119,544</b>

**2. Changes In Stock of Defaulted Loans And Debt Securities**

	Amount
<b>1 Defaulted loans and debt securities at end of the previous reporting period</b>	<b>638,725</b>
2 Loans and debt securities that have defaulted since the last reporting period	104,709
3 Receivables back to non-defaulted status	-
4 Amounts written off	(104,738)
5 Other changes	(69,778)
<b>6 Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5)</b>	<b>568,918</b>

**3. Credit Risk Mitigation Techniques**

	Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1 Loans	9,170,784	1,616,309	525,880	-	-	-	-
2 Debt securities	2,620,860	-	-	-	-	-	-
3 <b>Total</b>	<b>11,791,644</b>	<b>1,616,309</b>	<b>525,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4 Of which defaulted	242,578	10,085	814	-	-	-	-



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**VII. Explanations on the Risk Management (Continued)**

**b. Explanations on Credit Risk**

**4. Qualitative disclosures on banks’ use of external credit ratings under the standardised approach for credit risk**

To determine the risk weights of the risk categories as per the Article 6 of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", international rating firm Japan Credit Rating Agency (JCR) is started to be used as a result of rotation with 31 October 2016 instead Fitch Ratings` external risk ratings which had been used since 31 December 2012. In this context, the note set for Turkey's rating countries of long-term foreign currency, foreign currency bond issued by Treasury of the Republic of Turkey, all other foreign currency risk associated with the Republic of Turkey Central Government and assess to corresponding risk weights with limited to receivables the opposite side from foreign banks. Rating notes issued by JCR and corresponding Fitch Ratings are presented in the table below:

<b>Japan Credit Rating Agency</b>	<b>Credit Quality Level</b>	<b>Fitch Ratings</b>
AAA to AA-	1	AAA to AA-
A+ to A-	2	A+ to A-
BBB+ to BBB	3	BBB+ to BBB
BB+ to BB-	4	BB+ to BB-
B+ to B-	5	B+ to B-
CCC and lower	6	CCC+ and lower

In order to ensure that the credit risk is not concentrated on the customers whose credibility is relatively low, the credits made available to the customers are classified based on the risk rating scores of the customers utilizing such credits. The amount of the credit risk which may be taken in the certain risk degrees is limited to the definite rates of the total credits. In this frame, within risk appetite, based on external ratings country risk limits and counterparty abroad financial institution risk limits are defined.

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**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**b. Explanations on Credit Risk (Continued)**

**5. Consolidated Credit Risk Exposure and Credit Risk Mitigation Techniques**

	Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
1	Exposures to central governments or central banks	3,101,981	-	4,003,369	-	536,722	13.4%
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	-	2,497	-	1,139	1,139	100%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-
6	Exposures to institutions	2,509,342	1,088,154	2,234,579	972,927	1,397,539	43.6%
7	Exposures to corporates	9,112,904	3,007,166	7,859,106	1,977,519	9,419,553	95.8%
8	Retail exposures	145,281	241,500	138,593	53,761	144,265	75%
9	Exposures secured by residential property	416,404	66,813	413,237	30,612	155,347	35%
10	Exposures secured by commercial real estate	920,517	10,459	915,095	5,131	460,113	50%
11	Past-due loans	193,950	-	193,493	-	175,263	90.6%
12	High risk categories by the Agency Board	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other exposures	721,992	-	721,992	-	532,126	73.7%
17	Investments in equities	-	-	-	-	-	-
18	<b>Total</b>	<b>17,122,371</b>	<b>4,416,589</b>	<b>16,479,464</b>	<b>3,041,089</b>	<b>12,822,067</b>	<b>65.7%</b>

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**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**b. Explanations on Credit Risk (Continued)**

**6. Consolidated Exposures by Asset Classes and Risk Weights**

Regulatory portfolio		0%	10%	20%	35% secured by real estate mortgage	50% secured by real estate mortgage	50%	75%	100%	150%	200%	Others	Total risk amount (post-CCF and CRM)
1	Exposures to central governments or central banks	2,929,926	-	-	-	-	1,073,443	-	-	-	-	-	4,003,369
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	-	1,139	-	-	-	1,139
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	687,381	-	-	2,520,125	-	-	-	-	-	3,207,506
7	Exposures to corporates	-	-	154,755	-	-	586,534	-	9,095,336	-	-	-	9,836,625
8	Retail exposures	-	-	-	-	-	-	192,354	-	-	-	-	192,354
9	Exposures secured by residential property	-	-	-	443,849	-	-	-	-	-	-	-	443,849
10	Exposures secured by commercial real estate	-	-	-	-	920,226	-	-	-	-	-	-	920,226
11	Past-due loans	-	-	-	-	-	43,257	-	143,438	6,798	-	-	193,493
12	High risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	189,290	-	721	-	-	-	-	531,981	-	-	-	721,992
18	<b>Total</b>	<b>3,119,216</b>	<b>-</b>	<b>842,857</b>	<b>443,849</b>	<b>920,226</b>	<b>4,223,359</b>	<b>192,354</b>	<b>9,771,894</b>	<b>6,798</b>	<b>-</b>	<b>-</b>	<b>19,520,553</b>

**ALTERNATİFBANK A.Ş.**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**VII. Explanations on the Risk Management (Continued)**

**b. Explanations on Credit Risk (Continued)**

*The total amount of risks exposed after offsetting transactions, regardless of the effects of credit risk mitigation and the average amount for the risks separated by the different risk classes and types*

The sectoral concentrations for loans are monitored closely in accordance with the Bank’s loan policy. During the Management of Risk Committee meetings held every month, overall Bank’s risk is monitored by analyzing sectoral concentration.

All transactions are within the limits determined by the Board of Directors and being monitored on a regular basis.

All loans are revised at least once a year according to the regulations. Following the revision performed according to the Bank’s rating methodology, the credit limits are revised or additional guarantees are requested. In the same process, risk based loan loss provisions are calculated and loan pricing policies are updated according to the results. As the expected loan losses are considered as a standard cost, they are considered in the pricing process. In case of unexpected losses, economical capital values are calculated and Bank’s current capital is held within the required economical capital requirements. Incomes that are reevaluated according to the risk are monitored as a performance criteria and equity sharing with the profit centers are expected to be beneficial.

Derivatives, options and other similar contracts do not have specific provisions with specific control limits and the risk arising from these contracts are limited with the Bank’s global risk framework. Bank’s current policy indicates that such items should be fully collateralized to eliminate possible risks.

Indemnified non-cash loans are subject to the same risk weight as outstanding loans matured but not yet paid.

Rescheduled loans are monitored like other loans within the Bank’s internal rating application. Risk ratings of the borrowers are used for credit maturities.

Bank’s international banking operations and loans are with the OECD countries and when the economic conditions of these operations are found to be unimportant of a part for the credit risk.

Bank is not active in international banking market.

The accumulation of the Bank’s highest 100 cash loan clients is 54.06% (31 December 2016: 57.89%) of the overall cash loans.

The accumulation of the Bank’s highest 100 non-cash loan clients is 68.82% (31 December 2016: 65.34%) of the overall non-cash loans.

The accumulation cash and non-cash receivables of the Bank’s highest 100 loan clients are 7.24% (31 December 2016: 7.79%) of the overall balance sheet and off balance sheet items.

As of 30 June 2017, the general loan loss provision is TL 43,430 (31 December 2016: TL 52,211).

**ALTERNATİFBANK A.Ş.**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**c. Explanations on Counterparty Credit Risk (CCR)**

**1. Consolidated Counterparty Credit Risk (CCR) Approach Analysis**

		Replacement cost	Potential future exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	183,226	311,618		1.4	494,844	398,395
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions))					48,882	14,855
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					48,882	14,855
6	<b>Total</b>						<b>413,250</b>

**2. Consolidated Capital Requirement For Credit Valuation Adjustment (CVA)**

		EAD post-CRM	RWA
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at Risk component (including the 3×multiplier)		-
2	(ii) Stressed Value at Risk component (including the 3×multiplier)		-
3	Total portfolio value with simplified approach CVA adequacy	153,887	104,099
4	Total subject to the CVA capital obligation	153,887	104,099

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**c. Explanations on Counterparty Credit Risk (CCR) (Continued)**

**3. CCR Exposures By Risk Class And Risk Weights**

Risk weight/ Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Central governments and central banks receivables	-	-	-	-	-	-	-	-	-
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International organizations receivables	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions receivables	-	-	88,830	211,218	-	-	-	-	300,048
Corporate receivables	-	-	-	-	-	383,200	-	-	383,200
Retail receivables	-	-	-	-	14,365	-	-	-	14,365
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and intermediary institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	<b>88,830</b>	<b>211,218</b>	<b>14,365</b>	<b>383,200</b>	-	-	<b>697,613</b>

(\*)Total credit risk: the amount of relating to the capital adequacy calculation after applying counterparty credit risk measurement techniques

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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**VII. Explanations on the Risk Management Objectives and Policies (Continued)**

**c. Explanations on Counterparty Credit Risk (CCR)(Continued):**

**4. Collaterals for Consolidated CCR**

	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	108	216,962
Cash-foreign currency	-	-	-	-	135,159	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>135,267</b>	<b>216,962</b>

**5. Credit Derivatives**

	a	b
	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	-	84,403
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	84,403
Fair Values	-	-
Positive fair values (asset)	-	-
Negative fair values (liability)	-	-

**6. Central counterparty risks (CCR): None**

**d. Securitisation Explanations: None.**

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK**  
**(Continued)**

**VII. Explanations on the Risk Management (Continued)**

**c. Explanations on Market Risk**

Bank’s risk management operations, which are determined by the Board of Directors, are in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”. In order to comply with the Regulations, the Bank’s operations regarding the market risk are administrated in line with the “Regulation of Internal Bank Systems” and “Regulation of Capital Adequacy Measurement and Evaluation”.

Board of Directors monitors the efficiency of risk administration systems by evaluations of the Audit Committee, Management and Early Detection of Risk Committee as well as upper management’s opinions and other miscellaneous reports.

The Bank’s risk policies and risk administration policies for the encountered market risk are being approved by the board of directors and reviewed on a regular basis. Market risk is measured and limited in compliance with international standards and capital requirements are calculated accordingly in addition to it is managed by hedging instruments to eliminate the risk.

The market risk of portfolios held for trading is calculated using the standard method and the value at risk (“VaR”) methods. Standard method calculations are made on a monthly basis which is used for calculating the capital adequacy generally accepted three methods (variance, covariance, historical simulation, Monte Carlo). VaR calculations are performed on a daily basis using the historical simulation (EWMA) method. VaR calculations are made using the past 1 year data with 99% assurance and 1 day holding period (10 days for legal capital calculation). All positions in the trading portfolio are set a daily risk limit and nominal position limits and all these limits are monitored and reported to upper management. In addition, trading portfolio, value at risk increase and limit comply situations are reported to Active Passive Committee every two weeks and to upper management and Management and Early Detection of Risk Committee every three months. VaR model is tested on a backward basis to ensure reliability. In order to limit market risk, in addition to VaR and nominal position limits, there are stop loss limits on trading portfolio that are approved by the board of directors.

**1. Information on Market Risk**

	<b>30 June 2017</b>	<b>31 December 2016</b>
(I) Capital Requirement Against General Market Risk – Standard Method	2,126	2,618
(II) Capital Requirement Against Specific Risk – Standard Method	11	8
Capital Requirement Specific Risk Related to Securitization Positions-Standard Method	-	-
(III) Capital Requirement Against Currency Risk – Standard Method	1,277	8,732
(IV) Capital Requirement Against Commodity Risk – Standard Method	-	-
(V) Capital Requirement Against Exchange Risk – Standard Method	-	-
(VI) Capital Requirement Against Market Risk of Options – Standard Method	-	-
(VII) Capital Requirement Against Counterparty Credit Risk-Standard Method	-	-
(VIII) Capital Requirement Against Market Risks of Banks Applying Risk Measurement Models	-	-
(IX) Total Capital Requirement Against Market Risk (I+II+III+IV+V+VI)	3,414	11,358
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>42,676</b>	<b>141,975</b>



**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)**

**VII. Explanations Related to Risk Management (Continued)**

**Consolidated Market Risk -Standard Approach**

		RWA
<b>Outright products</b>		
1	Interest rate risk (general and specific)	26,713
2	Equity risk (general and specific)	-
3	Foreign exchange risk	15,463
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	500
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>42,676</b>

**VIII. Explanation on Hedge Accounting**

The Bank uses “Fair Value Hedge Accounting” from the beginning of 24 March 2014 as of balance sheet date. Derivative financial instruments is used as hedging instruments are interest swap transactions.

	30 June 2017		
	Principal (*)	Asset	Liability
<b>Derivative Financial Instruments</b>			
Interest Swap Transactions	110,000	-	76
<b>Total</b>	<b>110,000</b>	<b>-</b>	<b>76</b>

(\*) Total of purchase and sale notional amounts.

The fair valuation methodology of the derivatives presented in the above table is disclosed in the accounting principles section of these financial statements in Section III. Note IV.

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan amounting TL 21,297 with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of March 24, 2017, the difference of TL 430 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until March 20, 2019.

The following table summarizes the effects of Fair Value Hedge Accounting.

Hedging Instrument	Hedged item (assets and liabilities)	Hedged risks	Fair value difference/ adjustment of the hedged item	Net fair value of hedging instrument	
				Asset	Liability
Interest swap transactions	Fixed rate equal installments paid commercial installment loans	Fixed interest rate risk	383	-	76

The Bank evaluates the method of hedge whether to be effective on the expected changes in fair values in this process or not or each result of hedge effectiveness whether to be between the range of 80% and 125%.

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability. The difference in current values of derivative transactions fair value hedge is shown in “Trading Gains/Losses on derivative financial instruments” account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the “Trading gains / losses on derivative financial instruments” account.

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**SECTION FIVE**

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. Explanations and Notes on Assets**

**a. Information on cash and balances with the Central Bank of Republic of Turkey (“CBRT”)**

1. Information on cash and the account of the CBRT

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign Currency	22,979	94,560	30,131	71,916
CBRT	249,893	1,597,451	119,209	1,748,932
Other	-	721	-	-
<b>Total</b>	<b>272,872</b>	<b>1,692,732</b>	<b>149,340</b>	<b>1,820,848</b>

2. Information on the account of the CBRT

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount (*)	69,302	370,804	119,209	362,532
Time Restricted Amount	180,591	-	-	-
Reserve Requirement	-	1,226,647	-	1,386,400
<b>Total</b>	<b>249,893</b>	<b>1,597,451</b>	<b>119,209</b>	<b>1,748,932</b>

(\*) The reserve requirement hold as average has been classified under “Central Bank Demand Unrestricted Account” pursuant to the correspondence with BRSA as of 3 January 2008.

3. Information on reserve requirements

The banks which are established in Turkey or operates in Turkey through opening a branch shall be subjected to T.C. Central Bank’s No. 2005/1 Regulation Required Reserves. The amount includes the amount that is going to found with deducting the items that stated in the Communiqué from the banks total domestic liabilities and branches abroad on behalf of the deposits accepted from Turkey liabilities subject to reserve requirements.

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 30 June 2017, the Turkish lira required reserve ratios are determined to be within the range of 4% - 10.5% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2016: 4%-10.5% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 9% - 13% (31 December 2016: 9%-13% for all foreign currency deposits) and other foreign currency liabilities within the range of 4%-24% (31 December 2016: 5%-25% for all foreign currency liabilities).

CBRT started to pay interest for the Turkish Lira reserve since 5 November 2014. CBRT also started to pay interest for the Foreign Currency reserve since 5 May 2015.

**b. Information about financial assets at fair value through profit or loss**

1. As of 30 June 2017, the Bank have no financial assets at fair value through profit/loss subject to repo transactions (31 December 2016: None) and have no financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2016: None).

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and Notes on Assets (Continued)****b. Information about financial assets at fair value through profit and loss (Continued)**

## 2. Positive differences related to trading derivative financial assets

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	5,493	2,425	134	3,413
Swap Transactions	103,254	4,666	26,489	20,252
Options	121	6,161	50	11,086
<b>Total</b>	<b>108,868</b>	<b>13,252</b>	<b>26,673</b>	<b>34,751</b>

**c. Information on banks**

## 1. Information on banks

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	415,658	390,779	120,814	396,812
Foreign	-	217,742	-	22,771
<b>Total</b>	<b>415,658</b>	<b>608,521</b>	<b>120,814</b>	<b>419,583</b>

## 2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
EU Countries	27,174	14,351	-	-
USD, Canada	72,915	7,846	-	-
OECD Countries (*)	11,980	455	-	-
Off-Shore Banking Region	-	-	-	-
Other	105,673	119	-	-
<b>Total</b>	<b>217,742</b>	<b>22,771</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than the EU countries, USA and Canada.

**d. Information on available-for-sale financial asset**

## 1. Characteristics and carrying values of available-for-sale financial assets given as collateral

As of 30 June 2017, there are available-for-sale financial assets amounting TL 100,126 given as collateral/blocked (31 December 2016: TL 507,730) and those subject to repurchase agreements amounts to TL 440,065 (31 December 2016: TL 578,986). As of 30 June 2017, except the available-for-sale financial assets given as collateral/blocked and those subject to repurchase agreements, there are unrestricted amount is TL 1,033,096 (31 December 2016: TL 1,237,258).

## 2. Information on available-for-sale financial assets

	30 June 2017	31 December 2016
Debt Securities	1,639,488	2,536,301
Quoted on Stock Exchange	1,291,644	2,188,096
Not Quoted	347,844	348,205
Share Certificates	4,898	4,721
Quoted on Stock Exchange	1	1
Not Quoted	4,897	4,720
Impairment Provision (-)	66,201	212,327
<b>Total</b>	<b>1,578,185</b>	<b>2,328,695</b>

**ALTERNATİFBANK A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**e. Explanations on loans**

1. Information on all types of loan or advance balances given to shareholders and employees of the Bank

	30 June 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	97,317	-	80,452
Corporate Shareholders	-	97,317	-	80,452
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	100,618	2,747	18,795	-
Loans Granted To Employees	6,896	-	6,654	-
<b>Total</b>	<b>107,514</b>	<b>100,064</b>	<b>25,449</b>	<b>80,452</b>

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments Related to the Extention of Payment Plan	Other		Amendments Related to the Extention of Payment Plan	Other
Non-Specialized Loans	10,137,092	19,970	-	113,538	322,543	-
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	435,649	-	-	252	5,963	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	429,221	-	-	190	-	-
Consumer Loans	174,627	-	-	7,677	1,544	-
Credit Cards	23,026	-	-	664	-	-
Other	9,074,569	19,970	-	104,755	315,036	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
<b>Total</b>	<b>10,137,092</b>	<b>19,970</b>	<b>-</b>	<b>113,538</b>	<b>322,543</b>	<b>-</b>

Number of Amendments Related to the Extention of Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
1 or 2 Times	7,182	306,168
3,4 or 5 Times	12,788	-
Over 5 Times	-	16,375

**ALTERNATİFBANK A.Ş.**

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**e. Explanations on loans (Continued)**

2. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled and other receivables (Continued)

<b>Time Extended Via the Amendment on Payment Plan</b>	<b>Standard Loans and Other Receivables</b>	<b>Loans and Other Receivables Under Close Monitoring</b>
0 – 6 Month	153	306,139
6 Month – 12 Month	7,053	5
1 – 2 Years	12,660	16,399
2 – 5 Years	104	-
5 Years and Over	-	-

3. Loans according to their maturity structure

	<b>Standard Loans and Other Receivables</b>		<b>Loans and Other Receivables Under Close Monitoring</b>	
	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>	<b>Loans and Other Receivables</b>	<b>Restructured or Rescheduled</b>
<b>Short-term Loans and Other Receivables</b>	<b>3,098,782</b>	<b>394</b>	<b>9,596</b>	<b>7,978</b>
Non-specialised Loans	3,090,393	394	9,476	7,978
Specialised Loans	8,389	-	120	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>7,038,310</b>	<b>19,576</b>	<b>103,942</b>	<b>314,565</b>
Non-specialised Loans	7,037,855	19,576	103,942	314,565
Specialised Loans	455	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>10,137,092</b>	<b>19,970</b>	<b>113,538</b>	<b>322,543</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and Notes on Assets (Continued)****e. Explanations on loans (Continued)****4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	3,630	172,601	176,231
Real Estate Loans	22	118,119	118,141
Automotive Loans	-	1,376	1,376
Consumer Loans	3,608	53,106	56,714
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	6,348	-	6,348
With Installments	1,504	-	1,504
Without Installments	4,844	-	4,844
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	392	4,354	4,746
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	392	4,354	4,746
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	1,991	-	1,991
With Installments	549	-	549
Without Installments	1,442	-	1,442
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Credit Deposit Account-TL (Individuals) (*)	2,871	-	2,871
Credit Deposit Account-FC (Individuals)	-	-	-
<b>Total</b>	<b>15,232</b>	<b>176,955</b>	<b>192,187</b>

(\*) TL 160 of the credit deposit account personal loans (31 December 2016: TL 146).

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****I. Explanations and Notes on Assets Assets (Continued)****e. Explanations on loans (Continued)**

## 5. Information on commercial installment loans and corporate credit cards

	Short-term	Medium and long-term	Total
Commercial Installments Loans-TL	56,033	1,999,780	2,055,813
Real Estate Loans	-	616	616
Automotive Loans	-	49,138	49,138
Consumer Loans	56,033	1,950,026	2,006,059
Other	-	-	-
Commercial Installments Loans-FC Indexed	7,239	487,765	495,004
Real Estate Loans	-	421,298	421,298
Automotive Loans	-	52,336	52,336
Consumer Loans	7,239	14,131	21,370
Other	-	-	-
Commercial Installments Loans-FC	1,345	1,205,757	1,207,102
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	1,345	1,205,757	1,207,102
Other	-	-	-
Corporate Credit Cards-TL	15,351	-	15,351
With Installment	1,216	-	1,216
Without Installment	14,135	-	14,135
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Credit Deposit Account-TL (Legal Person)	48,842	-	48,842
Credit Deposit Account-FC (Legal Person)	-	-	-
<b>Total</b>	<b>128,810</b>	<b>3,693,302</b>	<b>3,822,112</b>

## 6. Loans according to types of borrowers

	30 June 2017	31 December 2016
Public	22,906	24,084
Private	10,570,237	10,333,834
<b>Total</b>	<b>10,593,143</b>	<b>10,357,918</b>

## 7. Distribution of domestic and foreign loans:

Related loans are classified according to the location of the customers

	30 June 2017	31 December 2016
Domestic Loans	10,458,687	10,189,181
Foreign Loans	134,456	168,737
<b>Total</b>	<b>10,593,143</b>	<b>10,357,918</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**e. Explanations on loans (Continued)**

8. Loans given to investments in associates and subsidiaries

As of 30 June 2017, there are loans granted to associates and subsidiaries amount to TL 119,358 (31 December 2016: TL 102,576).

9. Specific provisions provided against loans

	30 June 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	5,642	8,368
Loans and Other Receivables with Doubtful Collectability	32,790	40,842
Uncollectible Loans and Other Receivables	250,259	291,376
<b>Total</b>	<b>288,691</b>	<b>340,586</b>

10. Information on non-performing loans (Net)

10.(i). Information on non-performing loans restructured or rescheduled and other receivables

The Bank has no non-performing loans restructured or rescheduled and other receivables as of 30 June 2017 (31 December 2016: None).

10.(ii). Information on the movement of total non-performing loans

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>31 December 2016</b>	<b>70,802</b>	<b>118,366</b>	<b>364,187</b>
Addition (+)	92,353	1,806	4,087
Transfers from Other Categories of Non-performing Loans (+)	-	111,580	111,331
Transfers to Other Categories of Non-performing Loans (-)	(111,580)	(111,331)	-
Collections (-)	(9,135)	(19,861)	(35,216)
Write-offs (-) <sup>(*)</sup>	-	-	(104,748)
Corporate and Commercial Loans	-	-	(98,185)
Consumer Loans	-	-	(4,819)
Credit Cards	-	-	(1,744)
<b>30 June 2017</b>	<b>42,440</b>	<b>100,560</b>	<b>339,641</b>
Specific Provision (-)	(5,642)	(32,790)	(250,259)
<b>Net Balance on Balance Sheet</b>	<b>36,798</b>	<b>67,770</b>	<b>89,382</b>

(\*) The Bank has sold non-performing loans of TL 104,748 with a net book value of TL 210 and provision amounting to TL 104,538 to Mega Varlık Yönetim A.Ş. on April 27, 2017 for TL 2,099.



**ALTERNATİFBANK A.Ş.**  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**e. Explanations on loans (Continued)**

10. Information on non-performing loans (Net) (Continued)

10.(iii). Information on non-performing loans granted as foreign currency loans

As at the balance sheet date there are no non-performing loans denominated in foreign currencies (31 December 2016: None).

10.(iv). Information on non-performing loans based on types of borrowers

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>30 June 2017 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	42,440	100,560	339,641
Specific Provision Amount (-)	(5,642)	(32,790)	(250,259)
Loans to Real Persons and Legal Entities (Net)	36,798	67,770	89,382
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>31 December 2016 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	70,802	118,366	364,187
Specific Provision Amount (-)	(8,368)	(40,842)	(291,376)
Loans to Real Persons and Legal Entities (Net)	62,434	77,524	72,811
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

11. Explanation on liquidation policy for uncollectible loan and receivable

Collection of uncollectible loans and other receivables is collected through the liquidation of collaterals and by legal procedures.

12. Explanations on write-off policy

Uncollectible loans and other receivables are recovered through legal proceedings and liquidation of collaterals or they are written off with Board decision in accordance with the Tax Procedural Law.

The Bank has sold non-performing loans of TL 104,748 with a net book value of TL 210 and provision amounting to TL 104,538 to Mega Varlık Yönetim A.Ş. on April 27, 2017 for TL 2,099.

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**f. Information on held-to-maturity investments**

1. Information on held to maturity debt securities

Group has held to maturity debt securities amounting to TL 822,601 as of 30 June 2017 (31 December 2016: None).

	30 June 2017	31 December 2016
Government Bonds	822,601	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
<b>Total</b>	<b>822,601</b>	-

The Bank has reclassified the government debt with the nominal value of TL 819,414 from the Available-for-Sale Financial Assets portfolio to the Held-to-Maturity investments portfolio.

2. Information on held to maturity investments

Group has held to maturity investments amounting to TL 822,601 as of 30 June 2017 (31 December 2016: None).

	30 June 2017	31 December 2016
<b>Debt Securities</b>	<b>828,402</b>	-
Quoted to Stock Exchange	828,402	-
Not Quoted to Stock Exchange	-	-
<b>Impairment Provision (-)</b>	<b>5,801</b>	-
<b>Total</b>	<b>822,601</b>	-

3. Movement of investments held-to-maturity:

Group has investment held to maturity amounting to TL 822,601 as of 30 June 2017 (31 December 2016: None).

	30 June 2017	31 December 2016
Balance at the Beginning of the Period	-	-
Foreign Currency Differences on Monetary Assets	-	-
Transfers from Investment Securities Available for Sale	828,402	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	5,801	-
<b>Balance at the End of the Period</b>	<b>822,601</b>	-

4. Characteristics and carrying values of held-to-maturity investments given as collateral

As of 30 June 2017 there is held-to-maturity investment given as collateral amounting to TL 822,601 (31 December 2016: None).

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Given as collateral/blocked	-	491,334	-	-
Subject to repurchase agreements	-	165,634	-	-
Other	-	165,633	-	-
<b>Total</b>	-	<b>822,601</b>	-	-

**g. Information on investments in associates (Net)**

The Bank has no investments in associates as of 30 June 2017 (31 December 2016: None).

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**h. Information on subsidiaries (Net)**

1. Information on shareholders’ equity of the significant subsidiaries

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits. The information on the shareholders’ equity of these subsidiaries is shown below:

	<b>Alternatif Finansal Kiralama A.Ş.</b>	<b>Alternatif Menkul Değerler A.Ş.</b>
<b>Core Capital</b>	<b>157,592</b>	<b>19,076</b>
Paid-in Capital	50,000	13,309
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	27,569	14,110
Current Period’s Profit and Prior Period’s Profit	80,727	(8,265)
Current Period’s Losses and Prior Period’s Losses	-	-
Leasehold Improvements on Operational Leases (-)	-	39
Intangible Assets (-)	704	39
<b>Supplementary Capital</b>	<b>-</b>	<b>-</b>
<b>Deductions From Capital</b>	<b>-</b>	<b>-</b>
<b>Total Shareholders Equity</b>	<b>157,592</b>	<b>19,076</b>

2. Information on subsidiaries

No	Title	Address (City/ Country)	Bank’s share percentage, if different voting percentage (%)	Bank’s Risk Group Share (%)
1	Alternatif Menkul Değerler A.Ş.	İstanbul/Türkiye	100.00	100.00
2	Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	99.99	99.99

Main financial figures of the consolidated subsidiaries in the order of the above table

No	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1 (*)	70,327	20,101	269	6,144	-	281	(8,546)	-
2 (*)	1,559,055	144,216	1,542	52,668	-	8,686	72,041	-

(\*) The above mentioned subsidiaries’ financial data are taken from the financial statements prepared for the BRSA as of 30 June 2017.

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**h. Information on subsidiaries (Net) (Continued)**

3. The movement of the subsidiaries

	30 June 2017	31 December 2016
<b>Balance at the Beginning of the Period</b>	<b>166,380</b>	<b>166,380</b>
<b>Movements During the Period</b>	-	-
Purchases	-	-
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	-
<b>Balance at the End of the Period</b>	<b>166,380</b>	<b>166,380</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	100	100

4. Sectoral information on financial subsidiaries and the related carrying amounts

<b>Subsidiaries</b>	<b>30 June 2017</b>	<b>31 December 2016</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	142,165	142,165
Finance Companies	-	-
Other Financial Subsidiaries	24,215	24,215

5. Subsidiaries quoted on stock exchange

There are no subsidiaries quoted on stock exchange (31 December 2016: None).

**i. Information on joint ventures**

There are no joint ventures (31 December 2016: None).

**j. Information on lease receivables (net)**

There are no receivables from lease transactions (31 December 2016: None).

**k. Information on hedging derivative financial assets**

There are no differences related with hedging derivative financial assets (31 December 2016: None).

**ALTERNATİFBANK A.Ş.**  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**I. Explanations and Notes on Assets (Continued)**

**l. Information on investment property**

There is no investment property (31 December 2016: None).

**m. Movement of assets held for resale and discontinued operations**

There is no assets held for sale and discontinued operations (31 December 2016: None).

**n. Information on other assets**

**1. The distribution of other assets:**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Collaterals Given for Derivative Transactions	126,881	125,834
Assets Held for Sale	118,988	95,663
Receivables from Clearing	69,228	31,874
Prepaid Expenses	59,270	35,824
Pos Receivables	41,043	43,201
Collaterals Given	245	247
Other	10,765	26,551
<b>Total</b>	<b>426,420</b>	<b>359,194</b>

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Disposals of Property and Equipment</b>		
Beginning of Period	95,663	50,449
Disposals (-)	15,696	(28,114)
Additions	39,640	74,290
Depreciation of Current Period	619	962
Provisions for Losses	-	-
<b>End of Period</b>	<b>118,988</b>	<b>95,663</b>

2. Other assets in the balance sheet, balance sheet excluding off-balance sheet commitments exceed 10% of the total while at least 20% of their name and the amount of sub-accounts:

None (31 December 2016: None).

**ALTERNATİFBANK A.Ş.**
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**
**II. Explanations and Notes on Liabilities**
**a. Information on deposits**

## 1. Information on maturity structure of deposits/the funds collected

## 1.(i). 30 June 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
<b>Saving Deposits</b>	<b>51,779</b>	-	<b>82,297</b>	<b>1,399,982</b>	<b>2,797</b>	<b>4,063</b>	<b>716</b>	<b>272</b>	<b>1,541,906</b>
<b>Foreign Currency Deposits</b>	<b>236,284</b>	-	<b>269,497</b>	<b>3,839,187</b>	<b>466,069</b>	<b>67,197</b>	<b>8,825</b>	-	<b>4,887,059</b>
Residents in Turkey	225,302	-	266,772	3,797,094	466,069	63,873	8,817	-	4,827,927
Residents Abroad	10,982	-	2,725	42,093	-	3,324	8	-	59,132
<b>Public Sector Deposits</b>	<b>23,341</b>	-	-	-	-	-	-	-	<b>23,341</b>
<b>Commercial Deposits Other Institutions Deposits</b>	<b>76,465</b>	-	<b>455,396</b>	<b>1,289,587</b>	<b>38,288</b>	<b>4,915</b>	<b>26</b>	-	<b>1,864,677</b>
<b>Precious Metal Deposits</b>	<b>2,165</b>	-	-	<b>672</b>	<b>1,865</b>	<b>771</b>	<b>1,053</b>	-	<b>6,526</b>
<b>Bank Deposits</b>	<b>6,211</b>	-	<b>508,936</b>	<b>389,744</b>	-	-	-	-	<b>904,891</b>
The CBRT	-	-	240,650	-	-	-	-	-	240,650
Domestic Banks	650	-	30,008	35,214	-	-	-	-	65,872
Foreign Banks	4,956	-	238,278	354,530	-	-	-	-	597,764
Participation Banks	605	-	-	-	-	-	-	-	605
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>397,306</b>	-	<b>1,320,782</b>	<b>6,924,280</b>	<b>509,019</b>	<b>76,946</b>	<b>46,548</b>	<b>272</b>	<b>9,275,153</b>

## 1.(ii). 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
<b>Saving Deposits</b>	<b>52,408</b>	-	<b>172,606</b>	<b>1,574,267</b>	<b>11,590</b>	<b>4,335</b>	<b>2,250</b>	<b>213</b>	<b>1,817,669</b>
<b>Foreign Currency Deposits</b>	<b>195,689</b>	-	<b>303,633</b>	<b>2,581,798</b>	<b>471,686</b>	<b>33,902</b>	<b>15,933</b>	-	<b>3,602,641</b>
Residents in Turkey	180,503	-	297,636	2,557,000	471,686	30,614	15,925	-	3,553,364
Residents Abroad	15,186	-	5,997	24,798	-	3,288	8	-	49,277
<b>Public Sector Deposits</b>	<b>5,768</b>	-	-	-	-	-	-	-	<b>5,768</b>
<b>Commercial Deposits</b>	<b>89,737</b>	-	<b>636,365</b>	<b>1,851,049</b>	<b>113,124</b>	<b>18,350</b>	<b>8,439</b>	-	<b>2,717,064</b>
<b>Other Institutions Deposits</b>	<b>1,576</b>	-	<b>7,730</b>	<b>56,691</b>	<b>773</b>	-	<b>19,556</b>	-	<b>86,326</b>
<b>Precious Metal Deposits</b>	<b>2,170</b>	-	<b>83</b>	<b>2,159</b>	<b>176</b>	<b>269</b>	<b>900</b>	-	<b>5,757</b>
<b>Bank Deposits</b>	<b>24,581</b>	-	<b>137,909</b>	<b>318,016</b>	-	-	<b>192,915</b>	-	<b>673,421</b>
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	392	-	127,239	-	-	-	-	-	127,631
Foreign Banks	23,600	-	10,670	318,016	-	-	192,915	-	545,201
Participation Banks	589	-	-	-	-	-	-	-	589
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>371,929</b>	-	<b>1,258,326</b>	<b>6,383,980</b>	<b>597,349</b>	<b>56,856</b>	<b>239,993</b>	<b>213</b>	<b>8,908,646</b>

**ALTERNATİFBANK A.Ş.**  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Notes on Liabilities (Continued)**

**a. Information on deposits (Continued)**

2. Information on saving deposits insurance

2.(i). Information on saving deposits under the guarantee of the saving deposits insurance fund and exceeding the limit of deposit insurance fund

	Under the Guarantee of Deposit Insurance		Exceeding Limit of the Deposit Insurance	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<b>Saving Deposits</b>				
Saving Deposits (*)	441,246	491,538	1,100,698	1,326,678
Foreign Currency Savings Deposit	126,778	98,266	1,467,166	989,867
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

(\*) Related savings deposits includes the amount of TL 38 straight rediscount - internal efficiency difference (31 December 2016: TL 547).

2.(ii). Saving deposits which are not under the guarantee of saving deposit insurance fund

	30 June 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	12,747	5,188
Deposits and Other Accounts of Property Assets Value due to Crime Which is in the Scope of Article 282 of Numbered 5237 “TCL” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-

**b. Information on trading derivative financial liabilities**

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	147	5,128	778	714
Swap Transactions	74,680	44,668	48,495	11,412
Futures Transactions	-	-	-	-
Options	-	7,500	14	6,599
Other	-	-	-	-
<b>Total</b>	<b>74,827</b>	<b>57,296</b>	<b>49,287</b>	<b>18,725</b>

**c. Information on borrowings**

1. Information on borrowings

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	6,500	94,106	11,925	90,163
From Foreign Banks, Institutions and Funds	98	3,016,796	198	2,897,782
<b>Total</b>	<b>6,598</b>	<b>3,110,902</b>	<b>12,123</b>	<b>2,987,945</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Notes on Liabilities (Continued)**

**c. Information on borrowings (Continued)**

2. Information on maturity profile of borrowings

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	6,598	634,173	12,123	517,646
Medium and Long-term	-	2,476,729	-	2,470,299
<b>Total</b>	<b>6,598</b>	<b>3,110,902</b>	<b>12,123</b>	<b>2,987,945</b>

**d. Information on other liabilities**

As of 30 June 2017, other foreign liabilities do not exceed 10% of the total balance sheet.

**e. Information on financial lease agreements**

None (31 December 2016: None).

**f. Information on hedging derivative financial liabilities**

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge Risk (*)	76	-	404	-
Cash Flow Hedge	-	-	-	-
Hedge of Net Investments in Foreign Operations	-	-	-	-
<b>Total</b>	<b>76</b>	<b>-</b>	<b>404</b>	<b>-</b>

(\*) Explained in Section Four Note VIII.

**g. Information on provisions**

1. Information on general provisions

	30 June 2017	31 December 2016
Provisions for Group I Loans and Receivables	23,805	33,909
Provisions for Group II Loans and Receivables	4,289	4,279
Provisions for Non-Cash Loans	8,902	7,896
Other	6,434	6,127
<b>Total</b>	<b>43,430</b>	<b>52,211</b>

2. Information on reserve for employment termination benefits

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. According the TAS 19, actuarial valuation methods are required to calculate the company's liabilities.

Actuarial gains and losses net of deferred tax amounting to TL 227 is accounted for under the equity according to the revised TAS 19 standard as of 30 June 2017 (31 December 2016: TL 1,711 loss).



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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Notes on Liabilities (Continued)**

**g. Information on provisions (Continued)**

2. Information on reserve for employment termination benefits (Continued)

Following actuarial assumptions were used in the calculation of total liabilities.

	30 June 2017	31 December 2016
Discount Rate (%)	4.72	4.72
Ratio Used for Probability of Pension (%)	83.33	83.33

The principal actuarial assumption is that the maximum liability will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation.

In addition, the Bank has accounted retirement pay provision amounting to TL 7,420 (31 December 2016: 7,018) and for unused vacation rights provision amounting to TL 2,557 as of 30 June 2017 (31 December 2016: TL 2,310).

3. Other provisions

	30 June 2017	31 December 2016
Specific Provision for Unindemnified Non-cash Loan	27,564	26,335
Bonus Provision	6,219	10,000
Provision for the Impairment due Settlement Date	34	8
Other (*)	13,002	13,150
<b>Total</b>	<b>46,819</b>	<b>49,493</b>

(\*) Other line consists of TL 13,002 amounted provision for litigation and claims provision (31 December 2016: TL 13,150).

4. Information on Provisions Related with the Foreign Currency Difference of Foreign Indexed Loans

As of 30 June 2017, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 4,855 (31 December 2016: TL 16,433) are netted with loans in the financial statements.

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**II. Explanations and Notes on Liabilities (Continued)**

**h. Information on taxes payable**

**Information on current tax liability**

As of 30 June 2017, current tax liability amounting to TL 16,074 is netted with prepaid tax amounting to TL 2,171 and the Bank has tax liability amounting to TL 13,903 (31 December 2016: None).

(i) Information on taxes payable

	30 June 2017	31 December 2016
Corporate Tax Payable	13,903	-
Taxation of Marketable Securities	8,953	8,258
Property Tax	233	179
Banking Insurance Transaction Tax (BITT)	5,937	5,474
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	153	337
Other	2,120	2,960
<b>Total</b>	<b>31,299</b>	<b>17,208</b>

(ii) Information on premium payables

	30 June 2017	31 December 2016
Social Security Premiums - Employee	961	1,683
Social Security Premiums - Employer	1,770	2,464
Bank Pension Fund Premiums - Employee	-	-
Bank Pension Fund Premiums - Employer	-	-
Pension Fund Deposit and Provisions - Employee	-	-
Pension Fund Deposit and Provisions - Employer	-	-
Unemployment Insurance - Employee	69	120
Unemployment Insurance - Employer	137	240
Other	38	68
<b>Total</b>	<b>2,975</b>	<b>4,575</b>

**i. Explanations about deferred tax provision**

As of 30 June 2017, the Bank has deferred tax asset amounting to TL 21,175 (31 December 2016: TL 46,524 deferred tax asset) in the financial statements.

As of 30 June 2017 and 31 December 2016, the details of temporary differences and deferred tax assets and liabilities are presented below:

	30 June 2017	31 December 2016
Deferred Tax Assets/ Liabilities		
Tangible Assets Base Differences	(1,135)	(1,241)
Provisions	5,757	4,496
Valuation of Financial Assets	12,395	39,221
Commission Deferral	4,674	4,048
Other	(516)	-
<b>Net Deferred Tax Assets</b>	<b>21,175</b>	<b>46,524</b>

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and Notes on Liabilities (Continued)****j. Information on subordinated loans**

- Detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate

Issuing Institution	Amount ('000)	Opening Date	Maturity	Interest Rate (%)
The Commercial Bank (P.S.Q.C.), United Arab Bank, National Bank of Oman	USD 125,000	30 June 2015	10 years+1 day	Libor + 6.00
Foreign Capital Market Investors	USD 300,000	15 April 2016	10 years+1 day	8.75

TL equivalent of the subordinated loan is TL 1,503,237 (31 December 2016: TL 1,504,693).

The subordinated loan does not have the option to be converted into stock certificate. The Bank has the option to pay back the loan at the end of the fifth year.

- Information on subordinated loan

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1,503,237	-	1,504,693
Other Foreign Institutions	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,503,237</b>	<b>-</b>	<b>1,504,693</b>

**k. Information on shareholders' equity**

- Presentation of paid-in capital (As of nominal; non-adjusted amounts according to inflation)

	30 June 2017	31 December 2016
Common Stock (*)	980,000	980,000
Preferred Stock	-	-

(\*) It refers to the nominal capital.

- Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling (As of nominal; non-adjusted amounts according to inflation):

The Bank applies principal capital system.

- Information about the share capital increases and their sources in the current period.

None.

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****II. Explanations and Notes on Liabilities (Continued)****k. Information on shareholders’ equity (Continued)**

4. Information on additions from revaluation reserves to capital in the current period : None.
5. Information on capital commitments up until the end of the fiscal year and the subsequent interim period : None.
6. Information on prior period’s indicators on the Bank’s income, profitability and liquidity, and possible effects of these future assumptions on the Bank’s equity due to uncertainties of these indicators:

The interest, liquidity, and foreign exchange risk on on-balance sheet and off-balance sheet assets and liabilities are managed by the Bank within several risk limits and legal limits.

7. There is no privileges given to shares representing the capital
8. Information on marketable securities valuation reserve

	30 June 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(80,329)	(33,189)	(15,303)	(150,809)
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(80,329)</b>	<b>(33,189)</b>	<b>(15,303)</b>	<b>(150,809)</b>

9. Information of the previous year profit distribution  
None.

**III. Explanations and Notes on Off-Balance Sheet Accounts****a. Information on off balance sheet commitments**

1. The amount and type of irrevocable commitments

According to Direct Debiting System, there is TL 163,572 irrevocable loan commitments as of 30 June 2017 (31 December 2016: TL 191,311).

2. Type and amount of probable losses and obligations arising from off-balance sheet items

There are no probable losses and obligations arising from off-balance sheet items. Obligations arising from off-balance sheet are disclosed in “Off-Balance Sheet Commitments”.

- 2.(i). Non-cash loans including guarantees, bank avalized and acceptance loans, collaterals that are accepted as financial guarantees and other letters of credit

	30 June 2017	31 December 2016
Guarantees and Collaterals	473,590	591,883
Bank Acceptance Loans	5,735	3,885
Letter of Credits	304,554	268,437
<b>Total</b>	<b>783,879</b>	<b>864,205</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**III. Explanations and Notes on Off-Balance Sheet Accounts (Continued)**

**a. Information on off balance sheet commitments (Continued)**

2.(ii). Guarantees, sureties and other similar guarantees

	30 June 2017	31 December 2016
Temporary Letter of Guarantees	34,826	48,342
Definite Letter of Guarantees	2,036,508	1,712,135
Advance Letter of Guarantee	275,848	218,345
Letter of Guarantees Given to Customs	94,104	107,565
<b>Total</b>	<b>2,441,286</b>	<b>2,086,387</b>

**b. Information on derivative financial instruments**

	30 June 2017	31 December 2016
<b>Types of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions (I)</b>	<b>17,681,509</b>	<b>15,315,530</b>
Currency Forward Transactions	620,483	377,711
Currency Swap Transactions	14,291,453	12,625,738
Futures Transactions	-	-
Options	2,769,573	2,312,081
Securities Options	-	-
<b>Interest Related Derivative Transactions (II)</b>	<b>1,186,122</b>	<b>768,496</b>
Forward Rate Agreements	-	-
Interest Rate Swaps	354,922	-
Interest Rate Options	831,200	768,496
Interest Rate Futures	-	-
<b>Other Trading Transactions (III)</b>	<b>56,269</b>	<b>56,307</b>
<b>A. Total Trading Derivative Transactions (I+II+III)</b>	<b>18,923,900</b>	<b>16,140,333</b>
<b>Types of Hedging Transactions</b>		
Fair Value Hedges	110,000	220,000
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Total Hedging Derivatives</b>	<b>110,000</b>	<b>220,000</b>
<b>Total Derivative Transactions (A+B)</b>	<b>19,033,900</b>	<b>16,360,333</b>

**c. Investment Funds**

None.

**d. Information on contingent liabilities**

Outstanding legal claims against the Bank have been considered as contingent liabilities amounting to TL 25,526 and TL 13,002 provisions is provided against these legal cases (31 December 2016: Contingent liability: TL 25,048, Provision: TL 13,150).

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations And Notes on Income Statement**

**a. Information on interest income**

1. Information on interest income on loans

	30 June 2017		30 June 2016	
	TL	FC	TL	FC
Short-term Loans	186,534	15,773	195,460	17,521
Medium/Long-term Loans	171,198	133,395	109,032	86,754
Interest on Loans Under Follow-up	5,781	-	5,595	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>363,513</b>	<b>149,168</b>	<b>310,087</b>	<b>104,275</b>

(\*) Includes fee and commission income received for cash loans.

2. Information on interest income on banks

	30 June 2017		30 June 2016	
	TL	FC	TL	FC
From the CBRT (*)	4,318	5,171	1,676	2,970
From Domestic Banks	16,317	1,325	9,715	246
From Foreign Banks	581	511	1,335	395
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>21,216</b>	<b>7,007</b>	<b>12,726</b>	<b>3,611</b>

(\*) Interest incomes from Turkish Lira and Foreign Currency reserves, unrestricted accounts and reserve options which provided by CBRT has shown in “From the CBRT” line.

3. Information on interest income on marketable securities

	30 June 2017		30 June 2016	
	TL	FC	TL	FC
From Trading Financial Assets	597	159	160	221
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	13,812	35,285	17,543	19,457
From Held-to-Maturity Investments	-	22,882	-	-
<b>Total</b>	<b>14,409</b>	<b>58,326</b>	<b>17,703</b>	<b>19,678</b>

4. Information on interest income received from investments in associates and subsidiaries

	30 June 2017	30 June 2016
Interest Received from Associates and Subsidiaries	6,407	1,646

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations And Notes on Income Statement (Continued)**

**b. Information on interest expense**

1. Information on interest expense on borrowings

	30 June 2017		30 June 2016	
	TL	FC	TL	FC
Banks	298	57,135	692	45,581
CBRT	-	-	-	-
Domestic Banks	298	969	692	1,322
Foreign Banks	-	56,166	-	44,259
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	28,617	-	24,039
<b>Total (*)</b>	<b>298</b>	<b>85,752</b>	<b>692</b>	<b>69,620</b>

(\*) Includes fee and commission expense related with cash loans.

2. Information on interest expense given to investments in associates and subsidiaries

	30 June 2017	30 June 2016
Interest Paid to Associates and Subsidiaries	1,336	2,053

3. Information on interest expense to marketable securities issued

	30 June 2017	30 June 2016
Information on Interest Expense to Marketable Securities Issued	33,377	11,398

4. Information on interest rate and maturity structure of deposits

	Demand Deposit	Time Deposit					Accumulated Deposit	Total
		Up to 1 Months	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	4,212	845	-	-	-	-	5,057
Savings Deposits	-	5,696	85,632	1,391	202	51	13	92,985
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	14,100	81,219	5,376	762	123	-	101,580
Other Deposits	-	280	2,882	260	-	-	-	3,422
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>24,288</b>	<b>170,578</b>	<b>7,027</b>	<b>964</b>	<b>174</b>	<b>13</b>	<b>203,044</b>
<b>Foreign Currency</b>								
Foreign Currency Account	-	2,290	48,253	7,060	700	237	-	58,540
Bank Deposits	-	3,069	370	-	-	-	-	3,439
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	2,764	-	-	-	-	2,764
<b>Total</b>	<b>-</b>	<b>5,359</b>	<b>51,387</b>	<b>7,060</b>	<b>700</b>	<b>237</b>	<b>-</b>	<b>64,743</b>
<b>Grand Total</b>	<b>-</b>	<b>29,647</b>	<b>221,965</b>	<b>14,087</b>	<b>1,664</b>	<b>411</b>	<b>13</b>	<b>267,787</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**IV. Explanations And Notes on Income Statement (Continued)**

**c. Information on dividend income**

There is dividend income amounting to TL 177 as of 30 June 2017 (30 June 2016: None).

**d. Information on trading income/loss (Net)**

	30 June 2017	30 June 2016
<b>Income</b>	<b>7,271,046</b>	<b>4,744,892</b>
Income from Capital Market Transactions	511	7,896
Derivative Financial Transactions	302,755	322,567
Foreign Exchange Gains	6,967,780	4,414,429
<b>Loss (-)</b>	<b>7,271,696</b>	<b>4,766,132</b>
Loss from Capital Market Transactions	1,491	1,374
Derivative Financial Transactions	462,510	405,239
Foreign Exchange Loss	6,807,695	4,359,519
<b>Net Income/(Loss)</b>	<b>(650)</b>	<b>(21,240)</b>

**e. Explanations about other operating income**

	30 June 2017	30 June 2016
Reversal of Specific Loan Provisions	36,132	30,378
Gain on Sale of Property, Plant and Equipment	2,035	1,470
Provision for Communication Costs Received from Customers	539	618
Provision for the Expenses Recovered from Customers	627	504
Commissions Received from Subsidiaries	206	-
Other	6,154	2,748
<b>Total</b>	<b>45,693</b>	<b>35,718</b>

**f. Provision expenses related to loans and other receivables**

	30 June 2017	30 June 2016
Specific Provisions for Loans and Other Receivables	78,106	104,455
III. Group Loans and Receivables	12,192	22,555
IV. Group Loans and Receivables	21,755	38,180
V. Group Loans and Receivables	44,159	43,720
General Provision Expenses	-	10,706
General Provisions for Possible Risks	-	-
Marketable Securities Impairment Expense	6,540	2,611
Financial Assets at Fair Value Through Profit or Loss	4,089	58
Available-for-sale Financial Assets	2,451	2,553
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	5,801	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	5,801	-
Other	1,697	14,721
<b>Total</b>	<b>92,144</b>	<b>132,493</b>



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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations And Notes on Income Statement (Continued)****g. Information related to other operating expenses**

	<b>30 June 2017</b>	<b>30 June 2016</b>
Personnel Expenses	72,416	80,650
Reserve For Employee Termination Benefits	119	749
Unused Vacation	246	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	5,332	4,173
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	3,431	2,518
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	619	313
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	40,707	41,551
Operational Lease Expenses	15,410	14,236
Maintenance Expenses	508	409
Advertising Expenses	4,358	2,151
Other Expenses	20,431	24,755
Loss on Sales of Assets	1,410	2,296
Other (*)	19,699	11,838
<b>Total</b>	<b>143,979</b>	<b>144,088</b>

(\*) Other operating charges is TL 10,698 (30 June 2016: TL 4,033) except premium of SDIF and tax amounting to TL 9,001.

**h. Explanations on profit and loss from continuing operations before tax**

	<b>30 June 2017</b>	<b>30 June 2016</b>
Net Interest Income	232,520	181,273
Net Fees And Commissions Income/Expense	29,702	12,661
Dividend Income	177	-
Trading Income / Loss (Net)	(650)	(21,240)
Other Operating Income	45,693	35,718
Provision For Loan Losses And Other Receivables (-)	(92,144)	(132,493)
Other Operating Expenses (-)	(143,979)	(144,088)
<b>Income/ Loss Before Tax From Continuing Operations</b>	<b>71,319</b>	<b>(68,169)</b>

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**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****IV. Explanations and Notes on Income Statement (Continued)****i. Provision for taxes on income from continuing operations**

As of 30 June 2017, the Bank has current tax expense is amounting to TL 16,074 (30 June 2016: None), and deferred tax income is amounting to 5,905 (30 June 2016: TL 13,801 deferred tax income).

**j. Information on net income/loss for the period**

- 1) Interest income from ordinary banking transactions is TL 626,249 (30 June 2016: TL 522,490), interest expense is TL 393,729 (30 June 2016: TL 341,217).
- 2) Information on any change in the accounting estimates has no profit/loss effect on current period or consequent periods.

**k. If the other items in the income statement exceed 10% of the income statement total, accounts amounting to at least 20% of these items are shown below:**

<b>Fees and Commissions Received - Other</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Insurance Commissions	10,729	1,438
Credit Card Pos Commissions	3,471	7,774
Expertise Commissions	1,334	691
Transfer Commissions	837	859
Account Management Fee Commission	646	838
Banking Service Income	554	239
Other	5,368	1,369
<b>Total</b>	<b>22,939</b>	<b>13,208</b>
<b>Fees and Commissions Paid - Other</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
Fees and Commissions on Foreign Currency Transactions	3,212	8,822
Debit Card Fees and Commissions	2,590	3,710
CBRT Interbank Money Market	684	162
Commissions Granted to Correspondent Banks	550	521
Commissions for Effective and Future Transactions	398	308
Pos Transaction Commissions Paid	372	319
Transfer Commissions	110	189
Other	996	1,193
<b>Total</b>	<b>8,912</b>	<b>15,224</b>

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****V. Explanations and Notes on Bank’s Risk Group****a. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period**

## 1. 30 June 2017

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
<b>Bank’s Risk Group</b> (*) (**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	102,576	6,125	-	80,452	18,795	-
Balance at the End of the Period	119,358	2,925	-	97,317	100,618	2,747
Interest and Commission Income Received	6,407	3,163	18	19	386	14

(\*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes bank receivables as well as loans and receivables.

## 2. 31 December 2016

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
<b>Bank’s Risk Group</b> (*) (**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	55,395	1,897	79,726	53,526	130,282	26,379
Balance at the End of the Period	102,576	6,125	-	80,452	18,795	-
Interest and Commission Income Received (***)	1,646	63	1,606	607	2,798	306

(\*) Defined in the 49th article of paragraph 2 of the Banking Act No. 5411.

(\*\*) The information in table above includes banks as well as loans and receivables.

(\*\*\*) 31 December 2016 column includes the 30 June 2016 balances.

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****V. Explanations and Notes on Bank’s Risk Group (Continued)****a. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)****3. Information on deposits of the Bank’s risk group**

Bank’s Risk Group (*)	Associates , subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<b>Deposit</b>						
Beginning of the Period	110,659	49,552	-	256,033	21,532	94,743
End of the Period	81,832	110,659	-	-	89,295	21,532
Interest Expense on Deposits (**)	1,336	2,053	16,282	27,789	337	9,901

(\*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(\*\*) 31 December 2016 column includes the 30 June 2016 balances.

**4. Information on forward and option agreements and other derivative instruments with the Bank’s risk group**

Bank’s Risk Group (*)	Associates , subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016	30 June 2017	31 December 2016
<b>Transactions for trading purposes (**)</b>						
Beginning of the Period (***)	36,123	-	-	13,945	-	-
End of the Period (****)	88,102	36,123	-	-	-	-
<b>Total Profit / Loss (****)</b>	<b>2,909</b>	<b>20</b>	<b>(11)</b>	<b>(134)</b>	<b>-</b>	<b>161</b>
<b>Transactions for hedging purposes</b>						
Beginning of the Period (***)	-	-	-	-	-	-
End of the Period (***)	-	-	-	-	-	-
<b>Total Profit / Loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

(\*) Defined in the 49th article of subsection 2 of the Banking Act No. 5411.

(\*\*) The Bank’s derivative instruments are classified as “Financial Assets at Fair Value through Profit or Loss” according to TAS 39.

(\*\*\*) The balances at the beginning and end of the periods are disclosed as the total of purchase and sell amounts of derivative financial instruments.

(\*\*\*\*) 31 December 2016 column includes the 30 June 2016 balances.

**b. With respect to the Bank’s risk group****1. The relations with entities that are included in the Bank’s risk group and controlled by the Bank irrespective of the relationship between the parties:**

The Bank performs various transactions with group companies during its banking activities. These are commercial transactions realised with market prices.

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)****V. Explanations and Notes on Bank's Risk Group (Continued)****b. With respect to the Bank's risk group (Continued)**

2. The type of transaction, the amount and its ratio to total transaction volume, the amount of significant items and their ratios to total items, pricing policy and other issues

	<b>Total Risk Group</b>	<b>Share in Financial Statements (%)</b>
Deposits	171,127	1.85%
Non-cash Loans	102,989	3.19%
Loans	219,976	2.08%
Subordinated Loan	439,900	29.24%

These transactions are priced according to the Bank's pricing policy and they are in line with the market prices.

3. Equity accounted transactions

None.

4. Information on transactions such as purchase-sale of immovable and other assets, purchase-sale of service, agent agreements, financial lease agreements, transfer of the information gained as a result of research and development, license agreements, financing (including loans and cash or in kind capital), guarantees, collaterals and management contracts

As of 30 June 2017, there is no financial leasing agreement between the Bank and Alternatif Finansal Kiralama A.Ş. The Bank has also cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş.

The Bank allocates cash and non-cash loans to the risk group of the Bank within limits of Banking Laws and that amount is 2.34% of total cash and non-cash loan amount (31 December 2016: 1.56%).

**c. Information regarding benefits provided to the Bank's key management**

Benefits provided to the Bank's key management amount to TL 6,922 as of 30 June 2017 (30 June 2016: TL 12,868).

**VI. Explanations and Notes on Subsequent Events**

None.

**ALTERNATİFBANK A.Ş.****NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**

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

**SECTION SIX****OTHER EXPLANATIONS****I. Other Explanations Related to Bank’s Operations**

Summary information about the Bank’s rates from international credit rating agencies

<b>Fitch Ratings: May 2017</b>	
Foreign Currency	
Long Term	BBB- (Stable)
Short Term	F3
Local Currency	
Long Term	BBB- (Stable)
Short Term	F3
National Note	AAA(tur) (Stable)
Support Note	2
Financial Capacity Note	b+

<b>Moody’s: March 2017</b>	
Foreign Currency	
Long Term	Ba2
Short Term	NP
Local Currency	
Long Term	Ba1
Short Term	NP
National Long Term	Aa1.tr
National Short Term	TR-1
Outlook	Negative

**SECTION SEVEN****DISCLOSURES ON THE AUDITORS’ REVIEW REPORT****I. Explanations on the Independent Auditors’ Review Report**

The Bank’s unconsolidated financial statements and footnotes to be disclosed to public as of 30 June 2017 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) and the independent auditors’ review report dated 26 July 2017 has been presented with the unconsolidated financial statements.

**II. Explanations and Footnotes Prepared by Independent Auditor**

None.

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**SECTION EIGHT**

**I. Interim Period Activity Report Consisting Bank Chairman and CEO’s Evaluation in Reference to Interim Period Activities**

**Abstract Financial Information About the Term Activity Results**

The unconsolidated financial statements with explanations related to these and financial data compatible to footnotes that prepared according to Financial Tables that will be Announced to Public by Banks with Explanations Related to these and Footnotes Communique which has been regulated by Council of Bank Audit and Regulation regarding to the bank’s 1 January – 30 June 2017 activity period is below.

<b>REALIZED FIGURES</b>	<b>30 June 2017</b>	<b>31 December 2016</b>	<b>30 June 2016</b>
Loans	10,787,093	10,570,687	9,362,042
Stocks and Shares	2,401,538	2,329,221	1,918,862
Bank Deposits	9,275,153	8,908,646	7,451,249
Total Assets	17,212,658	16,464,757	13,989,238
Equity	1,338,545	1,225,028	1,126,630
Profit / Loss Before Taxes	71,319	1,937	(68,169)
Profit / Loss	61,150	8,804	(54,368)

**MESSAGE FROM THE CHAIRMAN**

Esteemed Stakeholders,

While 2016 was a year dominated by growth concerns and cyclical fluctuations, the first quarter of 2017 saw the continued impact of regional developments and the second quarter has seen the global economic outlook improve.

While Global risk perceptions were moderately impacted by the U.S. elections and Brexit negotiations, we have witnessed a surge in capital inflows to and improvement in the financial market indicators of developing countries. In the upcoming period, we expect markets to closely monitor the monetary policies of the European Central Bank and the Federal Reserve, and for the positive outlook for global growth to continue.

Statements made by government officials to bolster both domestic and international investor confidence in the economy have begun to yield some very positive results. In the first half of the year, the banking industry's growth rates exceeded expectations. Both KOSGEB (Small and Medium Enterprises Development Organization) and KGF (Credit Guarantee Fund) loans have played a major role in this success.

Our Bank continues to see the positive momentum it has maintained since the third quarter of 2016. As a result, I am pleased to announce that we are well on course to achieve our targets in terms of asset size, credit and deposit volume, as well as profitability.

We are also delighted with the support of ABank and its shareholder The Commercial Bank (P.S.Q.C.) to the ongoing strategic relationship between Turkey and Qatar. Our goal will be to increase the share of ABank in the Commercial Bank’s (P.S.Q.C.) consolidated figures, which we are confident can be achieved thanks to the Turkish economy’s great potential and the ever strengthening commercial ties between Qatar and Turkey.

I believe that with the deepening synergy between the two banks, ABank will create the highest value for all stakeholders while maintaining sustainable growth through its strong human capital and focused banking strategy.

Respectfully yours,

Omar Hussain I H Al-Fardan

Chairman

**ALTERNATİFBANK A.Ş.**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2017**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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**I. Interim Period Activity Report Consisting Bank Chairman and CEO’s Evaluation in Reference to Interim Period Activities (Continued)**

**MESSAGE FROM THE CEO**

Esteemed Stakeholders,

As ABank we maintained our sound position in core banking areas and achieved positive results thanks to the whole-hearted dedication and commitment of my colleagues. ABank increased its asset size by 23 percent to TL 17.2 billion and its deposit volume by 24.5 percent to TL 9.3 billion year-on-year. Meanwhile, our loan volume increased by 15.2 percent to TL 10.8 billion. We posted TL 61.2 million in profits.

Our Focused Banking Strategy has allowed us to plan for the long haul and boost up our defenses against cyclical fluctuations. In line with this strategy, it is our utmost priority and set course to connect with customers, who are at the foundation of our approach, by offering tailor-made products through customer-focused consulting at our next generation branches.

Our corporate goals are thriving with the vision of The Commercial Bank (P.S.Q.C.), and we are determined to expand our business volume in all focus areas without compromising on our effective risk management approach. We will maintain sustainable growth by further progressing our unique and specialized approach with the strength we draw from the service network of The Commercial Bank (P.S.Q.C.). One of our main priorities will continue to include supporting the ever-growing collaboration between Turkey and Qatar, and capitalize on the opportunities it creates.

I thank our stakeholders and the Board of Directors for being the source of motivation in our march toward these ambitious targets; our customers for being our supports with their unwavering trust in us; all my colleagues for their dedicated contribution to these successful results; and all our other stakeholders.

Respectfully yours,

Müge Öner

CEO