

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

Alternatifbank A.Ş.

Unconsolidated Financial Statements

As of and For the Six Month Period Ended 30 June 2016

With Review Report Thereon

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish)

3 August 2016

This report includes "Review Report" comprising 2 pages and; "Unconsolidated Financial Statements and Related Disclosures and Footnotes" comprising 83 pages.

**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 2016 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. at 30 June 2016 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects 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

Murat Alsan
Partner, SMMM

3 August 2016
İstanbul, Turkey

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 2016**

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The unconsolidated financial report as of and for the six-month period ended 30 June 2016 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 ON INDEPENDENT AUDITORS’ REVIEW REPORT
- INTERIM PERIOD ACTIVITY REPORT

The accompanying unconsolidated financial statements and notes to these financial statements 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.

Tuncay Özilhan
Chairman of the Board
of Directors

Müge Öner
Acting CEO

Kağan Gündüz
Financial Control and
Planning Executive Vice
President

Ahmet Özkan
Budget And Reporting
Unit Manager

Didem Çerçi
Member of Board of Directors and
Head of Audit Committee

Mohd Ismail M Mandani Al-Emadi
Member of Board of Directors and
Member of Audit Committee

Gerard George Rizk
Member of Board of Directors and
Member of Audit Committee

The authorized contact person for questions on this financial report:

Name-Surname / Title : Ahmet Özkan / Budget and Reporting Unit Manager
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ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016

(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 54 (31 December 2015: 59) 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 2016, 75% of the shares of the Bank are owned by The Commercial Bank (Q.S.C.). Shareholder’s structure of the Bank is as follows:

Name/Commercial Name	30 June 2016		31 December 2015	
	Share Amount	Share Ratio	Share Amount	Share Ratio
The Commercial Bank (Q.S.C.)	577,500	%75.00	465,000	%75.00
Anadolu Endüstri Holding A.Ş. (**)	192,500	%25.00	106,683	%17.21
Anadolu Aktif Teşebbüs ve Makine Ticaret A.Ş. (**)	-	-	48,317	%7.79
Total (*)	770,000	%100	620,000	%100

(*) Paid in capital of the Bank has increased to TL 770,000 by TL 150,000 in cash on 14 April 2016.

(**) The 7.79 % share of the Bank’s, owned by the Anadolu Aktif Teşebbüs ve Makine Ticaret A.Ş., and is acquired by Anadolu Endüstri Holding A.Ş. after the approval of BRSA as of 14 January 2016. According to the decision of the board of the directors dated 18 July 2016, Anadolu Industry Holding decided to use the right of sale for 192,500,000 (%25) registered share certificates included in "Shareholder's Agreement", which signed with The Commercial Bank (Q.S.C) on 18 July 2013, which is owned by that related to the bank’s association at Alternatifbank A.Ş. as of 18th July 2016. Share sale price has been calculated as 222,500,000 USD according to the base price method in Shareholder’s Agreement. A notice about this subject has been sent to Q.S.C. at the same time.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016
(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

Title	Name	Responsibility	Indirect Share Capital (%)
Chairman of Board of Directors	Tuncay Özilhan	-	3
Member of Board of Directors and Acting General Manager	Müge Öner	Member of the Credit Committee, The Executive Committee of the Board	-
Member of Board of Directors	Ömer Hussain I H Al-Fardan	Vice Chairman, Chairman of the Executive Committee of the Board, Chairman of the Remuneration Committee, Alternate Member of the Credit Committee	-
	Fahad Abdulrahman Badar	Member of the Credit Committee	-
	Didem Çerçi	Chairman of the Audit Committee	-
	İzzat Dajani	Member of the Audit Committee and the Risk Committee	-
	Mohd İsmail M Mandani Al-Emadi	Chairman of the Risk Committee, Member of the Audit Committee	-
	Gerard George Rizk	Member of the Remuneration Committee, Chairman of the Credit Committee and Member of the Executive Committee of the Board	-
	Mehmet Hurşit Zorlu	Member of the Risk Committee, Member of the Remuneration Committee, Member of the Executive Committee of the Board, Alternate Member of the Credit Committee	-
Executive Vice Presidents (**)	Seher Demet Tanrıöver Çaldağ	Credit Risk Management-Chief Risk Officer	-
	Tanol Türkoğlu	Information Technologies and Operations-Chief Operating Officer	-
	Suat Çetin	Operations- Consumer Relations Coordination Officer	-
	Sezin Erken	Retail Banking	-
	Mete Hakan Güner	Commercial Banking	-
	Musa Kerim Mutluay	Restructuring and Legal Follow-up	-
	Muzaffer Gökhan Songül	Credit Allocation	-
	Şakir Sömek	Financial Institutions	-
	Kağan Gündüz	Financial Control and Planning	-
	Ahmet Kağan Yıldırım	Chief Business Officer	-
Chairman of Board of Inspectors	Mustafa Mutlu Çalışkan	Board of Inspectors	-

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016
(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.

Name/Commercial Title	Share Amounts (Nominal)	Share Rates	Paid-in Capital (Nominal)	Unpaid Portion
The Commercial Bank (Q.S.C.)	577,500	%75.00	577,000	-
Anadolu Endüstri Holding A.Ş.	192,500	%25.00	192,500	-

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 2016, the Bank has 54 branches (31 December 2015: 59 branches) and has 913 employees (31 December 2015: 1,038 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 2016

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

I.	BALANCE SHEET (STETEMENT OF FINANCIAL POSITION)	Note (Section Five)	30 June 2016			31 December 2015		
			TL	FC	Total	TL	FC	Total
	ASSETS							
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	83,141	1,371,997	1,455,138	51,568	1,493,930	1,545,498
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-b	22,399	18,828	41,227	22,625	5,037	27,662
2.1	Financial Assets Held for Trading		22,399	18,828	41,227	22,625	5,037	27,662
2.1.1	Public Sector Debt Securities		29	429	458	1	421	422
2.1.2	Equity Securities		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		22,370	18,399	40,769	22,624	4,616	27,240
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		-	-	-	-	-	-
III.	BANKS	I-c	225,852	285,938	511,790	289,598	321,844	611,442
IV.	MONEY MARKET PLACEMENTS		170,042		170,042	350,105		350,105
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	50,017	-	50,017
4.3	Receivables from Reverse Repurchase Agreements		170,042	-	170,042	300,088	-	300,088
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	I-d	346,971	1,571,433	1,918,404	353,778	462,164	815,942
5.1	Share Certificates		4,721	-	4,721	4,721	-	4,721
5.2	Government Debt Securities		340,206	1,361,302	1,701,508	343,916	323,156	667,072
5.3	Other Marketable Securities		2,044	210,131	212,175	5,141	139,008	144,149
VI.	LOANS	I-e	5,311,534	4,050,508	9,362,042	5,105,041	4,240,328	9,345,369
6.1	Loans		5,093,185	4,050,508	9,143,693	4,884,144	4,240,328	9,124,472
6.1.1	Loans to the Bank's Risk Group		243	278,221	278,464	15,853	249,550	265,403
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		5,092,942	3,772,287	8,865,229	4,868,291	3,990,778	8,859,069
6.2	Non Performing Loans		560,040	-	560,040	476,025	-	476,025
6.3	Specific Provisions (-)		341,691	-	341,691	255,128	-	255,128
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD-TO-MATURITY INVESTMENTS (Net)	I-f	-	-	-	-	-	-
8.1	Public Sector Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-	-	-	-
9.1	Accounted for Under Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		-	-	-	-	-	-
X.	INVESTMENT IN SUBSIDIARIES (Net)	I-h	166,380	-	166,380	166,380	-	166,380
10.1	Unconsolidated Financial Subsidiaries		166,380	-	166,380	166,380	-	166,380
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	I-i	-	-	-	-	-	-
11.1	Consolidated Under Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	I-j	-	-	-	-	-	-
12.1	Finance Lease Receivables		-	-	-	-	-	-
12.2	Operation Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	-	-	-	-	-	-
13.1	Fair Value Hedges		-	-	-	-	-	-
13.2	Cash Flow Hedges		-	-	-	-	-	-
13.3	Net Foreign Investment Hedges		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		29,050	-	29,050	27,815	-	27,815
XV.	INTANGIBLE ASSETS (Net)		33,753	-	33,753	30,632	-	30,632
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		33,753	-	33,753	30,632	-	30,632
XVI.	INVESTMENT PROPERTY (Net)	I-l	-	-	-	-	-	-
XVII.	TAX ASSET	II-i	10,166	-	10,166	4,806	-	4,806
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		10,166	-	10,166	4,806	-	4,806
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-m	-	-	-	-	-	-
18.1	Assets Held for Sale		-	-	-	-	-	-
18.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-n	247,825	43,421	291,246	187,472	36,540	224,012
	TOTAL ASSETS		6,647,113	7,342,125	13,989,238	6,589,820	6,559,843	13,149,663

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 2016

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five)	30 June 2016			31 December 2015		
			TL	FC	Total	TL	FC	Total
	LIABILITIES							
I.	DEPOSITS	II-a	3,419,345	4,031,904	7,451,249	3,437,104	2,851,016	6,288,120
1.1	Deposits from Bank’s Risk Group		449,120	467,810	916,930	264,243	136,085	400,328
1.2	Other		2,970,225	3,564,094	6,534,319	3,172,861	2,714,931	5,887,792
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-b	211	25,903	26,114	1,093	12,303	13,396
III.	FUNDS BORROWED	II-c	19,854	2,665,228	2,685,082	20,864	3,473,406	3,494,270
IV.	MONEY MARKET FUNDS		230,485	-	230,485	241,579	116,444	358,023
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Funds Provided Under Repurchase Agreements		230,485	-	230,485	241,579	116,444	358,023
V.	MARKETABLE SECURITIES ISSUED (Net)		-	727,311	727,311	-	735,736	735,736
5.1	Bills		-	727,311	727,311	-	735,736	735,736
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		72,981	143,074	216,055	88,721	115,041	203,762
VIII.	OTHER LIABILITIES	II-d	117,803	1,167	118,970	122,741	2,666	125,407
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	II-e	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-f	4,237	-	4,237	113	-	113
11.1	Fair Value Hedges		4,237	-	4,237	113	-	113
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Net Foreign Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	II-g	148,670	321	148,991	137,061	3	137,064
12.1	General Loan Loss Provision		98,393	-	98,393	93,386	-	93,386
12.2	Provisions for Restructuring		-	-	-	-	-	-
12.3	Reserve for Employee Benefit		9,130	-	9,130	8,396	-	8,396
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		41,147	321	41,468	35,279	3	35,282
XIII.	TAX LIABILITY	II-h	18,274	-	18,274	26,944	-	26,944
13.1	Current Tax Liability		18,274	-	18,274	26,944	-	26,944
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	PAYABLES FOR ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	2,680	2,680	-	2,660	2,660
14.1	Held for Sale		-	2,680	2,680	-	2,660	2,660
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	II-j	-	1,233,160	1,233,160	-	767,558	767,558
XVI.	SHAREHOLDERS’ EQUITY	II-k	1,112,129	14,501	1,126,630	1,008,006	(11,396)	996,610
16.1	Paid-in Capital		770,000	-	770,000	620,000	-	620,000
16.2	Capital Reserves		(8,971)	14,501	5,530	(17,462)	(11,396)	(28,858)
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(7,550)	14,501	6,951	(16,041)	(11,396)	(27,437)
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		(1,475)	-	(1,475)	(1,475)	-	(1,475)
16.3	Profit Reserves		405,089	-	405,089	339,861	-	339,861
16.3.1	Legal Reserves		26,254	-	26,254	22,993	-	22,993
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		378,835	-	378,835	316,868	-	316,868
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit or (Loss)		(53,989)	-	(53,989)	65,607	-	65,607
16.4.1	Prior Years’ Profit or (Loss)		379	-	379	6,096	-	6,096
16.4.2	Current Year Profit or (Loss)		(54,368)	-	(54,368)	59,511	-	59,511
	TOTAL LIABILITIES		5,143,989	8,845,249	13,989,238	5,084,226	8,065,437	13,149,663

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 2016

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

II.	OFF- BALANCE SHEET ITEMS	Note (Section Five)	30 June 2016			31 December 2015		
			TL	FC	Total	TL	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		6,183,008	11,840,161	18,023,169	5,103,282	9,704,545	14,807,827
I.	GUARANTEES AND WARRANTIES	III-a-2	1,085,908	1,661,692	2,747,600	1,215,593	1,946,450	3,162,043
1.1	Letters of Guarantee	III-a-2.ii	1,085,410	860,637	1,946,047	1,215,593	1,013,426	2,229,019
1.1.1	Guarantees Subject to State Tender Law		20,187	14,835	35,022	26,863	10,339	37,202
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3	Other Letters of Guarantee		1,065,223	845,802	1,911,025	1,188,730	1,003,087	2,191,817
1.2	Bank Acceptances	III-a-2.i	-	17,747	17,747	-	35,849	35,849
1.2.1	Import Letter of Acceptance		-	17,747	17,747	-	35,849	35,849
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit	III-a-2.i	498	246,195	246,693	-	345,843	345,843
1.3.1	Documentary Letters of Credit		498	246,195	246,693	-	345,843	345,843
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	-	537,113	537,113	-	551,332	551,332
1.9	Other Warranties		-	-	-	-	-	-
II.	COMMITMENTS		1,059,972	853,045	1,913,017	642,462	282,755	925,217
2.1	Irrevocable Commitments		1,059,972	853,045	1,913,017	642,462	282,755	925,217
2.1.1	Asset Purchase and Sales Commitments		440,249	795,305	1,235,554	7,151	78,176	85,327
2.1.2	Deposit Purchase and Sales Commitments		-	57,740	57,740	-	204,579	204,579
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits	III-a-1	208,533	-	208,533	228,546	-	228,546
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		225,820	-	225,820	234,499	-	234,499
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		139,370	-	139,370	125,780	-	125,780
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		42,262	-	42,262	42,748	-	42,748
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	III-b	4,037,128	9,325,424	13,362,552	3,245,227	7,475,340	10,720,567
3.1	Hedging Derivative Financial Instruments		220,000	-	220,000	220,000	-	220,000
3.1.1	Transactions for Fair Value Hedge		220,000	-	220,000	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		3,817,128	9,325,424	13,142,552	3,025,227	7,475,340	10,500,567
3.2.1	Forward Foreign Currency Buy/Sell Transactions		55,849	243,173	299,022	165,022	169,878	334,900
3.2.1.1	Forward Foreign Currency Transactions-Buy		16,973	121,438	138,411	77,419	79,246	156,665
3.2.1.2	Forward Foreign Currency Transactions-Sell		38,876	121,735	160,611	87,603	90,632	178,235
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		3,372,911	6,372,840	9,745,751	2,750,533	4,909,242	7,659,775
3.2.2.1	Foreign Currency Swap-Buy		1,616,223	3,265,098	4,881,321	1,104,676	2,729,152	3,833,828
3.2.2.2	Foreign Currency Swap-Sell		1,756,688	3,107,742	4,864,430	1,645,857	2,180,090	3,825,947
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest Rate and Securities Options		388,368	2,663,254	3,051,622	109,672	2,349,530	2,459,202
3.2.3.1	Foreign Currency Options-Buy		225,981	677,169	903,150	43,385	626,975	670,360
3.2.3.2	Foreign Currency Options-Sell		162,387	742,825	905,212	66,287	603,127	669,414
3.2.3.3	Interest Rate Options-Buy		-	563,934	563,934	-	559,714	559,714
3.2.3.4	Interest Rate Options-Sell		-	563,934	563,934	-	559,714	559,714
3.2.3.5	Securities Options-Buy		-	57,696	57,696	-	-	-
3.2.3.6	Securities Options-Sell		-	57,696	57,696	-	-	-
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		-	46,157	46,157	-	46,690	46,690
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		37,037,568	14,489,973	51,527,541	36,121,954	14,496,620	50,618,574
IV.	ITEMS HELD IN CUSTODY		557,040	552,854	1,109,894	683,157	649,790	1,332,947
4.1	Customer Fund and Portfolio Balances		154,107	-	154,107	282,335	-	282,335
4.2	Investment Securities Held in Custody		1,440	18,575	20,015	380	17,717	18,097
4.3	Cheques Received for Collection		256,852	11,935	268,787	258,016	18,653	276,669
4.4	Commercial Notes Received for Collection		31,561	5,008	36,569	29,346	934	30,280
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		113,080	517,336	630,416	113,080	612,486	725,566
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		36,465,888	13,936,962	50,402,850	35,426,040	13,846,671	49,272,711
5.1	Marketable Securities		-	-	-	-	-	-
5.2	Guarantee Notes		26,515,943	8,398,155	34,914,098	26,500,704	8,578,674	35,079,378
5.3	Commodity		708,552	98,235	806,787	147,207	75,869	223,076
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		7,120,241	4,269,625	11,389,866	7,260,996	4,294,007	11,555,003
5.6	Other Pledged Items		2,121,152	1,170,947	3,292,099	1,517,133	898,121	2,415,254
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		14,640	157	14,797	12,757	159	12,916
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		43,220,576	26,330,134	69,550,710	41,225,236	24,201,165	65,426,401

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

ALTERNATİFBANK A.Ş.
UNCONSOLIDATED STATEMENT OF INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

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

III. INCOME STATEMENT		Note	1 January–	1 January–	1 April–	1 April–
		(Section	30 June 2016	30 June 2015	30 June 2016	30 June 2015
		Five)				
INCOME AND EXPENSE ITEMS						
I.	INTEREST INCOME	IV-a	522,490	530,070	252,357	282,971
1.1	Interest on Loans		414,362	480,344	208,951	257,810
1.2	Interest Received from Reserve Requirements		4,646	525	2,177	323
1.3	Interest Received from Banks		11,691	2,637	3,759	1,118
1.4	Interest Received from Money Market Transactions		51,566	11,954	16,017	7,640
1.5	Interest Received from Marketable Securities Portfolio		37,381	32,893	20,059	15,114
1.5.1	Trading Financial Assets		381	297	302	14
1.5.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-
1.5.3	Available-for-sale Financial Assets		37,000	32,596	19,757	15,100
1.5.4	Held-to-maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		2,844	1,717	1,394	966
II.	INTEREST EXPENSE	IV-b	341,217	272,697	166,732	139,139
2.1	Interest on Deposits		247,943	208,780	114,444	107,132
2.2	Interest on Funds Borrowed		70,312	35,166	41,899	19,352
2.3	Interest Expense on Money Market Transactions		8,920	13,874	4,527	6,907
2.4	Interest on Securities Issued		11,398	12,031	5,605	5,193
2.5	Other Interest Expenses		2,644	2,846	257	555
III.	NET INTEREST INCOME (I - II)		181,273	257,373	85,625	143,832
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		12,661	19,152	8,609	9,665
4.1	Fees and Commissions Received		28,148	24,725	14,277	12,668
4.1.1	Non-cash Loans		14,940	14,274	6,561	7,235
4.1.2	Other	IV-k	13,208	10,451	7,716	5,433
4.2	Fees and Commissions Paid		15,487	5,573	5,668	3,003
4.2.1	Non-cash Loans		263	176	137	91
4.2.2	Other	IV-k	15,224	5,397	5,531	2,912
V.	DIVIDEND INCOME	IV-c	-	-	-	-
VI.	TRADING INCOME / LOSS (Net)	IV-d	(21,240)	4,424	(798)	8,196
6.1	Trading Gains/ Losses on Securities		6,522	4,787	6,998	169
6.2	Trading Gains/ Losses on Derivative Financial Instruments		(82,672)	37,526	17,856	24,864
6.3	Foreign Exchange Gains/ Losses		54,910	(37,889)	(25,652)	(16,837)
VII.	OTHER OPERATING INCOME	IV-e	35,718	141,941	21,782	115,984
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		208,412	422,890	115,218	277,677
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	132,493	93,090	63,654	44,275
X.	OTHER OPERATING EXPENSES (-)	IV-g	144,088	262,690	67,587	180,790
XI.	NET OPERATING INCOME/ LOSS (VIII-IX-X)		(68,169)	67,110	(16,023)	52,612
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-	-	-
XIII.	INCOME/ LOSS FROM INVESTMENTS IN SUBSIDIARIES		-	-	-	-
	CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XIV.	INCOME/ LOSS ON NET MONETARY POSITION		-	-	-	-
XV.	INCOME/ LOSS BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	(68,169)	67,110	(16,023)	52,612
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	IV-i	13,801	(17,057)	1,345	(12,211)
16.1	Current Tax Provision		-	(15,527)	-	(12,933)
16.2	Deferred Tax Provision		13,801	(1,530)	1,345	722
XVII.	NET INCOME/ LOSS FROM CONTINUING OPERATIONS (XV±XVI)		(54,368)	50,053	(14,678)	40,401
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
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		-	-	-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
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		-	-	-	-
XX.	INCOME/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII -XIX)		-	-	-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
21.1	Current Tax Provision		-	-	-	-
21.2	Deferred Tax Provision		-	-	-	-
XXII.	NET PROFIT/ LOSS FROM DISCONTINUED OPERATIONS (XX± XXI)		-	-	-	-
XXIII.	NET PROFIT/LOSS (XVII+XXII)	IV-j	(54,368)	50,053	(14,678)	40,401
	Earnings / (Loss) Per Share in (Full TL)		(0.0796)	0.0807	(0.0197)	0.0652

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

ALTERNATİFBANK A.Ş.
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016

(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- 30 June 2016	1-January- 30 June 2015
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	42,985	(14,440)
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	-	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	-	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	(8,597)	2,888
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	34,388	(11,552)
XI. CURRENT PERIOD INCOME/LOSS	(54,368)	50,053
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	5,217	3,830
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	(59,585)	46,223
XII. TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	(19,980)	38,501

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 ENDED 30 JUNE 2016

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

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

30 June 2015	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	-	16,771	-	198,649	-	130,064	473	(6,554)	-	-	-	-	959,457
Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences		-	-	-	-	-	-	-	-	-	-	(11,552)	-	-	-	-	(11,552)
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	50,053	-	-	-	-	-	-	50,053
XVIII. Profit Distribution		-	-	-	-	6,222	-	118,219	-	(130,064)	5,623	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves		-	-	-	-	6,222	-	118,219	-	(130,064)	5,623	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+... +XVIII)		620,000	-	54	-	22,993	-	316,868	-	50,053	6,096	(18,106)	-	-	-	-	997,958

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 ENDED 30 JUNE 2016

(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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+... +XVIII)		770,000	-	54	-	26,254	-	378,835	(1,475)	(54,368)	379	6,951	-	-	-	-	1,126,630

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

ALTERNATİFBANK A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOW
FOR THE INTERIM PERIOD ENDED 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS	Note (Section Five)	1 January- 30 June 2016	1 January- 30 June 2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	113,366	77,160
1.1.1	Interest Received	504,575	522,656
1.1.2	Interest Paid	(324,418)	(270,461)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	28,148	24,725
1.1.5	Other Income	65,303	48,839
1.1.6	Collections from Previously Written-off Loans and Other Receivables	97,170	46,048
1.1.7	Payments to Personnel and Service Suppliers	(76,646)	(76,223)
1.1.8	Taxes Paid	(4,436)	(11,299)
1.1.9	Other	(176,330)	(207,125)
1.2	Changes in Operating Assets and Liabilities	112,104	692,015
1.2.1	Net (Increase)/Decrease in Trading Securities	(31)	(5,726)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets	-	-
1.2.3	Net Increase/(Decrease) in due from Banks	105,100	101,969
1.2.4	Net (Increase)/Decrease in Loans	(177,000)	(920,420)
1.2.5	Net (Increase)/Decrease in Other Assets	(50,989)	(60,318)
1.2.6	Net (Increase)/Decrease in Bank Deposits	(171,220)	182,679
1.2.7	Net Increase/(Decrease) in Other Deposits	1,326,939	683,299
1.2.8	Net Increase/(Decrease) in Funds Borrowed	(819,726)	322,938
1.2.9	Net Increase/(Decrease) in Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(100,969)	387,594
I.	Net Cash Provided from Banking Operations	225,470	769,175
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities	(1,112,650)	50,923
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	(15,382)	349
2.4	Disposals of Property and Equipment	5,194	2,913
2.5	Cash Paid for Purchase of Investments Available-for-sale	(2,553,764)	(286,289)
2.6	Cash Obtained from Sale of Investments Available-for-sale	1,451,302	333,950
2.7	Cash Paid for Purchase of Investment Securities	-	-
2.8	Cash Obtained from Sale of Investment Securities	-	-
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities	607,177	281,041
3.1	Cash Obtained from Funds Borrowed and Securities Issued	457,177	478,141
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	-	(197,100)
3.3	Issued Capital Instruments	150,000	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	15,029	(132,231)
V.	Net Increase in Cash and Cash Equivalents (I+II+III+IV)	(264,974)	968,908
VI.	Cash and Cash Equivalents at Beginning of the Period	1,286,132	450,043
VII.	Cash and Cash Equivalents at End of the Period	1,021,158	1,418,951

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 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 2016 and 31 December 2015, 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 2016 and 31 December 2015, the Bank has not any foreign currency association and subsidiaries.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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’s 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 will 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”.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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 loans amounting TL 32,030 with maturity 3 years and TL 46,347 with maturity 5 years funding by using interest rate swaps. The both nominal value of interest rate swaps is TL 55,000 with maturity 3 years and 5 years respectively. In this context, TL 4,044 which was calculated for these loans is referred to 'Interest on Loans'.

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, until May 2014, the Bank allocated %100 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.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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.

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 BRSA 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 2016 and 31 December 2015, 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.

	30 June 2016	30 June 2015
Profit Attributable to Shareholders	(54,368)	50,053
Weighted Average Number of Issued Ordinary Shares (Thousand) ^(*)	683,333	620,000
Earnings Per Share (Disclosed in full TL)	(0.0796)	0.0807

^(*) Weighted average number of issued ordinary shares, calculated by considering the capital increase as of 14 April 2016.

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 2016 (31 December 2015: 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 67%, investment banking 28% 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

	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Bank
30 June 2016				
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
Net Profit for the Period	(61,525)	(6,644)	-	(54,368)
30 June 2016				
Segment Assets	9,362,042	3,926,559	534,257	13,822,858
Investments in Associates and Subsidiaries	-	-	166,380	166,380
Total Assets	9,362,042	3,926,559	700,637	13,989,238
Segment Liabilities	7,451,249	2,941,681	2,469,678	12,862,608
Shareholders' Equity	-	-	1,126,630	1,126,630
Total Liabilities	7,451,249	2,941,681	3,596,308	13,989,238

	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Bank
31 June 2015				
Net Interest Income	270,435	(13,062)	-	257,373
Net Fees and Commissions Income and Other Operating Income	161,093	-	-	161,093
Trading Profit/Loss	-	4,424	-	4,424
Dividend Income	-	-	-	-
Impairment Provision for Loans and Other Receivables (-)	(88,787)	(4,303)	-	(93,090)
Other Operating Expenses (-)	(262,690)	-	-	(262,690)
Profit Before Taxes	80,051	(12,941)	-	67,110
Tax Provision	-	-	-	(17,057)
Net Profit for the Period				50,053
31 December 2015				
Segment Assets	9,345,369	3,000,544	637,370	12,983,283
Investments in Associates and Subsidiaries	-	-	166,380	166,380
Total Assets	9,345,369	3,000,544	803,750	13,149,663
Segment Liabilities	6,288,120	3,865,689	1,999,244	12,153,053
Shareholders' Equity	-	-	996,610	996,610
Total Liabilities	6,288,120	3,865,689	2,995,854	13,149,663

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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 18.94% (31 December 2015: 15.55%).

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

	Amount	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	770,000	
Share issue premiums	54	
Reserves	403,614	
Gains recognized in equity as per TAS	6,951	
Profit	379	
Current Period Profit	-	
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	-	
Common Equity Tier 1 Capital Before Deductions	1,180,998	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	54,368	
Improvement costs for operating leasing (-)	13,037	
Goodwill (net of related tax liability)	6,751	
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)	10,166	
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 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	-	-
Total Deductions From Common Equity Tier 1 Capital	84,322	-
Total Common Equity Tier 1 Capital	1,096,676	-
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	27,002	-
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 (-)	-	-
	27,002	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	-	-
	1,069,674	-
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	-	-
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,217,472	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Debt instruments and share issue premiums deemed suitable by the BRSA	98,393	-
Tier II Capital Before Deductions	1,315,865	-
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1,315,865	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,385,539	-
Deductions from Total Capital	2,385,539	-
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	3,528	-
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)

In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the %10 of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,382,011	1,699,727
Total risk weighted amounts	12,577,072	10,932,464
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	8.72%	8.90%
Tier 1 Capital Adequacy Ratio (%)	8.51%	8.68%
Capital Adequacy Ratio (%)	18.94%	15.55%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	0.63%	-
Capital conservation buffer requirement (%)	0.63%	-
Bank specific counter-cyclical buffer requirement (%)	0.00%	-
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 (%)	4.22%	-
Amounts below the Excess Limits as per the Deduction Principles		
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	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	98,393	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	98,393	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to % 0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) 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)**

COMMON EQUITY	31 December 2015 (*)
Paid-in capital to be entitled for compensation after all creditors	620,000
Share premium	54
Share cancellation profits	-
Legal reserves	338,386
Other comprehensive income according to TAS	-
Profit	65,607
Net Current Period Profit	59,511
Prior Period Profit	6,096
Provisions for possible losses	-
Bonus shares from associates, subsidiaries and joint-ventures not accounted in current period’s profit	-
Common Equity Before Deductions	1,024,047
Deductions From Common Equity	
Current and prior periods’ losses not covered by reserves, and losses accounted under equity according to TAS (-)	27,437
Leasehold improvements on operational leases (-)	12,234
Goodwill and intangible assets and related deferred tax liabilities (-)	6,126
Net deferred tax assets / liabilities (-)	4,806
Shares obtained against article 56, paragraph 4 of the Banking Law (-)	-
Investments in own common equity (-)	-
Total of Net Long Positions of the Investments in equity items of unconsolidated banks and financial institutions where the bank does not own 10% or less of the issued share capital exceeding the 10% threshold of above Tier I Capital (-)	-
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(-)	-
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-
Net Deferred Tax Assets Arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or More of the Issued Share Capital Not Deducted from Tier I Capital (-)	-
Mortgage servicing rights not deducted (-)	-
Excess amount arising from deferred tax Assets from temporary differences (-)	-
Other items to be defined by the BRSA (-)	-
Deductions from Tier I Capital in cases where there are no adequate additional Tier I or Tier II Capitals (-)	-
Total Regulatory Adjustments to Common Equity	50,603
Total Common Equity	973,444

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**INFORMATION ON THE FINANCIAL FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(Continued)****I. Explanations on Shareholders' Equity (Continued)****a. Information on Shareholder's Equity (Continued)**

ADDITIONAL TIER I CAPITAL	
Privileged Stock Not Included in Tier I Capital and the Related Share Premiums	-
Directly Issued Qualifying Additional Tier 1 Instruments (Approved by the Regulators) Plus Related Stock Surplus (Issued or Obtained After 1.1.2014)	-
Directly Issued Qualifying Additional Tier 1 Instruments (Approved by the Regulators) Plus Related Stock Surplus (Issued or Obtained Before 1.1.2014)	-
Additional Tier I Capital Before Deductions	-
Deductions from Additional Tier I Capital	
Direct and Indirect Investments of the Bank on Its Own Additional Core Capital (-)	-
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 (-)	-
Deductions from Additional Core Capital in Cases Where There are no Adequate Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	-
Deductions from Tier I Capital	
Goodwill and Other Intangible Assets and Related Deferred Taxes not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	24,506
Net Deferred Tax Asset/Liability not Deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Total Tier I Capital	948,938
TIER II CAPITAL	
Directly Issued Qualifying Tier 2 Instruments (That are Approved by the Regulator) Plus Related Stock Surplus (Issued or Obtained after 1.1.2014)	-
Directly Issued Qualifying Tier 2 Instruments (That are Approved by the Regulator) Plus Related Stock Surplus (Issued or Obtained before 1.1.2014)	660,989
Pledged Sources on Behalf of the Bank for the Use of Committed Share Capital Increase by Shareholders	-
General Provisions	93,386
Tier II Capital before Deductions	754,375
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on Its Own Tier II Capital (-)	-
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 Core Capital and Tier II Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)	-
Other Items to be Defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	754,375

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

I. Explanations on Shareholders’ Equity (Continued)

a. Information on Shareholder’s Equity (Continued)

CAPITAL	
Loans Granted Against the Articles 50 and 51 of the Banking Law (-)	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired Against Overdue Receivables and Held for Sale but Retained more than Five Years (-)	3,584
Loans to Banks, Financial Institutions (domestic/foreign) or Qualified Shareholders in the Form of Subordinated Debts or Debt Instruments Purchased from Such Parties and Qualified as Subordinated Debts (-)	-
Deductions as per the Article 20, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Other Items to be Defined by the BRSA (-)	-
The Portion of 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 not Deducted from Tier I Capital, Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not Deducted from Additional Core Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions Where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets Arising from Temporary Differences and of the Mortgage Servicing Rights not Deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
SHAREHOLDERS’S EQUITY	1,699,727
Amounts lower than Excesses as per Deduction Rules	
Remaining 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	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions Where the Bank Owns more than 10% or Less of the Tier I Capital	-
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets Arising from Temporary Differences	-

(*) Total capital has been calculated in accordance with the “Regulations regarding to changes on Regulation on Equity of Banks” effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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

I. Explanations on Shareholders’ Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	The Commercial Bank (Q.S.C), United Arab Bank, National Bank Of Oman
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)
Regulatory treatment	
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)	360,600
Par value of instrument (Million TRL)	360,600
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	-
Coupons / dividends	
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
Convertible or non-convertible	
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	-
Write-down feature	
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 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)
Regulatory treatment	
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)	856,872
Par value of instrument (Million TRL)	856,872
Accounting classification	347
Original date of issuance	15.04.2016
Demand or time	Time
Original maturity date	10 years+ 1 day
	-Illegality, - After 5th year, -Taxation reason and
Issuer call subject to prior supervisory approval	-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	-
Coupons / dividends	
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	-
Convertible or non-convertible	
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	-
Write-down feature	
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.

	Usd	Euro
Rate used:	TL 2.8848	TL 3.2078
30 June 2016 Foreign Currency Bid Rate	TL 2.8848	TL 3.2078
29 June 2016 Foreign Currency Bid Rate	TL 2.8336	TL 3.2044
28 June 2016 Foreign Currency Bid Rate	TL 2.9130	TL 3.2262
27 June 2016 Foreign Currency Bid Rate	TL 2.9365	TL 3.2402
24 June 2016 Foreign Currency Bid Rate	TL 2.9266	TL 3.2444

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 2.9178
Euro: TL 3.2750

As of 31 December 2015;

	Usd	Euro
Rate Used:	TL 2.9181	TL 3.1838

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INFORMATION ON THE FINANCIAL 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:

	Euro	Usd	Yen	Other FC	Total
30 June 2016					
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	21,959	1,152,162	-	197,876	1,371,997
Banks	68,717	210,745	160	6,316	285,938
Financial Assets at Fair Value Through Profit and Loss (*)	34	1,074	-	-	1,108
Money Market Placements	-	-	-	-	-
Financial Assets Available-For-Sale	-	1,571,433	-	-	1,571,433
Loans (**)	2,465,636	2,519,203	-	-	4,984,839
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Held-to-Maturity Investments	-	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (***)	20,992	22,371	-	-	43,363
Total Assets	2,577,338	5,476,988	160	204,192	8,258,678
Liabilities					
Bank Deposits	6	177,416	-	-	177,422
Foreign Currency Deposits	716,025	3,100,973	1,558	35,926	3,854,482
Money Market Funds	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	775,599	3,122,789	-	-	3,898,388
Marketable Securities Issued	-	727,311	-	-	727,311
Miscellaneous Payables	35,042	107,743	-	289	143,074
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	2,801	1,795	7	84	4,687
Total Liabilities	1,529,473	7,238,027	1,565	36,299	8,805,364
Net Balance Sheet Position	1,047,865	(1,761,039)	(1,405)	167,893	(546,686)
Net Off-Balance Sheet Position	(1,046,046)	1,767,958	1,342	(167,437)	555,817
Financial Derivative Assets	1,495,527	3,070,946	16,945	32,257	4,615,675
Financial Derivative Liabilities	2,541,573	1,302,988	15,603	199,694	4,059,858
Non-Cash Loans (*****)	470,879	1,172,560	17,568	685	1,661,692
31 December 2015					
Total Assets	2,270,936	5,009,141	164	208,879	7,489,120
Total Liabilities	1,383,161	6,446,818	45	234,981	8,065,005
Net Balance Sheet Position	887,775	(1,437,677)	119	(26,102)	(575,885)
Net Off-Balance Sheet Position	(887,195)	1,495,362	(123)	25,331	633,375
Financial Derivative Assets	710,406	2,755,325	242	67,758	3,533,731
Financial Derivative Liabilities	1,597,601	1,259,963	365	42,427	2,900,356
Non-Cash Loans	409,965	1,531,570	106	4,809	1,946,450

(*) Accruals of derivative assets held for trading amounting to TL 17,720 (31 December 2015: TL 4,119) have been deducted from fair value through profit and loss.

(**) FC indexed loans and accruals amounting to TL 934,331 (31 December 2015: TL 933,448) are shown in loans.

(***) Accruals of spot transaction amounting to TL 58 (31 December 2015: TL 52) have been deducted from other assets.

(****) Accruals of derivative liabilities held for trading amounting to TL 25,063 (31 December 2015: TL 11,825) and other provisions amounting to TL 321 (31 December 2015: TL 3) have been deducted from other liabilities.

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

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INFORMATION ON THE FINANCIAL FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
(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 2016 and 30 June 2015.

	30 June 2016		30 June 2015	
	Income statement	Equity	Income statement	Equity
Usd	692	692	(410)	(410)
Euro	182	182	195	195
Other FC	39	39	(279)	(279)
Total, net	913	913	(494)	(494)

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 2016 and 30 June 2015.

	30 June 2016		30 June 2015	
	Income statement	Equity	Income statement	Equity
Usd	(692)	(692)	410	410
Euro	(182)	(182)	(195)	(195)
Other FC	(39)	(39)	279	279
Total, net	(913)	(913)	494	494

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)

30 June 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,325,706	-	-	-	-	129,432	1,455,138
Banks	225,058	-	-	-	-	286,732	511,790
Financial Assets at Fair Value Through Profit and Loss	33,435	4,020	3,772	-	-	-	41,227
Money Market Placements	170,042	-	-	-	-	-	170,042
Financial Assets Available-for-Sale	38,366	632,388	1,213,432	-	29,497	4,721	1,918,404
Loans	3,029,286	625,622	2,296,528	2,190,750	1,001,507	218,349	9,362,042
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	166	170	765	2,040	-	527,454	530,595
Total Assets	4,822,059	1,262,200	3,514,497	2,192,790	1,031,004	1,166,688	13,989,238
Liabilities							
Bank Deposits (**)	197,381	1	-	-	-	403	197,785
Other Deposits	5,396,894	1,380,185	102,987	170	-	373,228	7,253,464
Money Market Funds	230,485	-	-	-	-	-	230,485
Miscellaneous Payables	-	-	-	-	-	216,055	216,055
Marketable Securities Issued	-	-	-	727,311	-	-	727,311
Funds Borrowed From Other Financial Institutions	1,112,330	441,219	1,487,834	4,366	872,493	-	3,918,242
Other Liabilities and Shareholders' Equity (***)	21,022	7,261	2,798	-	-	1,414,815	1,445,896
Total Liabilities	6,958,112	1,828,666	1,593,619	731,847	872,493	2,004,501	13,989,238
Balance Sheet Long Position	-	-	1,920,878	1,460,943	158,511	-	3,540,332
Balance Sheet Short Position	(2,136,053)	(566,466)	-	-	-	(837,813)	(3,540,332)
Off-Balance Sheet Long Position	188,714	-	781	-	-	-	189,495
Off-Balance Sheet Short Position	-	(899)	-	-	-	-	(899)
Total Position	(1,947,339)	(567,365)	1,921,659	1,460,943	158,511	(837,813)	188,596

(*) 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 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)

31 December 2015	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,442,488	-	-	-	-	103,010	1,545,498
Banks	583,718	-	-	-	-	27,724	611,442
Financial Assets at Fair Value Through Profit and Loss	4,295	3,507	19,860	-	-	-	27,662
Money Market Placements	350,105	-	-	-	-	-	350,105
Financial Assets Available-for-Sale	36,578	471,265	225,045	49,992	28,341	4,721	815,942
Loans	4,347,911	461,705	1,599,401	2,026,163	689,292	220,897	9,345,369
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	53	-	-	-	-	453,592	453,645
Total Assets	6,765,148	936,477	1,844,306	2,076,155	717,633	809,944	13,149,663
Liabilities							
Bank Deposits	554,792	-	-	-	-	485	555,277
Other Deposits	3,736,326	1,494,977	122,878	7,801	-	370,861	5,732,843
Money Market Funds	264,966	93,057	-	-	-	-	358,023
Miscellaneous Payables	-	-	-	-	-	203,762	203,762
Marketable Securities Issued	-	-	-	735,736	-	-	735,736
Funds Borrowed From Other Financial Institutions	1,176,047	926,975	2,151,267	7,539	-	-	4,261,828
Other Liabilities and Shareholders' Equity (**)	8,088	2,270	3,593	-	-	1,288,243	1,302,194
Total Liabilities	5,740,219	2,517,279	2,277,738	751,076	-	1,863,351	13,149,663
Balance Sheet Long Position	1,024,929	-	-	1,325,079	717,633	-	3,067,641
Balance Sheet Short Position	-	(1,580,802)	(433,432)	-	-	(1,053,407)	(3,067,641)
Off-Balance Sheet Long Position	-	-	12,519	-	-	-	12,519
Off-Balance Sheet Short Position	(11,262)	(296)	-	-	-	-	(11,558)
Total Position	1,013,667	(1,581,098)	(420,913)	1,325,079	717,633	(1,053,407)	961

(*) 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.

30 June 2016	Euro	Usd	Other FC	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0.49	-	3.21
Banks	-	-	-	9.52
Financial Assets at Fair Value Through Profit and Loss	4.64	4.63	-	9.10
Money Market Placements	-	-	-	-
Financial Assets Available-for-Sale	-	5.64	-	9.73
Loans	5.09	5.15	-	14.52
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	0.63	-	10.25
Other Deposits	1.34	2.51	-	11.47
Money Market Funds	-	-	-	6.38
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.12	-	-
Funds Borrowed From Other Financial Institutions	1.21	4.45	-	6.67

31 December 2015	Euro	Usd	Other FC	TL
	%	%	%	%
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0.28	-	2.78
Banks	-	3.00	-	13.59
Financial Assets at Fair Value Through Profit and Loss	3.74	4.63	-	9.49
Money Market Placements	-	-	-	12.50
Financial Assets Available-for-Sale	-	4.12	-	9.38
Loans	4.43	5.32	-	16.20
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	1.08	1.00	1.75	-
Other Deposits	1.40	2.27	-	12.36
Money Market Funds	-	0.38	-	6.37
Miscellaneous Payables	4.46	-	-	-
Marketable Securities Issued	-	3.12	-	-
Funds Borrowed From Other Financial Institutions	1.77	2.54	-	7.66

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INFORMATION ON THE FINANCIAL 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 70% and 50% liquidity ratios for Total and Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows.

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.

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.

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.

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

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.

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.

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 ISEDES 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.

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)

1. 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 2016		Consideration Ratio		Consideration Ratio	
		Unapplied to Total Value (*)		Applied to Total Value (*)	
		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			2,912,899	2,070,011
CASH OUTFLOWS					
2	Retail and Small Business Customers	3,013,384	1,215,609	268,575	121,561
3	Stable Deposits	655,266	-	32,763	-
4	Less Stable Deposit	2,358,118	1,215,609	235,812	121,561
5	Unsecured Wholesale Funding	3,886,082	2,356,031	2,430,699	1,418,973
6	Operational Deposits	-	-	-	-
7	Non-operational Deposits	2,871,105	1,671,026	1,415,722	733,968
8	Other Unsecured Fundings	1,014,977	685,005	1,014,977	685,005
9	Secured Funding			24,523	24,523
10	Other Cash Outflows	35,589	9,487	35,589	9,487
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	35,589	9,487	35,589	9,487
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	2,242,774	1,146,042	516,807	272,804
15	Other irrevocable or conditionally revocable off-balance sheet obligations	383,504	383,504	19,175	19,175
16	TOTAL CASH OUTFLOWS			3,295,368	1,866,523
CASH INFLOWS					
17	Secured lending	605,746	-	-	-
18	Unsecured lending	1,767,458	511,812	1,297,947	440,785
19	Other cash inflows	2,797	2,752	2,797	2,752
20	TOTAL CASH INFLOWS	2,376,001	514,564	1,300,744	443,537
				Üst Sınır Uygulanmış Değerler	
21	TOTAL HIGH QUALITY ASSETS STOCKS			2,912,899	2,070,011
22	TOTAL CAH OUTFLOWS			1,994,624	1,422,986
23	LIQUIDITY COVERAGE RATIO (%)			157%	165%

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

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(Continued)

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

1. Liquidity Coverage Ratio (Continued)

		Consideration Ratio Unapplied		Consideration Ratio Applied to	
		to Total Value (*)		Total Value (*)	
31 December 2015		TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			2,034,644	1,409,901
CASH OUTFLOWS					
2	Retail and Small Business Customers	3,335,836	1,687,610	302,663	171,520
3	Stable Deposits	709,077	-	35,978	-
4	Less Stable Deposit	2,626,759	1,687,610	266,685	171,520
5	Unsecured Wholesale Funding	3,193,166	1,673,096	2,142,318	1,201,143
6	Operational Deposits	-	-	-	-
7	Non-operational Deposits	2,528,734	1,334,040	1,469,548	858,343
8	Other Unsecured Fundings	664,432	339,056	672,770	342,800
9	Secured Funding			90,100	90,100
10	Other Cash Outflows	56,155	2,513	57,504	2,513
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	56,155	2,513	57,504	2,513
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	3,331,820	2,224,343	574,178	325,292
15	Other irrevocable or conditionally revocable off-balance sheet obligations	35,691	35,691	1,810	1,810
16	TOTAL CASH OUTFLOWS			3,168,573	1,792,378
CASH INFLOWS					
17	Secured lending	399,489	-	-	-
18	Unsecured lending	1,531,230	366,618	1,063,930	267,635
19	Other cash inflows	1,758	523,442	1,758	537,948
20	TOTAL CASH INFLOWS	1,932,477	890,060	1,065,688	805,583
				Total Adjusted Value	
21	TOTAL HIGH QUALITY ASSETS STOCKS			2,034,644	1,409,901
22	TOTAL CAH OUTFLOWS			2,102,885	986,795
23	LIQUIDITY COVERAGE RATIO (%)			98%	171%

(*) 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)

2. Banks explanations as a minimum regarding the liquidity ratio:

2.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.

2.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.

2.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 2016, the proportion of total liabilities to all deposits of the bank is 53% and borrowings constitutes 19% portion whereas subordinate debt is 9%. Secured borrowings such as repo transactions has lower portion (2%). In addition, as a funding item, the Bank has TL 706,768 issued securities.

2.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 2016, net of derivative assets and liabilities amounts to TL 6,022. In addition, cash outflows 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 2016, the liability balance is computed as TL 29,763 in case of a change in fair value of derivatives products.

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

As of 30 June 2016, the Bank’s more than 37% 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 (95%). As of 30 June 2016, 30% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (Q.S.C.) and rest of the part is provided from development agencies. In addition, Bank has issued securities amounting to USD 250 million.

2.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.

2.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
30 June 2016								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	129,432	1,325,706	-	-	-	-	-	1,455,138
Due From Banks	286,732	225,058	-	-	-	-	-	511,790
Financial Assets at Fair Value Through Profit and Loss	-	17,987	3,623	3,356	15,916	345	-	41,227
Money Market Placements	-	170,042	-	-	-	-	-	170,042
Financial Assets Available-for-Sale	-	36,321	-	-	598,414	1,278,948	4,721	1,918,404
Loans	-	1,572,433	674,558	2,647,318	2,885,932	1,363,452	218,349	9,362,042
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (*)	472	67,637	9,001	10,072	9,124	12,632	421,657	530,595
Total Assets	416,636	3,415,184	687,182	2,660,746	3,509,386	2,655,377	644,727	13,989,238
Liabilities								
Bank Deposits (***)	403	197,381	1	-	-	-	-	197,785
Other Deposits	373,228	5,396,894	1,380,185	102,987	170	-	-	7,253,464
Funds Borrowed From Other Financial Institutions	-	1,067,351	60,969	472,909	701,625	1,615,388	-	3,918,242
Money Market Funds	-	230,485	-	-	-	-	-	230,485
Marketable Securities Issued	-	-	-	-	727,311	-	-	727,311
Miscellaneous Payables	-	-	-	-	-	-	216,055	216,055
Other Liabilities (**)	-	138,655	2,777	3,491	3,189	-	1,297,784	1,445,896
Total Liabilities	373,631	7,030,766	1,443,932	579,387	1,432,295	1,615,388	1,513,839	13,989,238
Liquidity Gap	43,005	(3,615,582)	(756,750)	2,081,359	2,077,091	1,039,989	(869,112)	-
31 December 2015								
Total Assets	130,989	3,479,179	753,943	2,802,982	3,660,788	1,724,867	596,915	13,149,663
Total Liabilities	371,346	4,792,487	1,994,350	1,964,336	1,404,478	1,253,634	1,369,032	13,149,663
Liquidity Gap	(240,357)	(1,313,308)	(1,240,407)	838,646	2,256,310	471,233	(772,117)	-

(*) 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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(Continued)

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 5.70% and calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks' (31 December 2015: 5.36%). 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%.

		30 June 2016 (*)	31 March 2015 (*)
	Assets in Balance Sheet		
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	13,727,730	13,427,983
2	Assets deducted in determining Tier 1 capital	(60,501)	(43,946)
3	Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives	13,667,229	13,384,037
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	80,730	40,727
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	329,759	14,735
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5 Securities or commodity financing transactions (SCFT))	410,489	55,462
	Securities or commodity financing transactions		
7	Risks from SCFT assets of off-balancesheet	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions	-	-
	Off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	4,700,297	4,852,040
11	(Adjustments for conversion to credit equivalent amounts)	(351,063)	(366,409)
12	Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks	4,349,234	4,485,631
	Capital and Total Risk		
13	Tier 1 capital	1,050,552	960,898
14	Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio	18,426,952	17,925,130
	Leverage ratio		
15	Leverage ratio	5.70%	5.36%

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

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK
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VII. Explanations on the Risk Management Objectives and Policies

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 31 March 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 2016:

- 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 2016	31 December 2015	30 June 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	11,434,541	9,933,660	914,763
2	Standardised approach (SA)	11,434,541	9,933,660	914,763
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	192,603	63,352	15,408
5	Standardised approach for counterparty credit risk (SA-CCR)	192,603	63,352	15,408
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	94,875	56,863	7,590
17	Standardised approach (SA)	94,875	56,863	7,590
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	855,053	878,588	68,404
20	Basic Indicator Approach	855,053	878,588	68,404
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	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	12,577,072	10,932,463	1,006,166

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(Continued)

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 c	Net values (a+b-c) d
		Defaulted (a)	Non-defaulted (b)		
1	Loans	560,040	9,143,693	341,691	9,362,042
2	Debt securities	-	2,098,809	10,363	2,088,446
3	Off-balance sheet exposures	84,037	3,279,548	24,332	3,339,253
4	Toplam	644,077	14,522,050	376,386	14,789,741

2. Changes In Stock of Defaulted Loans And Debt Securities

		Amount
1	Defaulted loans and debt securities at end of the previous reporting period	531,919
2	Loans and debt securities that have defaulted since the last reporting period	183,407
3	Receivables back to non-defaulted status	-
4	Amounts written off	-
5	Other changes	(71,249)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	644,077

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	8,178,537	1,183,505	563,681	-	-	-	-
2	Debt securities	2,088,446	-	-	-	-	-	-
3	Total	10,266,983	1,183,505	563,681	-	-	-	-
4	Of which defaulted	276,559	1,495	504	-	-	-	-

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(Continued)

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

b. Explanations on Credit Risk (Continued)

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

An international rating firm, Fitch Ratings’ external risk ratings are used 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".

In this context, the note set for Turkey's rating countries of long-term foreign currency, foreign currencies 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 Fitch Ratings are presented in the table below, as per credit quality levels and risk weights per risk classes:

Fitch Ratings long term credit rating	Credit Quality Step
AAA to AA-	1
A+ to A-	2
BBB+ to BBB-	3
BB+ to BB-	4
B+ to B-	5
CCC+ and lower	6

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(Continued)**

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	3,103,361	-	3,103,361	-	1,342,414	43.3%
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	0.0%
3	Exposures to public sector entities	-	2,738	-	1,172	1,172	100.0%
4	Exposures to multilateral development banks	-	-	-	-	-	0.0%
5	Exposures to international organizations	-	-	-	-	-	0.0%
6	Exposures to institutions	1,954,664	1,109,465	1,317,965	1,034,274	920,925	39.2%
7	Exposures to corporates	6,929,828	2,132,607	6,563,355	1,168,146	7,731,501	100.0%
8	Retail exposures	680,302	506,402	668,296	151,646	614,956	75.0%
9	Exposures secured by residential property	371,985	34,651	370,520	12,899	134,197	35.0%
10	Exposures secured by commercial real estate	552,221	14,064	550,247	6,604	278,425	50.0%
11	Past-due loans	218,349	-	218,062	-	210,777	96.7%
12	High risk categories by the Agency Board	-	-	-	-	-	0.0%
13	Exposures in the form of covered bonds	-	-	-	-	-	0.0%
14	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	0.0%
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0.0%
16	Other exposures	538,615	-	538,615	-	392,777	72.9%
17	Investments in equities	-	-	-	-	-	0.0%
18	Total	14,349,325	3,799,927	13,330,421	2,374,741	11,627,144	74.0%

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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)

b. Explanations on Credit Risk (Continued)

5. 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	418,533	-	-	-	-	2,684,828	-	-	-	-	-	3,103,361
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	1,172	-	-	-	-	1,172
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	850,648	-	-	1,501,591	-	-	-	-	-	2,352,239
7	Exposures to corporates	-	-	-	-	-	-	7,731,501	-	-	-	-	7,731,501
8	Retail exposures	-	-	-	-	-	-	819,942	-	-	-	-	819,942
9	Exposures secured by residential property	-	-	-	383,419	-	-	-	-	-	-	-	383,419
10	Exposures secured by commercial real estate	-	-	-	-	556,851	-	-	-	-	-	-	556,851
11	Past-due loans	-	-	-	-	-	32,027	-	168,576	17,458	-	-	218,062
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	145,533	-	383	-	-	-	-	392,700	-	-	-	538,615
18	Total	564,066	-	851,031	383,419	556,851	4,218,446	819,942	8,293,949	17,458	-	-	15,705,162

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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)	84,284	152,841		1.4	237,125	125,306
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))					8,802	750
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					8,802	750
6	Total						126,056

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	177,395	66,547
4	Total subject to the CVA capital obligation	177,395	66,547

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INFORMATION ON THE FINANCIAL 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	Diğer	Total credit exposure (*)
Central governments and central banks receivables	5,054	-	-	-	-	-	-	-	5,054
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International organizations receivables	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions receivables	-	-	211,465	109,753	-	-	-	-	321,218
Corporate receivables	-	-	-	-	-	90,591	-	-	90,591
Retail receivables	-	-	-	-	6,456	-	-	-	6,456
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	-	-	-	-	-	-	-	-	-
Total	5,054	-	211,465	109,753	6,456	90,591	-	-	423,319

(*)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 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	-	-	-	-	230,462	166,655
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	230,462	166,655

5. Credit Derivatives

	Protection bought	Protection sold
Notionals		
Single-name credit default swaps	-	69,235
Index credit default swaps	-	-
Total return swaps	-	-
Credit options	-	-
Other credit derivatives	-	-
Total Notionals	-	69,235
Fair Values	-	-
Positive fair values (asset)	-	-
Negative fair values (liability)	-	-

6. Central counterparty risks (CCR): None

d. Securitisation Explanations: None.

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

VII. Explanations Related to Risk Management (Continued)

1. 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.

a. Information on Market Risk

	30 June 2016	31 December 2015
(I) Capital Requirement Against General Market Risk – Standard Method	3,049	1,728
(II) Capital Requirement Against Specific Risk – Standard Method	6	7
Capital Requirement Specific Risk Related to Securitization Positions-Standard Method	-	-
(III) Capital Requirement Against Currency Risk – Standard Method	4,535	2,185
(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	-	629
(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)	7,590	4,549
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	94,875	56,863

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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
	Outright products	
1	Interest rate risk (general and specific)	38,188
2	Equity risk (general and specific)	-
3	Foreign exchange risk	56,163
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	524
7	Scenario approach	-
8	Securitisation	-
9	Total	94,875

2. Explanations on Credit Risk

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 does 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 Parent Bank’s highest 100 cash loan clients is 55.52% (31 December 2015: 53.74%) of the overall cash loans.

The accumulation of the Parent Bank’s highest 100 non-cash loan clients is 62.30% (31 December 2015: 67.75%) of the overall non-cash loans.

The accumulation cash and non-cash receivables of the Parent Bank’s highest 100 loan clients are 7.42% (31 December 2015: 8.03%) of the overall balance sheet and off balance sheet items.

As of 30 June 2016, the general loan loss provision is TL 98,393 (31 December 2015: TL 93,386).

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

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 2016		
	Principal (*)	Asset	Liability
Derivative Financial Instruments			
Interest Swap Transactions	220,000	-	4,237
Total	220,000	-	4,237

(*) 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 loans amounting TL 32,030 with maturity 3 years and TL 46,347 with maturity 5 years funding by using interest rate swaps. The both nominal value of interest rate swaps is TL 55,000 with maturity 3 years and 5 years respectively.

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

30 June 2016	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	4,044	-	4,237

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.

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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 2016		31 December 2015	
	TL	FC	TL	FC
Cash/Foreign Currency	23,611	47,054	28,459	51,946
CBRT	59,148	1,324,943	23,074	1,441,984
Other	382	-	35	-
Total	83,141	1,371,997	51,568	1,493,930

2. Information on the account of the CBRT

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
Demand Unrestricted Amount (*)	59,148	209,993	23,074	221,770
Time Restricted Amount	-	-	-	-
Reserve Requirement	-	1,114,950	-	1,220,214
Total	59,148	1,324,943	23,074	1,441,984

(*) 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 2016, the Turkish lira required reserve ratios are determined to be within the range of 5% - 11.5% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2015: 5%-11.5% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 9% - 13% and other foreign currency liabilities within the range of 5%-25% (31 December 2015: 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 2016, the Bank have no financial assets at fair value through profit/loss subject to repo transactions (31 December 2015: None) and have no financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2015: None).

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EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

b. Information on financial assets at fair value through profit and loss (Continued)

2. Positive differences related to trading derivative financial assets

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	1,209	1,186	3,181	420
Swap Transactions	21,055	16,534	19,421	3,699
Options	106	679	22	497
Total	22,370	18,399	22,624	4,616

c. Information on banks

1. Information on banks

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	225,852	863	267,591	176,318
Foreign	-	285,075	22,007	145,526
Total	225,852	285,938	289,598	321,844

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
EU Countries	74,367	28,984	-	-
USD, Canada	209,721	134,938	-	-
OECD Countries (*)	847	596	-	-
Off-Shore Banking Region	-	-	-	-
Other	140	3,015	-	-
Total	285,075	167,533	-	-

(*) 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 2016, there are available-for-sale financial assets amounting TL 361,887 given as collateral/blocked (31 December 2015: TL 347,792) and those subject to repurchase agreements amounts to TL 232,087 (31 December 2015: TL 379,683).

2. Information on available-for-sale financial assets

	30 June 2016	31 December 2015
Debt Securities	1,924,050	840,174
Quoted on Stock Exchange	1,709,950	816,829
Not Quoted	214,100	23,345
Share Certificates	4,721	4,721
Quoted on Stock Exchange	1	1
Not Quoted (*)	4,720	4,720
Impairment Provision (-)	10,367	28,953
Total	1,918,404	815,942

(*) In 9 April 2015, 1.6949% of Kredi Garanti Fonu A.Ş. share amounting to TL 4,720 is acquired.

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

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

	30 June 2016		31 December 2015	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	71,971	80,347	79,726	53,526
Corporate Shareholders	71,809	79,868	79,604	53,047
Real Person Shareholders	162	479	122	479
Indirect Loans Granted To Shareholders	134,332	16,793	130,282	26,379
Loans Granted To Employees	6,655	-	4,397	-
Total	212,958	97,140	214,405	79,905

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	8,710,166	30,556	-	105,344	297,627	-
Loans Given to Enterprises	-	-	-	-	-	-
Export Loans	470,753	-	-	5,409	5,253	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	931,112	-	-	309	7	-
Consumer Loans	171,395	-	-	19,014	2,109	-
Credit Cards	49,450	-	-	1,500	-	-
Other	7,087,456	30,556	-	79,112	290,258	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	8,710,166	30,556	-	105,344	297,627	-

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	30,556	297,627
3,4 or 5 Times	-	-
Over 5 Times	-	-

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)

Time Extended Via the Amendment on Payment Plan	Standard Loans and Other Receivables	Loans and Other Receivables Under Close Monitoring
0 – 6 Month	-	1,061
6 Month – 12 Month	224	6,259
1 – 2 Years	806	43,893
2 – 5 Years	13,726	31,211
5 Years and Over	15,800	215,203

3. Loans according to their maturity structure

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	3,671,451	224	30,618	7,320
Non-specialised Loans	3,660,208	224	30,139	7,320
Specialised Loans	11,243	-	479	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	5,038,715	30,332	74,726	290,307
Non-specialised Loans	5,038,173	30,332	74,726	290,307
Specialised Loans	542	-	-	-
Other Receivables	-	-	-	-
Total	8,710,166	30,556	105,344	297,627

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)**

4. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	837	181,895	182,732
Real Estate Loans	-	113,960	113,960
Automotive Loans	5	2,003	2,008
Consumer Loans	832	65,932	66,764
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	7,939	-	7,939
With Installments	2,546	-	2,546
Without Installments	5,393	-	5,393
Individual Credit Cards- FC	7	-	7
With Installments	-	-	-
Without Installments	7	-	7
Personnel Loans-TL	282	4,095	4,377
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	282	4,095	4,377
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	2,124	-	2,124
With Installments	825	-	825
Without Installments	1,299	-	1,299
Personnel Credit Cards-FC	3	-	3
With Installments	-	-	-
Without Installments	3	-	3
Credit Deposit Account-TL (Individuals) (*)	5,409	-	5,409
Credit Deposit Account-FC (Individuals)	-	-	-
Total	16,601	185,990	202,591

(*) TL 151 of the credit deposit account personnel loans (31 December 2015: TL 176).

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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	77,563	967,012	1,044,575
Real Estate Loans	-	1,186	1,186
Automotive Loans	-	47,260	47,260
Consumer Loans	77,563	918,566	996,129
Other	-	-	-
Commercial Installments Loans-FC Indexed	8,098	369,838	377,936
Real Estate Loans	-	290,803	290,803
Automotive Loans	-	38,551	38,551
Consumer Loans	8,098	40,484	48,582
Other	-	-	-
Commercial Installments Loans-FC	-	1,197,244	1,197,244
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	1,197,244	1,197,244
Other	-	-	-
Corporate Credit Cards-TL	40,877	-	40,877
With Installment	3,675	-	3,675
Without Installment	37,202	-	37,202
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Credit Deposit Account-TL (Legal Person)	95,297	-	95,297
Credit Deposit Account-FC (Legal Person)	-	-	-
Total	221,835	2,534,094	2,755,929

6. Loans according to types of borrowers

	30 June 2016	31 December 2015
Public	20,181	-
Private	9,123,512	9,124,472
Total	9,143,693	9,124,472

7. Distribution of domestic and foreign loans:

Related loans are classified according to the location of the customers

	30 June 2016	31 December 2015
Domestic Loans	9,023,186	9,085,078
Foreign Loans	120,507	39,394
Total	9,143,693	9,124,472

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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 2016, there are loans granted to associates and subsidiaries amount to TL 72,161 (31 December 2015: TL 55,395).

9. Specific provisions provided against loans

	30 June 2016	31 December 2015
Loans and Other Receivables with Limited Collectability	7,521	13,208
Loans and Other Receivables with Doubtful Collectability	58,612	45,896
Uncollectible Loans and Other Receivables	275,558	196,024
Total	341,691	255,128

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 2016 (31 December 2015: 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
31 December 2015	100,490	119,858	255,677
Addition (+)	144,797	4,044	32,344
Transfers from Other Categories of Non-performing Loans (+)	-	178,397	112,392
Transfers to Other Categories of Non-performing Loans (-)	(178,397)	(112,392)	-
Collections (-)	(9,167)	(23,612)	(64,391)
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
30 June 2016	57,723	166,295	336,022
Specific Provision (-)	(7,521)	(58,612)	(275,558)
Net Balance on Balance Sheet	50,202	107,683	60,464

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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 2015: None).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
30 June 2016 (Net)			
Loans to Real Persons and Legal Entities (Gross)	57,723	166,295	336,022
Specific Provision Amount (-)	(7,521)	(58,612)	(275,558)
Loans to Real Persons and Legal Entities (Net)	50,202	107,683	60,464
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2015 (Net)			
Loans to Real Persons and Legal Entities (Gross)	100,490	119,858	255,677
Specific Provision Amount (-)	(13,208)	(45,896)	(196,024)
Loans to Real Persons and Legal Entities (Net)	87,282	73,962	59,653
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.

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**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

The Bank has no held to maturity debt securities as of 30 June 2016 (31 December 2015: None).

2. Information on held to maturity investments

The Bank has no held to maturity investments as of 30 June 2016 (31 December 2015: None).

3. Movement of held-to-maturity investment

The Bank has no held to maturity investments as of 30 June 2016 (31 December 2015: None).

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

As of 30 June 2016 there are no held-to-maturity investments given as collateral (31 December 2015: None).

g. Information on investments in associates (Net)

The Bank has no investments in associates as of 30 June 2016 (31 December 2015: 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:

	Alternatif Finansal Kiralama A.Ş.	Alternatif Menkul Değerler A.Ş. (*)
Core Capital	139,070	19,336
Paid-in Capital	50,000	13,309
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	27,569	14,098
Current Period’s Profit and Prior Period’s Profit	61,994	(7,924)
Current Period’s Losses and Prior Period’s Losses	-	-
Leasehold Improvements on Operational Leases (-)	-	19
Intangible Assets (-)	493	128
Supplementary Capital	-	-
Deductions From Capital	-	-
Total Shareholders Equity	139,070	19,336

(*) Title of Alternatif Yatırım A.Ş. has changed as Alternatif Menkul Değerler A.Ş. on 19 April 2016.

According to the conclusion of there will be no benefits by the continuing activities of Alternatif Portföy Yönetimi A.Ş. which is owned 100% by Alternatif Yatırım A.Ş., liquidation procedures has begun after the decision of board of Alternatif Portföy Yönetimi A.Ş. dated 27 August 2014. By the same date, application made to the Capital Markets Board. Operating licence and portfolio management certificate of the Alternatif Portföy Yönetimi A.Ş. is cancelled on 5 December 2015 and its title has changed as Elmadağ Dış Ticaret A.Ş. on 6 March 2015. The liquidation is approved on 23 February 2016.

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 (*)	22,841	19,484	485	1,142	-	(359)	(1,559)	-
2 (*)	1,201,744	125,483	871	43,152	-	12,495	5,777	-

(*) The above mentioned subsidiaries’ financial data are taken from the financial statements prepared for the BRSA as of 30 June 2016.

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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 2016	31 December 2015
Balance at the Beginning of the Period	166,380	145,923
Movements During the Period	-	20,457
Purchases	-	21,537
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	(900)
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	(180)
Balance at the End of the Period	166,380	166,380
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	100	100

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

Subsidiaries	30 June 2016	31 December 2015
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 2015: None).

i. Information on joint ventures

There are no joint ventures (31 December 2015: None).

j. Information on lease receivables (net)

There are no receivables from lease transactions (31 December 2015: None).

k. Information on hedging derivative financial assets

There are no hedging derivative financial assets (31 December 2015: None).

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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 2015: None).

m. Movement of assets held for resale and discontinued operations

There is no assets held for sale and discontinued operations (31 December 2015: None).

n. Information on other assets

1. The distribution of other assets:

	30 June 2016	31 December 2015
Assets Held for Sale	69,512	50,449
Receivables from Clearing	66,568	54,327
Pos Receivables	50,283	27,394
Collaterals Given for Derivative Transactions	42,612	35,989
Prepaid Expenses	34,925	27,649
Collaterals Given	2,881	4,192
Other	24,465	24,012
Total	291,246	224,012

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 2015: None).

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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 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
Saving Deposits	42,690	-	137,374	1,473,792	20,224	23,197	12,932	172	1,710,381
Foreign Currency Deposits	215,273	-	149,063	3,047,998	383,114	25,232	12,796	-	3,833,476
Residents in Turkey	203,811	-	142,854	3,028,527	383,092	22,519	12,763	-	3,793,566
Residents Abroad	11,462	-	6,209	19,471	22	2,713	33	-	39,910
Public Sector Deposits	29,221	-	-	-	-	-	-	-	29,221
Commercial Deposits	84,377	-	377,889	1,031,668	58,340	60,502	14,909	-	1,627,685
Other Institutions Deposits	821	-	7,555	24,708	171	44	17,486	-	50,785
Precious Metal Deposits	847	-	-	193	2	19,247	594	-	20,883
Bank Deposits	403	-	178,415	-	-	-	-	-	178,818
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	397	-	177,415	-	-	-	-	-	177,812
Foreign Banks	6	-	1,000	-	-	-	-	-	1,006
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	373,632	-	850,296	5,578,359	461,851	128,222	58,717	172	7,451,249

1.(ii). 31 December 2015:

	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
Saving Deposits	52,036	-	56,362	1,718,980	48,754	13,078	14,985	129	1,904,324
Foreign Currency Deposits	201,932	-	175,647	1,819,601	77,905	21,342	13,276	-	2,309,703
Residents in Turkey	195,145	-	175,647	1,628,266	75,792	18,912	13,156	-	2,106,918
Residents Abroad	6,787	-	-	191,335	2,113	2,430	120	-	202,785
Public Sector Deposits	17,161	-	-	-	-	-	-	-	17,161
Commercial Deposits	96,610	-	691,403	545,952	25,682	74,137	19,717	-	1,453,501
Other Institutions Deposits	1,722	-	6,854	17,082	9	42	19,275	-	44,984
Precious Metal Deposits	1,400	-	-	205,125	584	127	774	-	208,010
Bank Deposits	485	-	198,500	119,549	31,903	-	-	-	350,437
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	125	-	175,123	87,682	-	-	-	-	262,930
Foreign Banks	360	-	23,377	31,867	31,903	-	-	-	87,507
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	371,346	-	1,128,766	4,426,289	184,837	108,726	68,027	129	6,288,120

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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 2016	31 December 2015	30 June 2016	31 December 2015
Saving Deposits				
Saving Deposits (*)	547,120	601,328	1,163,818	1,303,676
Foreign Currency Savings Deposit	101,283	106,436	1,202,328	978,404
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 557 straight rediscount - internal efficiency difference (31 December 2015: TL 680).

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

	30 June 2016	31 December 2015
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	83,354	87,258
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 2016		31 December 2015	
	TL	FC	TL	FC
Forward Transactions	-	3,075	529	3,237
Swap Transactions	11	21,987	564	8,588
Futures Transactions	-	-	-	-
Options	200	841	-	478
Other	-	-	-	-
Total	211	25,903	1,093	12,303

c. Information on borrowings

1. Information on borrowings

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
The CBRT Borrowings	-	-	-	-
From Domestic Banks and Institutions	19,500	112,655	20,510	136,205
From Foreign Banks, Institutions and Funds	354	2,552,573	354	3,337,201
Total	19,854	2,665,228	20,864	3,473,406

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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 2016		31 December 2015	
	TL	FC	TL	FC
Short-term	19,854	215,765	20,864	862,125
Medium and Long-term	-	2,449,463	-	2,611,281
Total	19,854	2,665,228	20,864	3,473,406

d. Information on other liabilities

As of 31 March 2016, other foreign liabilities do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements

None (31 December 2015: None).

f. Information on hedging derivative financial liabilities

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
Fair Value Hedge Risk (*)	4,237	-	113	-
Cash Flow Hedge	-	-	-	-
Hedge of Net Investments in Foreign Operations	-	-	-	-
Total	4,237	-	113	-

(*) Explained in Section Four Note VIII.

g. Information on provisions

1. Information on general provisions

	30 June 2016	31 December 2015
Provisions for Group I Loans and Receivables	66,633	61,137
Additional Provision for Loans and Receivables with Extended Maturities	775	1,406
Provisions for Group II Loans and Receivables	2,263	3,645
Additional Provision for Loans and Receivables with Extended Maturities	14,947	15,487
Provisions for Non-Cash Loans	9,640	8,571
Other	4,135	3,140
Total	98,393	93,386

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.

Actuarial gains and losses net of deferred tax amounting to TL 1,475 is accounted for under the equity according to the revised TAS 19 standard as of 30 June 2016 (31 December 2015: TL 1,475).

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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 2016	31 December 2015
Discount Rate (%)	3.18	3.18
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 6,590 (31 December 2015: 5,841) and for unused vacation rights provision amounting to TL 2,540 as of 30 June 2016 (31 December 2015: TL 2,555).

3. Other provisions

	30 June 2016	31 December 2015
Specific Provision for Unindemnified Non-cash Loan	24,332	20,098
Bonus Provision	6,090	8,000
Provision for the Impairment due Settlement Date	326	4
Other (*)	10,720	7,180
Total	41,468	35,282

(*) Other line consists of TL 10,717 amounted provision for litigation and claims (31 December 2015: TL 7,176).

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

As of 30 June 2016, the provision related to the foreign currency difference of foreign currency indexed loans amounts to TL 15,781 (31 December 2015: TL 7,630) 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 2016, there is no current tax liability (31 December 2015: TL 6,069).

(i) Information on taxes payable

	30 June 2016	31 December 2015
Corporate Tax Payable	-	6,069
Taxation of Marketable Securities	7,308	8,291
Property Tax	189	236
Banking Insurance Transaction Tax (BITT)	5,868	6,548
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	397	518
Other	2,199	2,866
Total	15,961	24,528

(ii) Information on premium payables

	30 June 2016	31 December 2015
Social Security Premiums - Employee	850	886
Social Security Premiums - Employer	1,244	1,297
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	61	63
Unemployment Insurance - Employer	121	127
Other	37	43
Total	2,313	2,416

i. Explanations about deferred tax provision

As of 30 June 2016, the Bank has deferred tax asset amounting to TL 10,166 (31 December 2015: TL 4,806 deferred tax asset) in the financial statements.

As of 30 June 2016 and 31 December 2015, the details of temporary differences and deferred tax assets and liabilities are presented below:

	30 June 2016	31 December 2015
Deferred Tax Assets		
Tangible Assets Base Differences	(733)	(506)
Provisions	5,110	3,106
Valuation of Financial Assets	(6,120)	2,206
Financial Loss	11,909	-
Net Deferred Tax Assets	10,166	4,806

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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

1. 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 (Q.S.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 1,233,160 (31 December 2015: TL 767,558).

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.

2. Information on subordinated loan

	30 June 2016		31 December 2015	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1,233,160	-	452,505
Other Foreign Institutions (*)	-	-	-	315,053
Total	-	1,233,160	-	767,558

(*) According to the temporary article 4 clause c of Regulation on the Changes on the Equity of Banks dated 20 January 2016 no.29599 the loans which do not carry the points of subordinated loans are transferred to borrowings.

k. Information on shareholders' equity

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

	30 June 2016	31 December 2015
Common Stock (*)	770,000	620,000
Preferred Stock	-	-

(*) It refers to the nominal capital.

2. 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.

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

It is decided to increase the capital in cash by TL 150,000 with the decision of Board of Directors as of 21 January 2016. After the approval of BRSA the paid in capital is increased to TL 770,000 as of 14 April 2016.

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 2016		31 December 2015	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(7,550)	14,501	(16,041)	(11,396)
Foreign Currency Difference	-	-	-	-
Total	(7,550)	14,501	(16,041)	(11,396)

9. Information of the previous year profit distribution

According to the decision taken in the General Assembly of the Bank dated 31 March 2016, distributable profit of 2015 amounting to TL 65,228 is distributed as TL 3,261 to legal reserves and the rest amounting to TL 61,967 is distributed as extraordinary reserves.

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 208,533 irrevocable loan commitments as of 30 June 2016 (31 December 2015: TL 228,546).

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 2016	31 December 2015
Guarantees and Collaterals	537,113	551,332
Bank Acceptance Loans	17,747	35,849
Letter of Credits	246,693	345,843
Total	801,553	933,024

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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 2016	31 December 2015
Temporary Letter of Guarantees	96,490	59,692
Definite Letter of Guarantees	1,644,816	1,955,045
Advance Letter of Guarantee	86,705	87,614
Letter of Guarantees Given to Customs	118,036	126,668
Total	1,946,047	2,229,019

b. Information on derivative financial instruments

	30 June 2016	31 December 2015
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	11,968,527	9,334,449
Currency Forward Transactions	299,022	334,900
Currency Swap Transactions	9,745,751	7,659,775
Futures Transactions	-	-
Options	1,808,362	1,339,774
Securities Options	115,392	-
Interest Related Derivative Transactions (II)	1,127,868	1,119,428
Forward Rate Agreements	-	-
Interest Rate Swaps	-	-
Interest Rate Options	1,127,868	1,119,428
Interest Rate Futures	-	-
Other Trading Transactions (III)	46,157	46,690
A. Total Trading Derivative Transactions (I+II+III)	13,142,552	10,500,567
Types of Hedging Transactions		
Fair Value Hedges	220,000	220,000
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivatives	220,000	220,000
Total Derivative Transactions (A+B)	13,362,552	10,720,567

c. Investment Funds

None.

d. Information on contingent liabilities

Outstanding legal claims against the Bank have been considered as contingent liabilities amounting to TL 14,952 and TL 10,717 provisions is provided against these legal cases (31 December 2015: Contingent liability: TL 11,738, Provision: TL 7,176).

ALTERNATİFBANK A.Ş.
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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 2016		30 June 2015	
	TL	FC	TL	FC
Short-term Loans	195,460	17,521	281,130	28,705
Medium/Long-term Loans	109,032	86,754	92,333	73,129
Interest on Loans Under Follow-up	5,595	-	5,047	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total (*)	310,087	104,275	378,510	101,834

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

2. Information on interest income on banks

	30 June 2016		30 June 2015	
	TL	FC	TL	FC
From the CBRT (*)	1,676	2,970	-	-
From Domestic Banks	9,715	246	2,268	90
From Foreign Banks	1,335	395	237	42
Headquarters and Branches Abroad	-	-	-	-
Total	12,726	3,611	2,505	132

(*) 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 2016		30 June 2015	
	TL	FC	TL	FC
From Trading Financial Assets	160	221	291	6
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	17,543	19,457	26,820	5,776
From Held-to-Maturity Investments	-	-	-	-
Total	17,703	19,678	27,111	5,782

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

	30 June 2016	30 June 2015
Interest Received from Associates and Subsidiaries	1,646	624

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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 2016		30 June 2015	
	TL	FC	TL	FC
Banks	692	45,581	1,095	27,890
CBRT	-	-	-	-
Domestic Banks	692	1,322	1,068	1,641
Foreign Banks	-	44,259	27	26,249
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	24,039	-	6,181
Total (*)	692	69,620	1,095	34,071

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

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

	30 June 2016	30 June 2015
Interest Paid to Associates and Subsidiaries	2,053	3,831

3. Information on interest expense to marketable securities issued

	30 June 2016	30 June 2015
Information on Interest Expense to Marketable Securities Issued	11,398	12,031

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		
Turkish Lira								
Bank Deposits	-	398	-	-	-	-	-	398
Savings Deposits	-	4,614	104,447	3,206	1,087	745	7	114,106
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	22,057	59,815	3,683	4,473	744	-	90,772
Other Deposits	-	523	4,234	2	2	-	-	4,761
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	13	-	1	-	-	-	14
Total	-	27,605	168,496	6,892	5,562	1,489	7	210,051
Foreign Currency								
Foreign Currency Account	-	1,705	31,057	3,517	303	115	-	36,697
Bank Deposits	-	1,195	-	-	-	-	-	1,195
Deposit with 7 Days Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	2,900	31,057	3,517	303	115	-	37,892
Grand Total	-	30,505	199,553	10,409	5,865	1,604	7	247,943

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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 no dividend income as of 30 June 2016 (30 June 2015: None).

d. Information on trading income/loss (Net)

	30 June 2016	30 June 2015
Income	4,744,892	5,067,113
Income from Capital Market Transactions	7,896	6,131
Derivative Financial Transactions	322,567	290,864
Foreign Exchange Gains	4,414,429	4,770,118
Loss (-)	4,766,132	5,062,689
Loss from Capital Market Transactions	1,374	1,344
Derivative Financial Transactions	405,239	253,338
Foreign Exchange Loss	4,359,519	4,808,007
Net Income/(Loss)	(21,240)	4,424

e. Explanations about other operating income

	30 June 2016	30 June 2015
Reversal of Specific Loan Provisions	30,378	130,307
Gain on Sale of Property, Plant and Equipment	1,470	5,754
Provision for Communication Costs Received from Customers	618	1,145
Provision for the Expenses Recovered from Customers	504	2,202
Commissions Received from Subsidiaries	-	219
Other	2,748	2,314
Total	35,718	141,941

f. Provision expenses related to loans and other receivables

	30 June 2016	30 June 2015
Specific Provisions for Loans and Other Receivables	104,455	73,537
III. Group Loans and Receivables	22,555	21,040
IV. Group Loans and Receivables	38,180	21,672
V. Group Loans and Receivables	43,720	30,825
General Provision Expenses	10,706	11,176
General Provisions for Possible Risks	-	-
Marketable Securities Impairment Expense	2,611	4,303
Financial Assets at Fair Value Through Profit or Loss	58	3,244
Available-for-sale Financial Assets	2,553	1,059
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	14,721	4,074
Total	132,493	93,090

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

	30 June 2016	30 June 2015
Personnel Expenses	80,650	75,169
Reserve For Employee Termination Benefits	749	9
Unused Vacation	-	-
Impairment Expenses of Tangible Assets	-	-
	4,173	
Depreciation Expenses of Tangible Assets		4,358
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
	2,518	
Amortisation Expenses of Intangible Assets		1,581
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	313	485
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	41,551	41,798
Operational Lease Expenses	14,236	14,999
Maintenance Expenses	409	459
Advertising Expenses	2,151	927
Other Expenses	24,755	25,413
Loss on Sales of Assets	2,296	127,699
Other (*)	11,838	11,591
Total	144,088	262,690

(*) Other operating charges is TL 4,033 (30 June 2015: TL 3,119) except premium of SDIF and tax.

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

	30 June 2016	30 June 2015
Net Interest Income	181,273	257,373
Net Fees And Commissions Income/Expense	12,661	19,152
Trading Income / Loss (Net)	(21,240)	4,424
Other Operating Income	35,718	141,941
Provision For Loan Losses And Other Receivables (-)	(132,493)	(93,090)
Other Operating Expenses (-)	(144,088)	(262,690)
Income/ Loss Before Tax From Continuing Operations	(68,169)	67,110

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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 2016, the Bank has no current tax expense (30 June 2015: TL 15,527), and deferred tax income amounting to TL 13,801 (30 June 2015: TL 1,530 deferred tax expense).

j. Information on net income/loss for the period

- 1) Interest income from ordinary banking transactions is TL 522,490 (30 June 2015: TL 530,070), interest expense is TL 341,217 (30 June 2015: TL 272,697).
 - 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:**

Fees and Commissions Paid - Other	30 June 2016	30 June 2015
Fees and Commissions on Foreign Currency Transactions	8,822	889
Debit Card Fees and Commissions	3,710	2,419
CBRT Interbank Money Market	521	572
Pos Transaction Commissions Paid	308	529
Commissions Granted to Correspondent Banks	319	373
Transfer Commissions	189	178
Commissions for Effective and Future Transactions	162	122
Other	1,193	315
Total	15,224	5,397

Fees and Commissions Received - Other	30 June 2016	30 June 2015
Credit Card Pos Commissions	7,774	3,322
Account Management Fee Commission	838	1,284
Transfer Commissions	859	1,008
Insurance Commissions	1,438	2,025
Expertise Commissions	691	966
Banking Service Income	239	752
Other	1,369	1,094
Total	13,208	10,451

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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 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
Bank’s Risk Group (*) (**)						
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	72,161	1,558	71,971	80,347	134,332	16,793
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 bank receivables as well as loans and receivables.

2. 31 December 2015

	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
Bank’s Risk Group (*) (**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	1	2,333	28,423	74,604	57,545	70,868
Balance at the End of the Period	55,395	1,897	79,726	53,526	130,282	26,379
Interest and Commission Income Received (***)	624	280	2,306	691	667	468

(*) 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 2015 column includes the 30 June 2015 balances.

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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 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Deposit						
Beginning of the Period	49,552	22,114	256,033	944,138	94,743	291,313
End of the Period	48,664	49,552	300,647	256,033	567,619	94,743
Interest Expense on Deposits (**)	2,053	3,831	27,789	30,126	9,901	9,837

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

(**) 31 December 2015 column includes the 30 June 2015 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 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Transactions for trading purposes (**)						
Beginning of the Period (***)	-	-	13,945	5,411	-	-
End of the Period (****)	-	-	3,754	13,945	-	-
Total Profit / Loss (****)	20	240	(228)	(5,922)		7
Transactions for hedging purposes						
Beginning of the Period (***)	-	-	-	-	-	-
End of the Period (****)	-	-	-	-	-	-
Total Profit / Loss	-	-	-	-	-	-

(*) 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 2015 column includes the 30 June 2015 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.

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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

	Total Risk Group	Share in Financial Statements (%)
Deposits	916,930	12.31%
Non-cash Loans	98,698	3.59%
Loans	278,464	3.05%
Subordinated Loan	360,600	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 2016, there is no financial leasing agreement between the Bank and Alternatif Finansal Kiralama A.Ş. Also the agency agreement with Alternatif Yatırım A.Ş. is cancelled on 30 June 2015. 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 3.11% of total cash and non-cash loan amount (31 December 2015: 2.83%).

As of 30 June 2016 the Bank have rent agreement with risk group. The Bank have paid the rent expense amounted to TL 2,302 to Anadolu Endüstri Holding and it have been recognized in the profit and loss accounts in the year ended 30 June 2016. Besides, rent expense amounted TL 200 was paid to other risk groups. There are not agreements for purchase and sale of real estate and other assets, operations, research and development, the information obtained as a result of the transfer and management contracts cost of the services received from Holding are shared according to pre-determined key.

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

Benefits provided to the Bank's key management amount to TL 12,868 as of 30 June 2016 (30 June 2015: TL 10,299).

VI. Explanations and Notes on Subsequent Events

According to the decision of the board of the directors dated 18 July 2016, Anadolu Industry Holding decided to use the right of sale for 192.500.000 (25%) registered share certificates included in "Shareholder's Agreement", which signed with The Commercial Bank (Q.S.C) on 18 July 2013, which is owned by that related to the bank's association at Alternatifbank A.Ş. as of 18th July 2016. Share sale price has been calculated as USD 222,500,000 according to the base price method in Shareholder's Agreement. A notice about this subject has been sent to Q.S.C. at the same time.

On July 22, 2016, the Bank entered into a one-year syndicated loan facility with 18 banks in the amounts of USD 110,000,000 million and EUR 103,750,000 million, bearing interest LIBOR plus 1.40% and EURIBOR plus 1.30% respectively.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations Related to Bank’s Operations

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

Fitch Ratings: March 2016	
Foreign Currency	
Long Term	BBB
Short Term	F2
Local Currency	
Long Term	BBB+
Short Term	F2
National Note	AAA(tur)
Outlook	Stable
Support Note	2
Financial Capacity Note	B+

Moody’s: July 2016 (*)	
Foreign Currency	
Long Term	Ba1
Short Term	NP
Local Currency	
Long Term	Ba1
Short Term	NP
National Long Term	Aa3.tr
National Short Term	TR-1
Outlook	Negative

(*) The Bank is taken under review for a possible downgrade.

SECTION SEVEN

DISCLOSURES ON THE INDEPENDENT AUDITORS’ REPORT

I. Explanations on the Independent Auditors’ Report

The Bank’s unconsolidated financial statements and footnotes to be disclosed to public as of 30 June 2016 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 auditor’s report dated 3 August 2016 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 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 2016 activity period is below.

REALIZED FIGURES	30 June 2016	31 December 2015	30 June 2015
Loans	9,362,042	9,345,369	8,855,419
Stocks and Shares	1,918,862	816,364	854,602
Bank Deposits	7,451,249	6,288,120	6,540,554
Total Assets	13,989,238	13,149,663	12,505,183
Equity	1,126,630	996,610	997,958
Profit / Loss Before Taxes	(68,169)	85,109	67,110
Profit / Loss	(54,368)	59,511	50,053

MESSAGE FROM THE CHAIRMAN

Dear Shareholders,

We left behind a half-year which is continuously affected by the fluctuations in global economy and developments in our region rooting back to 2015. Turkish economy’s strong position with its dynamic structure, continued to encourage internal and external market actors.

In the first half of 2016, Turkish Lira reversed the outlook of previous year’s loss and especially gained value against USD, whereas Turkey’s 2015 and 2016 GNP growth performance was realized above expectations, which has been an important factor supporting the stability. In addition, postponement of the tightening process on FED interest policies relieved the risk perception at markets. On the other hand, Brexit has created a perceivable pressure in the markets. .

Latest improvements in the relations with the geopolitically important actors causing a positive impact on the economy; rate cuts by the Central Bank, FED policy supporting capital inflows to the emerging markets and stable position to be shown with inner dynamics of our economy in this new period will have an influence over protecting the positive atmosphere.

Again in the first half as observed, low level of energy prices provided continuance of recovery at current accounts balance. This situation also effects the inflation in a positive way and contributes the stability of the moderate growth performance.

Turkish banking sector, which proves to be one of the most dynamic and solid players of Turkey’s uninterrupted growth journey, showed that it is one of the few G-20 countries complying Basel standards with regards to regulations in the first quarter. That supports our view about the adaptation process of Basel III criteria will go ahead smoothly and became a proof of confidence to Turkish banking industry. Importance of assets quality and effective capital usage came into prominence once again, at the point of adapting to changes which will be brought by FED’s possible new money policy and to Basel III criteria.

When focusing on our bank, we had an important change in the management of our bank in the first quarter. Müge Öner who worked as Financial Control and Planning Executive Vice President and Deputy CEO since 1 May 2014, assigned as Acting CEO as of 18 March 2016, and as member of board of directors in general assembly at 31 March 2016. I sincerely believe that our new management led by Müge Öner will create inspiring success stories for our bank.

ABank will continue to become stronger with The Commercial Bank’s (O.S.C) solid capital structure and Anadolu Group’s long-established specialties in the Turkish markets. I fully believe that with its new management ABank will generate the highest value for all stakeholders, while maintaining its growth with focused banking strategy in the periods to come.

Yours faithfully,

Tuncay Özilhan

Chairman

ALTERNATİFBANK A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 30 JUNE 2016
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

EXPLANATIONS AND NOTES ON THE UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

MESSAGE FROM THE CEO

Dear Shareholders,

After the change in the first half of 2016, I’m glad to share that we work together with ABank employees and management team for uninterrupted continuation of the improvement that we obtain with our business strategy until today.

We witnessed that the markets and especially banking sector cope with difficult conditions in the quarter that we left behind. Even though sector business volume and profitability influenced by this difficult condition, we believe that we have important opportunities for our bank and we work decisively to turn these to successful business results.

The activity period we left behind has been a period that our bank completed important preparations for continuous growth. First, with TL 150 million capital increase we feel again the perpetual support and confidence of our shareholders to our bank and Turkish economy. In addition to this, we successfully realized 300 million USD, 10 years forward, Basel III compatible bond issuance. Above 160 investors from different regions of the world demanded and that has been a proud result with regards to our bank’s international dignity. We had the structure that will provide reaching to our long term targets faster and more effective by strengthening our capital sole with this success that we achieve.

Keeping the assets quality high and using capital in the most effective way will be in our business strategy’s center and that will be our first priority in the next activity period. We aim to clearly see the productivity rise in all business processes in the rest of the year with the market conditions that we foresee to become more dynamic with decreasing interest expectations.

As a result of these while we continue to grow fastly in the fields that we focused on, we will reach our targets first our dear investors support and ABank family’s self abnegation.

Yours faithfully,

Müge Öner

Acting CEO