

*(Convenience Translation of Independent Auditor's Originally Issued In Turkish, See Note I. Of Section Three)*

**ALTERNATİFBANK A.Ş.**  
**INDEPENDENT AUDITOR'S REVIEW REPORT,**  
**UNCONSOLIDATED INTERIM FINANCIAL**  
**STATEMENTS AND NOTES FOR THE SIX**  
**MONTH PERIOD ENDED 30 JUNE 2020**



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***(Convenience translation of the independent auditor's report  
originally issued in Turkish, See Note I. of Section Three)***

**INTERIM REVIEW REPORT AND INTERIM FINANCIAL INFORMATION**

**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") as of 30 June 2020 and the related unconsolidated income statement, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in equity, unconsolidated statement of cash flows for the six-month-period then ended. The Bank Management is responsible for the preparation and 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 and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting 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.

*Basis for 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 unconsolidated financial position of Alternatifbank A.Ş. as of 30 June 2020, and the results of its operations and its unconsolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial 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 activity report in Section VIII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

*Additional paragraph for convenience translation to English:*

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation and Turkish Accounting Standard 34 "Interim Financial Reporting" except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
*A Member Firm of Ernst&Young Global Limited*



Yaşar Bivas, SMMM  
Partner

29 July 2020  
Istanbul, Turkey

**THE UNCONSOLIDATED FINANCIAL REPORT OF  
ALTERNATİFBANK A.Ş. AS OF AND FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020**

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The unconsolidated financial report as of and for the six-month period ended 30 June 2020 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 AND DISCLOSURES
- DISCLOSURES RELATED TO INDEPENDENT AUDITORS’ REVIEW REPORT
- INTERIM PERIOD ACTIVITY REPORT

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

Omer Hussain I H Al-Fardan Chairman of the Board of Directors	Cenk Kaan Gür CEO	Hamdi İlkey Girgin Financial Control and Planning Executive Vice President	Emrullah Altun Accounting Manager
Leonie Ruth Lethbridge Member of the Board of Directors and Chairwoman of the Board Audit and Compliance Committee	Halil Sedat Ergür Member of the Board of Directors and Member of the Board Audit and Compliance Committee	Paul Gossiaux Member of the Board of Directors and Member of the Board Audit and Compliance Committee	

The authorised contact person for questions on this financial report:

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**SECTION ONE****GENERAL INFORMATION ABOUT THE BANK****I. Explanations on the Establishment Date and Initial Status of the Bank, and 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 49 (31 December 2019: 48) 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 2020, 100% of the shares of the Bank are owned by The Commercial Bank (P.S.Q.C.) Shareholder's structure of the Bank is as follows:

Name/Commercial Name	30 June 2020		31 December 2019	
	Share	Share Ratio	Share Amount	Share Ratio
The Commercial Bank (P.S.Q.C.) <sup>(*)</sup>	2,038,390	% 100	1,730,655	% 100
<b>Total</b>	<b>2,038,390</b>	<b>%100</b>	<b>1,730,655</b>	<b>%100</b>

(\*) With the decision of number 14 of the Board of Directors dated on 2 March 2020 and with the approval of BRSA dated on 23 March 2020, the capital increase is registered in Commercial Registry Gazette number of 10072 and dated on 6 May 2020 and the capital is increased from TL 1,730,655 to TL 2,038,390. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL 307,735 by cash and this amount transferred it to the capital account.

## 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

<u>Title</u>	<u>Name</u>	<u>Responsibility</u>	<u>Indirect Share Capital (%)</u>
Chairman of the Board of Directors	Omer Hussain I H Al-Fardan	Chairman of the Board	-
Member of the Board of Directors	Joseph Abraham	Vice-Chairman of the Board of Directors, Chairman of the Executive Committee of the Board, Chairman of the Remuneration Committee of the Board, Alternate Member of the Board Credit Committee	-
	Mohd Ismail M Mandani Al-Emadi	Member of the Board of Directors, Chairman of the Board Risk Committee, Member of the Board Credit Committee	-
	Halil Sedat Ergür <sup>(2)</sup>	Member of the Board of Directors, Member of the Board Audit and Compliance Committee and Member of the Board Risk Committee, Member of the Board of Directors Executive Committee	-
	Paul Gossiaux	Member of the Board of Directors, Member of the Board Audit and Compliance Committee, Member of the Board Risk Committee and Member of the Board Credit Committee	-
	Zafer Kurtul <sup>(3)</sup>	Member of the Board of Directors, Chairman of the Board Credit Committee, Member of the Executive Committee of the Board, and Member of the Remuneration Committee of the Board	-
	Leonie Ruth Lethbridge <sup>(3)</sup>	Member of the Board of Directors, Chairwoman of the Board Audit and Compliance Committee, Member of the Executive Committee of the Board and Member of the Remuneration Committee of the Board	-
Member of the Board of Directors and CEO	Cenk Kaan Gür	Member of the Board of Directors, Member of the Credit Committee, Member of the Executive Committee of the Board, CEO	-
Executive Vice Presidents	Yeşim Şimşek	Sales and Marketing	-
	Esra Beyzadeoğlu	Information Technologies, Digital Banking & Operations	-
	Ebru Taşçı Firuzbay	Human Resources	-
	Muzaffer Gökhan Songül <sup>(1)</sup>	Credit Underwriting, Restructuring & Legal Follow-up	-
	Hamdi İlkey Girgin	Financial Affairs and Planning	-
	Boğaç Levent Güven	Treasury	-
Head of Internal Audit	Ömer Faruk Gönener	Head of Internal Audit	-

- (1) In accordance with the decision of number 07 of the Board of Directors dated on February 3, 2020, in addition to Muzaffer Gökhan Songül's current duties and responsibilities, Mr Songül has been appointed as Deputy General Manager of Structuring and Legal Follow-Up Group.
- (2) In accordance with the decision of number 32 of the Board of Directors dated on March 26, 2020, Halil Sedat Ergür has been appointed as member of the board of directors.
- (3) In accordance with the decision of number 33 of the Board of Directors dated on March 26, 2020, Zafer Kurtul has resigned from Member of the Board Risk Committee, and Leonie Ruth Lethbridge has been appointed to Member of the Board of Directors Remuneration Committee with the same decision.
- (4) In accordance with the decision of number 53 of the Board of Directors dated on July 1, 2020 Kimberley Ann Reid has resigned from member of the board of directors.

**GENERAL INFORMATION ABOUT THE BANK (Continued)****IV. Information on the Bank's Qualified Shareholders**

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

<b>Name/Commercial Title</b>	<b>Share Amounts (Nominal)</b>	<b>Share Rates</b>	<b>Paid-in Capital (Nominal)</b>	<b>Unpaid Portion</b>
The Commercial Bank (P.S.Q.C.)	2,038,390	100.00%	2,038,390	-

**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 2020, the Bank has 49 branches (31 December 2019: 48 branches) and has 877 employees (31 December 2019: 892 employees).

**VI. Differences Between the Communique on Preparation of Unconsolidated Financial Statements of Banks and Turkish Accounting Standards 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)**  
**AS OF 30 JUNE 2020**

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

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Notes	Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
			(Section Five)	TL	FC	Total	TL	FC
<b>I</b>	<b>FINANCIAL ASSETS (NET)</b>		<b>1,096,759</b>	<b>4,845,434</b>	<b>5,942,193</b>	<b>2,433,724</b>	<b>3,679,227</b>	<b>6,112,951</b>
<b>1.1</b>	<b>Cash and Cash Equivalents</b>		<b>417,572</b>	<b>4,624,276</b>	<b>5,041,848</b>	<b>2,069,217</b>	<b>3,621,628</b>	<b>5,690,845</b>
1.1.1	Cash and Balances with Central Bank	I-a	140,036	2,064,519	2,204,555	148,827	2,537,597	2,686,424
1.1.2	Banks	I-d	58,270	2,388,290	2,446,560	20,125	1,084,031	1,104,156
1.1.3	Money Market Placements		220,047	171,467	391,514	1,900,591	-	1,900,591
1.1.4	Expected Credit Losses (-)		781	-	781	326	-	326
<b>1.2</b>	<b>Financial Assets at Fair Value Through Profit or Loss</b>		<b>504</b>	<b>15,121</b>	<b>15,625</b>	<b>5,176</b>	<b>-</b>	<b>5,176</b>
1.2.1	Government Debt Securities		504	15,121	15,625	5,176	-	5,176
1.2.2	Equity Instruments		-	-	-	-	-	-
1.2.3	Other Financial Assets		-	-	-	-	-	-
<b>1.3</b>	<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>I-f</b>	<b>628,148</b>	<b>130,139</b>	<b>758,287</b>	<b>234,494</b>	<b>-</b>	<b>234,494</b>
1.3.1	Government Debt Securities		619,995	130,133	750,128	223,786	-	223,786
1.3.2	Equity Instruments		7,660	-	7,660	7,660	-	7,660
1.3.3	Other Financial Assets		493	6	499	3,048	-	3,048
<b>1.4</b>	<b>Derivative Financial Assets</b>		<b>50,535</b>	<b>75,898</b>	<b>126,433</b>	<b>124,837</b>	<b>57,599</b>	<b>182,436</b>
1.4.1	Derivative Financial Assets at Fair Value Through Profit or Loss	I-c	38,818	75,898	114,716	123,695	57,599	181,294
1.4.2	Derivative Financial Assets at Fair Value Through Other Comprehensive Income	I-l	11,717	-	11,717	1,142	-	1,142
<b>II.</b>	<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)</b>		<b>10,546,259</b>	<b>13,909,485</b>	<b>24,455,744</b>	<b>8,625,764</b>	<b>12,623,612</b>	<b>21,249,376</b>
<b>2.1</b>	<b>Loans</b>	<b>I-g</b>	<b>11,101,497</b>	<b>10,061,236</b>	<b>21,162,733</b>	<b>8,851,955</b>	<b>9,180,938</b>	<b>18,032,893</b>
<b>2.2</b>	<b>Lease Receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.3</b>	<b>Factoring Receivables</b>		<b>42,898</b>	<b>-</b>	<b>42,898</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2.4</b>	<b>Other Financial Assets Measured at Amortized Cost</b>	<b>I-h</b>	<b>75,774</b>	<b>3,848,249</b>	<b>3,924,023</b>	<b>289,820</b>	<b>3,442,674</b>	<b>3,732,494</b>
2.4.1	Government Debt Securities		75,774	3,385,597	3,461,371	289,820	2,980,116	3,269,936
2.4.2	Other Financial Assets		-	462,652	462,652	-	462,558	462,558
<b>2.5</b>	<b>Expected Credit Losses (-)</b>		<b>673,910</b>	<b>-</b>	<b>673,910</b>	<b>516,011</b>	<b>-</b>	<b>516,011</b>
<b>III.</b>	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)</b>	<b>I-r</b>	<b>292,398</b>	<b>-</b>	<b>292,398</b>	<b>321,735</b>	<b>-</b>	<b>321,735</b>
3.1	Held for Sale Purpose		292,398	-	292,398	321,735	-	321,735
3.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>IV.</b>	<b>EQUITY INVESTMENTS</b>		<b>225,580</b>	<b>-</b>	<b>225,580</b>	<b>225,580</b>	<b>-</b>	<b>225,580</b>
<b>4.1</b>	<b>Investments in Associates (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Accounted Under Equity Method		-	-	-	-	-	-
4.1.2	Unconsolidated Associates		-	-	-	-	-	-
<b>4.2</b>	<b>Subsidiaries (Net)</b>	<b>I-i</b>	<b>225,580</b>	<b>-</b>	<b>225,580</b>	<b>225,580</b>	<b>-</b>	<b>225,580</b>
4.2.1	Unconsolidated Financial Subsidiaries		225,580	-	225,580	225,580	-	225,580
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>4.3</b>	<b>Entities under Common Control (Joint Venture) (Net)</b>	<b>I-j</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>I-m</b>	<b>349,138</b>	<b>-</b>	<b>349,138</b>	<b>329,447</b>	<b>-</b>	<b>329,447</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>I-n</b>	<b>60,100</b>	<b>-</b>	<b>60,100</b>	<b>56,763</b>	<b>-</b>	<b>56,763</b>
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		60,100	-	60,100	56,763	-	56,763
<b>VII.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>I-o</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>CURRENT TAX ASSET</b>		<b>6,469</b>	<b>-</b>	<b>6,469</b>	<b>51,895</b>	<b>-</b>	<b>51,895</b>
<b>IX.</b>	<b>DEFERRED TAX ASSET</b>	<b>I-p</b>	<b>110,561</b>	<b>-</b>	<b>110,561</b>	<b>117,667</b>	<b>-</b>	<b>117,667</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>I-s</b>	<b>369,766</b>	<b>472,756</b>	<b>842,522</b>	<b>254,972</b>	<b>224,390</b>	<b>479,362</b>
<b>TOTAL ASSETS</b>			<b>13,057,030</b>	<b>19,227,675</b>	<b>32,284,705</b>	<b>12,417,547</b>	<b>16,527,229</b>	<b>28,944,776</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**  
**AS OF 30 JUNE 2020**

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

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)		Note (Section Five)	Reviewed Current Period 30 June 2020			Restated (*) Audited Prior Period 31 December 2019		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>II-a</b>	<b>8,191,337</b>	<b>9,966,055</b>	<b>18,157,392</b>	<b>7,439,521</b>	<b>8,684,861</b>	<b>16,124,382</b>
<b>II.</b>	<b>FUNDS BORROWED</b>	<b>II-c</b>	<b>48,951</b>	<b>7,557,364</b>	<b>7,606,315</b>	<b>54,261</b>	<b>6,577,896</b>	<b>6,632,157</b>
<b>III.</b>	<b>MONEY MARKET BALANCES</b>		<b>88,087</b>	<b>171,407</b>	<b>259,494</b>	<b>1,657</b>	<b>91,938</b>	<b>93,595</b>
<b>IV.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>		<b>493,442</b>	<b>-</b>	<b>493,442</b>	<b>771,622</b>	<b>-</b>	<b>771,622</b>
4.1	Bills		493,442	-	493,442	771,622	-	771,622
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
<b>V.</b>	<b>BORROWER FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>		<b>39,376</b>	<b>93,546</b>	<b>132,922</b>	<b>118,806</b>	<b>75,233</b>	<b>194,039</b>
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	II-b	39,376	92,436	131,812	104,687	75,233	179,920
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	II-f	-	1,110	1,110	14,119	-	14,119
<b>VIII.</b>	<b>FACTORING LIABILITIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX.</b>	<b>LEASE LIABILITIES (Net)</b>	<b>II-e</b>	<b>61,132</b>	<b>2,305</b>	<b>63,437</b>	<b>45,204</b>	<b>5,166</b>	<b>50,370</b>
<b>X.</b>	<b>PROVISIONS</b>	<b>II-g</b>	<b>109,554</b>	<b>1,062</b>	<b>110,616</b>	<b>116,000</b>	<b>1,575</b>	<b>117,575</b>
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		13,767	-	13,767	11,101	-	11,101
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		95,787	1,062	96,849	104,899	1,575	106,474
<b>XI.</b>	<b>CURRENT TAX LIABILITY</b>	<b>II-h</b>	<b>35,572</b>	<b>-</b>	<b>35,572</b>	<b>40,496</b>	<b>-</b>	<b>40,496</b>
<b>XII.</b>	<b>DEFERRED TAX LIABILITY</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>	<b>II-i</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT INSTRUMENTS</b>	<b>II-i</b>	<b>-</b>	<b>2,585,530</b>	<b>2,585,530</b>	<b>-</b>	<b>2,541,645</b>	<b>2,541,645</b>
14.1	Loans		-	514,641	514,641	-	743,663	743,663
14.2	Other Debt Instruments		-	2,070,889	2,070,889	-	1,797,982	1,797,982
<b>XV.</b>	<b>OTHER LIABILITIES</b>	<b>II-d</b>	<b>366,135</b>	<b>187,631</b>	<b>553,766</b>	<b>332,570</b>	<b>146,467</b>	<b>479,037</b>
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>II-k</b>	<b>2,293,344</b>	<b>(7,125)</b>	<b>2,286,219</b>	<b>1,899,858</b>	<b>-</b>	<b>1,899,858</b>
16.1	Paid-in capital		2,038,390	-	2,038,390	1,730,655	-	1,730,655
16.2	Capital Reserves		54	-	54	54	-	54
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		-	-	-	-	-	-
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		19,718	-	19,718	20,881	-	20,881
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(20,847)	(7,125)	(27,972)	(46,619)	-	(46,619)
16.5	Profit Reserves		483,558	-	483,558	474,970	-	474,970
16.5.1	Legal Reserves		49,270	-	49,270	40,682	-	40,682
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		434,288	-	434,288	434,288	-	434,288
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		(227,529)	-	(227,529)	(280,083)	-	(280,083)
16.6.1	Prior Years' Profit/Loss		(288,671)	-	(288,671)	(369,551)	-	(369,551)
16.6.2	Current Year Profit/Loss		61,142	-	61,142	89,468	-	89,468
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11,726,930</b>	<b>20,557,775</b>	<b>32,284,705</b>	<b>10,819,995</b>	<b>18,124,781</b>	<b>28,944,776</b>

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS**  
**AS OF 30 JUNE 2020**

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

OFF- BALANCE SHEET ITEMS	(Section Five)	Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>7,328,487</b>	<b>27,769,461</b>	<b>35,097,948</b>	<b>9,578,925</b>	<b>25,099,113</b>	<b>34,678,038</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>III-a-3,i</b>	<b>3,261,548</b>	<b>5,291,839</b>	<b>8,553,387</b>	<b>2,540,432</b>	<b>4,347,870</b>	<b>6,888,302</b>
1.1 Letters of Guarantee	III-a-2,ii	3,179,764	4,235,660	7,415,424	2,532,641	3,657,612	6,190,253
1.1.1 Guarantees Subject to State Tender Law		46,542	189,151	235,693	26,150	161,086	187,236
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		3,133,222	4,046,509	7,179,731	2,506,491	3,496,526	6,003,017
1.2 Bank Acceptances	III-a-2,i	-	22,773	22,773	-	18,379	18,379
1.2.1 Import Letter of Acceptance		-	22,773	22,773	-	18,379	18,379
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit	III-a-2,i	81,784	1,033,406	1,115,190	7,791	671,879	679,670
1.3.1 Documentary Letters of Credit		81,784	1,033,406	1,115,190	7,791	671,879	679,670
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		-	-	-	-	-	-
1.9 Other Warrantees		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>799,215</b>	<b>1,309,141</b>	<b>2,108,356</b>	<b>422,020</b>	<b>182,892</b>	<b>604,912</b>
2.1 Irrevocable Commitments		799,215	1,309,141	2,108,356	422,020	182,892	604,912
2.1.1 Asset Purchase and Sales Commitments		389,634	1,309,141	1,698,775	66,012	93,792	159,804
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	89,100	89,100
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Commitments for Loan Limits	III-a-1	123,768	-	123,768	104,799	-	104,799
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		93,364	-	93,364	92,561	-	92,561
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		90,637	-	90,637	77,977	-	77,977
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		98,074	-	98,074	76,933	-	76,933
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>III-b</b>	<b>3,267,724</b>	<b>21,168,481</b>	<b>24,436,205</b>	<b>6,616,473</b>	<b>20,568,351</b>	<b>27,184,824</b>
3.1 Hedging Derivative Financial Instruments		460,000	342,160	802,160	860,000	-	860,000
3.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2 Transactions for Cash Flow Hedge		460,000	342,160	802,160	860,000	-	860,000
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		2,807,724	20,826,321	23,634,045	5,756,473	20,568,351	26,324,824
3.2.1 Forward Foreign Currency Buy/Sell Transactions		62,031	888,340	950,371	246,399	728,227	974,626
3.2.1.1 Forward Foreign Currency Transactions-Buy		43,623	404,971	448,594	108,090	356,942	465,032
3.2.1.2 Forward Foreign Currency Transactions-Sell		18,408	483,369	501,777	138,309	371,285	509,594
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		2,349,740	15,498,254	17,847,994	4,104,096	16,762,800	20,866,896
3.2.2.1 Foreign Currency Swap-Buy		571,038	6,742,584	7,313,622	1,495,113	7,660,490	9,155,603
3.2.2.2 Foreign Currency Swap-Sell		1,548,702	5,804,800	7,353,502	2,608,983	6,540,002	9,148,985
3.2.2.3 Interest Rate Swap-Buy		115,000	1,475,435	1,590,435	-	1,281,154	1,281,154
3.2.2.4 Interest Rate Swap-Sell		115,000	1,475,435	1,590,435	-	1,281,154	1,281,154
3.2.3 Foreign Currency, Interest Rate and Securities Options		395,953	2,593,950	2,989,903	1,405,978	2,049,276	3,455,254
3.2.3.1 Foreign Currency Options-Buy		158,717	1,343,501	1,502,218	646,409	1,079,765	1,726,174
3.2.3.2 Foreign Currency Options-Sell		237,236	1,250,449	1,487,685	759,569	969,511	1,729,080
3.2.3.3 Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4 Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	1,845,777	1,845,777	-	1,028,048	1,028,048
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>53,317,493</b>	<b>30,644,985</b>	<b>83,962,478</b>	<b>57,530,334</b>	<b>25,553,443</b>	<b>83,083,777</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>5,668,543</b>	<b>545,956</b>	<b>6,214,499</b>	<b>10,625,494</b>	<b>384,140</b>	<b>11,009,634</b>
4.1 Customer Fund and Portfolio Balances		4,603,045	-	4,603,045	9,297,970	-	9,297,970
4.2 Investment Securities Held in Custody		671,835	132,047	803,882	902,468	68,170	970,638
4.3 Cheques Received for Collection		298,148	31,401	329,549	331,314	39,608	370,922
4.4 Commercial Notes Received for Collection		46,593	3,773	50,366	44,746	3,678	48,424
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		48,922	378,735	427,657	48,996	272,684	321,680
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>47,201,155</b>	<b>29,873,110</b>	<b>77,074,265</b>	<b>46,258,191</b>	<b>24,952,575</b>	<b>71,210,766</b>
5.1 Marketable Securities		895,539	-	895,539	133,303	-	133,303
5.2 Guarantee Notes		34,684,820	17,310,883	51,995,703	33,223,760	14,592,955	47,816,715
5.3 Commodity		997,904	474,063	1,471,967	1,009,904	459,050	1,468,954
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		8,526,088	11,006,424	19,532,512	9,371,865	8,517,579	17,889,444
5.6 Other Pledged Items		2,096,804	1,081,740	3,178,544	2,519,359	1,382,991	3,902,350
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>447,795</b>	<b>225,919</b>	<b>673,714</b>	<b>646,649</b>	<b>216,728</b>	<b>863,377</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>60,645,980</b>	<b>58,414,446</b>	<b>119,060,426</b>	<b>67,109,259</b>	<b>50,652,556</b>	<b>117,761,815</b>

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

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

	Note (Section Five)	Reviewed Current Period 1 January - 30 June 2020	Reviewed Current Period 1 April - 30 June 2020	Restated(*) Reviewed Prior Period 1 January 2019 - 30 June 2019	Restated(*) Reviewed Prior Period 1 April 2019 - 30 June 2019
<b>INCOME AND EXPENSE ITEMS</b>					
<b>I.</b>	<b>INTEREST INCOME</b>	<b>1,063,929</b>	<b>504,852</b>	<b>1,412,728</b>	<b>732,533</b>
1.1	Interest on Loans	860,629	405,514	1,150,100	584,099
1.2	Interest Received from Reserve Deposits	3,787	2,111	33,440	15,712
1.3	Interest Received from Banks	18,146	10,322	31,056	17,371
1.4	Interest Received from Money Market Placements	53,804	28,262	90,391	59,105
1.5	Interest Received from Marketable Securities Portfolio	125,904	57,982	99,673	53,328
1.5.1	Fair Value through Profit or Loss	642	172	2,794	1,377
1.5.2	Fair Value through other Comprehensive Income	33,156	21,642	2,170	2,023
1.5.3	Measured at Amortized Cost	92,106	36,168	94,709	49,928
1.6	Finance Lease Interest Income	-	-	-	-
1.7	Other Interest Income	1,659	661	8,068	2,918
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	<b>747,900</b>	<b>366,880</b>	<b>1,109,942</b>	<b>572,208</b>
2.1	Interest on Deposits	427,391	213,196	796,374	388,911
2.2	Interest on Funds Borrowed	249,900	127,331	186,420	110,496
2.3	Interest on Money Market Borrowings	4,564	3,377	12,926	5,340
2.4	Interest on Securities Issued	38,767	19,836	103,864	65,105
2.5	Leasing Interest Expense	3,332	605	3,731	1,824
2.6	Other Interest Expense	23,946	2,535	6,627	532
<b>III.</b>	<b>NET INTEREST INCOME (I - II)</b>	<b>316,029</b>	<b>137,972</b>	<b>302,786</b>	<b>160,325</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME / EXPENSES</b>	<b>74,628</b>	<b>39,455</b>	<b>46,550</b>	<b>18,071</b>
4.1	Fees and Commissions Received	106,534	56,384	74,477	33,537
4.1.1	Non-cash Loans	27,169	13,332	36,596	17,533
4.1.2	Other	79,365	43,052	37,881	16,004
4.2	Fees and Commissions Paid (-)	31,906	16,929	27,927	15,466
4.2.1	Non-cash Loans	243	121	238	116
4.2.2	Other	31,663	16,808	27,689	15,350
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>8</b>	<b>8</b>	<b>2,769</b>	<b>7</b>
<b>VI.</b>	<b>NET TRADING INCOME</b>	<b>36,198</b>	<b>24,936</b>	<b>95,375</b>	<b>24,555</b>
6.1	Securities Trading Gains / (Losses)	8,809	4,543	3,991	5,165
6.2	Derivative Financial Instruments Gains / Losses	88,916	(50,314)	78,358	(68,482)
6.3	Foreign Exchange Gains / Losses (Net)	(61,527)	70,707	13,026	87,872
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>35,707</b>	<b>21,757</b>	<b>9,844</b>	<b>5,443</b>
<b>VIII.</b>	<b>GROSS OPERATING INCOME (III+IV+V+VI+VII)</b>	<b>462,570</b>	<b>224,128</b>	<b>457,324</b>	<b>208,401</b>
<b>IX.</b>	<b>EXPECTED CREDIT LOSSES (-)</b>	<b>162,764</b>	<b>89,977</b>	<b>165,760</b>	<b>78,676</b>
<b>X.</b>	<b>OTHER PROVISION EXPENSES (-)</b>	<b>12,712</b>	<b>(6,354)</b>	<b>27,045</b>	<b>3,765</b>
<b>XI.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>102,322</b>	<b>48,896</b>	<b>97,378</b>	<b>46,302</b>
<b>XII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>108,007</b>	<b>52,155</b>	<b>90,902</b>	<b>47,711</b>
<b>XIII.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII-IX-XI-XII)</b>	<b>76,765</b>	<b>39,454</b>	<b>76,239</b>	<b>31,947</b>
<b>XIV.</b>	<b>AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>	-	-	-	-
<b>XV.</b>	<b>PROFIT / (LOSS) ON EQUITY METHOD</b>	-	-	-	-
<b>XVI.</b>	<b>GAIN / (LOSS) ON NET MONETARY POSITION</b>	-	-	-	-
<b>XVII.</b>	<b>PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)</b>	<b>76,765</b>	<b>39,454</b>	<b>76,239</b>	<b>31,947</b>
<b>XVIII.</b>	<b>TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(15,623)</b>	<b>(11,690)</b>	<b>(20,272)</b>	<b>(7,474)</b>
18.1	Provision for Current Income Taxes	(10,548)	(10,548)	(18,893)	(18,893)
18.2	Deferred Tax Income Effect (+)	(5,075)	(1,142)	(1,379)	11,419
18.3	Deferred Tax Expense Effect (-)	-	-	-	-
<b>XIX.</b>	<b>NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)</b>	<b>61,142</b>	<b>27,764</b>	<b>55,967</b>	<b>24,473</b>
<b>XX.</b>	<b>INCOME ON DISCONTINUED OPERATIONS</b>	-	-	-	-
20.1	Income on Assets Held for Sale	-	-	-	-
20.2	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)	-	-	-	-
20.3	Income on Other Discontinued Operations	-	-	-	-
<b>XXI.</b>	<b>LOSS FROM DISCONTINUED OPERATIONS (-)</b>	-	-	-	-
21.1	Loss from Assets Held for Sale	-	-	-	-
21.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)	-	-	-	-
21.3	Loss from Other Discontinued Operations	-	-	-	-
<b>XXII.</b>	<b>PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)</b>	-	-	-	-
<b>XXIII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	-	-	-	-
23.1	Provision for Current Income Taxes	-	-	-	-
23.2	Deferred Tax Expense Effect (+)	-	-	-	-
23.3	Deferred Tax Income Effect (-)	-	-	-	-
<b>XXIV.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>	-	-	-	-
<b>XXV.</b>	<b>NET PROFIT/LOSS (XIX+XXIV)</b>	<b>61,142</b>	<b>27,764</b>	<b>55,967</b>	<b>24,473</b>
	Earning / (loss) per share	0.0322	0.0136	0.0427	0.0170

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2020**

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

**IV. PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Reviewed Current Period 1 January 2020- 30 June 2020	Restated (*) Reviewed Prior Period 1 January 2019- 30 June 2019
<b>I. CURRENT PERIOD INCOME / LOSS</b>	<b>61,142</b>	<b>55,967</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>17,484</b>	<b>7,133</b>
<b>2.1 Not Reclassified Through Profit or Loss</b>	<b>(1,163)</b>	<b>(17)</b>
2.1.1 Property and Equipment Revaluation Increase / Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase / Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain / Loss	(1,454)	(21)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	291	4
<b>2.2 Reclassified Through Profit or Loss</b>	<b>18,647</b>	<b>7,150</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	2,418	6,082
2.2.3 Cash Flow Hedge Income / Loss	18,551	2,370
2.2.4 Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(2,322)	(1,302)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>78,626</b>	<b>63,100</b>

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2019**

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

	Restated (*) Reviewed Prior Period 1 January 2019 - 30 June 2019	Notes (Section Five)	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders Equity
							1	2	3	4	5	6				
<b>I.</b>	<b>Prior Period End Balance</b>		1,167,000	54	-	289,095	24,131	(2,938)	-	-	(53,313)	(3,884)	463,462	(445,995)	194,934	1,632,546
<b>II.</b>	<b>Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	(289,095)	-	-	-	-	-	-	-	30,420	(137,402)	(396,077)
2.1	Effects of Errors (*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies		-	-	-	(289,095)	-	-	-	-	-	-	-	30,420	(137,402)	(396,077)
<b>III.</b>	<b>Adjusted Beginning Balance (I+II)</b>		1,167,000	54	-	-	24,131	(2,938)	-	-	(53,313)	(3,884)	463,462	(415,575)	57,532	1,236,469
<b>IV.</b>	<b>Total Comprehensive Income</b>		-	-	-	-	-	(17)	-	-	5,301	1,849	-	-	55,967	63,100
<b>V.</b>	<b>Capital Increase by Cash</b>	II-k	563,655	-	-	-	-	-	-	-	-	-	-	-	-	563,655
<b>VI.</b>	<b>Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII.</b>	<b>Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII.</b>	<b>Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX.</b>	<b>Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X.</b>	<b>Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI.</b>	<b>Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	11,508	46,024	(57,532)	-
11.1	Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	11,508	46,024	(57,532)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Period-End Balance (III+...+XVI+XVII+XVIII)</b>		1,730,655	54	-	-	24,131	(2,955)	-	-	(48,012)	(2,035)	474,970	(369,551)	55,967	1,863,224

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

1. Accumulated Revaluation Increase/Decrease of Fixed Asset,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

**ALTERNATİFBANK A.Ş.**  
**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020**

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

Current Period 1 January 2020 - 30 June 2020	Note (Section Five)	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss					Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss		Total Shareholders Equity		
						1	2	3	4	5	6	Profit Reserves		Prior Period Profit or (Loss)	Current Period Profit or (Loss)
<b>I. Prior Period End Balance</b>		1,730,655	54	-	-	24,131	(3,250)	-	-	(38,689)	(7,930)	474,970	(369,551)	89,468	1,899,858
<b>II. Corrections and Accounting Policy Changes Made According to TAS 8</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>		1,730,655	54	-	-	24,131	(3,250)	-	-	(38,689)	(7,930)	474,970	(369,551)	89,468	1,899,858
<b>IV. Total Comprehensive Income</b>		-	-	-	-	-	(1,163)	-	-	4,177	14,470	-	-	61,142	78,626
<b>V. Capital Increase by Cash</b>	II-k	307,735	-	-	-	-	-	-	-	-	-	-	-	-	307,735
<b>VI. Capital Increase by Internal Sources</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Effect of Inflation on Paid-in Capital</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Share</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes</b>		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>		-	-	-	-	-	-	-	-	-	-	8,588	80,880	(89,468)	-
11.1 Dividends Distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	8,588	80,880	(89,468)	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period-End Balance (III+...+XVI+XVII+XVIII)</b>		2,038,390	54	-	-	24,131	(4,413)	-	-	(34,512)	6,540	483,558	(288,671)	61,142	2,286,219

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

1. Accumulated Revaluation Increase/Decrease of Fixed Asset,
2. Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan,
3. Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss),
4. Foreign Currency Translation Differences,
5. Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income,
6. Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)

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

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

**STATEMENT OF CASH FLOWS**

	Note (Section Five)	Reviewed Current Period 1 January 2020- 30 June 2020	Restated(*) Reviewed Prior Period 1 January 2019- 30 June 2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1	Operating Profit/ (Loss) Before Changes in Operating Assets and Liabilities	373,200	110,343
1.1.1	Interest Received	1,079,597	1,405,344
1.1.2	Interest Paid	(695,409)	(1,092,902)
1.1.3	Dividend Received	8	2,769
1.1.4	Fees and Commissions Received	106,534	74,477
1.1.5	Other Income	313,765	105,021
1.1.6	Collections from Previously Written-off Loans and Other Receivables	79,055	84,999
1.1.7	Payments to Personnel and Service Suppliers	(108,339)	(102,804)
1.1.8	Taxes Paid	(36,427)	(11,638)
1.1.9	Other	(365,584)	(354,923)
1.2	Changes in Operating Assets and Liabilities	<b>(399,101)</b>	<b>412,567</b>
1.2.1	Net increase/(decrease) in Financial Assets at Fair Value Through Profit or Loss	(10,484)	42,021
1.2.2	Net increase/(decrease) in Due from Banks and Other Financial Institutions	710,234	(488,739)
1.2.3	Net increase/(decrease) in Loans	(2,189,098)	(582,406)
1.2.4	Net increase/(decrease) in Other Assets	(353,306)	(35,991)
1.2.5	Net increase/(decrease) in Bank Deposits	(38,880)	(8,892)
1.2.6	Net increase/(decrease) in Other Deposits	836,987	1,218,028
1.2.7	Net increase/(decrease) in Financial Liabilities at Fair Value Through Profit or Loss	-	-
1.2.8	Net increase/(decrease) in Funds Borrowed	528,834	1,404,330
1.2.9	Net increase/(decrease) in Payables	-	-
1.2.10	Net increase/(decrease) in Other Liabilities	116,612	(1,135,784)
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>	<b>(25,901)</b>	<b>522,910</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from Investing Activities</b>	<b>(185,170)</b>	<b>42,352</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries	-	-
2.3	Purchases of Property and Equipment	23,148	(15,958)
2.4	Disposals of Property and Equipment	6,945	1,444
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(704,120)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	182,650	-
2.7	Purchase of Financial Assets Measured at Amortised Cost	-	-
2.8	Sale of Financial Assets Measured at Amortised Cost	306,207	56,866
2.9	Other	-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>	<b>(291,584)</b>	<b>1,677,456</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued	142,736	1,474,464
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(683,562)	(351,275)
3.3	Issued Capital Instruments	307,735	563,655
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	(58,493)	(9,388)
3.6	Other	-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	<b>555,996</b>	<b>309,576</b>
<b>V.</b>	<b>Net Increase/ (Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>	<b>53,341</b>	<b>2,552,294</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at Beginning of the Period</b>	<b>4,443,070</b>	<b>2,846,788</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at End of the Period</b>	<b>4,496,411</b>	<b>5,399,082</b>

(\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

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



**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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.

Causing potentially fatal respiratory infections COVID-19 outbreak, which started in China and spread globally in the first quarter of 2020, caused serious effects on both economic and social life. In addition to the social life effects of the cautions taken to ensure the control of outbreak in many countries, there are also consequences observed which is negatively affecting economic activity both on regional and global scale. As in other countries where the pandemic is effective, various cautions also have been taken in our country in social and economic terms in order to reduce that negativeness and the cautions taken continue to be implemented with partial changes. The Bank sustains its activities for the period precisely by closely monitoring the processes related to outbreak, postponing retail and non-retail customers' due debts, restructuring with grace period and existing or additional limit allocations in respect with customers' needs.

Assessments regarding to possible effects of the COVID-19 outbreak through the measurement of expected credit losses as at June 30, 2020 financial statements are explained in the Section III Footnote Number VII.

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 XXVIII 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 2020 and 31 December 2019, the Bank does not have any investment in foreign companies.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The Bank has two subsidiaries resided in Turkey, 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 2020 and 31 December 2019, the Bank has not any recognize as foreign currency association and subsidiaries.

As of 30 June 2020 and 31 December 2019, the Bank has not any joint ventures.

**IV. Interest Income and Expense**

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". The Bank has started to calculate rediscounts for its loans that have become non-performing loans after 1 January 2018 under TFRS 9 starting from 1 January 2018. Net book value of the non-performing loans (Gross Book Value - Expected Credit Loss) are rediscounted through effective interest rate and recognized through the gross book value of the non-performing loan.

**V. 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 in accordance with TFRS 15 "Revenue from Contracts with Customers" standard. 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.

**VI. Financial Assets**

The Bank categorizes its financial assets as "Fair Value through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Such financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Issued for classification and measurement of the financial instruments published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

The Bank recognizes a financial asset into financial statements when it becomes a party to the contractual terms of a financial instrument. During the first recognition of a financial asset into the financial statements, business model determined by Bank management and the nature of contractual cash flows of the financial asset are taken into consideration. When the business model determined by the Bank's management is changed, all affected financial assets are reclassified and this reclassification is applied prospectively. In such cases, no adjustments are made to earnings, losses or interests that were previously recorded in the financial statements.

**a. Financial Assets at Fair Value through Profit or Loss**

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

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. Financial Assets (Continued)**

**b. Financial Assets at Fair Value through Other Comprehensive Income**

A financial asset is measured at fair value through other comprehensive income when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell,
- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Valuation of such assets is based on its fair value. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income reflected and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

In case of sales, the realized gain/losses are recognized directly in the income statement.

During initial recognition an entity may irrevocably elect to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income.

**c. Financial Assets Measured at Amortized Cost**

A financial asset is measured at amortized cost when both of the following conditions are provided:

- Financial assets within a business model that aims to hold to collect contractual cash flows,
- Financial asset with contractual terms that lead to cash flows are solely payments of principal and interest at certain dates.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using “Effective Interest Rate Method”. Interest income obtained from financial assets measured at amortized cost is accounted in income statement.

**d. Derivative Financial Assets**

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

The major derivative instruments utilized by the Bank are foreign currency swaps, interest rate swaps, currency forwards, currency futures and currency 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 recognition method of profit/loss is based on whether the related derivative is hedged or not, and the content of the hedged instrument.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. Financial Assets (Continued)**

**d. Derivative Financial Assets (Continued)**

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.

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value through Other Comprehensive Income". In accounting policy choice, TFRS 9 provides the option of postponing the acceptance of TFRS 9 hedge accounting and continuing with TAS 39 "Hedge accounting". In this context, the Bank continued to apply TAS 39 "Hedge accounting".

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.

According to the BRSA regulations on swap markets dated February 9th and 12nd 2020, the Bank has updated the yield curves used in the fair value calculations of the forward-swap derivatives from FX Implied Swap up to 2 years and FX CCS for more than 2 years to Overnight Index Swap up to 3 months (including 3 months), FX Implied Swap from 3 months to 2 years, and FX CCS for more than 2 years. Aforementioned changes did not cause any significant impact on the financial statements.

**e. Loans**

Loans are financial assets which are created by providing money, goods or services to the debtor. Loans are recognized at acquisition cost which is reflecting the fair value after that measured at amortized cost using the effective interest rate method. Any fees and other similar charges paid for assets received as collateral are not considered as part of the transaction cost and reflected 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 with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2019, the difference of TL 97 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

**VII. Impairment of Financial Assets**

The Bank allocates impairment for expected loss on financial assets measured at amortized cost and measured at fair value through other comprehensive income.

As of 1 January 2018, the Bank recognizes provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750.

In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Impairment of Financial Assets (Continued)**

The Bank estimates the expected credit losses for a financial lease based on the probabilities determined by taking into account the probable outcomes and estimates the fair value of the money and the estimates of past events, current conditions and future economic conditions at reasonable rates, and reflects supportable information during the reporting period.

The Bank calculates the expected credit loss individually or by grouping the financial assets that bear the common credit risk characteristics according to the risk level determined by the bank.

Within the scope of internal policies, the Bank, evaluates the calculation of credit losses in accordance with TFRS 9, as an individual assessment based on expert opinion. In this context, the Bank takes into account the weight of the estimating the probability of scenario of the occurrence or failure of the related loan losses and reduced expected cash flows to the reporting date with effective interest rate.

The Bank uses three basic parameters in the calculation of expected credit loss as default rate, loss in default and default amount. The calculation is also based on these scenarios, time value of money, the historical observed data and the forecasting of the macroeconomic situation.

In the calculation of expected credit loss, the Bank includes the prospective macroeconomic information in to the credit risk parameters. In this context, economic models based on the relationship of credit risk parameters with macroeconomic variables are established based on multi-scenario, and the models mainly take into account the basic macroeconomic variables such as Gross Domestic Product (GDP) and Unemployment Rates. The efficiency and adequacy of the models used in the calculation of credit losses are reviewed at regular intervals. In this context, as of 30 June 2020, The Bank separately calculated the possible effects of the COVID-19 outbreak on the estimates and judgments used in the calculation of Expected Credit Losses with the best estimation method. In the light of the said data, the Bank has been revised the macroeconomic indicators for the future in the expected credit loss calculation.

In regard to the COVID-19 outbreak, with the related legislations of BRSA dated 17 March 2020 and numbered 8948, 27 March 2020 and numbered 8970, until the date of 31 December 2020 in accordance with the decision, that being effective from the date 17 March 2020, the 30-days loans classified as Stage 2, started to be applied as 90 days for loans and the 90-days past due period foreseen for loans classified as non-performing loan, started to be applied as 180 days.

Financial assets included in TFRS 9, is divided into three stages according to the change in loan quality after initial recognition and the expected credit loss is calculated according to the stage:

- Stage 1: For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses.
- Stage 2: In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. For these assets, lifetime expected credit losses are recognized.
- Stage 3: Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

- Definition of Default:

Default means, when the borrower's payment obligations which against to the Bank, delays more than 90 days from the date of payment in part or in full, or he is not pay. In other respect, the 90-days past due period foreseen for loans to be classified as non-performing loan, started to be applied as 180 days until the date of 31 December 2020 in accordance with the decision, taken by BRSA in regard to the COVID-19 outbreak. The Bank allocates provisions in accordance with its risk policies.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. Impairment of Financial Assets (Continued)**

Considered as a significant increase in credit risk:

- Overdue receivables of more than 30 days
- Receivables followed in close monitoring portfolio
- Restructured receivables due to payment difficulties
- Receivables from non-problematic consumer loans from individual customers with problematic consumer loans
- Receivables exceeding the established thresholds for the differences between the default probabilities measured at the time of the financial statements and the default probabilities observed at the reporting date

In other respect, the 30-days past due period foreseen for loans to be classified as Stage 2, started to be applied as 90 days until the date of 31 December 2020 in accordance with the decision, taken by BRSA in regard to the COVID-19 outbreak. The Bank allocates provisions in accordance with its risk policies.

**VIII. Offsetting Financial Instruments**

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 intent on to realize the asset and settle the liability simultaneously. Otherwise, any related financial assets and liabilities are not offset.

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

Funds obtained by the Bank from repurchase agreements (“repo”) are accounted under “Money Market Balances” 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 “Money Market Placements” on the balance sheet.

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

In accordance with IFRS 5 standard (“Non-current 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.

The Bank classified assets that were acquired due to non-performing receivables, as assets held for sale.

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.

As of 30 June 2020 and 31 December 2019 The Bank has no discontinued operations.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XI. 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.

**XII. 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.

Properties and equipments 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 properties and equipments’ 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 property and equipment 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 properties and equipments.

Tangible assets within the property's net book value by comparing the fair value determined as of the last year by a licensed real estate appraisal companies, In case of an indication of the presence related to the fair value impairment, the recoverable amount of the asset "Turkey Related to Impairment Accounting Standards" (TAS 36) are estimated within the framework and the recoverable amount is below the asset's book value, a provision for impairment is separated and formed is recognized in "Other Operating Expenses" in the relevant period.

Gains or losses on disposals of property, plant and equipment are recognized in the statement of profit or loss as the difference between the net book value and the carrying amount of the property, plant and equipment.

The Bank has started to account properties under the tangible assets with their revalued amount instead of cost values in accordance with "TAS 16 Plant and Equipment" on 31 December 2018. The revaluation difference arising from the valuations made by the appraisal firms authorized by Capital Markets Board ("CMB") and BRSA is accounted in Investment Properties Revaluation Differences line under the Shareholders' Equity.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. Leasing Transactions**

The Bank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

**Right of use assets:**

The right to use asset is first recognized by cost method and includes:

- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease,
- All initial direct costs incurred by the Bank
- When the Bank applying the cost method, the existence of the right to use:
- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation at the restated cost.

The Bank applies depreciation obligations in TAS 16 property Tangible Assets while depreciating its right of use asset.

**The Lease Obligations:**

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank's average borrowing interest rates. The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Bank measures the leasing liability as follows:

- Increase the book value to reflect the interest on the lease obligation
- Reduces the book value to reflect the lease payments made and
- The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability. “TFRS 16 Leasing” Standard was promulgated in Official Gazette No. 29826, dated 16 April 2018 to be applied in the accounting period starting on 31 December 2018. The Bank applied TFRS 16 “Leasing” standard, which replaced TAS 17 “Leasing”, as of 1 January 2019, the date of first implementation.

As of 30 June 2020, net right of use assets and net lease liabilities are amounting to TL 55,990 and TL 63,437, respectively.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. 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.

**XV. 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.

**XVI. Taxation**

**a. Corporate tax**

In Turkey, the corporate tax rate is 20% since January 1, 2006. With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, tax rate will applied as 22% for three years between 2018 and 2020. In addition, Council of Ministers is authorised to reduce the rate from 22% to 20%.

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.

A 75% portion of the capital (With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the mentioned sale of properties.) 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 taxes**

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.

Corporate Tax Law has been amended with Article 91 of the Law, No. 7061 effective upon promulgation in the Official Gazette, No. 30261, dated 5 December 2017; as of January 1, 2018, due to the corporate tax levied on the corporate income has been increased to 22% for 3 years, 22% tax rate is used for temporary differences expected to occur / close during the year (in 2018, 2019 and 2020). The Bank calculates deferred tax at the relevant rates considering the periods in which deferred tax assets and liabilities will be fulfilled. However, because of the corporate tax rate is 20% and applicable to post 2020, 20% tax rate is used for temporary differences expected/expected to be closed after 2020. Deferred tax rate calculation has started to be measured over temporary expected provision losses differences according to TFRS 9 articles from 1 January 2018.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. Additional Explanations on Borrowings**

Debt instruments with different characteristics such as syndicated borrowings and post-financing obtained from foreign financial institutions, marketable securities issued in domestic and foreign markets and money market borrowings are major funding source of the Bank. Mentioned borrowings are carried initially at acquisition cost and subsequently recognized at the discounted value calculated using by “Effective interest rate method“.

**XVIII. 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.

**XIX. Avalized Drafts and Acceptances**

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

**XX. Government Incentives**

As of 30 June 2020 and 31 December 2019, the Bank does not have any government incentives.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXI. 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.

In accordance with the decision of the Ordinary General Assembly dated 26 March 2020, The Bank has decided to allocate 5% of the legal reserve over the net distributable profit and transfer the remaining amount, after the distribution of legal reserves, to offset from prior year’s losses, within the framework of the Articles of Association and the Turkish Commercial Code.

The Law No. 7244 on the Reduction of the Effects of the new coronavirus (COVID-19) Epidemic on Economic and Social Life and the Law Amending Certain Laws (“Law”) was published in the Official Gazette dated April 17, 2020. In accordance with the aforementioned Law, the Turkish Commercial Code No. 6102 was amended and restrictions and restrictions regarding the distribution of profits were foreseen. The mentioned regulation has been implemented as of the publication date of the Law.

**XXII. Earnings Per Share**

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
Profit/(Loss) Attributable to Shareholders	61,142	55,967
Weighted Average Number of Issued Ordinary Shares (Thousand) <sup>(*)</sup>	1,897,758	1,310,844
<b>Earnings/(Losses) Per Share (Disclosed in full TL)</b>	<b>0.0322</b>	<b>0.0427</b>

(\*) The number of share capital is calculated by weighting the capital increases, which were made on 23 March 2020 and 27 March 2019.

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 30 June 2020 (31 December 2019: None).

**XXIII. 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 VII. of Section Five.

**XXIV. 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.

**XXV. Amendments Accounting Policies of the Current Period**

None.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVI. Explanations on Accounting Policies, Changes in Accounting Estimates and Errors Standard**

The Bank's revisions for the period of 30 June 2019 are explained as below.

- As of 31 December 2019, The Bank, has accounted the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million (as of 31 December 2019, its equivalent is TL 299,969 by using the exchange rate of 31 July 2017 ) TIER I subordinated debt from its shareholder which was transferred to the equity account on 31 July 2017, in the "Equity" accounts, which is one of the financial statement items. Amendments have been made to the provisions of the contract regarding the mentioned Tier 1 subordinated debt and the related amendments have been completed as of 29 March 2020. The Bank has been declared to BRSA that the related subordinated debt will be included as a Tier 1 capital in the capital adequacy calculation with the letter dated 3 April 2020 and numbered 22742.
- As a result of the amendments made, under the "Subordinated Debt Instruments" retrospectively from the financial statement items, as of the first acquisition of an additional principal capital of USD 75 million in accordance with the "TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" ("TAS 8") started to be followed.

The effects of these adjustments to the prior period unconsolidated financial statements of the Bank are given below.

	<b>Reported 31 December 2019</b>	<b>Classifications</b>	<b>Adjustments</b>	<b>Restated 31 December 2019</b>
Subordinated Debt Instruments	2,096,143	445,502	-	2,541,645
Total Equity	2,345,360	(445,502)	-	1,899,858
<i>Prior Years' Profit/(Loss)</i>	(306,330)	-	(63,221)	(369,551)
<i>Other Capital Reserves</i>	299,969	(299,969)	-	-
<i>Current Period Profit/(Loss) /Net</i>	171,780	-	(82,312)	89,468
	<b>Reported 30 June 2019</b>	<b>Classifications</b>	<b>Adjustments</b>	<b>Restated 30 June 2019</b>
Subordinated Debt Instruments	2,030,670	431,635	-	2,462,305
Total Equity	2,294,859	(431,635)	-	1,863,224
<i>Prior Years' Profit/(Loss)</i>	(283,620)	-	(85,931)	(369,551)
<i>Other Capital Reserves</i>	296,918	(296,918)	-	-
Interest expense	1,088,891	-	21,051	1,109,942
Trading Profit / (Loss) (Net)	130,933	-	(35,558)	95,375
Provision for Taxes on Continuing Operations	(28,095)	-	7,823	(20,272)
Current Period Profit/(Loss) (Net)	104,753	-	(48,786)	55,967
	<b>Reported 31 December 2018</b>	<b>Classifications</b>	<b>Adjustments</b>	<b>Restated 1 January 2019</b>
Subordinated Debt Instruments	1,863,654	396,077	-	2,259,731
Total Equity	1,632,546	(396,077)	-	1,236,469
<i>Prior Years' Profit/(Loss)</i>	(445,995)	-	30,420	(415,575)
<i>Other Capital Reserves</i>	289,095	(289,095)	-	-
<i>Current Period Profit/(Loss)(Net)</i>	194,934	-	(137,402)	57,532

In addition to the restatement above, comparative information is reclassified, where necessary, reconciliation to the presentation of the current period financial statements or to ensure the reporting integrity.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVII. Explanations on Other Matters**

None.

**XXVIII. Operating Segments**

Information about operating segments which are determined in line with organizational and internal reporting structure of the Bank, are disclosed.

- a) The Bank provides basic banking services in corporate/commercial banking and treasury.
- b) 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.
- c) Investment banking services consists of trading of financial instruments and fund management.
- d) 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.
- e) The Bank’s software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Bank.
- f) According to the table provided, share of each Bank’s operating segment in the Balance sheet is as follows; corporate/retail banking 64%, investment banking 31% and other 5%.

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXVIII. Operating Segments (Continued)**

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

	<b>Corporate / Retail Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
<b>30 June 2020</b>				
Net Interest Income/ (Expense)	269,368	46,661	-	316,029
Net Fees and Commissions Income and Other Operating Income	86,801	23,534	-	110,335
Trading Profit/Loss	21,102	15,096	-	36,198
Dividend Income	-	8	-	8
Impairment Provision for Loans and Other Receivables (-) <sup>(*)</sup>	(166,763)	(8,713)	-	(175,476)
Other Operating Expenses (-)	(196,412)	(13,917)	-	(210,329)
Profit Before Taxes	14,095	62,670	-	76,765
Tax Provision				(15,623)
<b>Net Profit for the Period</b>				<b>61,142</b>
<b>30 June 2020</b>				
Segment Assets	20,487,398	9,855,280	1,716,447	32,059,125
Investments in Associates and Subsidiaries	-	-	225,580	225,580
<b>Total Assets</b>	<b>20,487,398</b>	<b>9,855,280</b>	<b>1,942,027</b>	<b>32,284,705</b>
Segment Liabilities	18,157,392	7,997,621	3,843,473	29,998,486
Shareholders’ Equity	-	-	2,286,219	2,286,219
<b>Total Liabilities</b>	<b>18,157,392</b>	<b>7,997,621</b>	<b>6,129,692</b>	<b>32,284,705</b>

(\*) Impairment provision for loans and other receivables indicates expected credit losses and other provision expenses.

	<b>Corporate / Retail Banking</b>	<b>Investment Banking</b>	<b>Other</b>	<b>Total Operations of the Bank</b>
<b>30 June 2019</b>				
Net Interest Income	330,385	(27,599)	-	302,786
Net Fees and Commissions Income and Other Operating Income	60,110	(3,716)	-	56,394
Trading Profit/Loss	-	95,375	-	95,375
Dividend Income	-	2,769	-	2,769
Impairment Provision for Loans and Other Receivables (-) <sup>(*)</sup>	(187,612)	(5,193)	-	(192,805)
Other Operating Expenses (-)	(168,376)	(19,904)	-	(188,280)
Profit Before Taxes	29,135	47,104	-	76,239
Tax Provision				(20,272)
<b>Net Profit for the Period</b>				<b>55,967</b>
<b>31 December 2019 (**)</b>				
Segment Assets	17,516,043	9,844,629	1,358,524	28,719,196
Investments in Associates and Subsidiaries	-	-	225,580	225,580
<b>Total Assets</b>	<b>17,516,043</b>	<b>9,844,629</b>	<b>1,584,104</b>	<b>28,944,776</b>
Segment Liabilities	16,124,382	6,905,672	4,014,864	27,044,918
Shareholders’ Equity	-	-	1,899,858	1,899,858
<b>Total Liabilities</b>	<b>16,124,382</b>	<b>6,905,672</b>	<b>5,914,722</b>	<b>28,944,776</b>

(\*) Impairment provision for loans and other receivables indicates expected credit losses and other provision expenses.

(\*\*) The table has been restated.

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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 19.01% (31 December 2019: 17.79%).

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.

Based on the press release made by the BRSA on 23 March 2020; due to the fluctuations in the financial markets as a result of the COVID-19 outbreak; in the calculation of the amount subject to credit risk in accordance with the Regulation on Measurement and Evaluation of Capital Adequacy; with monetary assets and non-monetary assets excluding assets that are measured in terms of historical cost in a foreign currency valued amount of items in accordance with TAS and its special provisions amounts, spot purchase exchange rate can be used in preparation of financial statements as of 31 December, 2019, may be considered in the calculation of Turkish Lira equivalent of credit risk exposures in foreign currencies, and negative revelation differences of the securities classified under “Financial Assets Measured at Fair Value through Other Comprehensive Income” which acquired before 23 March, 2020 may not be included in capital calculation. As of 30 June 2020, the Bank has used these opportunities in capital adequacy calculations.

With the letter dated May 6, 2020 and numbered 23345, the Bank has made an application to BRSA in accordance with Article 7.3 of the related loan agreement for the use of early redemption option at the end of the 5th year of the contract for the subordinated debt amounting to USD 50 Million obtained from United Arab Bank PJSC and National Bank of Oman S.A.O.G. According to the letter of BRSA dated 25 June 2020 and numbered 5775, it has been concluded that there is no harm in using the early redemption option. Accordingly, the subordinated debt amounting to USD 50 million was repaid and closed on June 30, 2020.

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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**

	30 June 2020	Restated (**) 31 December 2019
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	2,038,390	1,730,655
Share issue premiums	54	54
Reserves	483,558	474,970
Gains recognized in equity as per TAS	24,131	24,131
Profit	61,520	89,846
Current Period Profit	61,142	89,468
Prior Period Profit	378	378
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>2,607,653</b>	<b>2,319,656</b>
<b>Deductions from Common Equity Tier 1 Capital</b>		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	145,224	155,479
Improvement costs for operating leasing (-)	23,194	21,104
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	60,102	56,764
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-



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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)**

Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>228,520</b>	<b>233,347</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>2,379,133</b>	<b>2,086,309</b>
<b>ADDITIONAL TIER I CAPITAL</b>		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA (***)	513,240	445,502
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>513,240</b>	<b>445,502</b>
<b>Deductions from Additional Tier I Capital</b>		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Transition from the Core Capital to Continue to deduce Components</b>		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>		
<b>Total Additional Tier I Capital</b>	<b>513,240</b>	<b>445,502</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)</b>	<b>2,892,373</b>	<b>2,531,811</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	2,032,636	2,061,358
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks) (*)	128,052	-
<b>Tier II Capital Before Deductions</b>	<b>2,160,688</b>	<b>2,061,358</b>
<b>Deductions From Tier II Capital</b>		
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
<b>Total Deductions from Tier II Capital</b>		
<b>Total Tier II Capital</b>	<b>2,160,688</b>	<b>2,061,358</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>5,053,061</b>	<b>4,593,169</b>
<b>Deductions from Total Capital</b>	<b>5,053,061</b>	<b>4,593,169</b>
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	1,833	1,396
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Three Years	-	-
Other items to be defined by the BRSA	-	-

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

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

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

<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
<b>TOTAL CAPITAL</b>		
Total Capital (The sum of Tier I Capital and Tier II Capital)	5,051,228	4,591,773
Total risk weighted amounts	26,569,088	25,811,534
<b>CAPITAL ADEQUACY RATIOS</b>		
Core Capital Adequacy Ratio (%)	% 8.95	8.08%
Tier 1 Capital Adequacy Ratio (%)	% 10.89	9.81%
Capital Adequacy Ratio (%)	% 19.01	17.79%
<b>BUFFERS</b>		
Bank specific total Common Equity Tier 1 Capital requirement (%)	% 2.50	2.50%
Capital conservation buffer requirement (%)	% 2.50	2.50%
Bank specific counter-cyclical buffer requirement (%)	% 0.00	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 (%)	% 4.43	3.58%
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
<b>Remaining Mortgage Servicing Rights</b>		
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	128,052	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	128,052	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) As of May, 2018, the difference between the expected loan loss provisions calculated in accordance with TFRS 9 and the total provision amount calculated before the application of TFRS 9 has been recorded in "Prior Years' Profit and Loss" account. Therefore, in accordance with Provisional Article 5 of the "Regulation on Equity of Banks", this amount has started to be shown net in the calculation of equity by adding 40% of the portion after deduction of the tax amount resulting from the difference (31 December 2019: 60%).

(\*\*) The table has been restated, as explained in Chapter Three Footnote Number XXVI.

(\*\*\*) As of 31 December 2019, The Bank, has accounted the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million (as of 31 December 2019, its equivalent is TL 299,969 by using the exchange rate of 31 July 2017 ) TIER I subordinated debt from its shareholder which was transferred to the equity account on 31 July 2017, in the "Equity" accounts, which is one of the financial statement items. Amendments have been made to the provisions of the contract regarding the mentioned Tier 1 subordinated debt and the related amendments have been completed as of 29 March 2020. The Bank has been declared to BRSA that the related subordinated debt will be included as a Tier 1 capital in the capital adequacy calculation with the letter dated 3 April 2020 and numbered 22742.

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

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

**b. Details on Subordinated Liabilities**

<b>Issuer</b>	<b>The Commercial Bank (P.S.Q.C.)</b>
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument tFCe	TIER-I Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	513,240
Par value of instrument (Million TRL)	513,240
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date(*)	10 years + 1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	9.85%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Discretionary
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument tFCe convertible into	-
If convertible, specify issuer of instrument it converts into	-
<b>Write-down feature</b>	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument tFCe immediately senior to instrument)	After claims, deposit holders, other creditors and instruments included in the calculation of supplementary capital
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	-

(\*) As of 31 December 2019, The Bank, has accounted the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million (as of 31 December 2019, its equivalent is TL 299,969 by using the exchange rate of 31 July 2017 ) TIER I subordinated debt from its shareholder which was transferred to the equity account on 31 July 2017, in the "Equity" accounts, which is one of the financial statement items. Amendments have been made to the provisions of the contract regarding the mentioned Tier 1 subordinated debt and the related amendments have been completed as of 29 March 2020. The Bank has been declared to BRSA that the related subordinated debt will be included as a Tier 1 capital in the capital adequacy calculation with the letter dated 3 April 2020 and numbered 22742. As a result of the amendments, related subordinated debt is considered by the bank without any maturity.

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

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

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

<b>Issuer</b>	<b>Alternatif Bank A.Ş.</b>
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
<b>Regulatory treatment</b>	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument tFCe	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	2,032,636
Par value of instrument (Million TRL)	2,032,636
Accounting classification	347
Original date of issuance	15.04.2016
Demand or time	Time
Original maturity date	10 years+ 1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
<b>Coupons / dividends</b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	8.75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
<b>Convertible or non-convertible</b>	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument tFCe convertible into	-
If convertible, specify issuer of instrument it converts into	-
<b>Write-down feature</b>	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument tFCe 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)**

**II. Explanations on Credit Risk**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**III. Explanations on Currency Risk**

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

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

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

<b>Rate used:</b>	<b>USD</b>	<b>EUR</b>
30.06.2020	6.8432	7.6720
29.06.2020	6.8422	7.7082
28.06.2020	6.8417	7.6776
27.06.2020	6.8417	7.6776
26.06.2020	6.8417	7.6776

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 6.8133
EUR:	TL 7.6707

As of 30 June 2020;	<b>USD</b>	<b>EUR</b>
<b>Rate used:</b>	TL 6.8432	TL 7.6720

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

**III. 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:

	EUR	USD	Other FC	Total
<b>30 June 2020</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	443,315	1,558,472	62,732	2,064,519
Banks	75,351	2,138,553	174,386	2,388,290
Financial Assets at Fair Value Through Profit and Loss (*)	49,308	12,114	13	61,435
Money Market Placements	-	171,467	-	171,467
Financial Assets at Fair Value Through Other Comprehensive Income	-	130,139	-	130,139
Loans (**)	7,181,366	3,183,633	10,185	10,375,184
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	-	3,848,249	-	3,848,249
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	88,791	383,965	-	472,756
<b>Total Assets</b>	<b>7,838,131</b>	<b>11,426,592</b>	<b>247,316</b>	<b>19,512,039</b>
<b>Liabilities</b>				
Bank Deposits	380	1,866	685	2,931
Foreign Currency Deposits	2,514,925	7,241,923	206,276	9,963,124
Money Market Funds	-	171,407	-	171,407
Funds Borrowed From Other Financial Institutions	1,992,027	8,150,867	-	10,142,894
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	52,216	133,280	723	186,219
Derivative Financial Liabilities For Hedging Purposes	-	1,110	-	1,110
Other Liabilities (***)	37,575	2,624	242	40,441
<b>Total Liabilities</b>	<b>4,597,123</b>	<b>15,703,077</b>	<b>207,926</b>	<b>20,508,126</b>
<b>Net Balance Sheet Position</b>	<b>3,241,008</b>	<b>(4,276,485)</b>	<b>39,390</b>	<b>(996,087)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(3,188,450)</b>	<b>4,463,013</b>	<b>(139,507)</b>	<b>1,135,056</b>
Financial Derivative Assets	2,242,424	6,510,473	481,644	9,234,541
Financial Derivative Liabilities	5,430,874	2,047,460	621,151	8,099,485
Non-Cash Loans (****)	<b>1,964,982</b>	<b>2,927,356</b>	<b>399,501</b>	<b>5,291,839</b>
<b>31 December 2019 (*****)</b>				
Total Assets	7,007,157	9,754,814	109,436	16,871,407
Total Liabilities	3,487,467	14,493,429	100,368	18,081,264
<b>Net Balance Sheet Position</b>	<b>3,519,690</b>	<b>(4,738,615)</b>	<b>9,068</b>	<b>(1,209,857)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(3,520,441)</b>	<b>4,815,603</b>	<b>(15,180)</b>	<b>1,279,982</b>
Financial Derivative Assets	2,498,324	6,521,332	156,229	9,175,885
Financial Derivative Liabilities	6,018,765	1,705,729	171,409	7,895,903
<b>Non-Cash Loans</b>	<b>1,791,228</b>	<b>2,179,548</b>	<b>377,094</b>	<b>4,347,870</b>

(\*) Accruals of derivative assets held for trading amounting to TL 29,584 (31 December 2019: TL 27,711) have been deducted from fair value through profit and loss.

(\*\*) FC indexed loans and accruals amounting to TL 313,948 (31 December 2019: TL 371,889) are included in loans.

(\*\*\*) Accruals of derivative liabilities held for trading amounting to TL 49,649 (31 December 2019: TL 43,515) Other provisions amounting to have been deducted from other liabilities.

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

(\*\*\*\*\*) It includes restatement effect.

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

**IV. 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.

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

<b>30 June 2020</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>5 Years and Over</b>	<b>Non-Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,910,401	-	-	-	-	294,154	2,204,555
Banks (****)	1,529,353	-	-	-	-	916,426	2,445,779
Financial Assets at Fair Value Through Profit and Loss	17,492	17,129	64,648	24,550	6,522	-	130,341
Money Market Placements	391,514	-	-	-	-	-	391,514
Financial Assets at Fair Value Through Other Comprehensive Income (****)	11,626	302,392	437,757	10,569	-	7,660	770,004
Loans (*****)	8,250,486	938,261	4,965,360	3,855,667	2,214,634	307,963	20,532,371
Financial Assets Measured at Amortised Cost (****)	124,231	1,794,618	2,005,174	-	-	(650)	3,923,373
Other Assets (*) (****)	1,479	-	-	-	-	1,885,289	1,886,768
<b>Total Assets</b>	<b>12,236,582</b>	<b>3,052,400</b>	<b>7,472,939</b>	<b>3,890,786</b>	<b>2,221,156</b>	<b>3,410,842</b>	<b>32,284,705</b>
<b>Liabilities</b>							
Bank Deposits (**)	73,771	32,056	-	-	-	2,978	108,805
Other Deposits	11,810,984	3,903,048	315,639	21,268	-	1,997,648	18,048,587
Money Market Funds	71,862	187,632	-	-	-	-	259,494
Miscellaneous Payables	-	-	-	-	-	355,243	355,243
Marketable Securities Issued	350,661	80,739	11,642	50,400	-	-	493,442
Funds Borrowed From Other Financial Institutions	1,798,023	758,686	5,440,252	1,681,505	513,379	-	10,191,845
Other Liabilities and Shareholders’ Equity (***)	36,631	25,703	42,850	63,359	28,896	2,629,850	2,827,289
<b>Total Liabilities</b>	<b>14,141,932</b>	<b>4,987,864</b>	<b>5,810,383</b>	<b>1,816,532</b>	<b>542,275</b>	<b>4,985,719</b>	<b>32,284,705</b>
<b>Balance Sheet Long Position</b>	-	-	<b>1,662,556</b>	<b>2,074,254</b>	<b>1,678,881</b>	-	<b>5,415,691</b>
<b>Balance Sheet Short Position</b>	<b>(1,905,350)</b>	<b>(1,935,464)</b>	-	-	-	<b>(1,574,877)</b>	<b>(5,415,691)</b>
Off-Balance Sheet Long Position	-	-	-	598,699	-	-	598,699
Off-Balance Sheet Short Position	(5,867)	(19,820)	(419,874)	-	-	-	(445,561)
<b>Total Position</b>	<b>(1,911,217)</b>	<b>(1,955,284)</b>	<b>1,242,682</b>	<b>2,672,953</b>	<b>1,678,881</b>	<b>(1,574,877)</b>	<b>153,138</b>

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

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

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

(\*\*\*\*) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 781 were deducted from non-interest banks, amounted to TL 650 were deducted from non-interest financial assets measured at amortised cost.

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

**IV. 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 2019(*****)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non- Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	2,425,375	-	-	-	-	261,049	2,686,424
Banks (***)	750,095	-	-	-	-	353,735	1,103,830
Financial Assets at Fair Value Through Profit and Loss	19,771	39,939	25,133	29,730	71,897	-	186,470
Money Market Placements	1,900,591	-	-	-	-	-	1,900,591
Financial Assets Available-for-Sale (***)	89,479	7,205	130,150	1,142	-	7,660	235,636
Loans	3,839,812	1,512,153	5,951,354	4,702,225	1,096,625	415,244	17,517,413
Held-to-Maturity Investments (****)	-	2,144,021	1,588,473	-	-	(531)	3,731,963
Other Assets (*) (****)	185	-	-	-	-	1,582,264	1,582,449
<b>Total Assets</b>	<b>9,025,308</b>	<b>3,703,318</b>	<b>7,695,110</b>	<b>4,733,097</b>	<b>1,168,522</b>	<b>2,619,421</b>	<b>28,944,776</b>
<b>Liabilities</b>							
Bank Deposits (**)	144,470	-	-	-	-	2,579	147,049
Other Deposits	11,444,335	2,719,525	524,539	19,745	-	1,269,189	15,977,333
Money Market Funds	93,595	-	-	-	-	-	93,595
Miscellaneous Payables	-	-	-	-	-	319,546	319,546
Marketable Securities Issued	234,905	486,125	-	50,592	-	-	771,622
Funds Borrowed From Other Financial Institutions	1,554,458	2,154,549	3,296,636	288,078	1,880,081	-	9,173,802
Other Liabilities and Shareholders' Equity (***)	64,221	34,885	42,146	31,769	72,340	2,216,468	2,461,829
<b>Total Liabilities</b>	<b>13,535,984</b>	<b>5,395,084</b>	<b>3,863,321</b>	<b>390,184</b>	<b>1,952,421</b>	<b>3,807,782</b>	<b>28,944,776</b>
<i>Balance Sheet Long Position</i>	-	-	<b>3,831,789</b>	<b>4,342,913</b>	-	-	<b>8,174,702</b>
<b>Balance Sheet Short Position</b>	<b>(4,510,676)</b>	<b>(1,691,766)</b>	-	-	<b>(783,899)</b>	<b>(1,188,361)</b>	<b>(8,174,702)</b>
Off-Balance Sheet Long Position	<b>6,124</b>	<b>9,028</b>	-	<b>180,072</b>	-	-	<b>195,224</b>
Off-Balance Sheet Short Position	-	-	<b>(6,441)</b>	-	-	-	<b>(6,441)</b>
<b>Total Position</b>	<b>(4,504,552)</b>	<b>(1,682,738)</b>	<b>3,825,348</b>	<b>4,522,985</b>	<b>(783,899)</b>	<b>(1,188,361)</b>	<b>188,783</b>

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

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

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

(\*\*\*\*) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 326 were deducted from non-interest banks, amounted to TL 531 were deducted from non-interest financial assets measured at amortised cost.

(\*\*\*\*\*) Includes restatement effect.



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

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

**b. Interest rate risk arising from banking accounts**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**c. Average interest rates applied to monetary financial instruments**

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

<b>30 June 2020</b>	<b>EUR</b>	<b>USD</b>	<b>Other FC</b>	<b>TL</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	8.00
Banks	-	0.93	-	7.04
Financial Assets at Fair Value Through Profit and Loss	2.19	-	-	12.62
Money Market Placements	-	-	-	7.64
Financial Assets at Fair Value Through Other Comprehensive Income	-	4.25	-	10.91
Loans and Receivables	3.53	5.08	4.90	11.88
Financial Assets Measured at Amortised Cost	-	4.68	-	6.91
<b>Liabilities</b>				
Bank Deposits (*)	-	1.24	-	7.98
Other Deposits (*)	0.53	1.29	0.20	7.24
Money Market Funds	-	2.40	-	8.14
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	10.28
Funds Borrowed From Other Financial Institutions	1.63	4.80	-	9.48

<b>31 December 2019</b>	<b>EURO</b>	<b>USD</b>	<b>Other FC</b>	<b>TL</b>
	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	-	-	10,00
Banks	-	1,55	-	10,75
Financial Assets at Fair Value Through Profit and Loss	-	-	-	11,60
Money Market Placements	-	-	-	11,30
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	7,63
Loans	4,23	6,06	-	16,88
Held-to-Maturity Investments	-	4,65	-	18,15
<b>Liabilities</b>				
Bank Deposits (*)	-	2,24	0,20	11,04
Other Deposits (*)	0,26	2,41	1,04	10,97
Money Market Funds	-	2,80	-	9,50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	12,19
Funds Borrowed From Other Financial Institutions	1,92	5,24	-	12,52

(\*) Demand deposit amounts are included.

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

**V. Explanation on Stock Position Risk**

None.

**VI. 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, as of 2019 the deposit banks are subject to set 100% and 80% liquidity ratios for Total and Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows. On the other hand, with the Board Decision No. 8967 of 26 March 2020, BRSA until 31 December 2020, in order to provide flexibility for banks to meet the minimum ratios due to the epidemic process of COVID-19, Banks were decided to be exempted from Article 32 of the Regulation on Calculation of Liquidity Coverage Ratio (LCR Regulation), but to continue reporting to the Agency within the scope of Article 31 of the LCR Regulation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The impact of the COVID-19 outbreak on the Bank's liquidity risk profile is closely monitored through early warning indicators. The reflections of conveniences provided for loan customers on repayments due to the pandemic and pressure in financial markets on the Bank's liquidity adequacy are analyzed under various scenarios.

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

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

**2. Liquidity Coverage Ratio**

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

30 June 2020	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
1	High Quality Liquid Assets		6,306,540	4,464,668
<b>CASH OUTFLOWS</b>				
2	Retail and Small Business Customers	9,332,135	3,922,466	859,254
3	Stable Deposits	1,479,210	-	73,961
4	Less Stable Deposit	7,852,925	3,922,466	785,293
5	Unsecured Wholesale Funding	12,483,926	9,615,800	8,148,018
6	Operational Deposits	-	-	-
7	Non-operational Deposits	7,657,439	5,319,263	3,426,318
8	Other Unsecured Funding’s	4,826,487	4,296,537	4,721,700
9	Secured Funding	-	-	-
10	Other Cash Outflows	671,529	670,534	671,529
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	671,529	670,534	671,529
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	20,791	20,791	1,040
15	Other irrevocable or conditionally revocable off-balance sheet obligations	8,524,556	5,636,325	1,289,826
16	<b>TOTAL CASH OUTFLOWS</b>			10,969,667
<b>CASH INFLOWS</b>				
17	Secured lending	1,389,741	60,409	-
18	Unsecured lending	8,205,113	6,864,672	7,446,161
19	Other cash inflows	663,949	663,069	663,949
20	<b>TOTAL CASH INFLOWS</b>	10,258,803	7,588,150	8,110,110
			<b>Total Adjusted Value</b>	
21	<b>TOTAL HIGH QUALITY ASSETS STOCKS</b>			6,306,540
22	<b>TOTAL CAH OUTFLOWS</b>			3,190,409
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			%201,05

(\*) The average of the consolidated liquidity coverage ratio calculated by taking the monthly simple arithmetic average for the last three months, the average of the liquidity coverage ratio calculated by taking the weekly simple arithmetic average for the last three months.

The lowest, highest and average Liquidity Coverage Ratios in 2020 are given in the table below.

30 June 2020	Highest	Date	Lowest	Date	Average
TL+FC	%254.1	24.04.2020	169.0%	29.05.2020	%201.1
FC	%297.4	10.04.2020	168.5%	03.04.2020	%223.4

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

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

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

31 December 2019	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)		
	TL+FC	FC	TL+FC	FC	
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets		6,453,492	4,170,785	
<b>CASH OUTFLOWS</b>					
2	Retail and Small Business Customers	7,875,952	3,905,967	719,513	390,597
3	Stable Deposits	1,361,636	-	68,082	-
4	Less Stable Deposit	6,514,316	3,905,967	651,431	390,597
5	Unsecured Wholesale Funding	9,118,512	5,952,203	5,564,958	3,536,003
6	Operational Deposits	-	-	-	-
7	Non-operational Deposits	6,542,666	4,107,187	3,044,770	1,739,871
8	Other Unsecured Funding's	2,575,846	1,845,016	2,520,188	1,796,132
9	Secured Funding			-	-
10	Other Cash Outflows	557,255	557,475	557,255	557,475
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	557,255	557,475	557,255	557,475
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	16,678	16,678	834	834
15	Other irrevocable or conditionally revocable off-balance sheet obligations	5,799,269	3,644,363	904,132	363,761
16	<b>TOTAL CASH OUTFLOWS</b>			<b>7,746,692</b>	<b>4,848,670</b>
<b>CASH INFLOWS</b>					
17	Secured lending	1,675,046	22,224	-	-
18	Unsecured lending	4,236,951	3,113,602	3,603,725	2,803,604
19	Other cash inflows	238,365	234,042	238,365	234,042
20	<b>TOTAL CASH INFLOWS</b>	<b>6,150,362</b>	<b>3,369,868</b>	<b>3,842,090</b>	<b>3,037,646</b>
			<b>Total Adjusted Value</b>		
21	<b>TOTAL HIGH QUALITY ASSETS STOCKS</b>			<b>6,453,492</b>	<b>4,170,785</b>
22	<b>TOTAL CAH OUTFLOWS</b>			<b>3,904,602</b>	<b>1,811,024</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>166.64%</b>	<b>235.59%</b>

(\*) The average of the consolidated liquidity coverage ratio calculated by taking the monthly simple arithmetic average for the last three months, the average of the liquidity coverage ratio calculated by taking the weekly simple arithmetic average for the last three months.

The lowest, highest and average Liquidity Coverage Ratios in 2019 are given in the table below.

31 December 2019	Highest	Date	Lowest	Date	Average
TL+FC	193.9%	11.10.2019	145.3%	29.11.2019	166.64%
FC	289.0%	11.10.2019	190.4%	04.10.2019	235.59%

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

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

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

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

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

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

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

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

Basically deposits, loans and subordinated loans as unsecured debt items have the most significant portion in Bank's funding balances. As of 30 June 2020, the proportion of total liabilities to all deposits of the bank is 56% and borrowings constitutes 23% portion whereas subordinate debt is 8%. Secured borrowings such as repo transactions has lower portion (1%). In addition, as a funding item, the Bank has issued securities amounting to TL 493,442 as of 30 June 2020 (31 December 2019: TL 771,622).

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

Cash outflows arising from derivative product balances are occurred when the derivative products liabilities are higher than the receivables. Cash outflows arising from derivative product balances are occurred when bank derivative product liabilities are higher than the derivative receivables. Net cash outflows declined in the periods when the cash inflows arising from derivative products are higher than the derivative liabilities. As of 30 June 2020, net of derivative assets are amounting to TL 457,119. In addition, cash outflow balances are reported with calculation against the change of derivatives fair value. This calculation is performed by checking the output margin within last 24 months of the counterparty balance. The maximum value in the past 24 months is considered as cash outflow as of reporting date. In this context, according to calculations as of 30 June 2020, the liability balance is computed as TL 811,327 in case of a change in fair value of derivatives products (31 December 2019: TL 727,847). Related calculations have been calculated using 13 weeks arithmetic average.

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

As of 30 June 2020, the Bank's more than 52% of time deposit cap arise from retail banking. The remaining time deposits are constituted from legal entities. Another significant funding resource of borrowings generated from foreign banks (77%). As of 30 June 2020, 20% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (P.S.Q.C.). In addition, the Bank has an issued securities amounting to TL 493,442 (31 December 2019: TL 771,622).

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

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

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

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

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified	Total
<b>30 June 2020</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	294,154	1,910,401	-	-	-	-	-	2,204,555
Due From Banks (***)	917,207	1,529,353	-	-	-	-	(781)	2,445,779
Financial Assets at Fair Value Through Profit and Loss	-	91,225	21,349	13,228	4,539	-	-	130,341
Money Market Placements	-	391,514	-	-	-	-	-	391,514
Financial Assets at Fair Value Through Other Comprehensive Income (****)	-	498	-	1,154	505,556	255,134	7,662	770,004
Loans	-	2,853,346	1,164,733	7,665,164	5,953,168	2,553,533	342,427	20,532,371
Financial Assets Measured at Amortised Cost (****)	-	-	-	667,673	1,910,513	1,345,837	(650)	3,923,373
Other Assets (*) (****)	718	103,826	7,113	23,646	12,259	8,612	1,730,594	1,886,768
<b>Total Assets</b>	<b>1,212,079</b>	<b>6,880,163</b>	<b>1,193,195</b>	<b>8,370,865</b>	<b>8,386,035</b>	<b>4,163,116</b>	<b>2,079,252</b>	<b>32,284,705</b>
<b>Liabilities</b>								
Bank Deposits (***)	2,978	73,771	32,056	-	-	-	-	108,805
Other Deposits	1,997,648	11,810,979	3,903,053	315,639	21,268	-	-	18,048,587
Funds Borrowed From Other Financial Institutions (**)	-	1,798,021	758,686	3,334,172	1,715,431	2,585,535	-	10,191,845
Money Market Funds	-	71,857	187,637	-	-	-	-	259,494
Marketable Securities Issued	-	350,661	80,739	11,642	50,400	-	-	493,442
Miscellaneous Payables	-	-	-	-	-	-	355,243	355,243
Other Liabilities (**)	-	266,348	38,196	14,176	38,332	22,374	2,447,863	2,827,289
<b>Total Liabilities</b>	<b>2,000,626</b>	<b>14,371,637</b>	<b>5,000,367</b>	<b>3,675,629</b>	<b>1,825,431</b>	<b>2,607,909</b>	<b>2,803,106</b>	<b>32,284,705</b>
<b>Liquidity Gap</b>	<b>(788,547)</b>	<b>(7,491,474)</b>	<b>(3,807,172)</b>	<b>4,695,236</b>	<b>6,560,604</b>	<b>1,555,207</b>	<b>(723,854)</b>	<b>-</b>
<b>31 December 2019 (****)</b>								
Total Assets	616,179	6,809,538	2,109,023	5,419,924	8,447,597	3,706,300	1,836,215	28,944,776
Total Liabilities	1,535,963	12,410,008	3,758,687	4,637,239	1,862,236	2,613,986	2,126,657	28,944,776
<b>Liquidity Gap</b>	<b>(919,784)</b>	<b>(5,600,470)</b>	<b>(1,649,664)</b>	<b>782,685</b>	<b>6,585,361</b>	<b>1,092,314</b>	<b>(290,442)</b>	<b>-</b>

(\*) It consists of other asset and liabilities accounts that do not convert to cash in a short time such as fixed assets, associates and subsidiaries, goods, deferred tax assets and non-performing loans, which constitute the balance sheet.

(\*\*) As explained in Section Three Footnote Number XXVI, primary subordinated loan amounting to TL 513,240 is shown in the column “Over 5 years” in “Funds borrowed from other financial institutions”.

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

(\*\*\*\*) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 781 were deducted from non-interest banks, amounted to TL 650 were deducted from non-interest financial assets measured at amortised cost.

(\*\*\*\*\*) It includes restatement effect.

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

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

**Contractual maturity analysis of the Bank’s derivative instruments:**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**VII. 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 5.82 % and calculated in compliance with “Regulation on Measurement and Evaluation of Leverage Levels of Banks” (31 December 2019: 6.82%). Increase in the leverage ratio is mainly due to the decrease in total risk. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

	<b>30 June 2020</b>	<b>31 December 2019 (*)</b>
<b>Assets in Balance Sheet</b>		
<b>1</b>		
On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	33,549,299	28,281,806
<b>2</b>		
Assets deducted in determining Tier 1 capital	(81,511)	(74,904)
<b>3</b>		
<b>Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives</b>	<b>33,467,788</b>	<b>28,206,902</b>
<b>Derivative financial instruments and credit derivatives</b>		
<b>4</b>		
Replacement cost associated with all derivative financial instruments and credit derivatives	254,142	202,959
<b>5</b>		
Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	430,024	324,985
<b>6</b>		
<b>Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5 (SCFT))</b>	<b>684,166</b>	<b>527,944</b>
<b>Securities or commodity financing transactions</b>		
<b>7</b>		
Risks from SCFT assets of off-balance sheet	-	-
<b>8</b>		
Risks from brokerage activities related exposures	-	-
<b>9</b>		
<b>Total risks related with securities or commodity financing transactions (sum of lines 7 to 8)</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet transactions</b>		
<b>10</b>		
Gross notional amounts of off-balance sheet transactions	16,434,233	9,290,797
<b>11</b>		
(Adjustments for conversion to credit equivalent amounts)	(1,156,006)	(758,519)
<b>12</b>		
<b>Total risks of off-balance sheet items (sum of lines 10 and 11)</b>	<b>15,278,227</b>	<b>8,532,278</b>
<b>Capital and Total Risk</b>		
<b>13</b>		
Tier 1 capital	2,874,895	2,540,234
<b>14</b>		
<b>Total risks (sum of lines 3, 6, 9 and 12)</b>	<b>49,430,181</b>	<b>37,267,124</b>
<b>Leverage ratio</b>		
<b>15</b>		
<b>Leverage ratio (%)</b>	<b>%5.82</b>	<b>6.82%</b>

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

**VIII. Explanations on Fair Values of Financial Assets and Liabilities**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**IX. Transactions carried out on behalf of customers and items held in trust**

None (31 December 2019: None).



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

**X. Explanations on the Risk Management**

**a. Explanations on the Risk Management**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 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 2020:

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

**1. The Bank’s risk management approach**

Bank’s risk management approach is defined as creating added value for shareholders, customers and employees in parallel with the Bank general business strategy by increasing the efficiency of Bank activities within the framework of risk-return relationship in accordance with the best practices and legal requirements.

The Risk Strategy and its governance are set by the Board of Directors (the Board). The Board has the ultimate responsibility for the management of all risks assumed and faced by the Bank. The Board manages risk through the Audit & Compliance; Risk; Executive Committees.

While the risk appetite at the Bank is linked to the overall risk management framework and business strategy of the Bank, the update of Risk Appetite statement approved by the Board and monitoring of the Bank’s risk profile management are provided within Risk Management Department general responsibility.

Banking risks include in general credit risk, market risk, operational risk, liquidity risk, interest rate risk in banking accounts, concentration risk, country risk, strategic risk and reputation risk and Bank risk appetite is a statement of the limits of these risks.

Risk Appetite monitoring activities are reported to the Board Risk Committee and Audit Committee. In case of any Risk Appetite threshold breach occurs, it is ensured that the risk management treatment and business controls are implemented to bring the exposure levels for each metric back within an acceptable range as approved by the BOD.

Issues related to Bank’s work programs and business objectives are discussed in the Board Risk Committee, and necessary acknowledgment, monitoring and approval processes are performed herein.

Practices of defining, measuring with analytical methods, analyzing, reporting risks and regularly monitoring the general risk levels in order to ensure systematical management of incurred consolidated and unconsolidated-based risks of the Bank and its affiliates are performed.

The Bank identifies measures, assesses, monitors the risks it is exposed to by way of using internationally recognised quantitative and analytical techniques found suitable for the Bank in particular, and reports related results to the Top Management.

The Bank adopts an integrated approach to stress-testing and conduct stress tests on a bank-wide basis and on a consolidated basis where applicable, providing a spectrum of perspectives at portfolio and risk-specific levels.

Stress tests are conducted for key risk factors within Market Risk, Credit Risk, Operational Risk, Structural Interest Rate Risk, Concentration Risk and Liquidity Risk areas and other risks if deem material level and the impact of stress is measured on the Bank’s solvency and liquidity.

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

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

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

**a. Risk Management and General Information on Risk Weighted Amount (Continued)**

**1. The Bank’s risk management approach (Continued)**

Risk management model has 3 level protection strategy designed with the purpose of efficient management of the risks:

1. Protection Level (Risk-taking departments): All business units of the Bank which are directly responsible from controlling and reducing to minimum levels the risks resulting from the activities conducted by each one of the units as per the Bank standards and policies.
2. Protection Level (Risk Management): Risk Management Department which is responsible from developing risk management methodologies, instruments and guidances to be used in managing risks and the principal responsible of presenting such documents to the usage of related people. Risk Management Department is supported by specialized departments in terms of risk management such as Internal Control, Compliance, Legal, Human Resources, Information Technologies, and Financial Control. Furthermore, risk watching does also belong to this protection level in addition to provide assistance to determine the risk reducing actions.
3. Protection Level (Internal Audit), Responsibility of assessment for effectiveness and compliance of risk management framework and application of it in the whole organization belongs to Internal Audit.

**2. Overview of Risk Weighted Amount**

		Risk Weighted Amount		Minimum capital requirement
		30 June 2020	31 December 2019	30 June 2020
1	Credit risk (excluding counterparty credit risk) (CCR)	24,963,767	23,942,777	1,997,101
2	Standardised approach (SA)	24,963,767	23,942,777	1,997,101
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	329,140	437,355	26,331
5	Standardised approach for counterparty credit risk (SA-CCR)	329,140	437,355	26,331
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	127,038	413,238	10,163
17	Standardised approach (SA)	127,038	413,238	10,163
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	1,149,143	1,018,164	91,931
20	Basic Indicator Approach	1,149,143	1,018,164	91,931
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>26,569,088</b>	<b>25,811,534</b>	<b>2,125,526</b>

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

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

**b. Explanations on linkages between financial statements and risk amounts**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**c. 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	1,015,687	18,927,959	673,260	19,270,386
2	Debt securities	-	5,215,200	125,751	5,089,449
3	Off-balance sheet exposures	84,545	8,249,613	26,836	8,307,322
4	<b>Total</b>	<b>1,100,232</b>	<b>32,392,772</b>	<b>825,847</b>	<b>32,667,157</b>

(\*)In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks with reference to the letter of the Authority numbered E.3397 dated 23 March 2020 the foreign exchange buying rate, which was used in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

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

	Amount
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b> <b>1,024,954</b>
2	Loans and debt securities that have defaulted since the last reporting period 148,384
3	Receivables back to non-defaulted status -
4	Amounts written off -
5	Other changes (73,106)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b> <b>1,100,232</b>

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**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	16,626,496	2,643,890	472,118	-	-	-	-
2	Debt securities	5,089,449	-	-	-	-	-	-
3	<b>Total</b>	<b>21,715,945</b>	<b>2,643,890</b>	<b>472,118</b>	-	-	-	-
4	Of which defaulted	376,015	24,121	2,311	-	-	-	-

(\*)In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks with reference to the letter of the Authority numbered E.3397 dated 23 March 2020 the foreign exchange buying rate, which was used in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

**4. 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	6,328,200	-	6,723,243	-	36,390	%0.54
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	%0.0
3	Exposures to public sector entities	-	1,706	-	853	853	%100.0
4	Exposures to multilateral development banks	-	-	-	-	-	%0.0
5	Exposures to international organizations	-	-	-	-	-	%0.0
6	Exposures to institutions	4,690,509	459,935	3,145,086	190,714	1,329,161	%39.8
7	Exposures to corporates	17,921,484	7,437,655	17,273,503	5,558,148	21,149,230	%92.6
8	Retail exposures	109,931	230,986	98,119	33,303	98,566	%75.0
9	Exposures secured by residential property	250,680	41,487	237,996	18,788	89,874	%35.0
10	Exposures secured by commercial real estate	633,970	6,575	631,337	3,954	317,646	%50.0
11	Past-due loans	728,178	-	723,457	-	751,139	%103.8
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	1,807,223	-	1,807,222	-	1,520,048	%84.1
17	Investments in equities	-	-	-	-	-	%0.0
18	<b>Total</b>	<b>32,470,175</b>	<b>8,178,344</b>	<b>30,639,963</b>	<b>5,805,760</b>	<b>25,292,907</b>	<b>%69.4</b>

(\*) In accordance with the Regulation on Measurement and Assessment of Capital Adequacy of Banks with reference to the letter of the Authority numbered E.3397 dated 23 March 2020 the foreign exchange buying rate, which was used in the preparation of the financial statements dated 31 December 2019, was used in the calculation of the amount subject to credit risk.

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

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

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

**c. 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	6,650,463	-	-	-	-	72,780	-	-	-	-	-	6,723,243
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	853	-	-	-	-	853
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,129,131	-	-	2,206,669	-	-	-	-	-	3,335,800
7	Exposures to corporates	-	-	1,053,160	-	-	1,679,787	-	20,098,704	-	-	-	22,831,651
8	Retail exposures	-	-	-	-	-	131,422	-	-	-	-	-	131,422
9	Exposures secured by residential property	-	-	-	256,784	-	-	-	-	-	-	-	256,784
10	Exposures secured by commercial real estate	-	-	-	-	635,291	-	-	-	-	-	-	635,291
11	Past-due loans	-	-	-	-	-	22,442	-	623,209	77,806	-	-	723,457
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	281,863	-	6,637	-	-	-	-	1,518,722	-	-	-	1,807,222
18	<b>Total</b>	<b>6,932,326</b>	<b>-</b>	<b>2,188,928</b>	<b>256,784</b>	<b>635,291</b>	<b>3,981,678</b>	<b>131,422</b>	<b>22,241,488</b>	<b>77,806</b>	<b>-</b>	<b>-</b>	<b>36,445,723</b>

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

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

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

**d. Explanations on counterparty credit risk**

**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)	160,759	147,349		1,4	308,108	234,695
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))					38,164	7,583
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					38,164	7,583
6	<b>Total</b>						<b>242,278</b>

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

		EAD post-CRM	RWA
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at Risk component (including the 3×multiplier)		-
2	(ii) Stressed Value at Risk component (including the 3×multiplier)		-
3	Total portfolio value with simplified approach CVA adequacy	132,186	86,862
4	Total subject to the CVA capital obligation	132,186	86,862

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

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

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

**3. CCR Exposures by Risk Class and Risk Weights**

Risk weight/ Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure (*)
Central governments and central banks receivables	968	-	-	-	-	-	-	-	968
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International organizations receivables	-	-	-	-	-	-	-	-	-
Banks and intermediary institutions receivables	-	-	104,249	123,662	-	-	-	-	227,911
Corporate receivables	-	-	-	-	-	237,097	-	-	237,097
Retail receivables	-	-	-	-	12,482	-	-	-	12,482
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and intermediary institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>968</b>	<b>-</b>	<b>104,249</b>	<b>123,662</b>	<b>12,482</b>	<b>237,097</b>	<b>-</b>	<b>-</b>	<b>478,458</b>

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

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

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

**d. 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	-	-	-	-	87,920	191,751
Cash-foreign currency	-	-	-	-	28,856	20,665
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	<b>116,776</b>	<b>212,416</b>

**5. Credit Derivatives**

None.

**6. Central counterparty risks (CCR):**

None (31 December 2019: None.)

**b. Explanations on securitisations:**

None.

**c. Explanations on market risk**

		RWA
<b>Outright products</b>		
1	Interest rate risk (general and specific)	26,238
2	Equity risk (general and specific)	-
3	Foreign exchange risk	94,975
4	Commodity risk	-
<b>Options</b>		
5	Simplified approach	-
6	Delta-plus method	5,825
7	Scenario approach	-
8	Securitisation	-
9	<b>Total</b>	<b>127,038</b>



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

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

**e. Explanations on operational risk**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**f. Explanations on banking book interest rate risk**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**g. Explanations on -credit risk mitigation techniques**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**h. Explanations on risk management objectives and policies**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**XI. Explanation on Hedge Accounting**

Starting from 24 March 2014, the Parent Bank has balanced the fair value effects of changes in libor interest rates, fixed interest rate by applying hedge accounting with the interest rate swap nominal value of TL 55,000 with maturity 5 years.

As of 24 March 2019, the difference of TL 97 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

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

**XI. Explanation on Hedge Accounting (Continued)**

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.

The Bank applies cash flow hedge accounting using interest rate swaps to hedge its TL deposits with short term cyclical basis. The Parent Bank implements effectiveness tests at the balance sheet dates for hedge accounting; the effective parts are accounted as defined in TAS 39, in financial statements under equity “Hedging reserves”, whereas the amount concerning ineffective part is associated with income statement.

Derivative financial instruments which used as hedging instruments in Cash Flow Hedge accounting are swap interest transactions. Those derivative financial instruments are summarized in the following table:

Starting Date	Due Date	Currency	Principal Amount
13 November 2019	15 May 2021	TL	30,000
21 November 2019	26 November 2021	TL	100,000
20 January 2020	21 January 2022	TL	100,000
10 March 2020	16 March 2022	USD	171,080

	30 June 2020		
	Principal Amount (*)	Asset	Liability
<b>Derivative financial instruments</b>			
Interest rate swaps	802,160	11,717	1,110
<b>Total</b>	<b>802,160</b>	<b>11,717</b>	<b>1,110</b>

(\*) The sum of purchase and sale legs of the transactions.

In cash flow hedge accounting, when the hedging instrument expires, is executed or sold and when the hedge relationship becomes ineffective or is discontinued as a result of the hedge relationship being revoked; the hedging gains and losses that were previously recognized under equity are transferred to profit or loss when the cash flows of the hedged items are realized.

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**SECTION FIVE**

**EXPLANATIONS AND DISCLOSURES ON 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 2020		31 December 2019	
	TL	FC	TL	FC
Cash/Foreign Currency	32,273	148,448	34,609	114,773
CBRT	107,563	1,908,655	114,146	2,422,824
Other	200	7,416	72	-
<b>Total</b>	<b>140,036</b>	<b>2,064,519</b>	<b>148,827</b>	<b>2,537,597</b>

**2. Information on the account of the CBRT**

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Demand Unrestricted Amount (*)	107,563	1,371,934	114,146	1,178,126
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	-	-	-
Reserve Requirement		536,721	-	1,244,698
<b>Total</b>	<b>107,563</b>	<b>1,908,655</b>	<b>114,146</b>	<b>2,422,824</b>

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

**3. Information on reserve requirements**

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

The required reserves may keep in reserve in Central Bank of Turkey as Turkish Lira, USD and/or Euro and standard gold. As of 30 June 2020, the Turkish lira required reserve ratios are determined to be within the range of 1% - 7% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2019: 1% - 7% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 15% - 19% (31 December 2019: 15%-19% for all foreign currency deposits) and other foreign currency liabilities within the range of 5% - 21% (31 December 2019: 5% - 21% for all foreign currency liabilities). Turkish lira required reserve ratios for banks with credit growth among the reference values determined by Regulation No. 2019/15, which entered into force on August 9, 2019 will be applied as 2 percent in all maturity brackets. Except for 1 year and over 1 year deposit / participation fund (excluding foreign banks deposits / participation fund) and other 3 year term liabilities (including foreign banks deposits / participation funds). For other banks, the Turkish lira required reserve ratios in Article 6 of the Regulation are applied. For banks that meet the conditions set by the Regulation No. 13 percent for deposits / participation funds (excluding foreign banks deposits / participation funds). For other banks, foreign currency required reserve ratios in Article 6 of the Regulation are applied.

In accordance with the Communiqué Regarding the Reserve Requirements no. 2019/19, the CBRT pays 10% interest to banks which that provide real credit growth, and to other banks 0% Turkish Lira required reserves.

There is no interest paid on required reserves held in USD by the CBRT as of 19 September 2019.

Based on the CBRT's letter dated 24 January 2020, The Parent Bank pays an annual commission fee of 25 per thousand over the required reserve amount required for deposit liabilities in US dollars and 25 per in ten thousand over the required reserve amount for foreign currency deposit liabilities.

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

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

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

As of 30 June 2020, the Bank have no financial assets at fair value through profit/loss subject to repo transactions (31 December 2019: None) and have no financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2019: None).

**c. Positive differences related to derivative financial assets**

	30 June 2020 (*)		31 December 2019 (*)	
	TL	FC	TL	FC
Forward Transactions	313	4,216	542	3,397
Swap Transactions	38,146	56,774	123,010	46,883
Options	359	14,908	143	7,319
<b>Total</b>	<b>38,818</b>	<b>75,898</b>	<b>123,695</b>	<b>57,599</b>

(\*) Hedging derivative financial assets are excluded.

**d. Information on banks**

**1. Information on banks**

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Banks				
Domestic	58,270	378,593	20,125	475,973
Foreign	-	2,009,697	-	608,058
<b>Total</b>	<b>58,270</b>	<b>2,388,290</b>	<b>20,125</b>	<b>1,084,031</b>

**2. Information on foreign banks:**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**e. Information on financial assets at fair value through other comprehensive income given as collateral/blocked**

As of 30 June 2020, there are no financial assets at fair value through other comprehensive income given as collateral/blocked and those subject to repurchase agreements. (31 December 2019: None) As of 30 June 2020, except the financial assets at fair value through other comprehensive income given as collateral/blocked and those subject to repurchase agreements amounting to TL 505 (31 December 2019: TL 3,048). As of 30 June 2020, the share certificates amounting to TL 7,660 (31 December 2019: TL 7,660).

**f. Information on financial assets at fair value through other comprehensive income**

	30 June 2020	31 December 2019
Debt Securities	760,171	227,222
Quoted on Stock Exchange	759,666	224,174
Not Quoted	505	3,048
Share Certificates	7,660	7,660
Quoted on Stock Exchange	1	1
Not Quoted	7,659	7,659
Impairment Provision (-)	9,544	388
<b>Total</b>	<b>758,287</b>	<b>234,494</b>

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

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

**g. Explanations on loans**

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

	30 June 2020		31 December 2019	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	22,566	-	15,888
Corporate Shareholders	-	22,566	-	15,888
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	518,064	11,292	437,597	10,000
Loans Granted To Employees	7,279	-	7,407	-
<b>Total</b>	<b>525,343</b>	<b>33,858</b>	<b>445,004</b>	<b>25,888</b>

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

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to Restructuring	Restructured Loans	
			Loans with Revised Contract Terms	Refinance
Non-specialized Loans	17,365,343	1,949,579	875,022	-
Loans given to enterprises	-	-	-	-
Export Loans	2,837,264	95,704	51,147	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	2,086,316	5,313	972	-
Consumer Loans	138,465	8,591	468	-
Credit Cards	30,129	3,072	-	-
Other	12,273,169	1,836,899	822,435	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Total</b>	<b>17,365,343</b>	<b>1,949,579</b>	<b>875,022</b>	<b>-</b>

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

**g. Explanations on loans**

Current Period (\*)

	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
12 Month Expected Credit Losses	107,927	-
Significant Increase in Credit Risk	-	262,165

(\*) Expected loss provision amounting to TL 650 calculated for financial assets measured at amortized cost is not included.

Prior Period

	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
12 Month Expected Credit Losses	84,522	-
Significant Increase in Credit Risk	-	183,571

3. Loans according to their maturity structure

Not prepared in compliance with the article 25 of the communique "financial statements and related disclosures and footnotes to be announced to public by banks".

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

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

**g. 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	4,441	133,067	137,508
Real Estate Loans	-	67,536	67,536
Automotive Loans	-	841	841
Consumer Loans	4,441	64,690	69,131
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	8,877	-	8,877
With Installments	1,337	-	1,337
Without Installments	7,540	-	7,540
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	936	5,198	6,134
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	936	5,198	6,134
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	1,145	-	1,145
With Installments	245	-	245
Without Installments	900	-	900
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Credit Deposit Account-TL (Individuals) (*)	3,882	-	3,882
Credit Deposit Account-FC (Individuals)	-	-	-
<b>Total</b>	<b>19,281</b>	<b>138,265</b>	<b>157,546</b>

(\*) TL 65 of the credit deposit account personal loans.

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

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

**g. 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	131,275	2,415,741	2,547,016
Real Estate Loans	-	-	-
Automotive Loans	-	10,525	10,525
Consumer Loans	131,275	2,405,216	2,536,491
Other	-	-	-
Commercial Installments Loans-FC Indexed	-	171,753	171,753
Real Estate Loans	-	149,812	149,812
Automotive Loans	-	20,259	20,259
Consumer Loans	-	1,682	1,682
Other	-	-	-
Commercial Installments Loans-FC	2,569	3,456,075	3,458,644
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2,569	3,456,075	3,458,644
Other	-	-	-
Corporate Credit Cards-TL	23,130	48	23,178
With Installment	7,928	48	7,976
Without Installment	15,202	-	15,202
Corporate Credit Cards-FC	1	-	1
With Installment	-	-	-
Without Installment	1	-	1
Credit Deposit Account-TL (Legal Person)	54,760	-	54,760
Credit Deposit Account-FC (Legal Person)	-	-	-
<b>Total</b>	<b>211,735</b>	<b>6,043,617</b>	<b>6,255,352</b>

6. Loans according to types of borrowers

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

7. Distribution of domestic and foreign loans:

Related loans are classified according to the location of the customers.

	30 June 2020	31 December 2019
Domestic Loans	20,147,554	17,083,339
Foreign Loans	42,390	9,187
<b>Total</b>	<b>20,189,944</b>	<b>17,092,526</b>

8. Loans given to investments in associates and subsidiaries

As of 30 June 2020, there are loans granted to associates and subsidiaries amount to TL 321,870 (31 December 2019: TL 264,255).

9. Information on specific provisions provided against loans or provisions for default (Stage 3)

	30 June 2020	31 December 2019
Loans with Limited Collectability	46,849	46,568
Loans with Doubtful Collectability	64,532	47,440
Uncollectible Loans	191,787	153,379
<b>Total</b>	<b>303,168</b>	<b>247,387</b>



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

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

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

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

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

10. Information on non-performing loans (Net)

(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 2020 (31 December 2019: None).

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>31 December 2019</b>	<b>87,791</b>	<b>100,750</b>	<b>751,826</b>
Addition (+)	114,638	2,275	37,462
Transfers from Other Categories of Non-performing Loans (+)	-	104,392	97,838
Transfers to Other Categories of Non-performing Loans (-)	(104,392)	(97,838)	-
Collections (-)	(4,010)	(9,113)	(65,932)
Write-offs (-) (*)	-	-	-
Sold Portfolio (-) (**)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
<b>30 June 2020</b>	<b>94,027</b>	<b>100,466</b>	<b>821,194</b>
Specific Provisions (-)	46,849	64,532	191,787
<b>Net Balance on Balance Sheet</b>	<b>47,178</b>	<b>35,934</b>	<b>629,407</b>

(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 2019: None).

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

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

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>30 June 2020 (Net)</b>	<b>47,178</b>	<b>35,934</b>	<b>629,407</b>
Loans to Real Persons and Legal Entities (Gross)	94,027	100,466	821,194
Specific Provision Amount (-)	(46,849)	(64,532)	(191,787)
Loans to Real Persons and Legal Entities (Net)	47,178	35,934	629,407
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>31 December 2019 (Net)</b>	<b>41,223</b>	<b>53,310</b>	<b>598,447</b>
Loans to Real Persons and Legal Entities (Gross)	87,791	100,750	751,826
Specific Provision Amount (-)	(46,568)	(47,440)	(153,379)
Loans to Real Persons and Legal Entities (Net)	41,223	53,310	598,447
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

(v). Information on interest accruals, discounts, valuation differences and their equivalents calculated for non-performing loans in accordance with TFRS 9

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>			
Interest accruals and valuation differences	-	-	34,464
Provision (-)	-	-	(34,464)
<b>Prior Period(Net)</b>			
Interest accruals and valuation differences	-	-	9,643
Provision (-)	-	-	(9,643)

11. Explanation on liquidation policy for uncollectible loan and receivable

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

12. Explanations on write-off policy

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

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

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

**h. Information on financial assets measured at amortised cost**

1. Information on financial assets subject to repurchase agreements and those given as collateral/blocked

(i). Financial assets measured at amortised cost

As of 30 June 2020 there are financial assets measured at amortised cost given as collateral amounting to TL 3,924,023 (31 December 2019: TL 3,732,494).

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Given as collateral/blocked	12,869	936,497	21,212	815,975
Subject to repurchase agreements	34,213	268,846	-	123,647
Other	28,692	2,642,906	268,608	2,503,052
<b>Total</b>	<b>75,774</b>	<b>3,848,249</b>	<b>289,820</b>	<b>3,442,674</b>

2. Information on debt securities measured at amortised cost

	30 June 2020	31 December 2019
Government Bonds	3,385,597	2,980,116
Treasury Bills	75,774	289,820
Other Government Debt Securities	-	-
<b>Total</b>	<b>3,461,371</b>	<b>3,269,936</b>

3. Financial assets measured at amortised cost

	30 June 2020	31 December 2019
<b>Debt Securities</b>	<b>4,040,053</b>	<b>3,826,398</b>
Quoted to Stock Exchange	4,040,053	3,826,398
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	<b>116,030</b>	<b>93,904</b>
<b>Total</b>	<b>3,924,023</b>	<b>3,732,494</b>

4. Movement of financial assets measured at amortised cost

	30 June 2020	31 December 2019
Balance at the Beginning of the Period	3,732,494	3,427,060
Effect of Reclassifications and Measurements in accordance with TFRS 9	-	-
Transfers from Investment Securities Available for Sale	521,848	391,587
Disposals Through Sales and Redemptions	(306,207)	(56,866)
<b>Impairment Provision (-)</b>	<b>24,112</b>	<b>29,287</b>
<b>Balance at the End of the Period</b>	<b>3,924,023</b>	<b>3,732,494</b>

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

The Bank has no investments in associates as of 30 June 2020 (31 December 2019: None).

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

**i. 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.

2. Information on subsidiaries

No	Title	Address (City/Country)	Bank's share percentage, if different voting percentage (%)	Bank's Risk Group Share (%)
1	Alternatif Yatırım Menkul Değerler A.Ş.	İstanbul/Turkey	100.00	100.00
2	Alternatif Finansal Kiralama A.Ş.	İstanbul/Turkey	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 (*)	91,468	36,547	1,768	2,044	1,121	1,038	1,851	-
2 (*)	1,733,751	225,929	21,137	71,487	-	12,409	3,385	-

(\*) The above mentioned subsidiaries' financial data are taken from the financial statements prepared for the BRSA consolidation as of 30 June 2020.

(\*\*) These balances represents 30 June 2019 data.

3. The movement of the subsidiaries

	30 June 2020	31 December 2019
<b>Balance at the Beginning of the Period</b>	<b>225,580</b>	<b>225,580</b>
<b>Movements During the Period</b>		
Purchases	-	-
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	-
<b>Balance at the End of the Period</b>	<b>225,580</b>	<b>225,580</b>
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

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

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

<b>Subsidiaries</b>	<b>30 June 2020</b>	<b>31 December 2019</b>
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	192,165	192,165
Finance Companies	-	-
Other Financial Subsidiaries	33,415	33,415

5. Subsidiaries quoted on stock exchange

There are no subsidiaries quoted on stock exchange (31 December 2019: None).

**j. Information on joint ventures**

There are no joint ventures (31 December 2019: None).

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

There are no receivables from lease transactions (31 December 2019: None).

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Fair Value Hedge (*)	-	-	-	-
Cash Flow Hedge	11,717	-	1,142	-
Net Investment Hedge in a foreign operation	-	-	-	-
Fair Value Hedge (*)	<b>11,717</b>	-	<b>1,142</b>	-

(\*) Explained in Section Three Footnote Number VI.

**m. Tangible assets**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**n. Intangible assets**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**o. Information on investment property**

There is no investment property as of 30 June 2020 (31 December 2019: None).

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

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

**p. Explanations about deferred tax asset**

As of 30 June 2020, the Bank has deferred tax asset amounting to TL 110,561(31 December 2019: TL 117,667 deferred tax asset) in the financial statements.

As of 30 June 2020 and 31 December 2019, the details of temporary differences and deferred tax assets and liabilities are presented below:

	30 June 2020		31 December 2019	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Deferred Tax Asset / (Liability)				
Tangible Assets Base Differences	(27,885)	(6,135)	(23,426)	(5,154)
Provisions	456,016	100,324	358,763	78,928
Valuation of Financial Assets	12,439	2,737	(5,425)	(1,194)
Commission Deferral	35,598	7,832	36,054	7,932
Financial Losses	-	-	115,563	25,424
Other	26,381	5,803	53,320	11,731
<b>Net Deferred Tax Assets</b>	<b>502,549</b>	<b>110,561</b>	<b>534,849</b>	<b>117,667</b>

	1 January 2020 -30 June 2020	1 January 2019 -30 June 2019
1 January 2020 Net Deferred Tax Asset/(Liability)	117,667	147,806
Deferred Tax (Expense)/Income	(5,075)	(1,379)
Deferred Tax Accounted Under Shareholders’ Equity	-	-
Deferred tax recognized in other comprehensive income	(2,031)	(1,298)
<b>30 June 2020 Net Deferred Tax Asset/(Liability)</b>	<b>110,561</b>	<b>145,129</b>

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

	30 June 2020	31 December 2019
Beginning of the period	321,735	186,675
Disposals (-)	(46,533)	(74,144)
Additions	17,267	209,204
Current period depreciation (-)		-
Impairment provision addition/ return	(71)	-
<b>End of the Period</b>	<b>292,398</b>	<b>321,735</b>

**s.Information on other assets**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
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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 2020:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	months -1 year	1 year and over	Accumulated Deposits	Total
<b>Saving Deposits</b>	<b>105,672</b>	-	<b>1,524,921</b>	<b>3,175,053</b>	<b>223,346</b>	<b>5,872</b>	<b>118,842</b>	-	<b>5,153,706</b>
<b>Foreign Currency Deposits</b>	<b>1,106,724</b>	-	<b>1,483,550</b>	<b>6,786,223</b>	<b>305,047</b>	<b>32,888</b>	<b>107,417</b>	-	<b>9,821,849</b>
Residents in Turkey	1,075,688	-	1,471,859	6,735,021	304,613	17,622	29,703	-	9,634,506
Residents Abroad	31,036	-	11,691	51,202	434	15,266	77,714	-	187,343
<b>Public Sector Deposits</b>	<b>19,496</b>	-	-	-	-	-	-	-	<b>19,496</b>
<b>Commercial Deposits</b>	<b>680,131</b>	-	<b>989,642</b>	<b>1,127,385</b>	<b>52,474</b>	<b>3,663</b>	<b>10</b>	-	<b>2,853,305</b>
<b>Other Institutions Deposits</b>	<b>1,306</b>	-	<b>1,984</b>	<b>49,916</b>	<b>5,750</b>	-	-	-	<b>58,956</b>
<b>Precious Metal Deposits</b>	<b>84,319</b>	-	<b>2,827</b>	<b>39,860</b>	<b>6,472</b>	<b>240</b>	<b>7,557</b>	-	<b>141,275</b>
<b>Bank Deposits</b>	<b>2,978</b>	-	<b>10,943</b>	<b>94,883</b>	<b>1</b>	-	-	-	<b>108,805</b>
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	157	-	2	-	-	-	-	-	159
Foreign Banks	2,821	-	10,941	94,883	1	-	-	-	108,646
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,000,626</b>	-	<b>4,013,867</b>	<b>11,273,320</b>	<b>593,090</b>	<b>42,663</b>	<b>233,826</b>	-	<b>18,157,392</b>

1 (ii). 31 December 2019:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	months -1 year	1 year and over	Accumulated Deposits	Total
<b>Saving Deposits</b>	<b>85,315</b>	-	<b>1,328,494</b>	<b>2,903,921</b>	<b>32,598</b>	<b>23,563</b>	<b>83,659</b>	-	<b>4,457,550</b>
<b>Foreign Currency Deposits</b>	<b>680,508</b>	-	<b>1,263,781</b>	<b>5,895,121</b>	<b>548,021</b>	<b>153,231</b>	<b>89,829</b>	-	<b>8,630,491</b>
Residents in Turkey	635,054	-	1,249,922	5,831,957	547,793	137,775	23,369	-	8,425,870
Residents Abroad	45,454	-	13,859	63,164	228	15,456	66,460	-	204,621
<b>Public Sector Deposits</b>	<b>55,129</b>	-	-	-	-	-	-	-	<b>55,129</b>
<b>Commercial Deposits</b>	<b>434,564</b>	-	<b>762,591</b>	<b>1,466,092</b>	<b>33,238</b>	<b>44,189</b>	<b>1,207</b>	-	<b>2,741,881</b>
<b>Other Institutions Deposits</b>	<b>1,374</b>	-	<b>4,357</b>	<b>50,085</b>	-	-	-	-	<b>55,816</b>
<b>Precious Metal Deposits</b>	<b>12,299</b>	-	<b>55</b>	<b>16,702</b>	<b>1,801</b>	<b>5,571</b>	-	<b>38</b>	<b>36,466</b>
<b>Bank Deposits</b>	<b>2,579</b>	-	<b>17,917</b>	<b>126,553</b>	-	-	-	-	<b>147,049</b>
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	154	-	-	-	-	-	-	-	154
Foreign Banks	2,425	-	17,917	126,553	-	-	-	-	146,895
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,271,768</b>	-	<b>3,377,195</b>	<b>10,458,474</b>	<b>615,658</b>	<b>226,554</b>	<b>174,695</b>	<b>38</b>	<b>16,124,382</b>

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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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

(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 2020	31 December 2019	30 June 2020	31 December 2019
<b>Saving Deposits</b>				
Saving Deposits (*)	1,142,663	1,082,231	4,010,007	3,377,372
Foreign Currency Savings Deposit	339,058	334,981	3,188,253	3,601,587
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 1,036 straight rediscount - internal efficiency difference (31 December 2019: TL 2,053).

3. Saving deposits at domestic branches of foreign banks in Turkey under the coverage of foreign insurance

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

4. Saving deposits which are not under the guarantee of saving deposit insurance fund

	30 June 2020	31 December 2019
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	44,612	42,408
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. Table of negative differences for trading derivative financial liabilities**

1. Information on derivative financial liabilities

	30 June 2020 <sup>(*)</sup>		31 December 2019 <sup>(*)</sup>	
	TL	FC	TL	FC
Forward Transactions	2,036	4,355	2,166	2,107
Swap Transactions	37,340	82,100	102,521	65,897
Futures Transactions	-	-	-	-
Options	-	5,981	-	7,229
<b>Total</b>	<b>39,376</b>	<b>92,436</b>	<b>104,687</b>	<b>75,233</b>

(\*) Derivative financial liabilities for hedging purpose are excluded.



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

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

**c. Information on borrowings**

1. Information on borrowings

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
The CBRT Borrowings	-	1,647,315	-	939,265
From Domestic Banks and Institutions	48,951	23,241	54,261	118,773
From Foreign Banks, Institutions and Funds	-	5,886,808	-	5,519,858
<b>Total</b>	<b>48,951</b>	<b>7,557,364</b>	<b>54,261</b>	<b>6,577,896</b>

2. Information on maturity profile of borrowings

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Short-term	48,951	288,650	54,261	1,666,342
Medium and Long-term	-	7,268,714	-	4,911,554
<b>Total</b>	<b>48,951</b>	<b>7,557,364</b>	<b>54,261</b>	<b>6,577,896</b>

3. Disclosures for concentration areas of bank's liabilities

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**d. Information on other liabilities**

Other foreign liabilities amounting to TL 198,521 are included in "Other Liabilities" (31 December 2019: TL 159,490 thousands) and do not exceed 10% of the total balance sheet.

**e. Information on financial lease agreements**

i). Information of financial lease liabilities

	30 June 2020		31 December 2019	
	Gross	Net	Gross	Net
Less than 1 year	12,718	5,024	8,119	3,319
1-4 year	32,000	21,856	24,793	19,088
More than 4 year	41,816	36,557	29,492	27,963
<b>Total</b>	<b>86,534</b>	<b>63,437</b>	<b>62,404</b>	<b>50,370</b>

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

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges (*)	-	1,110	14,119	-
Foreign Currency Investment Hedges	-	-	-	-
<b>Total</b>	-	<b>1,110</b>	<b>14,119</b>	-

(\*) Explained in Section Four Footnote Number XI.

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

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

**g. Information on provisions**

**1. Provisions for employee benefits**

In accordance with Turkish Labor Law, the reserve for employment termination benefits is calculated as the present value of the probable future obligation in case of the retirement of employees. TAS 19 necessitates actuarial validation methods to calculate the liabilities of enterprises.

In accordance with the revised TAS 19 Standard, Actuarial losses has recognized under the equity, amount of after deferred tax TL 1,163 as of 30 June 2020 (30 June 2019: TL 17 Loss)

The following actuarial assumptions were used in the calculation of total liabilities.

	<b>30 June 2020</b>	<b>31 December 2019</b>
Discount Rate(%)	4.50	4.50
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.

As of 30 June 2020, The Bank has provision for employee benefits amount of TL 10,416 (31 December 2019: 8,233, provision of unused vacation amount of 3,351 TL (31 December 2019: TL 2,868).

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

As of 30 June 2020, there is no provision related to the foreign currency difference of foreign currency indexed loans (31 December 2019: None). When the provision related to the foreign currency difference of foreign currency indexed loans occurs, these amounts are netted with loans in the financial statements.

**3. Provisions for non-cash loans that are not indemnified or converted into cash**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Provisions for Unindemnified Non-cash Loan	55,762	51,409
Provision for Litigation and Claims	16,553	14,979
Bonus Provision	12,024	17,800
Free Provision for Possible Risks	10,000	20,000
Provision for Miscellaneous Receivables	2,510	710
Provision for the Impairment due Settlement Date	-	1,576
<b>Total</b>	<b>96,849</b>	<b>106,474</b>

**h. Information on taxes payable**

**1. Information on current tax liability**

As of 30 June 2020 the current tax liability is TL 35,572(31 December 2019: TL 40,496).

**(i) Information on taxes payable**

	<b>30 June 2020</b>	<b>31 December 2019</b>
Corporate Tax Payable	-	-
Taxation of Marketable Securities	14,056	18,677
Banking Insurance Transaction Tax (BITT)	11,370	12,651
Value Added Tax Payable	211	850
Property Tax	307	231
Foreign Exchange Transaction Tax	2,672	-
Other	3,191	4,717
<b>Total</b>	<b>31,807</b>	<b>37,126</b>

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

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

**1. Information on current tax liability (Continued)**

(ii) Information on premium payables

	<b>30 June 2020</b>	<b>31 December 2019</b>
Social Security Premiums - Employee	1,352	1,208
Social Security Premiums - Employer	1,980	1,769
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	97	86
Unemployment Insurance - Employer	193	173
Other	143	134
<b>Total</b>	<b>3,765</b>	<b>3,370</b>

**2. Deferred tax liability**

As of 30 June 2020, there is no deferred tax liability (31 December 2019: None).

**i. Liabilities for assets held for sale and assets of discontinued operations**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**i. Subordinated debts**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

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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**

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Common Stock (*)	2,038,390	1,730,655
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 registered share capital system. The Bank's registered capital is TL 2,500,000,000 (Two billion five hundred million Turkish Liras) and all are divided into 2.500.000.000 shares in the name of the holder with a nominal value of TL 1 (one Turkish Lira).

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

With the decision of number 14 of the Board of Directors dated on 2 March 2020 and with the approval of BRSA dated on 23 March 2020, the capital increase is registered in Commercial Registry Gazette number of 10072 and dated on 6 May 2020 and the capital is increased from TL1,730,655 to TL 2,038,390. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL 307,735 by cash and this amount transferred it to the capital account.

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

	<b>30 June 2020</b>		<b>31 December 2019</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(28,440)	(6,072)	(38,689)	-
Foreign Currency Difference	-	-	-	-
<b>Total</b>	<b>(28,440)</b>	<b>(6,072)</b>	<b>(38,689)</b>	-

9. Information on other capital reserves

As of 31 December 2019, The Bank, has accounted the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million (as of 31 December 2019, its equivalent is TL 299,969 by using the exchange rate of 31 July 2017 ) TIER I subordinated debt from its shareholder which was transferred to the equity account on 31 July 2017, in the "Equity" accounts, which is one of the financial statement items. Amendments have been made to the provisions of the contract regarding the mentioned Tier 1 subordinated debt and the related amendments have been completed as of 29 March 2020.

The Bank has been declared to BRSA that related subordinated debt will be included as an additional capital in the capital adequacy calculation with the letter numbered 22742 and dated 3 April 2020. As a result of the amendments made, under the "Subordinated Debt Instruments" retrospectively from the financial statement items, as of the first acquisition of an additional principal capital of USD 75 million in accordance with the "TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors" ("TAS 8") started to be followed.

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

**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 123,768 irrevocable loan commitments as of 30 June 2020 (31 December 2019: TL 104,799).

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".

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

	<b>30 June 2020</b>	<b>31 December 2019</b>
Guarantees and Collaterals	1,115,190	679,670
Bank Acceptance Loans	22,773	18,379
Letter of Credits	-	-
<b>Total</b>	<b>1,137,963</b>	<b>698,049</b>

(ii). Guarantees, sureties and other similar guarantees

	<b>30 June 2020</b>	<b>31 December 2019</b>
Definite Letter of Guarantees	6,738,016	5,674,905
Temporary Letter of Guarantees	203,612	108,472
Advance Letter of Guarantee	312,106	266,120
Letter of Guarantees Given to Customs	161,690	140,756
<b>Total</b>	<b>7,415,424</b>	<b>6,190,253</b>

3. Non-cash loans

(i). Total amount of non-cash loans

	<b>30 June 2020</b>	<b>31 December 2019</b>
Non-Cash Loans against Cash Risks	3,712,603	3,052,550
With Original Maturity of 1 Year or Less	3,712,603	3,052,550
With Original Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	4,840,784	3,835,752
<b>Total</b>	<b>8,553,387</b>	<b>6,888,302</b>

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
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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)**

3. Non-cash loans (Continued)

(ii). Other information on non-cash loans

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

(iii). Non-cash loans classified under Group I and II:

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**b. Information on derivative financial instruments**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**c. Credit derivatives and risk exposures on credit derivatives**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**d. Contingent liabilities and assets**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**e. Services rendered on behalf of third parties**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
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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 2020		30 June 2019	
	TL	FC	TL	FC
Short-term Loans	316,435	43,284	576,913	43,917
Medium/Long-term Loans	266,800	202,216	301,668	210,163
Interest on Loans Under Follow-up	31,894	-	17,439	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>615,129</b>	<b>245,500</b>	<b>896,020</b>	<b>254,080</b>

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

2. Information on interest income on banks

	30 June 2020		30 June 2019	
	TL	FC	TL	FC
From the CBRT (*)	4,971	-	18,186	17,124
From Domestic Banks	5,905	2,113	11,464	8,425
From Foreign Banks	-	8,944	-	9,297
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>10,876</b>	<b>11,057</b>	<b>29,650</b>	<b>34,846</b>

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

3. Information on interest income on marketable securities

	30 June 2020		30 June 2019	
	TL	FC	TL	FC
From Financial Assets at Fair Value Through Other Comprehensive Income	27,755	5,401	2,170	-
From Financial Assets Measured at Amortised Cost	11,029	81,077	24,525	70,184
From Financial Assets At Fair Value Through Profit or Loss	509	133	291	2,503
<b>Total</b>	<b>39,293</b>	<b>86,611</b>	<b>26,986</b>	<b>72,687</b>

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

	30 June 2020	30 June 2019
Interest Received from Associates and Subsidiaries	13,718	16,898

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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 2020		30 June 2019(**)	
	TL	FC	TL	FC
Banks	6,637	172,815	3,019	154,502
CBRT	3,289	-	442	-
Domestic Banks	3,348	1,800	2,577	2,042
Foreign Banks	-	171,015	-	152,460
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	70,448	-	28,899
<b>Total (*)</b>	<b>6,637</b>	<b>243,263</b>	<b>3,019</b>	<b>183,401</b>

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

(\*\*) Restated

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

	30 June 2020	30 June 2019
Interest Paid to Associates and Subsidiaries	784	1,793

3. Information on interest expense to marketable securities issued

	30 June 2020	30 June 2019
Interest Expense to Marketable Securities Issued	38,767	103,864



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

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

4. Information on interest rate and maturity structure of deposits

30 June 2020	Demand Deposit	Time Deposit					Accumulated Deposit	Total
		Up to 1 Months	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	5,629	-	-	-	-	-	5,629
Savings Deposits	-	75,515	168,951	2,632	620	621	6,580	254,919
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	45,998	50,468	929	1,754	20	-	99,169
Other Deposits	-	122	2,783	3	-	2	-	2,910
Deposit with 7 Days	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>127,264</b>	<b>222,202</b>	<b>3,564</b>	<b>2,374</b>	<b>643</b>	<b>6,580</b>	<b>362,627</b>
<b>Foreign Currency</b>								
Foreign Currency	-	9,404	49,799	2,347	1,396	1,680	-	64,626
Bank Deposits	-	41	-	-	-	-	-	41
Deposit with 7 Days	-	-	-	-	-	-	-	-
Precious Metal	-	(1)	22	8	39	29	-	97
<b>Total</b>	-	<b>9,444</b>	<b>49,821</b>	<b>2,355</b>	<b>1,435</b>	<b>1,709</b>	-	<b>64,764</b>
<b>Grand Total</b>	-	<b>136,708</b>	<b>272,023</b>	<b>5,919</b>	<b>3,809</b>	<b>2,352</b>	<b>6,580</b>	<b>427,391</b>

30 June 2019	Demand Deposit	Time Deposit					Accumulated Deposit	Total
		Up to 1 Months	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
<b>Turkish Lira</b>								
Bank Deposits	-	10,848	-	-	-	-	-	10,848
Savings Deposits	-	62,380	261,522	42,052	10,613	4,845	-	381,412
Public Deposits	-	-	4	926	-	-	-	930
Commercial Deposits	-	80,564	152,627	9,081	5,820	91	-	248,183
Other Deposits	-	204	17,516	1	726	2	-	18,449
Deposit with 7 Days	-	-	-	-	-	-	-	-
Notification	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>153,996</b>	<b>431,669</b>	<b>52,060</b>	<b>17,159</b>	<b>4,938</b>	-	<b>659,822</b>
<b>Foreign Currency</b>								
Foreign Currency Account	-	7,853	112,214	4,799	9,557	1,710	-	136,133
Bank Deposits	-	299	-	-	-	-	-	299
Deposit with 7 Days	-	-	-	-	-	-	-	-
Notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3	86	1	30	-	-	120
<b>Total</b>	-	<b>8,155</b>	<b>112,300</b>	<b>4,800</b>	<b>9,587</b>	<b>1,710</b>	-	<b>136,552</b>
<b>Grand Total</b>	-	<b>162,151</b>	<b>543,969</b>	<b>56,860</b>	<b>26,746</b>	<b>6,648</b>	-	<b>796,374</b>

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

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

5. Given interest amount on repurchase agreement

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

6. Information's on leasing expense

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

7. Information on given interest for factoring transaction

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

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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**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

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

	<b>30 June 2020</b>	<b>30 June 2019(*)</b>
<b>Income</b>	<b>17,672,391</b>	<b>16,716,929</b>
Income from Capital Market Transactions	22,727	8,463
Derivative Financial Transactions	549,632	414,616
Foreign Exchange Gains	17,100,032	16,293,850
<b>Loss (-)</b>	<b>17,636,193</b>	<b>16,621,554</b>
Loss from Capital Market Transactions	13,918	4,472
Derivative Financial Transactions	460,716	336,258
Foreign Exchange Loss	17,161,559	16,280,824
<b>Net Income/ (Loss)</b>	<b>36,198</b>	<b>95,375</b>

(\*) Restated.

**e. Explanations about other operating income**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Cancellation of provisions for disposal property	6,905	1,269
Provision for the Expenses Recovered from Customers	470	1,485
Provision for Communication Costs Received from Customers	516	812
Gain on Sale of Property, Plant and Equipment	615	66
Other(*)	27,201	6,212
<b>Total</b>	<b>35,707</b>	<b>9,844</b>

(\*)As of 30 June 2020; amount of TL 10,000 is comprise from reversal of free provision for possible risks.

**e. Expected Provision Losses and Other Provision Losses**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Expected Credit Loss	162,764	165,760
12 month expected credit loss (stage 1)	29,612	6,262
Significant increase in credit risk (stage 2)	77,446	58,534
Non-performing loans (stage 3)	55,706	100,964
Marketable Securities Impairment Expense	8,807	5,193
Financial Assets at Fair Value Through Profit or Loss	5,280	5,193
Financial Assets at Fair Value Through Other Comprehensive Income	3,527	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	3,905	21,852
<b>Total</b>	<b>175,476</b>	<b>192,805</b>

(\*)As of 30 June 2019, free provision for possible risks amounting to TL 20,000 is included.

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

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

**f. Information related to personnel expenses and other operating expenses**

	<b>30 June 2020</b>	<b>30 June 2019</b>
Personnel Expenses	101,062	96,653
Reserve for Employee Termination Benefits	778	-
Unused Vacation	482	725
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	21,907	18,093
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	8,676	5,871
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	55,458	46,724
Other Expenses	50,507	43,134
Advertising Expenses	3,548	2,596
Maintenance Expenses	1,203	823
Operational Lease Expenses (**)	200	171
Loss on Sales of Assets	396	3,129
Other (*)	21,570	17,085
<b>Total</b>	<b>210,329</b>	<b>188,280</b>

(\*) Other operating charges is TL 15,992 (30 June 2019: TL 11,552) except premium of SDIF and tax amounting to TL 5,578(30 June 2019: TL 5,533).

(\*\*) Includes the effect of TFRS 16.

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

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

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

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

**h. Provision for taxes on income from continuing operations**

As of 30 June 2020, the Bank has TL 10,548 current tax expense (30 June 2019: 18,893), and deferred tax expense amounting to TL 5,075(30 June 2019: TL 1,379).

**i. Net operating profit/loss after taxes including net profit/loss from discontinued operations**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks".

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

1) Interest income from ordinary banking transactions is TL 1,063,929 (30 June 2019: TL 1,412,728), interest expense is TL 747,900 (30 June 2019: TL 1,109,942).

2) Information on any change in the accounting estimates has no profit/loss effect on current period or consequent periods.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

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

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

<b>Fees and Commissions Received - Other</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Credit Card Pos Commissions	42,555	14,254
Banking Service Income	21,496	8,686
Insurance Commissions	6,218	4,519
Account Management Fee Commission	1,151	1,464
Export Letters of Credit Commissions	496	636
Credit Early Termination Compensation	233	3,674
Transfer Commissions	199	760
Expertise Commissions	1	575
Other	7,016	3,313
<b>Total</b>	<b>79,365</b>	<b>37,881</b>
<b>Fees and Commissions Paid - Other</b>	<b>30 June 2020</b>	<b>30 June 2019</b>
Clearing Commissions	16,204	6,810
Debit Card Fees and Commissions	9,127	10,869
Commissions Granted to Correspondent Banks	1,826	1,003
Bonds Commissions	1,466	2,220
Fees and Commissions on Foreign Currency Transactions	554	4,903
Transfer Commissions	494	454
Pos Transactions Commissions	381	442
Commissions for Effective and Future Transactions	311	393
CBRT Interbank Money Market	112	111
Other	1,188	484
<b>Total</b>	<b>31,663</b>	<b>27,689</b>

**V. Explanations and Notes on Changes in Shareholders’ Equity**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**VI. Explanations And Notes on Statement Of Cash Flows**

Not prepared in compliance with the Article 25 of the communique “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks”.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**VII. 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**

**30 June 2020**

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Bank's Risk Group</b> <sup>(*)</sup> <sup>(**)</sup>						
Loans and Other Receivables						
Balance at the Beginning of the Period	246,255	1,605	-	15,888	437,597	10,000
Balance at the End of the Period	321,870	8,338	-	22,566	518,064	11,292
Interest and Commission Income Received	13,718	11	1,021	1,127	2,186	2,211

(\*) 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.

**31 December 2019**

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Bank's Risk Group</b> <sup>(*)</sup> <sup>(**)</sup>						
Loans and Other Receivables						
Balance at the Beginning of the Period	254,831	1,222	-	164,542	151,800	5,483
Balance at the End of the Period	246,255	1,605	-	15,888	437,597	10,000
Interest and Commission Income Received	16,898	8	-	1,112	3,043	60

(\*) 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.

(\*\*\*) 30 June 2019 balances used for income accounts.

**3. Information on deposits of the Bank's risk group**

Bank's Risk Group <sup>(*)</sup>	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 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Deposit</b>						
Beginning of the Period	145,668	199,589	-	-	66,167	37,278
End of the Period	103,872	145,668	-	-	76,421	66,167
Interest Expense on Deposits <sup>(**)</sup>	784	1,793	-	1,184	701	3,033

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

(\*\*) 30 June 2019 balances used for expense accounts.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**VII. 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**

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

Bank's Risk Group <sup>(*)</sup>	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 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
<b>Transactions for trading purposes <sup>(**)</sup></b>						
Beginning of the Period <sup>(**)</sup>	236,196	-	-	-	-	-
End of the Period <sup>(**)</sup>	-	236,196	-	-	-	-
<b>Total Profit / Loss <sup>(***)</sup></b>	<b>(5,368)</b>	<b>2,532</b>	<b>3,356</b>	<b>(2)</b>	<b>-</b>	<b>-</b>
<b>Transactions for hedging purposes</b>						
Beginning of the Period <sup>(**)</sup>	-	-	-	-	-	-
End of the Period <sup>(**)</sup>	-	-	-	-	-	-
<b>Total Profit / Loss <sup>(***)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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

(\*\*\*) 30 June 2019 balances used for income / expense accounts

**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:

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

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

	<b>Total Risk Group</b>	<b>Share in Financial Statements (%)</b>
Deposits	180,293	0.99
Non-cash Loans	42,196	0.49
Loans	839,934	3.97
Subordinated Loan	514,641	19.90

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.



**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**VII. Explanations and Notes on Bank's Risk Group (Continued)**

**b. With respect to the Bank's risk group (Continued)**

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 2020, there is no financial leasing agreement between the Bank and Alternatif Finansal Kiralama A.Ş. The Bank has also cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Yatırım Menkul Değerler A.Ş.

The Bank allocates cash and non-cash loans to the risk group of the Bank within limits of Banking Laws and that amount is 2.84% of total cash and non-cash loan amount (31 December 2019: 2.85%).

5. Information on Other Liabilities

None.

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

Benefits provided to the Bank's key management amount to TL 12,334 as of 30 June 2020 (30 June 2019: TL 13,551).

**VIII. Explanations and Notes on The Domestic, Foreign, Off-Shore Branches and Foreign Representatives of The Bank**

Not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks

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

None.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**  
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated).

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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

<b>Fitch Ratings: May 2020</b>	
Foreign Currency	
Long Term	B+
Short Term	B
Local Currency	
Long Term	BB-
Short Term	B
National Note	AA(tur)
Support Note	4
Financial Capacity Note	b-
Outlook	Negative

<b>Moody’s: June 2019</b>	
Foreign Currency	
Long Term	BA3
Short Term	NP
Local Currency	
Long Term	B3
Short Term	NP
National Long Term	Aa1.tr
National Short Term	TR-1
Outlook	Negative

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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**SECTION SEVEN**

**EXPLANATIONS ON THE AUDITOR'S LIMITED REPORT**

**I. Explanations on the Independent Auditor's Report**

The Bank's unconsolidated financial statements and footnotes to be disclosed to public as of 30 June 2020 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member firm of Ernst&Young Global Limited) and the independent auditor's limited report dated 29 July 2020 has been presented at the beginning of this report.

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

None.

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

*(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 2020 activity period is below.

<b>Actual Figures</b>	<b>30 June 2020</b>	<b>31 December 2019</b>	<b>30 June 2019</b>
Loans (Net)	20,532,371	17,517,413	16,875,072
Securities	4,697,935	3,972,164	3,645,678
Deposits	18,157,392	16,124,382	15,654,751
Total Assets	32,284,705	28,944,776	28,663,836
Equity	2,286,219	1,899,858	1,863,224
Profit / Loss Before Taxes	76,765	118,311	76,239
Profit / Loss	61,142	89,468	55,967

**Message from the Chairman**

Dear Stakeholders,

The Coronavirus pandemic that has spread across the world since the beginning of the year continues to be the most crucial agenda item due to its impact on human health and creation of an unprecedented environment of ambiguity and economic uncertainty on a global scale.

Despite the favourable growth expectations at the start of the year, the pandemic has affected all the world's economies and resulted in a global economic contraction, with global growth forecasts taken to -5% level from the initially projected -3% levels. However, the normalization process that started gradually as of May reflected positively on economic indicators. In this period, the economic measures taken under the leadership of the Turkish Government, the support packages and the strong performance of the banking sector has played an important role in the recovery process. We expect the economy to recover rapidly and strongly through the remainder of the year. However, although economies show signs of recovery, with the second wave of concern in some countries, we foresee that the pandemic may affect the global foreign trade processes and the socio-political agenda for a while longer.

Commercial activities and the economy have started to be revived through normalization steps taken towards the end of the second quarter. Moreover, we have entered a different phase of globalization with the impact of digitalization on commerce due to social distancing and isolation rules. We have seen the first signs of economic recovery thanks to these developments. However, the prominence of the expansionary monetary policies became the fundamental aspect that limited the fluctuations in capital markets and loss of strength in the economy. While uncertainty related to the Coronavirus continues, we expect the low interest rate and abundant liquidity process to remain on the agenda of the global economy for a much longer time. Observing the Turkish economy, we see a much smoother transition compared to other countries impacted by the pandemic, especially thanks to the strength of the healthcare system and its successful performance displayed throughout the process. Various campaigns and loan packages carried out have supported the gradual normalization of companies and consumers. Indicators show a significant recovery in the economy subsequent to the rigid hesitation in April. As Commercial Bank, we believe in the growth potential of Turkey and I would like to underline the fact that it shall continue to be a crucial centre of our global investments as always.

We are very pleased with the synergy we have created with Alternatif Bank and continue to support the mutual investment and capital activities between Turkey and Qatar by our duty of serving as a bridge. I wholeheartedly believe that Alternatif Bank will fulfil its objectives in line with the bank's strategic plan and continue making valuable contributions to regional trade volumes thanks to its experienced executive leadership and committed human resources throughout the rest of the year.

Yours sincerely,

Omar Hussain I H Alfardan

Chairman of the Board of Directors

**ALTERNATİFBANK A.Ş. NOTES TO THE UNCONSOLIDATED  
FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020**

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

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

**Message from the CEO**

Dear Stakeholders,

We have left behind the second quarter of the year when the impacts of the pandemic were prominent and significant steps were taken accordingly. We have started observing a positive outlook for both the Turkish economy and on a global scale thanks to the motivation created by the support given during these times. The continuance of the ambiguity caused by the outbreak somewhat slows down the further strengthening of moderate expectations in terms of the economy. However, I sincerely believe that we shall welcome a much more positive performance in the economic perspective in the third quarter of the year as the process of normalisation continues.

Thanks to the successful management of the healthcare process specifically for Turkey, we have started observing a much quicker revival of demand in the economy and a tendency towards normalisation. In this sense, we expect the positive outlook experienced at the end of the second quarter to continue in the third quarter with a transition towards regrowth. We are of the opinion that this tendency will be boosted by the strengthening in exports which have started in the European Zone along with domestic demand. We expect the banking industry to sustain the tendency towards growth together with decreasing interest rates in the remainder of the year.

As Alternatif Bank, we have completed the second quarter in line with our targets despite the impacts of the pandemic. We stuck to our strategy plan, never compromised from risk management and continued working by prioritizing the health of our colleagues and customers beyond all.

We accelerated our steps towards normalisation during this past process and put into place many crucial projects as a bank. We have gradually started going back to our offices in line with a comprehensive plan that is put in place. We continued to offer our support to customers by nature of our insightful banking approach through our products and services such as Suppliers Finance, Package to Empower Working Women and the Foreign Trade Advisory Line.

Observing our unconsolidated figures, we see that our total asset size has reached 32.2 Billion TL in the second quarter with an 12% growth compared to 2019 year-end. We continued offering our support to the economy and to our customers for them to access financing during such trying times. Our contribution to the economy reached 29.1Billion TL including our cash (including financial leasing receivables) and non-cash loans. We preserved our strong capital structure, and our capital adequacy ratio outperformed the sector and exceeded 19%. The unconsolidated net profit of our bank realized as 61.1 Million TL.

In the second half of the year, we shall bolster the support we offer to our customers and show the same effort and care by effectively managing risk factors in the markets depending on the evolution of the outbreak and we will continue our growth journey. Through our prudent and advisory banking approach, strong capital structure and experienced executive leadership, we shall continue to provide added value to our country, the region and all our stakeholders, with the contribution to be offered to economic relations between Qatar and Turkey being in the first place.

On this occasion, I would like to extend my heartfelt gratitude to all our dedicated colleagues, our valuable customers who preferred our partnership, our shareholders who always amplified their support, our Board of Directors who shed light through their invaluable experience and all our stakeholders who further strengthened our bank thanks to their close collaboration.

Yours sincerely,

Cenk Kaan Gür

CEO