

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

ALTERNATİFBANK A.Ş.

**INDEPENDENT AUDITOR'S REVIEW REPORT,
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND NOTES FOR THE THREE
MONTHS PERIOD ENDED 31 MARCH 2019**

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

INTERIM REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

To the Board of Directors of Alternatifbank A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Alternatifbank A.Ş. (“the Bank”) and its subsidiaries (together will be referred as “the Group”) as of 31 March 2019 and the related consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the three-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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the financial position of Alternatifbank A.Ş. and its subsidiaries as of 31 March 2019 and of the results of its operations and its cash flows for the three-month-period then ended in all material respects 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 consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated 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.

Other Matter

The consolidated financial statements of the Bank and its subsidiaries as at 31 December 2018 and 31 March 2018 were audited and reviewed by another audit firm, which expressed an unqualified opinion and an unqualified conclusion in their reports issued on 31 January 2019 and 3 May 2018, respectively.

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

Yaşar Bivas, SMMM
Partner

7 May 2019
Istanbul, Turkey

**THE CONSOLIDATED FINANCIAL REPORT OF
ALTERNATİFBANK A.Ş. AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2019**

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The consolidated financial report as of and for the three-month period ended 31 March 2019 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 GROUP
- CONSOLIDATED FINANCIAL STATEMENTS OF GROUP
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- EXPLANATIONS ON AUDITORS’ LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

Associates, subsidiaries and special purpose entities whose financial statements have been consolidated in the consolidated financial report are as follows:

Subsidiaries:

1. Alternatif Menkul Değerler A.Ş.
2. Alternatif Finansal Kiralama A.Ş.

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

Omer Hussain I H Al-Fardan	Cenk Kaan Gür	Önder Özcan	Emrullah Altun
Chairman of the Board of Directors	CEO	Financial Affairs and Planning Executive Vice President	Accounting Manager
Kimberley Ann Reid	Zafer Kurtul	Leonie Ruth Lethbridge	Paul Gossiaux
Member of the Board of Directors and Chairwoman of the Board Audit and Compliance Committee	Member of the Board of Directors and Member of the Board Audit and Compliance Committee	Member of the Board of Directors and Member of the Board Audit and Compliance Committee	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 GROUP****I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status**

Alternatifbank A.Ş. (“the Bank” or “the Parent 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 2018: 49) branches.

The Parent 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 Parent Bank, any Changes in the Period, and Information on the Parent Bank’s Risk Group

As of 31 March 2019, 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	31 March 2019		31 December 2018	
	Share Amount	Share Ratio	Share Amount	Share Ratio
The Commercial Bank (P.S.Q.C.) (*)	1,439,725	100%	1,167,000	100%
Total	1,439,725	100%	1,167,000	100%

(*) With the decision of number 24 of the Board of Directors dated on 13 March 2019 and with the approval of BRSA dated on 27 March 2019, the capital increase is registered in Commercial Registry Gazette number of 9806 and dated on 10 April 2019 and the capital is increased from TL 1,167,000 to TL 1,439,725. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL 272,725 by cash and this amount transferred it to the capital account.

GENERAL INFORMATION ABOUT THE GROUP (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 Parent 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	-
	Mohd Ismail M Mandani Al-Emadi	Member of the Board of Directors, Chairman of the Board Risk Committee, Alternate Member of the Board Credit Committee	-
	Paul Gossiaux	Member of the Board of Directors, Member of the Board Audit and Compliance Committee, Member of the Board Risk Committee, Member of the Board Credit Committee	-
	Zafer Kurtul	Member of the Board of Directors, Member of the Executive Committee of the Board, Member of the Remuneration Committee of the Board, Member of the Board Audit and Compliance Committee, Member of the Board Risk Committee and Chairman of the Board Credit Committee	-
	Leonie Ruth Lethbridge	Member of the Board of Directors, Member of the Board Executive Committee, Member of the Board Audit and Compliance Committee	-
	Kimberley Ann Reid ⁽¹⁾	Member of the Board of Directors, Chairwoman of the Board Audit and Compliance Committee, Member of the Executive Committee of the Board, Member of the Remuneration Committee of the Board, Alternate Member of the Board Credit Committee.	-
Member of the Board of Directors and CEO	Cenk Kaan Gür	Member of the Board of Directors, Member of the Executive Committee of the Board, Member of the Credit Committee, CEO	-
Executive Vice Presidents	Yeşim Şimşek ⁽²⁾	Sales and Marketing	-
	Esra Beyzadeoğlu ⁽³⁾	Information Technologies, Digital Banking & Operations	-
	Musa Kerim Mutluay	Restructuring & Legal Follow-up	-
	Ebru Taşçı Firuzbay	Human Resources	-
	Muzaffer Gökhan Songül	Credit Underwriting	-
	Şakir Sömek	Financial Institutions	-
	Önder Özcan	Financial Affairs and Planning	-
	Boğaç Levent Güven	Treasury	-
Head of Internal Audit	Ömer Faruk Gönener	Head of Internal Audit	-

(1) With the decision number 46 of the Board of Directors dated on 28 March 2019, İzzat Dajani and Turgay Gönensin were resigned from the Board of Directors and Kimberley Ann Reid has been appointed as the new member of Board of Directors.

(2) With the decision number 48 of the Board of Directors dated on 11 April 2019, Corporate Banking, Commercial and SME Banking Executive Vice President Yeşim Şimşek has been appointed as Sales and Marketing Executive Vice President.

(3) With the decision number 47 of the Board of Directors dated on 11 April 2019, Suat Çetin was resigned from his duty as Operations Executive Vice President and Esra Beyzadeoğlu has been appointed as Operations Executive Vice President in addition to her existing responsibilities.

GENERAL INFORMATION ABOUT THE GROUP (Continued)**IV. Information on the Parent 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 Parent Bank's Capital is as follows.

Name/Commercial Title	Share Amounts (Nominal)	Share Rates	Paid-in Capital (Nominal)	Unpaid Portion
The Commercial Bank (Q.S.C.)	1,439,725	100%	1,439,725	-

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

The Parent 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 31 March 2019, the Parent Bank has 49 branches (31 December 2018: 49 branches) and has 908 employees (31 December 2018: 949 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called "Group" as a whole. As of 31 March 2019, The Group has 980 employees (31 December 2018: 1,021 employees).

VI. Differences Between the Communique on Preparation of Consolidated 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 Parent Bank and Its Subsidiaries

None.

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2019 AND 31 DECEMBER 2018

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

ASSETS	Notes (Section Five)	Reviewed Current Period 31 March 2019			Audited Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		546,922	3,702,927	4,249,849	1,367,818	2,524,517	3,892,335
1.1 Cash and Cash Equivalents		446,060	3,549,683	3,995,743	1,217,268	2,430,263	3,647,531
1.1.1 Cash and Balances with Central Bank	I-a	265,256	1,864,195	2,129,451	343,586	1,868,465	2,212,051
1.1.2 Banks	I-d	43,803	1,685,488	1,729,291	243,536	561,798	805,334
1.1.3 Money Market Placements		137,353	-	137,353	630,439	-	630,439
1.1.4 Expected Credit Losses (-)		352	-	352	293	-	293
1.2 Financial Assets at Fair Value Through Profit or Loss		3	41,327	41,330	1,835	40,213	42,048
1.2.1 Government Debt Securities		3	-	3	1,835	1,437	3,272
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	41,327	41,327	-	38,776	38,776
Financial Assets at Fair Value Through Other Comprehensive							
1.3 Income	I-f	10,875	-	10,875	8,144	-	8,144
1.3.1 Government Debt Securities		-	-	-	-	-	-
1.3.2 Equity Instruments		8,420	-	8,420	5,658	-	5,658
1.3.3 Other Financial Assets		2,455	-	2,455	2,486	-	2,486
1.4 Derivative Financial Assets	I-c	89,984	111,917	201,901	140,571	54,041	194,612
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		89,984	111,917	201,901	140,571	54,041	194,612
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive		-	-	-	-	-	-
1.4.2 Income		-	-	-	-	-	-
FINANCIAL ASSETS MEASURED AT AMORTIZED COST							
II. (NET)		8,570,577	12,489,422	21,059,999	8,122,868	12,528,501	20,651,369
2.1 Loans	I-g	8,780,999	7,768,575	16,549,574	8,330,163	7,956,609	16,286,772
2.2 Lease Receivables	I-l	436,720	1,452,054	1,888,774	470,481	1,499,155	1,969,636
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	I-h	308,658	3,309,902	3,618,560	318,144	3,108,916	3,427,060
2.4.1 Government Debt Securities		308,658	2,839,128	3,147,786	318,144	2,669,155	2,987,299
2.4.2 Other Financial Assets		-	470,774	470,774	-	439,761	439,761
2.5 Expected Credit Losses (-)		955,800	41,109	996,909	995,920	36,179	1,032,099
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE							
AND RELATED TO DISCONTINUED OPERATIONS (NET)		204,287	-	204,287	186,675	-	186,675
3.1 Held for Sale Purpose	I-s	204,287	-	204,287	186,675	-	186,675
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS							
4.1 Investments in Associates (Net)	I-i	-	-	-	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	I-j	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Entities under Common Control (Joint Venture) (Net)	I-k	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	I-n	321,365	-	321,365	283,361	-	283,361
VI. INTANGIBLE ASSETS (Net)	I-o	100,461	-	100,461	101,510	-	101,510
6.1 Goodwill		49,647	-	49,647	49,647	-	49,647
6.2 Other		50,814	-	50,814	51,863	-	51,863
VII. INVESTMENT PROPERTY (Net)	I-p	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		16,491	-	16,491	11,767	-	11,767
IX. DEFERRED TAX ASSET	I-r	154,651	-	154,651	167,287	-	167,287
X. OTHER ASSETS	I-t	132,738	228,707	361,445	247,942	312,198	560,140
TOTAL ASSETS		10,047,492	16,421,056	26,468,548	10,489,228	15,365,216	25,854,444

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 MARCH 2019 AND 31 DECEMBER 2018

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

LIABILITIES AND EQUITY	Notes (Section Five)	Reviewed Current Period 31 March 2019			Audited Prior Period 31 December 2018		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	II-a	5,666,234	7,734,276	13,400,510	6,924,899	6,691,852	13,616,751
II. FUNDS BORROWED	II-c	255,179	4,783,648	5,038,827	64,421	4,806,106	4,870,527
III. MONEY MARKET BALANCES		650	653,816	654,466	3,302	684,226	687,528
IV. MARKETABLE SECURITIES ISSUED (Net)		1,111,242	1,415,713	2,526,955	558,349	1,338,284	1,896,633
4.1 Bills		1,111,242	1,415,713	2,526,955	558,349	1,338,284	1,896,633
4.2 Assets Backed Securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. BORROWER FUNDS		-	-	-	-	-	-
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		95,736	49,043	144,779	105,151	72,992	178,143
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss	II-b	89,704	49,043	138,747	101,128	72,992	174,120
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	II-f	6,032	-	6,032	4,023	-	4,023
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	II-e	33,843	10,855	44,698	-	-	-
X. PROVISIONS	II-g	119,800	1,735	121,535	103,974	30	104,004
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reverse for Employee Benefits		12,487	-	12,487	11,872	-	11,872
10.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4 Other Provisions		107,313	1,735	109,048	92,102	30	92,132
XI. CURRENT TAX LIABILITY	II-h	51,763	-	51,763	38,869	-	38,869
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	II-j	-	-	-	-	-	-
13.1 Held for Sale Purpose		-	-	-	-	-	-
13.2 Related to Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	II-k	-	2,029,022	2,029,022	-	1,863,654	1,863,654
14.1 Loans		-	288,699	288,699	-	265,173	265,173
14.2 Other Debt Instruments		-	1,740,323	1,740,323	-	1,598,481	1,598,481
XV. OTHER LIABILITIES		248,073	176,954	425,027	401,427	499,178	900,605
XVI. SHAREHOLDERS' EQUITY	II-l	2,030,966	-	2,030,966	1,697,730	-	1,697,730
16.1 Paid-in Capital		1,439,725	-	1,439,725	1,167,000	-	1,167,000
16.2 Capital Reserves		295,323	-	295,323	289,592	-	289,592
16.2.1 Share Premium		54	-	54	54	-	54
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		295,269	-	295,269	289,538	-	289,538
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		24,584	-	24,584	24,686	-	24,686
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(54,018)	-	(54,018)	(56,667)	-	(56,667)
16.5 Profit Reserves		569,516	-	569,516	549,430	-	549,430
16.5.1 Legal Reserves		35,028	-	35,028	34,143	-	34,143
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		534,488	-	534,488	515,287	-	515,287
16.5.4 Other Profit Reserves		-	-	-	-	-	-
16.6 Profit Or Loss		(244,180)	-	(244,180)	(276,327)	-	(276,327)
16.6.1 Prior Years' Profit/Loss		(296,413)	-	(296,413)	(481,224)	-	(481,224)
16.6.2 Current Year Profit/Loss		52,233	-	52,233	204,897	-	204,897
16.7 Non-Controlling Interests		16	-	16	16	-	16
TOTAL LIABILITIES AND EQUITY		9,613,486	16,855,062	26,468,548	9,898,122	15,956,322	25,854,444

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 31 MARCH 2019 AND 31 DECEMBER 2018

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

II. OFF-BALANCE SHEET ITEMS	Notes (Section Five)	Reviewed 31 March 2019			Audited 31 December 2018		
		TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)						
I.	GUARANTEES AND WARRANTIES						
1.1	Letters of Guarantee	2,124,629	3,015,155	5,139,784	2,273,069	2,698,339	4,971,408
1.1.1	Guarantees Subject to State Tender Law	26,526	152,637	179,163	26,106	155,238	181,344
1.1.2	Guarantees Given for Foreign Trade Operations	-	-	-	-	-	-
1.1.3	Other Letters of Guarantee	2,098,103	2,862,518	4,960,621	2,246,963	2,543,101	4,790,064
1.2	Bank Acceptances	-	27,466	27,466	-	20,522	20,522
1.2.1	Import Letter of Acceptance	-	14,456	14,456	-	7,723	7,723
1.2.2	Other Bank Acceptances	-	13,010	13,010	-	12,799	12,799
1.3	Letters of Credit	26,844	629,926	656,770	22,844	715,117	737,961
1.3.1	Documentary Letters of Credit	26,844	629,926	656,770	22,844	715,117	737,961
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 Warranties	-	-	-	-	-	-
II.	COMMITMENTS	717,396	580,137	1,297,533	408,909	158,707	567,616
2.1	Irrevocable Commitments	681,969	551,832	1,233,801	383,126	119,912	503,038
2.1.1	Asset Purchase and Sales Commitments	373,223	551,832	925,055	77,793	119,912	197,705
2.1.2	Deposit Purchase and Sales Commitments	-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4	Commitments for Loan Limits	100,780	-	100,780	115,800	-	115,800
2.1.5	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7	Commitments for Cheques	99,266	-	99,266	83,832	-	83,832
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	56,760	-	56,760	57,277	-	57,277
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	48,202	-	48,202	44,686	-	44,686
2.2	Revocable Commitments	35,427	28,305	63,732	25,783	38,795	64,578
2.2.1	Revocable Commitments for Loan Limits	-	-	-	-	-	-
2.2.2	Other Revocable Commitments	35,427	28,305	63,732	25,783	38,795	64,578
III.	DERIVATIVE FINANCIAL INSTRUMENTS	5,647,308	16,248,647	21,895,955	5,765,532	16,983,212	22,748,744
3.1	Hedging Derivative Financial Instruments	600,000	-	600,000	710,000	-	710,000
3.1.1	Transactions for Fair Value Hedge	-	-	-	110,000	-	110,000
3.1.2	Transactions for Cash Flow Hedge	600,000	-	600,000	600,000	-	600,000
3.1.3	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments	5,047,308	16,248,647	21,295,955	5,055,532	16,983,212	22,038,744
3.2.1	Forward Foreign Currency Buy/Sell Transactions	235,643	507,117	742,760	440,768	633,310	1,074,078
3.2.1.1	Forward Foreign Currency Transactions-Buy	182,410	170,159	352,569	198,878	316,478	515,356
3.2.1.2	Forward Foreign Currency Transactions-Sell	53,233	336,958	390,191	241,890	316,832	558,722
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	3,786,375	13,485,267	17,271,642	3,512,902	15,150,905	18,663,807
3.2.2.1	Foreign Currency Swap-Buy	1,843,870	6,451,656	8,295,526	1,753,601	7,228,488	8,982,089
3.2.2.2	Foreign Currency Swap-Sell	1,942,505	6,248,557	8,191,062	1,759,301	7,176,779	8,936,080
3.2.2.3	Interest Rate Swap-Buy	-	392,527	392,527	-	372,819	372,819
3.2.2.4	Interest Rate Swap-Sell	-	392,527	392,527	-	372,819	372,819
3.2.3	Foreign Currency, Interest rate and Securities Options	1,025,290	2,166,209	3,191,499	1,101,862	1,114,501	2,216,363
3.2.3.1	Foreign Currency Options-Buy	493,382	1,106,994	1,600,376	626,015	491,104	1,117,119
3.2.3.2	Foreign Currency Options-Sell	531,908	1,059,215	1,591,123	475,847	623,397	1,099,244
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	-	90,054	90,054	-	84,496	84,496
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	51,099,156	36,965,682	88,064,838	50,278,371	34,714,912	84,993,283
IV.	ITEMS HELD IN CUSTODY	4,822,890	8,033,598	12,856,488	4,152,099	7,644,908	11,797,007
4.1	Customer Fund and Portfolio Balances	518,704	-	518,704	42,254	-	42,254
4.2	Investment Securities Held in Custody	1,165,684	57,709	1,223,393	943,783	56,868	1,000,651
4.3	Cheques Received for Collection	461,151	23,232	484,383	355,394	43,075	398,469
4.4	Commercial Notes Received for Collection	47,390	10,472	57,862	60,076	11,382	71,458
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	2,629,961	7,942,185	10,572,146	2,750,592	7,533,583	10,284,175
4.8	Custodians	-	-	-	-	-	-
V.	PLEDGES RECEIVED	45,575,503	28,687,631	74,263,134	45,457,590	26,828,518	72,286,108
5.1	Marketable Securities	109,476	-	109,476	104,697	-	104,697
5.2	Guarantee Notes	31,794,961	19,038,959	50,833,920	31,562,622	18,145,591	49,708,213
5.3	Commodity	1,028,504	435,053	1,463,557	1,028,504	296,475	1,324,979
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	9,925,184	7,760,064	17,685,248	9,977,659	6,965,809	16,943,468
5.6	Other Pledged Items	2,717,378	1,453,555	4,170,933	2,784,108	1,420,643	4,204,751
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	700,763	244,453	945,216	668,682	241,486	910,168
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		59,615,333	57,467,013	117,082,346	58,748,725	55,290,809	114,039,534

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD ENDED 31 MARCH 2019 AND 2018

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

INCOME AND EXPENSE ITEMS		Notes (Section Five)	Reviewed Current Period 1 January 2019- 31 March 2019	Restated ^(*) Reviewed Prior Period 1 January 2018- 31 March 2018
I.	INTEREST INCOME	IV-a	713,672	454,308
1.1	Interest on Loans		555,169	365,437
1.2	Interest Received from Reserve Deposits		17,728	6,457
1.3	Interest Received from Banks		15,259	7,727
1.4	Interest Received from Money Market Placements		32,243	4,000
1.5	Interest Received from Marketable Securities Portfolio		46,712	34,897
1.5.1	Fair Value Through Profit or Loss		1,784	658
1.5.2	Fair Value Through other Comprehensive Income		147	22,520
1.5.3	Measured at Amortized Cost		44,781	11,719
1.6	Finance Lease Income		41,355	35,237
1.7	Other Interest Income		5,206	553
II.	INTEREST EXPENSES (-)	IV-b	559,626	298,992
2.1	Interest on Deposits		406,579	202,866
2.2	Interest on Funds Borrowed		88,200	65,002
2.3	Interest on Money Market Borrowings		7,629	5,802
2.4	Interest on Securities Issued		49,216	24,478
2.5	Leasing Interest Expense		1,907	-
2.6	Other Interest Expense		6,095	844
III.	NET INTEREST INCOME (I - II)		154,046	155,316
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		29,052	12,120
4.1	Fees and Commissions Received		42,551	17,603
4.1.1	Non-cash Loans		19,063	9,398
4.1.2	Other	IV-1	23,488	8,205
4.2	Fees and Commissions Paid (-)		13,499	5,483
4.2.1	Non-cash Loans		202	278
4.2.2	Other	IV-1	13,297	5,205
VI.	DIVIDEND INCOME	IV-c	2,762	-
VI.	NET TRADING INCOME	IV-d	96,159	13,562
7.1	Securities Trading Gains / (Losses)		(1,158)	(727)
7.2	Derivative Financial Instruments Gains / Losses		141,538	18,147
7.3	Foreign Exchange Gains / Losses (Net)		(44,221)	(3,858)
VII.	OTHER OPERATING INCOME	IV-e	4,700	4,970
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		286,719	185,968
IX.	EXPECTED CREDIT LOSSES (-)	IV-f	92,598	36,637
X.	OTHER PROVISION EXPENSES (-)	IV-f	23,280	6,578
XI.	PERSONNEL EXPENSES (-)	IV-g	55,302	43,652
XII.	OTHER OPERATING EXPENSES (-)	IV-g	44,943	35,727
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		70,596	63,374
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XV.	PROFIT / (LOSS) ON EQUITY METHOD		-	-
XVI.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XVII.	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)	IV-h	70,596	63,374
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-i	(18,363)	(13,950)
18.1	Provision for Current Income Taxes		-	-
18.2	Deferred Tax Income Effect (+)		(18,363)	(13,950)
18.3	Deferred Tax Expense Effect (-)		-	-
XIX.	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	IV-j	52,233	49,424
XX.	INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XXII.	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
23.1	Provision for Current Income Taxes		-	-
23.2	Deferred Tax Expense Effect (+)		-	-
23.3	Deferred Tax Income Effect (-)		-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV.	NET PROFIT/LOSS (XIX+XXIV)		52,233	49,424
25.1	Group's Profit / Loss	IV-k	52,233	49,423
25.2	Minority Shares (-)	IV-k	-	1
	Earning / Loss per share		0,0443	0,0442

(*) 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.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019 AND 2018

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

IV. STATEMENT OF PROFIT OR (LOSS) AND OTHER COMPREHENSIVE INCOME

	Reviewed 1 January - 31 March 2019	Restated ^(*) Reviewed 1 January - 31 March 2018
I. CURRENT PERIOD INCOME/(LOSS)	52,233	49,424
II. OTHER COMPREHENSIVE INCOME	2,547	(30,656)
2.1 Not Reclassified Through Profit or (Loss)	(102)	(426)
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	(129)	(533)
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	27	107
2.2 Reclassified Through Profit or (Loss)	2,649	(30,230)
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	2,552	(37,752)
2.2.3 Cash Flow Hedge Income/(Loss)	117	-
2.2.4 Foreign Net Investment Hedge Income/(Loss)	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or (Loss)	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or (Loss)	(20)	7,522
III. TOTAL COMPREHENSIVE INCOME (I+II)	54,780	18,768

(*) 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.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 31 MARCH 2019 AND 2018

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

	Restated 31 March 2018	Reviewed 31 March 2018	Prior Period 31 March 2018	January 2018- 31 March 2018	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		Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except for Minority Shares	Minority shares	Total Shareholders' Equity		
										1	2	3	4							5	6
I.						980,000	54	-	270,973	-	(3,971)	-	-	(108,651)	-	467,468	(13,790)	88,917	1,681,000	15	1,681,015
II.						-	-	-	(18,698)	-	-	-	-	-	-	(451,708)	18,698	(451,708)	-	(451,708)	
2.1						-	-	-	(18,698)	-	-	-	-	-	-	-	18,698	-	-	-	
2.2						-	-	-	-	-	-	-	-	-	-	(451,708)	-	(451,708)	-	(451,708)	
III.						980,000	54	-	252,275	-	(3,971)	-	-	(108,651)	-	467,468	(465,498)	107,615	1,229,292	15	1,229,307
IV.						-	-	-	-	-	(426)	-	-	(30,230)	-	-	-	49,423	18,767	1	18,768
V.						187,000	-	-	-	-	-	-	-	-	-	-	-	-	187,000	-	187,000
VI.						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.						-	-	-	(4,083)	-	-	-	-	-	-	-	(442)	-	(4,525)	-	(4,525)
XI.						-	-	-	-	-	-	-	-	-	23,588	84,027	(107,615)	-	-	-	-
11.1						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2						-	-	-	-	-	-	-	-	-	23,588	84,027	(107,615)	-	-	-	-
11.3						-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
						1,167,000	54	-	248,192	-	(4,397)	-	-	(138,881)	-	491,056	(381,913)	49,423	1,430,534	16	1,430,550

(*) 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.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 31 MARCH 2019 AND 2018

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

Current Period 1 January 2018- 31 March 2018	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		Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity Except for Minority Shares	Minority shares	Total Shareholders' Equity
						1	2	3	4	5	6	7	8						
I.	Prior Period End Balance	1,167,000	54	-	289,538	27,782	(3,096)	-	-	(52,783)	(3,884)	549,430	(481,224)	204,897	1,697,714	16	1,697,730		
II.	Corrections and Accounting Policy Changes Made According to TAS 8 ^(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
III.	Adjusted Beginning Balance (I+II)	1,167,000	54	-	289,538	27,782	(3,096)	-	-	(52,783)	(3,884)	549,430	(481,224)	204,897	1,697,714	16	1,697,730		
IV.	Total Comprehensive Income	-	-	-	-	-	(102)	-	-	2,557	92	-	-	52,233	54,780	-	54,780		
V.	Capital Increase by Cash	272,725	-	-	-	-	-	-	-	-	-	-	-	-	272,725	-	272,725		
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
X.	Increase/Decrease by Other Changes	-	-	-	5,731	-	-	-	-	-	-	-	-	-	5,731	-	5,731		
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	20,086	184,811	(204,897)	-	-	-		
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	20,086	184,811	(204,897)	-	-	-		
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	1,439,725	54	-	295,269	27,782	(3,198)	-	-	(50,226)	(3,792)	569,516	(296,413)	52,233	2,030,950	16	2,030,966		

(*) 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.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2019 AND 2018

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

VI. STATEMENT OF CASH FLOWS

	Notes (Section Five)	Reviewed 1 January - 31 March 2019	Restated(*) Reviewed 1 January - 31 March 2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating Profit/(Loss) Before Changes in Operating Assets and Liabilities		(36,778)	(251,854)
1.1.1 Interest Received		691,912	418,440
1.1.2 Interest Paid		(556,424)	(324,389)
1.1.3 Dividend Received		2,762	-
1.1.4 Fees and Commissions Received		41,478	17,603
1.1.5 Other Income		145,665	300,062
1.1.6 Collections from Previously Written-off Loans and Other Receivables		58,254	42,268
1.1.7 Payments to Personnel and Service Suppliers		(62,553)	(40,656)
1.1.8 Taxes Paid		100,818	(18,601)
1.1.9 Other		(458,690)	(646,581)
1.2 Changes in Operating Assets and Liabilities		(558,877)	(652,749)
1.2.1 Net Increase/(Decrease) in Financial Assets at Fair Value Through Profit or Loss		19,183	(62,714)
1.2.2 Net Increase/(Decrease) in Due from Banks and Other Financial Institutions		23,276	(200,019)
1.2.3 Net Increase/(Decrease) in Loans		228,545	(1,285,408)
1.2.4 Net Increase/(Decrease) in Other Assets		197,607	(1,697)
1.2.5 Net Increase/(Decrease) in Bank Deposits		(41,031)	3,230
1.2.6 Net Increase/(Decrease) in Other Deposits		(605,321)	35,554
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		56,677	383,025
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities		(437,813)	475,280
I. Net Cash Provided from Banking Operations		(595,655)	(904,603)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(6,177)	17,881
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	12,637
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3 Purchases of Property and Equipment		(4,108)	(2,722)
2.4 Disposals of Property and Equipment		662	1,412
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		-	(74,400)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		(2,731)	80,954
2.7 Purchase of Financial Assets Measured at Amortised Cost		-	-
2.8 Sale of Financial Assets Measured at Amortised Cost		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		830,209	557,493
3.1 Cash Obtained from Funds Borrowed and Securities Issued		1,106,820	477,863
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(550,737)	(107,370)
3.3 Issued Capital Instruments		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		1,401	-
3.6 Other		272,725	187,000
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		144,004	(100,953)
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		372,381	(430,182)
VI. Cash and Cash Equivalents at Beginning of the Period		2,864,730	1,402,505
VII. Cash and Cash Equivalents at End of the Period		3,237,111	972,323

(*) 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 CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD 1 JANUARY - 31 MARCH 2019

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

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

Additional paragraph for convenience translation into English

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which these consolidated financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”) may have significant influence on the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and 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 Parent 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 Parent 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 31 March 2019 and 31 March 2018, the Group does not have any investment in foreign companies.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. Consolidated Subsidiaries

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” and the “Turkish Accounting Standard for Consolidated and Separate Financial Statements” (“TFRS 10”) published in the Official Gazette No. 26340 dated 8 November 2006.

The financial statements of the subsidiaries, which were prepared in accordance with the prevailing principles and rules regarding financial accounting and reporting standards according to the Turkish Commercial Code and/or Financial Leasing Law and/or communiqués of the Capital Market Board, are duly adjusted in order to present their financial statements in accordance with TAS and TFRS.

Accounting policy of the subsidiaries when different from the parent bank, differences are harmonized in the financial statements according with the principle of importance. Subsidiaries financial statements are prepared as of 31 March 2019.

Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity), in which Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies, have been fully consolidated.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from their acquisition date. If necessary, accounting policies of subsidiaries may have been changed in order to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority interest in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary. In the consolidated balance sheet, minority interest has been presented separately from the liabilities and the shares of the Group shareholders. Also, in the income statement, minority interest has been presented separately.

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

Title	Activity center (City/Country)	Activity	Ownership rates (%)	Indirect Ownership rates (%)
Alternatif Menkul Değerler A.Ş.	İstanbul/Türkiye	Investment Management	100.00	100.00
Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	Leasing	99.99	99.99

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. Interest Income and Expense

Interest income and expenses are recognized in the income statement by using the "Effective interest rate method". Starting from 1 January 2018, Group has started accruing interest income on non-performing loans. 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 Comission 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 Group 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 Group 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 shortterm 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.

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

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

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

Changes in fair values of derivative transactions determined as hedge for fair value are recorded in profit or loss together with changes in hedging asset or liability.

The difference in current values of derivative transactions fair value hedge is shown in "Trading Gains/(Losses) on derivative financial instruments" account. In the balance sheet, change in fair value of hedge asset or liability during the hedge accounting to be effective is shown with the related asset or liability. In case of inferring hedge accounting, corrections made to the value of hedge account using straight-line amortization method within the days to maturity are reflected to "Trading gains/losses on derivative financial instruments" account in income statement.

Derivative financial instruments of the Group are classified under "IFRS 9 Financial Instruments" ("IFRS 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, IFRS 9 provides the option of postponing the acceptance of IFRS 9 hedge accounting and continuing with TAS 39 "Hedge accounting". In this context, the Group 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

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 1,032 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 Group 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 Group 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.

The Group 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 Group calculates the expected loss provisions collectively or individually according to the level of risk determined by the Group.

Within the scope of internal policies, the Group, evaluates the calculation of credit losses in accordance with TFRS 9, as an individual assessment based on expert opinion. In this context, the Group 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 Group 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 Group 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Impairment of Financial Assets (Continued)

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.

- 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

VIII. Offsetting Financial Instruments

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

IX. Sales and Repurchase Agreements and Securities Lending Transactions

Funds obtained by the Parent Bank from repurchase agreements ("repo") are accounted under "Money Market Balances" in liabilities.

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

A discontinued operation is a part of the Parent 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 31 March 2019 and 31 December 2018 The Group has no discontinued operations.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XI. Goodwill and Other Intangible Assets

Group has TL 49,647 goodwill in consolidated financial statements as of balance sheet date (31 December 2018: TL 49,647).

Goodwill is the amount that exceeds the cost of buying of fair value expressed as the amount of the group share in net identifiable assets of the Group's purchased subsidiaries. Annual impairment test is performed for goodwill every year and shown as deducting accumulated impairment from cost of goodwill. Provision for impairment on goodwill is not reversed.

As a result of the disposal of the business that gain or loss occurs includes the carrying amount goodwill related to disposed business.

Goodwill is distributed to cash generating units for impairment test. Distributions are made to benefit from the business combination in which the goodwill arose expected to cash-generating units or groups. The recoverable amount of the cash-generating unit is determined based on value in used calculations. These calculations require the use of estimates.

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.

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 Parent 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)

XII. Property and Equipment (Continued)

Net book value of the property are compared with the fair values determined by independent appraisers as of the year end and provision for impairment is recognized in "Other Operating Expenses" in the related period income statement when the fair value is below the net book value in accordance with "Turkish Accounting Standard on Impairment of Assets" (TAS 36).

Profit or loss 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 Group has started to account head-office building under the tangible assets with its revalued amount instead of cost value in accordance with "IAS 16 Plant and Equipment" on 31 December 2018. The revaluation difference arising from the valuation made by the appraisal firms authorized by CMB and BRSA, is accounted in Property and Plant Revaluation Differences line under the Shareholders' Equity.

XIII. Leasing Transactions

The Parent 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 Parent 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 and

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 Lease Obligations:

At the effective date of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the the Parent 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 Parent 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 Parent Bank applied TFRS 16 "Leasing" standard, which replaced TAS 17 "Leasing", as of 1 January 2019, the date of first implementation.

The Parent Bank has chosen simplified transition approach method while adopting TFRS 16 and prior period comparative figures have not been restated.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Leasing Transactions (Continued)

Details based on the asset with regard to the recognised asset tenure is as follows:

	1 January 2019
Branches	37,455
Vehicles	9,963
Total right of use assets	47,418

	1 January 2019
Operational leasing commitments	126,360
- Contracts that are excluded from the scope of TFRS 16 (-)	-
Total lease liability	126,360
Discounted lease liabilities	45,999

As of 31 March 2019, net right of use assets and net lease liabilities are amounting to TL 49,071 and TL 44,698, respectively.

XIV. Provisions, Contingent Asset and Liabilities

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 Parent 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 Parent 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 Parent 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.

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Taxation (Continued)

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 Group 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; and the corporate tax levied on the corporate income has been increased from 20% to 22% to be applied for the income belonging to 2018, 2019 and 2020. The Group 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.

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 Parent Bank accounts the difference between the issued value and nominal value as share issue premium under shareholders' equity, in the case where the issued value is higher than the nominal value.

There is no decision of the Parent 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 31 March 2019, the Group has an investment allowance of TL 39,705, which has not been used yet. 40% of the amount of the investment cost of the financial leasing investments.

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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 29 March 2018, 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, offset from prior year’s losses within the framework of the Articles of Association and the Turkish Commercial Code.

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.

	31 March 2019	31 March 2018
Group’s Profit	52,233	49,424
Weighted Average Number of Issued Ordinary Shares (Thousand) (*)	1,178,730	1,118,742
Earnings/(Losses) Per Share (Disclosed in full TL)	0.0443	0.0442

(*) The number of share capital is calculated by weighting the capital increases, which were made on 27 March 2019 and 24 January 2018.

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 31 March 2019 (31 December 2018: 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 V. of Section Five.

XXIV. Cash and Cash Equivalents

For the purposes of preparation 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. Explanations on the Accounting Policies of the Current Period

IFRS 16 Leasings

On 16 April 2018, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases - Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 Leases eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted. The Bank has chosen to implement paragraph C5 (b) of the relevant standard and will not rearrange comparative informations. The implementation of this amendment to TFRS 16 did not have a significant impact on the financial statements of the Bank.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

The Parent Bank's revisions to the past period are explained as below.

- As of 30 June 2018, The Parent Bank, has started to follow the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million and classified to the equity account in 31 July 2017, as Turkish Liras, in accordance with the "Effects of Foreign Exchange Rate Changes Accounting Policy" and using 31 July 2017 closing dollar rate. The Bank has restated its subordinated loan as TL 252,275 in the financial statements dated 31 December 2017 and within the framework of "TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors", the foreign exchange differences amounting to TL 18,698 between 31 July 2017 and 31 December 2017, transferred to the prior year's profit or loss. The positive impact of this adjustment on the net profit or loss for the period ended 31 March 2018 is TL 10,354.
- The Parent Bank has reclassified the previous period's impairment reversals amounting to TL 191,567, from "Other operating income" to "Expected credit losses" in the statement of income as of 31 March 2018.

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

	Reported 31 March 2018	Classifications	Adjustments	Restated 31 March 2018
Total Equity	1,430,550	-	-	1,430,550
Prior Period Profit/(Loss)	(400,611)	-	18,698	(381,913)
Other Capital Reserves	277,244	-	(29,052)	248,192
Current Period Profit/(Loss)	39,070	-	10,354	49,424
Trading Profit / (Loss)	287		13,275	13,562
Provision for Taxes on Continuing Operations	(11,029)		(2,921)	(13,950)
Other Operation Income	196,537	(191,567)	-	4,970
Expected Provision Losses and Other Provision Losses	(234,782)	191,567	-	(43,215)

XXVII. Explanations on Other Matters

None.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Operating Segments

Information about operating segments which are determined in line with TFRS 8 "Turkish Financial Reporting Standard about Operating Segments" together with organizational and internal reporting structure of the Group.

- a) The Parent 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) The Parent Bank's one of the subsidiary Alternatif Yatırım A.Ş. provides capital market activities in accordance with Capital Market Law and relevant legislations. In accordance with the law and within the authorization and permits given, the Company operates in the company brokerage, portfolio management, margin trading, Short Selling and Lending and Borrowing of Securities, investment advisory, the securities exchange with buy-back sell-back commitment, intermediation for public offering , intermediation for the derivative instruments exchange.

According to the Law, the Company received an authority certificate from the Capital Market Board to create the company's portfolio, to managing and to make changes in the portfolio when it is necessary. Parent Bank's another subsidiary Alternatif Finansal Kiralama A.Ş., established in 1997 to operate in Turkey, within the framework of 3226 Financial Leasing Law, with following permission from Undersecretariat of Treasury. Company has been operating its activities within the framework of BRSA's 'Regulations on the Establishment and Procedures of the Financial Leasing, Factoring and Financing Company', published in the Official Gazette No. 28627 in 24 April 2013.

- e) 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.
- f) The Group's software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Parent Bank.
- g) According to the table provided, share of each Group's operating segment in the Balance sheet is as follows; corporate/retail banking 66%, investment banking 30% and other 4%.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIX. Operating Segments (Continued)

Major balance sheet and income statement items according to operating segments

31 March 2019	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	172,647	(18,601)	-	154,046
Net Fees and Commissions Income and Other Operating Income	32,418	1,334	-	33,752
Trading Profit/Loss	5,236	90,923	-	96,159
Dividend Income	-	2,762	-	2,762
Impairment Provision for Loans and Other Receivables (-) ^(*)	(113,320)	(2,558)	-	(115,878)
Other Operating Expenses (-)	(87,411)	(12,834)	-	(100,245)
Profit Before Taxes	9,570	61,026	-	70,596
Tax Provision				(18,363)
Minority	-	-	-	-
Net Profit for the Period				52,233
31 March 2019				
Segment Assets	17,552,097	7,875,542	1,040,909	26,468,548
Investments in Associates and Subsidiaries			-	-
Total Assets	17,552,097	7,875,542	1,040,909	26,468,548
Segment Liabilities	14,946,656	4,429,977	5,060,949	24,437,582
Shareholders' Equity	-	-	2,030,966	2,030,966
Total Liabilities	14,946,656	4,429,977	7,091,915	26,468,548

31 March 2018	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	176,207	(20,891)	-	155,316
Net Fees and Commissions Income and Other Operating Income	16,012	1,078	-	17,090
Trading Profit/(Loss)	3,361	10,201	-	13,562
Dividend Income	-	-	-	-
Impairment Provision for Loans and Other Receivables (-) ^(*)	(40,633)	(2,582)	-	(43,215)
Other Operating Expenses (-)	(77,470)	(1,909)	-	(79,379)
Profit Before Taxes	77,477	(14,103)	-	63,374
Tax Provision				(13,950)
Minority Shares	-	-	1	1
Net Profit for the Period				49,424
31 December 2018				
Segment Assets	17,330,412	7,326,500	1,197,532	25,854,444
Investments in Associates and Subsidiaries			-	-
Total Assets	17,330,412	7,326,500	1,197,532	25,854,444
Segment Liabilities	15,300,347	4,292,600	4,563,767	24,156,714
Shareholders' Equity	-	-	1,697,730	1,697,730
Total Liabilities	15,300,347	4,292,600	6,261,497	25,854,444

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

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Shareholders' Equity

The standard rate of the capital adequacy of the Group is 17.49% (31 December 2018: 16.32%). The standard rate of the capital adequacy of the Parent Bank is 18.35% (31 December 2018: 17.17%).

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

a. Information on Shareholders' Equity

	31 March 2019	31 March 2018
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1,439,725	1,167,000
Share issue premiums	54	54
Reserves	569,516	549,430
Gains recognized in equity as per TAS	59,205	53,497
Profit	282,773	240,503
Current Period Profit	52,233	204,897
Prior Period Profit	230,540	35,606
Minority Shares	16	16
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	2,351,289	2,010,500
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the 1 st clause of article 9.(i) of the Regulation on Bank Capital	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS (-)	320,201	224,542
Improvement costs for operating leasing (-)	12,837	17,348
Goodwill (net of related tax liability)	49,647	49,647
Other intangibles other than mortgage-servicing rights (net of related tax liability)	50,814	51,863
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	-	-

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity (Continued)

Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks		
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital		
Excess amount arising from mortgage servicing rights		
Excess amount arising from deferred tax assets based on temporary differences		
Other items to be defined by the BRSA		
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	433,499	343,400
Total Common Equity Tier 1 Capital	1,917,790	1,667,100
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums		
Debt instruments and the related issuance premiums defined by the BRSA ^(**)	264,195	264,195
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)		
Third parties' share in the Tier II Capital		
Third parties' share in the Tier II Capital (Temporary Article 3)		
Additional Tier I Capital before Deductions	264,195	264,195
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital		
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.		
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital		
Other items to be defined by the BRSA (-)		
Transition from the Core Capital to Continue to deduce Components		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)		
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)		
Total Deductions From Additional Tier I Capital		
Total Additional Tier I Capital	264,195	264,195
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	2,181,985	1,931,295
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,953,224	1,832,665
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Third parties' share in the Tier II Capital		
Third parties' share in the Tier II Capital (Temporary Article 3)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	120,501	20,804
Tier II Capital Before Deductions	2,073,725	1,853,469
Deductions From Tier II Capital		
Direct and indirect investments of the Bank on its own Tier II Capital (-)		
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation		
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank does not own 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)		
The Total of Net Long Position of the Direct or Indirect Investments in Additional Core Capital and Tier II Capital of Consolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
Other items to be defined by the BRSA (-)		
Total Deductions from Tier II Capital		
Total Tier II Capital	2,073,725	1,853,469
Total Capital (The sum of Tier I Capital and Tier II Capital)	4,255,710	3,784,764

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

I. Explanations on Shareholders’ Equity (Continued)

a. Information on Shareholders’ Equity (Continued)

Deductions from Total Capital	4,255,710	3,784,764
Loans granted against the articles 50 and 51 of the banking law	1,279	1,515
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	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
TOTAL CAPITAL		
Total Capital (The sum of Tier I Capital and Tier II Capital)	4,254,431	3,783,249
Total risk weighted amounts	24,329,391	23,176,853
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	7.88%	7.19%
Tier I Capital Adequacy Ratio (%)	8.97%	8.33%
Capital Adequacy Ratio (%)	17.49%	16.32%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	2.50%	1.88%
Capital conservation buffer requirement (%)	2.50%	1.88%
Bank specific counter-cyclical buffer requirement (%)	0.00%	0.00%
Systemic significant bank buffer rate	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 (%)	2.97%	2.33%
Amounts below the Excess Limits as per the Deduction Principles		
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	-	-
Total of net long positions of the investments in Tier I capital of unconsolidated banks and financial institutions where the bank owns more than 10% or less of the issued share capital	-	-
Remaining Mortgage Servicing Rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	120,501	20,804
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	120,501	20,804
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(*) 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 60% of the portion after deduction of the tax amount resulting from the difference (31 December 2018: 80%).

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

I. Explanations on Shareholders' Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	The Commercial Bank (P.S.Q.C.)
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	TIER-I Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	264,195
Par value of instrument (Million TRL)	264,195
Accounting classification	414
Original date of issuance	30.06.2015
Demand or time	Demand
Original maturity date	Demand
Issuer call subject to prior supervisory approval	- Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	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
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized, value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	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	-

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

I. Explanations on Shareholders' Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	United Arab Bank, National Bank Of Oman
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	281,420
Par value of instrument (Million TRL)	281,420
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date	10 years +1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	Libor+6
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

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

I. Explanations on Shareholders’ Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	Alternatif Bank A.Ş.
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	1,671,804
Par value of instrument (Million TRL)	1,671,804
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	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	8.75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks’ shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks’ shareholders equity law that are not possessed	-

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

I. Explanations on Shareholders' Equity (Continued)

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

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

Within this scope, legal and internal capital requirements are assessed prospectively, along with the annual targets of the Parent Bank, in parallel to the preparation of 5 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Banking accounts, concentration risk, business risk, reputation risk, model risk, and exchange risk are also included.

The risks that the Parent Bank can encounter due to its operations are being evaluated in 2018 budget works and the possible capital requirements according to The Parent Bank's goal and strategies are evaluated.

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

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

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 Parent 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 Parent Bank keeps the amount at currency risk within the legal limits and monitors the foreign currency positions daily/momentarily. Even though the Parent 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 Parent 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

Rate used:	USD	EUR
28.03.2019	5.5423	6.2335
27.03.2019	5.3307	6.0091
26.03.2019	5.4945	6.2162
25.03.2019	5.6458	6.3858
24.03.2019	5.5274	6.2630

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

USD: TL 5.4649

EUR: TL 6.1718

As of 31 March 2019;

Rate Used:

USD

TL 5.6284

EUR

TL 6.3188

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

III. Explanations on Currency Risk (Continued)

a. Information on currency risk of the Group

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

	Euro	Usd	Other FC	Total
31 March 2019				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	219,734	1,611,914	32,547	1,864,195
Banks	237,047	1,417,362	31,079	1,685,488
Financial Assets at Fair Value Through Profit and Loss (*)	927	79,654	-	80,581
Money Market Placements	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-
Loans (**)	6,820,812	3,181,628	1,667	10,004,107
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	-	3,309,902	-	3,309,902
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (***)	15,054	212,839	-	227,893
Total Assets	7,293,574	9,813,299	65,293	17,172,166
Liabilities				
Bank Deposits	6,353	18,388	1,552	26,293
Foreign Currency Deposits	1,785,133	5,833,566	89,284	7,707,983
Money Market Funds	-	653,816	-	653,816
Funds Borrowed From Other Financial Institutions	2,028,737	4,782,458	1,475	6,812,670
Marketable Securities Issued	-	1,415,713	-	1,415,713
Miscellaneous Payables	86,096	79,681	129	165,906
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-
Other Liabilities (****)	18,949	50,201	-	69,150
Total Liabilities	3,925,268	12,833,823	92,440	16,851,531
Net Balance Sheet Position	3,368,306	(3,020,524)	(27,147)	320,635
Net Off Balance Sheet Position	(3,381,830)	3,576,943	27,349	222,462
Financial Derivative Assets	2,028,024	6,100,797	80,537	8,209,358
Financial Derivative Liabilities	5,409,854	2,523,854	53,188	7,986,896
Non-Cash Loans (*****)	1,569,496	1,839,371	265,164	3,674,031
31 December 2018				
Total Assets	7,108,820	9,124,289	49,473	16,288,534
Total Liabilities	2,978,325	12,859,641	77,922	15,915,914
Net Balance Sheet Position	4,130,495	(3,735,352)	(28,449)	372,620
Net Off balance Sheet Position	(4,136,607)	4,160,552	30,700	48,683
Financial Derivative Assets	1,536,998	6,594,751	71,336	8,203,085
Financial Derivative Liabilities	5,673,605	2,434,199	40,636	8,154,402
Non-Cash Loans (*****)	1,755,151	1,589,830	82,803	3,435,437

(*) Accruals of derivative assets held for trading amounting to TL 72,663 (31 December 2018: TL 15,406) have been deducted from fair value through profit and loss.

(**) FC indexed loans and accruals amounting to TL 824,587 (31 December 2018: TL 938,877) and leasing receivables of TL 1,410,945 (31 December 2018: TL 1,462,976) are shown in loans.

(***) There are TL 814 accruals of spot transaction (31 December 2018: 153).

(****) Accruals of derivative liabilities held for trading amounting to TL 3,251 (31 December 2018: TL 40,378) and other provisions amounting to TL 280 (31 December 2018: TL 30) have been deducted from other liabilities.

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

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(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 Group 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 Group has not encountered to any significant interest rate risk in the 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)

31 March 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,815,540	-	-	-	-	313,911	2,129,451
Banks (****)	1,332,472	-	-	-	-	396,467	1,728,939
Financial Assets at Fair Value Through Profit and Loss	16,492	108,183	33,089	85,457	10	-	243,231
Money Market Placements	137,353	-	-	-	-	-	137,353
Financial Assets at Fair Value Through Other Comprehensive Income (****)	-	2,455	-	-	-	8,420	10,875
Loans and Receivables (*****)	3,556,545	1,675,295	5,538,930	6,124,806	682,618	(136,307)	17,441,887
Financial Assets Measured at Amortised Cost (****)	2,191,166	252,550	1,174,844	-	-	(448)	3,618,112
Other Assets (*)	11,379	85	-	-	-	1,147,236	1,158,700
Total Assets	9,060,947	2,038,568	6,746,863	6,210,263	682,628	1,729,279	26,468,548
Liabilities							
Bank Deposits (**)	98,198	-	-	-	-	13,065	111,263
Other Deposits	9,727,027	2,177,879	444,505	5,662	-	934,174	13,289,247
Money Market Funds	438,951	151,155	64,360	-	-	-	654,466
Miscellaneous Payables	203	-	-	-	-	348,373	348,576
Marketable Securities Issued	292,780	818,462	1,415,713	-	-	-	2,526,955
Funds Borrowed From Other Financial Institutions	2,825,272	2,624,899	1,457,479	160,199	-	-	7,067,849
Other Liabilities and Shareholders' Equity (**)	30,337	17,252	339,225	94,661	10	1,988,707	2,470,192
Total Liabilities	13,412,768	5,789,647	3,721,282	260,522	10	3,284,319	26,468,548
Balance Sheet Long Position	-	-	3,025,581	5,949,741	682,618	-	9,657,940
Balance Sheet Short Position	(4,351,821)	(3,751,079)	-	-	-	(1,555,040)	(9,657,940)
Off-Balance Sheet Long Position	10,487	123,348	221,285	-	-	-	355,120
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(4,341,334)	(3,627,731)	3,246,866	5,949,741	682,618	(1,555,040)	355,120

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

(**) Taxes payable, charges, duties and premiums, provisions and shareholders' equity are classified as non-interest bearing liabilities.

(***) 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 352 were deducted from non-interest banks, amounted to TL 448 were deducted from non-interest financial assets measured at amortised.

(*****) Receivables from leasing transactions are included.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(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 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,801,048	-	-	-	-	411,003	2,212,051
Banks (****)	739,103	-	-	-	-	65,938	805,041
Financial Assets at Fair Value Through Profit and Loss	34,428	72,999	18,547	99,372	61	11,253	236,660
Money Market Placements	630,439	-	-	-	-	-	630,439
Financial Assets at Fair Value Through Other Comprehensive Income (****)	-	2,486	-	-	-	5,658	8,144
Loans and Receivables	3,992,533	2,046,364	4,836,310	5,790,922	733,235	(174,619)	17,224,745
Financial Assets Measured at Amortised Cost (****)	-	1,955,046	1,472,014	-	-	(436)	3,426,624
Other Assets (*) (**)	6,297	255	170	-	-	1,304,018	1,310,740
Total Assets	7,203,848	4,077,150	6,327,041	5,890,294	733,296	1,622,815	25,854,444
Liabilities							
Bank Deposits (***)	149,343	-	-	-	-	1,979	151,322
Other Deposits	8,759,965	3,469,174	516,447	67	-	719,776	13,465,429
Money Market Funds	432,750	254,778	-	-	-	-	687,528
Miscellaneous Payables	1,566	-	-	-	-	412,220	413,786
Marketable Securities Issued	238,182	320,167	1,338,284	-	-	-	1,896,633
Funds Borrowed From Other Financial Institutions	525,374	2,488,796	3,564,966	155,045	-	-	6,734,181
Other Liabilities and Shareholders' Equity (**)	22,635	30,570	311,069	103,663	61	2,037,567	2,505,565
Total Liabilities	10,129,815	6,563,485	5,730,766	258,775	61	3,171,542	25,854,444
Balance Sheet Long Position	-	-	596,275	5,631,519	733,235	-	6,961,029
Balance Sheet Short Position	(2,925,967)	(2,486,335)	-	-	-	(1,548,727)	(6,961,029)
Off-Balance Sheet Long Position	28,546	220,652	68,615	2	-	-	317,815
Off-Balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	(2,897,421)	(2,265,683)	664,890	5,631,521	733,235	(1,548,727)	317,815

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

(**) Taxes payable, charges, duties and premiums, provisions and shareholders' equity are classified as non-interest bearing liabilities.

(***) 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 293 were deducted from non-interest banks, amounted to TL 436 were deducted from non-interest financial assets measured at amortised.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(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.

31 March 2019 (*)	Euro	Usd	Yen	TL
Assets	(%)	(%)	(%)	(%)
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2.00	-	13.00
Banks	0.03	2.40	-	24.75
Financial Assets at Fair Value Through Profit and Loss	-	10.48	-	10.68
Money Market Placements	-	-	-	25.33
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	26.22
Loans and Receivables	5.06	7.67	3.15	24.32
Financial Assets Measured at Amortised Cost	-	4.64	-	8.56
Liabilities				
Bank Deposits (**)	1.10	0.79	-	19.48
Other Deposits (**)	1.08	3.81	1.72	20.04
Money Market Funds	-	0.52	-	17.01
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.12	-	21.77
Funds Borrowed From Other Financial Institutions	2.28	4.34	-	13.59

(*) Represents Parent Bank’s average interest rates.

(**) Demand deposit amounts are included.

31 March 2018 (*)	Euro	Usd	Yen	TL
Assets	(%)	(%)	(%)	(%)
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	2.00	-	13.00
Banks	-	6.29	-	23.68
Financial Assets at Fair Value Through Profit and Loss	-	5.16	-	16.64
Money Market Placements	-	-	-	25.40
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	26.22
Loans and Receivables	5.18	7.52	2.38	25.66
Financial Assets Measured at Amortised Cost	-	4.59	-	8.53
Liabilities				
Bank Deposits (**)	-	1.84	0.15	22.07
Other Deposits (**)	1.61	5.01	2.40	22.70
Money Market Funds	-	0.55	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.12	-	24.82
Funds Borrowed From Other Financial Institutions	2.22	5.93	-	12.83

(*) Represents Parent Bank’s average interest rates.

(**) Amount of demand deposits are included.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
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V. Explanation on share certificates

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 Parent 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 Parent 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 framework of BRSA's "Regulation on calculation of Bank's liquidity coverage ratio", published in Official Gazette no. 28948 as of 2019, dated 21 March 2014, as of 2019 the deposit banks are subject to set 100% and 80% liquidity ratios for Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows.

1.a. Information on liquidity risk management regarding how to provide communication with the Board of Directors and lines of business for risk capacity of the Parent Bank, liquidity risk, responsibility and structure of management, reporting of Parent 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 Parent 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. The Parent 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 Parent 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 Parent 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 Parent Bank and its shareholders are determined by Parent 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 Parent 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 Parent Bank. Non-deposit sources also preferred because they are more long-term resources.

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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 Parent Bank's total liabilities

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

1.e. Information on current liquidity risk mitigation techniques

Liquid assets as defined under Basel III are held with the intention of liquidity risk management managing the Parent 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 Parent 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 Parent 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 Parent Bank "Emergency Funding Plan Policy". Definitions regarding the liquidity crisis and actions that the Parent Bank may take against a liquidity crisis that may occur in the market are implemented the action plan outlined. The Parent Bank's special liquidity crisis levels set out in alarm conditions and the parameters to be monitored as an indicator are detailed. Crisis Committee members and the Committee's duties and responsibilities are determined for the Parent Bank's stress scenarios specific to the market and the Parent Bank.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(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:

31 March 2019	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets			3,649,539	2,521,637
CASH OUTFLOWS				
2 Retail and Small Business Customers	6,208,916	2,223,452	580,480	222,400
3 Stable Deposits	809,770	-	40,488	-
4 Less Stable Deposit	5,399,146	2,223,452	539,992	222,400
5 Unsecured Wholesale Funding	7,436,365	4,866,285	4,564,945	2,778,000
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	5,340,148	3,499,487	2,565,200	1,506,412
8 Other Unsecured Fundings	2,096,217	1,366,797	1,999,745	1,271,589
9 Secured Funding			1,296	1,296
10 Other Cash Outflows	499,402	499,396	499,402	499,396
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	499,402	499,396	499,402	499,396
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	4,685,159	2,875,706	859,160	313,983
15 Other irrevocable or conditionally revocable off-balance sheet obligations	22,252	22,252	1,113	1,113
16 TOTAL CASH OUTFLOWS			6,506,395	3,816,188
CASH INFLOWS				
17 Secured lending	519,150	-	-	-
18 Unsecured lending	4,094,152	2,627,921	3,503,884	2,410,235
19 Other cash inflows	74,784	59,024	74,784	59,024
20 TOTAL CASH INFLOWS	4,688,086	2,686,945	3,578,668	2,469,259
			Total Adjusted Values	
21 TOTAL HIGH QUALITY ASSETS STOCKS			3,649,539	2,521,637
22 TOTAL CAH OUTFLOWS			2,927,728	1,357,954
23 LIQUIDITY COVERAGE RATIO (%)			124.41%	190.69%

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

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

31 March 2019	Highest	Date	Lowest	Date	Average
TL+FC	127.20%	25.01.2019	121.08%	22.02.2019	124.41%
FC	237.20%	29.03.2019	155.35%	25.01.2019	190.69%

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

2. Liquidity Coverage Ratio (Continued)

		Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
		TL+FC	FC	TL+FC	FC
31 December 2018					
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			4,204,264	2,908,061
CASH OUTFLOWS					
2	Retail and Small Business Customers	6,599,541	2,208,440	620,416	220,936
3	Stable Deposits	794,653	-	39,733	-
4	Less Stable Deposit	5,804,888	2,208,440	580,683	220,936
5	Unsecured Wholesale Funding	7,795,941	5,245,497	4,782,627	2,880,206
6	Operational Deposits	-	-	-	-
7	Non-operational Deposits	6,132,160	4,314,385	3,135,478	1,965,621
8	Other Unsecured Fundings	1,663,781	931,112	1,647,149	914,585
9	Secured Funding			14,540	14,540
10	Other Cash Outflows	162,308	5,637	162,308	5,637
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	162,308	5,637	162,308	5,637
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	5,211,548	3,192,558	960,279	383,405
15	Other irrevocable or conditionally revocable off-balance sheet obligations	55,743	55,743	2,787	2,787
16	TOTAL CASH OUTFLOWS			6,542,957	3,507,511
CASH INFLOWS					
17	Secured lending	770,815	106,518	-	-
18	Unsecured lending	3,639,694	1,932,971	2,906,449	1,725,735
19	Other cash inflows	51,814	42,214	51,814	42,214
20	TOTAL CASH INFLOWS	4,462,323	2,081,703	2,958,263	1,767,949
				Total Adjusted Values	
21	TOTAL HIGH QUALITY ASSETS STOCKS			4,204,264	2,908,061
22	TOTAL CAH OUTFLOWS			3,584,694	1,739,562
23	LIQUIDITY COVERAGE RATIO (%)			117.70%	168.59%

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

The lowest, highest and average Liquidity Coverage Ratios in 2018 are given in the table below.

31 December 2018	Highest	Date	Lowest	Date	Average
TL+FC	130.56%	28.12.2018	109.35%	30.11.2018	117.70%
FC	186.56%	19.10.2018	125.75%	23.11.2018	168.59%

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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 Parent Bank's funding balances. As of 31 March 2019, the proportion of total liabilities to all deposits of the bank is 51% and borrowings constitutes 19% portion whereas subordinate debt is 9%. Secured borrowings such as repo transactions has lower portion (2%).

In addition, as of 31 Mart 2019 as a funding item, the Parent Bank has TL 2,526,955 issued securities (31 December 2018: TL 1,896,633).

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

Cash outflows arising from derivative product balances are occurred when the derivative products liabilities are higher than the receivables. As of 31 March 2019, derivative assets amounts to TL 222,733 and liabilities amounts to TL 24. In addition, cash outflows balances are reported with calculation against the change of derivatives fair value. This calculation is performed by checking the output margin within last 24 months of the counterparty balance. The maximum value in the past 24 months is considered as cash outflow as of reporting date. In this context, according to calculations as of 31 March 2019, the liability balance is computed as TL 560,845 in case of a change in fair value of derivatives products (31 December 2018: TL 524,225).

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

As of 31 December 2018, approximately 44% of time deposit cap arised from retail banking. The remaining time deposits are constituted from legal entities. Another significant funding resource of borrowings generated from foreign banks (88.9%). As of 31 March 2019, 25% 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 issued securities amounting to USD 250 million and TL 1,111,242.

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

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

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified	Total
31 March 2019								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	313,911	1,815,540	-	-	-	-	-	2,129,451
Due From Banks ^(****)	396,820	1,332,472	-	-	-	-	(353)	1,728,939
Financial Assets at Fair Value Through Profit and Loss	-	16,496	66,857	25,639	134,227	12	-	243,231
Money Market Placements	-	137,353	-	-	-	-	-	137,353
Financial Assets at Fair Value Through Other Comprehensive Income ^(****)	-	-	-	2,455	-	-	8,420	10,875
Loans ^(*****)	-	2,069,026	1,432,702	4,082,650	8,183,976	1,909,488	(235,955)	17,441,887
Financial Assets Measured at Amortised Cost ^(****)	-	-	59,811	202,756	2,013,537	1,342,456	(448)	3,618,112
Other Assets ^(*)	2,046	43,986	17,254	19,080	6,673	10,523	1,059,138	1,158,700
Total Assets	712,777	5,414,873	1,576,624	4,332,580	10,338,413	3,262,479	830,802	26,468,548
Liabilities								
Bank Deposits ^(****)	13,065	98,198	-	-	-	-	-	111,263
Other Deposits	934,174	9,727,027	2,177,879	444,505	5,662	-	-	13,289,247
Funds Borrowed From Other Financial Institutions	-	260,988	1,027,442	1,909,399	1,841,001	2,029,019	-	7,067,849
Money Market Funds	-	438,951	151,155	64,360	-	-	-	654,466
Marketable Securities Issued	-	292,780	818,462	1,415,713	-	-	-	2,526,955
Miscellaneous Payables	-	17,626	-	-	-	-	330,950	348,576
Other Liabilities ^(**)	298,437	127,683	17,251	36,953	102,105	10	1,887,753	2,470,192
Total Liabilities	1,245,676	10,963,253	4,192,189	3,870,930	1,948,768	2,029,029	2,218,703	26,468,548
Liquidity Gap	(532,899)	(5,548,380)	(2,615,565)	461,650	8,389,645	1,233,450	(1,387,901)	-
31 December 2018								
Total Assets	489,670	10,272,619	503,928	1,977,550	8,649,688	3,050,876	910,113	25,854,444
Total Liabilities	1,013,778	10,422,582	5,029,789	3,725,168	1,862,105	1,863,712	1,937,310	25,854,444
Liquidity Gap	(524,108)	(149,963)	(4,525,861)	(1,747,618)	6,787,583	1,187,164	(1,027,197)	-

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

(**) Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column. The subordinated loan amounting to TL 264,195 is presented in the "Demand" column.

(***) 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 352 were deducted from non-interest banks, amounted to TL 448 were deducted from non-interest financial assets measured at amortised.

(*****) Receivables from leasing transactions are included.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
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VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

Contractual maturity analysis of the Group’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

Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards.

		31 March 2019(*)	31 March 2018(*)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	25,791,683	26,532,146
2	The difference between total assets prepared in accordance with Turkish Accounting Standards (*) and total assets in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements”	-	-
3	The difference between the amounts of derivative financial instruments and credit derivatives in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	339,096	339,096
4	The difference between the amounts of securities or commodity financing transactions in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such instruments	-	-
5	The difference between the amounts of off-balance items in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	(898,727)	(1,182,925)
6	Other differences between the amounts in consolidated financial statements prepared in accordance with the communiqué “Preparation of Consolidated Financial Statements” and risk amounts of such items	8,473,804	8,268,105
7	Total risk amount	33,705,856	33,956,422

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

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VII. Explanations on Leverage Ratio (Continued)

Comparison Summary Table of Total Risk and Total Assets Amounts in the Consolidated Financial Statements prepared in accordance with Turkish Accounting Standards (Continued)

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

The Group's leverage ratio is 5.83% calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks" which was not consolidated. (31 December 2018: 5.66%). Changes in the leverage ratio are mainly due to the decrease in total risk. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

		31 March 2019 (*)	31 March 2018 (*)
	Assets in Balance Sheet		
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	25,791,683	26,532,147
2	Assets deducted in determining Tier 1 capital	(117,091)	(116,986)
3	Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives	25,674,592	26,415,161
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	250,119	250,119
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	339,096	339,096
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5) Securities or commodity financing transactions (SCFT)	589,215	589,215
	Securities or commodity financing transactions		
7	Risks from SCFT assets of off-balance sheet	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions	-	-
	off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	8,340,776	8,134,971
11	(Adjustments for conversion to credit equivalent amounts)	(898,727)	(1,182,925)
12	Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks	7,442,049	6,952,046
	Capital and Total Risk		
13	Tier 1 capital	1,966,385	1,918,271
14	Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio	33,705,856	33,956,422
	Leverage ratio		
15	Leverage ratio (%)	5.83%	5.66%

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

VIII. 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 2018: None).

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
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X. Explanations on the Risk Management

a. Risk Management and General Information on Risk Weighted Amount

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 31 March 2019:

- 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 also monitors the compliance of credit facilities and treasury operations etc. with the Bank’s risk policies, administers internal reporting and monitors the results on a regular basis.

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
(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)

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.

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

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.

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.

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
		31 March 2019	31 December 2018	31 March 2019
1	Credit risk (excluding counterparty credit risk) (CCR)	22,400,341	21,358,864	1,792,027
2	Standardised approach (SA)	22,400,341	21,358,864	1,792,027
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	441,447	480,113	35,316
5	Standardised approach for counterparty credit risk (SA-CCR)	441,447	480,113	35,316
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	365,363	359,063	29,229
17	Standardised approach (SA)	365,363	359,063	29,229
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk	1,122,241	978,813	89,779
20	Basic Indicator Approach	1,122,241	978,813	89,779
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	24,329,392	23,176,853	1,946,351

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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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

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. Explanations on counterparty 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”.

e. Explanations on securitisations

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 market 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 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”.

h. 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”.

i. 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”.

j. 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”.

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XI. Explanation on Hedge Accounting

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan amounting TL 7,945 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 1,032 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.

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.

As of 31 December 2018, derivative financial instruments designated as hedging instruments are interest rate swaps. Those derivative financial instruments are summarized in the following table:

Starting Date	Due Date	Currency	Principal Amount
20 November 2018	27 May 2020	TL	100,000
7 November 2018	11 May 2020	TL	50,000
7 November 2018	11 May 2020	TL	50,000
7 November 2018	11 June 2020	TL	100,000

	31 March 2019		
	Principal Amount (*)	Assets	Liabilities
Derivative financial instruments			
Interest rate swaps	600,000	-	6,032
Total	600,000	-	6,032

(*) 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 NOTES ON THE CONSOLIDATED 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

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Cash/Foreign Currency	27,658	65,539	18,142	79,982
CBRT	236,938	1,797,812	325,094	1,781,257
Other	660	844	350	7,226
Total	265,256	1,864,195	343,586	1,868,465

2. Information on the account of the CBRT

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Demand Unrestricted Amount (*)	236,938	1,058,984	325,094	1,026,157
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	-	-	-
Reserve Requirement	-	738,828	-	755,100
Total	236,938	1,797,812	325,094	1,781,257

(*) 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 31 March 2019, 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 2018: 1.5% - 8% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 8% - 12% (31 December 2018: 8%-12% for all foreign currency deposits) and other foreign currency liabilities within the range of 4%-20% (31 December 2018: 4% - 20% for all foreign currency liabilities).

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

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

As of 31 March 2019, the Bank have no financial assets at fair value through profit/loss subject to repo transactions (31 December 2018: None) and have no financial assets at fair value through profit and loss given as collateral/blocked amount (31 December 2018: None).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

c. Positive differences related to derivative financial assets

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Forward Transactions	1,757	3,255	11,708	667
Swap Transactions	87,956	84,561	127,095	36,267
Options	271	24,101	283	17,107
Total	89,984	111,917	139,086	54,041

(*) Hedging derivative financial assets are excluded

d. Information on banks

1. Information on banks

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Banks	43,803	1,685,488	243,536	561,798
Domestic	43,803	628,947	243,536	391,065
Foreign	-	1,056,541	-	170,733
Total	43,803	1,685,488	243,536	561,798

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 31 March 2019, there are no financial assets at fair value through other comprehensive income given as collateral/blocked and subject to repurchase agreements. As of 31 March 2019, except the financial assets at fair value through other comprehensive income given as collateral/blocked and those subject to repurchase agreements, amounting to TL 2,455 (31 December 2018: TL 2,486). As of 31 March 2019, the share certificates amounted to TL 8,420 (31 December 2018: TL 5,658).

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

	31 March 2019	31 December 2018
Debt Securities	2,499	2,499
Quoted on Stock Exchange	-	-
Not Quoted	2,499	2,499
Share Certificates	8,420	5,658
Quoted on Stock Exchange	1	1
Not Quoted (*)	8,419	5,657
Impairment Provision (-)	44	13
Total	10,875	8,144

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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 Parent Bank

	31 March 2019		31 December 2018	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	101,547	-	164,542
Corporate Shareholders	-	101,547	-	164,542
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	158,471	9,928	151,800	5,483
Loans Granted To Employees	5,033	-	5,541	-
Total	163,504	111,475	157,341	170,025

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	Refinancing
			Amendments on Conditions of Contract	
Non-Specialized Loans	12,931,547	2,036,013	893,055	-
Corporate Loans	-	-	-	-
Export Loans	1,474,110	248,336	14,067	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,592,819	1,241	72	-
Consumer Loans	133,956	7,761	252	-
Credit Cards	19,809	1,849	-	-
Other	9,710,853	1,776,826	878,664	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	12,931,547	2,036,013	893,055	-

(*) Standard and closely monitored leasing receivables amounting to TL 1,306,141 and TRY 439,897 are not included.

Current Period (*)

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	103,489	-
Significant Increase in Credit Risk	-	426,544

(*) Expected loss provision amounting to TL 448 calculated for financial assets measured at amortized cost is not included.

Prior Period

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	98,267	-
Significant Increase in Credit Risk	-	393,672

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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”.

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	4,125	131,072	135,197
Real Estate Loans	-	76,704	76,704
Automotive Loans	-	205	205
Consumer Loans	4,125	54,163	58,288
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	9,064	-	9,064
With Installments	1,656	-	1,656
Without Installments	7,408	-	7,408
Individual Credit Cards- FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TL	208	2,970	3,178
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	208	2,970	3,178
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	1,675	-	1,675
With Installments	478	-	478
Without Installments	1,197	-	1,197
Personnel Credit Cards-FC	2	-	2
With Installments	-	-	-
Without Installments	2	-	2
Credit Deposit Account-TL (Individuals) (*)	3,594	-	3,594
Credit Deposit Account-FC (Individuals)	-	-	-
Total	18,668	134,042	152,710

(*) TL 178 of the credit deposit account personnel loans.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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 Loans With Installments-TL	150,862	2,309,698	2,460,560
Real Estate Loans	-	179	179
Automotive Loans	37	33,254	33,291
Consumer Loans	150,825	2,276,265	2,427,090
Other	-	-	-
Commercial Loans With Installment-FC Indexed	1,451	514,021	515,472
Real Estate Loans	-	463,348	463,348
Automotive Loans	-	48,676	48,676
Consumer Loans	1,451	1,997	3,448
Other	-	-	-
Commercial Loans With Installment-FC	2,890	3,241,505	3,244,395
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2,890	3,241,505	3,244,395
Other	-	-	-
Corporate Credit Cards-TL	10,905	-	10,905
With Installment	2,001	-	2,001
Without Installment	8,904	-	8,904
Corporate Credit Cards-FC	12	-	12
With Installment	-	-	-
Without Installment	12	-	12
Overdraft Accounts – TL(Corporate)	57,101	-	57,101
Overdraft Accounts – FC (Corporate)	-	-	-
Total	223,221	6,065,224	6,288,445

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.

	31 March 2019	31 December 2018
Domestic Loans	15,850,515	15,524,463
Foreign Loans	10,100	78,456
Total	15,860,615	15,602,919

8. Loans given to investments in associates and subsidiaries

As of 31 March 2019, there are no loans granted to associates and subsidiaries amount (31 December 2018: None).

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

	31 March 2019	31 December 2018
Loans with Limited Collectability	94,522	130,903
Loans with Doubtful Collectability	129,030	45,711
Uncollectible Loans	242,876	339,093
Total	466,428	515,707

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

10. Information on non-performing loans (Net)

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

Group has no non-performing loans restructured or rescheduled and other receivables as of 31 March 2019 (31 December 2018: None).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2018	238,696	85,264	495,236
Addition (+)	161,443	24,843	9,700
Transfers from Other Categories of Non-performing Loans (+)	-	180,427	28,458
Transfers to Other Categories of Non-performing Loans (-)	(180,427)	(28,458)	-
Collections (-)	(20,795)	(9,493)	(27,966)
Write-offs (-) (*)	-	-	(630)
Sold Portfolio (**)	-	(16,686)	(107,917)
Corporate and Commercial Loans	-	(16,686)	(106,179)
Consumer Loans	-	-	(649)
Credit Cards	-	-	(1,089)
Other	-	-	-
31 March 2019	198,917	235,897	396,881
Specific Provision (-)	(94,522)	(129,030)	(242,876)
Net Balance on Balance Sheet	104,395	106,867	154,005

(*) The Bank's non-performing loans amounting to TL 630 have been write-off, due to the Board of Directors' decisions taken in 2019.

(**) The Bank has sold non-performing loans of TL 124,603 and provision amounting to TL 124,481 to Gelecek Varlık Yönetim A.Ş. on 22 February 2019 for TL 1,200.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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

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

The Group has TL 104,157 non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2017: TL 94,396).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 March 2019 (Net)	104,395	106,867	154,005
Loans to Real Persons and Legal Entities (Gross)	198,917	235,897	396,881
Specific Provision Amount (-)	(94,522)	(129,030)	(242,876)
Loans to Real Persons and Legal Entities (Net)	104,395	106,867	154,005
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2018 (Net)	107,793	39,553	156,143
Loans to Real Persons and Legal Entities (Gross)	238,696	85,264	495,236
Specific Provision Amount (-)	(130,903)	(45,711)	(339,093)
Loans to Real Persons and Legal Entities (Net)	107,793	39,553	156,143
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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)			
Interest accruals and valuation differences	10,435	20,447	5,002
Provision (-)	10,435	20,447	5,002
Prior Period (Net)	-	-	-
Interest accruals and valuation differences	18,503	3,944	3,957
Provision (-)	18,503	3,944	3,957

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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”.

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 31 March 2019 there are financial assets measured at amortised cost given as collateral amounting to TL 3,618,560 (31 December 2018: TL 3,427,060) .

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Given as collateral/blocked	4,989	775,265	41,515	730,632
Subject to repurchase agreements	745	950,063	-	1,065,290
Other	302,924	1,584,574	276,629	1,312,994
Total	308,658	3,309,902	318,144	3,108,916

2. Information on debt securities measured at amortised cost

(i) Financial assets measured at amortised cost

	31 March 2019	31 December 2018
Government Bonds	3,147,786	2,987,299
Treasury Bills	-	-
Other Government Debt Securities	470,774	439,761
Total	3,618,560	3,427,060

3. Financial assets measured at amortised cost

	31 March 2019	31 December 2018
Debt Securities	3,691,602	3,452,545
Quoted to Stock Exchange	3,691,602	3,452,545
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	73,042	25,485
Total	3,618,560	3,427,060

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on financial assets measured at amortised cost (Continued)

4. Movement of financial assets measured at amortised cost

	31 March 2019	31 December 2018
Balance at the Beginning of the Period	3,427,060	881,860
Effect of Reclassifications and Measurements in accordance with TFRS 9 (*)	-	1,666,666
Foreign Currency Differences on Monetary Assets	206,038	904,019
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	14,538	25,485
Balance at the End of the Period	3,618,560	3,427,060

i. Information on investments in associates (Net)

Group has no associates as of 31 December 2019 (31 December 2018: None).

j. 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 unconsolidated subsidiaries

There is no unconsolidated subsidiary (31 December 2018: None).

3. Information on consolidated subsidiaries

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

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

No	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1(*)	42,267	32,392	1,762	1,687	367	750	755	-
2(**)	2,020,678	205,343	21,248	43,506	-	1,718	5,908	-

(*) The above mentioned subsidiaries’ financial data are taken from the financial statements prepared for the BRSA consolidation as of 31 December 2018.

(**) These balances represents 31 March 2018 data.

Information about equity component of the consolidated subsidiaries:

	Alternatif Finansal Kiralama A.Ş.	Alternatif Menkul Değerler A.Ş.
TIER I Capital	218,462	31,477
Paid-in Capital	100,000	22,509
Capital Reserves	97,714	14,257
Current and Prior Period Net Profit	22,244	750
Current and Prior Period Net (Loss)	-	(5,915)
Intangible Assets (-)	1,496	124
TIER II Capital	-	-
Deduction from Capital	-	-
Net Usable Capital	218,462	31,477

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

j. Information on subsidiaries (Net) (Continued)

4. The movement of the subsidiaries

	31 March 2019	31 December 2018
Balance at the beginning of the period	225,580	166,380
Movements during the period	-	59,200
Purchases	-	59,200
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	-
Balance at the End of the Period	225,580	225,580
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

Subsidiaries	31 March 2019	31 December 2018
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	192,165	192,165
Finance Companies	-	-
Other Financial Subsidiaries	33,415	33,415

6. Quoted subsidiaries

None (31 December 2018: None).

k. Information on joint ventures

There are no joint ventures (31 December 2018: None).

l. Information on finance lease receivables (Net)

Finance lease receivable of the Group is amounting to TL 1,888,774 (31 December 2018: TL 1,969,636).

m. Information on hedging derivative financial assets

There are no differences related with hedging derivative financial assets. (31 December 2017: TL 1,485).

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Fair Value Hedge(*)	-	-	1,485	-
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	-	-	1,485	-

(*) Explained in Section Four Footnote XI.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

n. 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”.

o. 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”.

p. Information on investment property

There is no investment property as of 31 March 2019 (31 December 2018: None).

r. Explanations about deferred tax provision

As of 31 March 2019, the Group has deferred tax asset amounting to TL 154,651 (31 December 2018: TL 167,287 deferred tax asset) in the financial statements.

As of 31 March 2019 and 31 December 2018, the details of temporary differences and deferred tax assets and liabilities are presented below:

	31 March 2019		31 December 2018	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Deferred Tax Asset / (Liability)				
Tangible Assets Base Differences	(14,911)	(3,087)	(14,757)	(3,056)
Provisions	671,037	147,856	46,222	10,209
Valuation of Financial Assets	(46,112)	(10,373)	595,831	130,822
Commission Deferral	32,111	7,064	28,804	6,337
Investment Allowances	39,705	1,387	54,278	5,169
Financial Losses	59,072	12,995	81,186	17,858
Other	(5,093)	(1,191)	(260)	(52)
Net Deferred Tax Assets		154,651		167,287

	1 January -31 March 2019
1 January 2019 Net Deferred Tax Asset/(Liability)	167,287
Deferred Tax (Expense)/Income	(18,363)
Deferred Tax Accounted Under Shareholders' Equity	5,731
Deferred tax recognized in other comprehensive income	(4)
31 March 2019 Net Deferred Tax Asset/(Liability)	154,651

s. Movement of assets held for resale and discontinued operations

	31 March 2019	31 December 2018
Beginning of the period	186,675	152,218
Disposals (-)	(10,000)	(51,160)
Additions	27,612	85,617
Current period depreciation (-)	-	-
Impairment provision addition/ return	-	-
End of the Period	204,287	186,675

t. 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”.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities

a. Information on deposits

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

(i) 31 March 2019:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	109,288	-	685,430	2,103,434	87,419	100,846	58,218	25	3,144,660
Foreign Currency Deposits	666,884	-	423,307	5,970,503	289,743	273,993	61,036	-	7,685,466
Residents in Turkey	623,648	-	422,474	5,910,527	289,652	259,495	15,664	-	7,521,460
Residents Abroad	43,236	-	833	59,976	91	14,498	45,372	-	164,006
Public Sector Deposits	14,896	-	-	-	17,201	-	-	-	32,097
Commercial Deposits	133,775	-	495,698	1,368,373	121,552	63,745	1,090	-	2,184,233
Other Institutions Deposits	2,512	-	342	200,867	-	7,805	8,764	-	220,290
Precious Metal Deposits	6,819	-	253	6,476	690	5,330	2,931	-	22,499
Bank Deposits	13,065	-	73,029	25,171	-	-	-	-	111,265
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	2,040	-	-	-	-	-	-	-	2,040
Foreign Banks	11,025	-	73,029	25,171	-	-	-	-	109,225
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	947,239	-	1,678,059	9,674,824	516,605	451,719	132,039	25	13,400,510

(ii) 31 December 2018:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	47,149	-	490,707	2,895,635	861,692	97,504	49,990	26	4,442,703
Foreign Currency Deposits	367,427	-	464,743	5,222,433	242,348	330,077	47,338	-	6,674,366
Residents in Turkey	353,775	-	464,562	5,153,723	242,348	211,195	12,228	-	6,437,831
Residents Abroad	13,652	-	181	68,710	-	118,882	35,110	-	236,535
Public Sector Deposits	30,031	-	-	-	-	-	-	-	30,031
Commercial Deposits	271,721	-	516,861	1,275,190	138,724	28,441	55	-	2,230,992
Other Institutions Deposits	1,092	-	161	66,701	-	7,975	581	-	76,510
Precious Metal Deposits	2,356	-	-	2,410	740	1,123	4,198	-	10,827
Bank Deposits	1,979	-	56,814	92,529	-	-	-	-	151,322
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	1,125	-	-	-	-	-	-	-	1,125
Foreign Banks	854	-	56,814	92,529	-	-	-	-	150,197
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	721,755	-	1,529,286	9,554,898	1,243,504	465,120	102,162	26	13,616,751

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Limit of the Deposit Insurance	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Saving Deposits (*)	632,781	684,299	2,512,517	3,759,512
Foreign Currency Savings Deposit	195,830	148,141	2,510,270	1,902,933
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 include TL638 straight rediscount - internal efficiency difference.

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

	31 March 2019	31 December 2018
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	39,761	38,280
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

	31 March 2019 (*)		31 December 2018 (*)	
	TL	FC	TL	FC
Forward Transactions	5,061	2,609	438	20,031
Swap Transactions	84,616	25,194	100,598	42,141
Futures Transactions	-	-	-	-
Options	27	21,240	92	10,820
Total	89,704	49,043	101,128	72,992

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

c. Information on borrowings

1. Information on borrowing

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
The CBRT Borrowings	-	64,360	-	-
From Domestic Banks and Institutions	255,179	466,674	64,421	621,932
From Foreign Banks, Institutions and Funds	-	4,252,614	-	4,184,174
Total	255,179	4,783,648	64,421	4,806,106

2. Information on maturity profile of borrowings

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Short-term	255,179	1,241,689	64,421	1,132,427
Medium and Long-term	-	3,541,959	-	3,673,679
Total	255,179	4,783,648	64,421	4,806,106

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 foreign liabilities

Other foreign liabilities amounting to TL 76,451 are included in “Other Liabilities” (31 December 2018: TL 486,819 thousands) and do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements

	31 Mart 2019	
	Brüt	Net
Less than 1 year	5,541	4,218
1-4 year	30,406	27,623
More than 4 year	13,124	12,857
Total	49,071	44,698

f. Information on hedging derivative financial liabilities

Related to information on hedging derivative financial liabilities negative difference amount is TL 6,032 (31 December 2018: 4.023).

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Fair Value Hedges	-	-	-	-
Cash Flow Hedges (*)	6,032	-	4,023	-
Foreign Currency Investment Hedges	-	-	-	-
Total	6,032	-	4,023	-

(*) Explained in Section Four Footnote Number XI.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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 102 (31 December 2018: TL 426 Loss).

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

	31 March 2019	31 December 2018
Discount Rate(%)	4.50	4.50
Possible Retirement rate (%)	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 31 March 2019, The Group has provision for employee termination benefits amount of 8,882 TL (31 December 2018: 8,705 TL), provision of unused vacation amount of 3,605 TL (31 December 2017: 3,167 TL).

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

As of 31 March 2019, there is no provision related to the foreign currency difference of foreign currency indexed loans (31 December 2018: 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

	31 March 2019	31 December 2018
Provisions for Unindemnified Non-cash Loan	58,986	55,828
Free Provision for Possible Risks	20,000	-
Provision for Litigation and Claims	15,104	15,472
Bonus Provision	9,847	19,100
Provision for the Impairment due Settlement Date	2,496	238
Other	2,615	1,494
Total	109,048	92,132

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

h. Information on taxes payable (Continued)

Information on current tax liability (Continued)

As of 31 March 2019, there is no current tax liability (31 December 2018: None).

(i) Information on taxes payable

	31 March 2019	31 December 2018
Taxation of Marketable Securities	20,360	13,511
Banking Insurance Transaction Tax (BITT)	13,224	14,716
Value Added Tax Payable	1,931	3,226
Property Tax	214	199
Corporate Tax Payable	-	-
Foreign Exchange Transaction Tax	-	-
Other	7,718	4,029
Total	43,447	35,681

(ii) Information on premium payables

	31 March 2019	31 December 2018
Social Security Premiums - Employee	2,968	1,137
Social Security Premiums - Employer	4,372	1,662
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	215	82
Unemployment Insurance - Employer	471	180
Other	290	127
Total	8,316	3,188

i. Deferred tax liability

As of 31 March 2019, there is no deferred tax liability (31 December 2018: None).

j. 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”.

k. 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. Explanations and Notes on Liabilities (Continued)

1. Information on shareholders’ equity

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

	31 March 2019	31 December 2018
Common Stock (*)	1,439,725	1,167,000
Preferred Stock	-	-

(*) It refers to the nominal capital.

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

The Parent Bank applies registered share capital system. The Parent 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 1,00 (one Turkish Lira).

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

With the decision of number 24 of the Board of Directors dated on 13 March 2019 and with the approval of BRSA dated on 27 March 2019, the capital increase is registered in Commercial Registry Gazette number of 9806 and dated on 10 April 2019 and the capital is increased from TL1,167,000 to TL1,439,725. In this respect, The Commercial Bank (P.S.Q.C) was included in the capital increase with TL272,725 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 increases from capital reserves during the current period: None.

6. Information on prior period’s indicators on the Group’s income, profitability and liquidity, and possible effects of these future assumptions on the Group’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 Parent Bank within several risk limits and legal limits.

7. Information on privileges given to shares representing the capital: None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

8. Information on marketable securities valuation reserve

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(50,226)	-	(52,783)	-
Foreign Currency Difference	-	-	-	-
Total	(50,226)	-	(52,783)	-

9. Information on other capital reserves

As of 30 June 2018, The Parent Bank, has started to follow the subordinated loan which was obtained from its controlling shareholder The Commercial Bank (P.S.Q.C.) amounting to USD 75 million and classified to the equity account in 31 July 2017, as Turkish Liras, in accordance with the “Effects of Foreign Exchange Rate Changes Accounting Policy” and using 31 July 2017 closing dollar rate. The deferred tax asset that arising from the foreign exchange differences of the related subordinated debt and recognized under equity is TL 5,732.

m. Information on minority interests

	31 March 2019	31 December 2018
Balance at the Beginning of the Period	16	15
Current Year Income	-	1
Dividends Paid	-	-
Purchase from Minority Interests	-	-
Other	-	-
Balance at the End of the Period	16	16

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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 100,780 irrevocable loan commitments as of 31 March 2019 (31 December 2017: TL: 115,800).

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, the Parent Bank avalized and acceptance loans, collaterals that are accepted as financial guarantees and other letters of credit

	31 March 2019	31 December 2018
Guarantees and Collaterals	-	-
Bank Acceptance Loans	27,466	20,522
Letter of Credits	656,770	737,961
Total	684,236	758,483

(ii). Guarantees, sureties and other similar guarantees

	31 March 2019	31 December 2018
Temporary Letter of Guarantees	152,330	149,295
Definite Letter of Guarantees	4,695,951	4,370,090
Advance Letter of Guarantee	194,338	355,152
Letter of Guarantees Given to Customs	97,165	96,871
Total	5,139,784	4,971,408

3. Non-cash loans

(i). Total amount of non-cash loans

	31 March 2019	31 December 2018
Non-Cash Loans against Cash Risks	2,876,340	2,466,194
With Original Maturity of 1 Year or Less	2,876,340	2,466,194
With Original Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	2,947,680	3,263,697
Total	5,824,020	5,729,891

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a. Information on off balance sheet commitments(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”.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement

a. Information on interest income

1. Information on interest income on loans

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
Short-term Loans	273,259	20,803	159,526	9,689
Medium/Long-term Loans	144,686	105,373	115,758	78,209
Interest on Loans Under Follow-up	11,048	-	2,255	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total (*)	428,993	126,176	277,539	87,898

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

2. Information on interest income on banks

	31 March 2019		31 December 2018	
	TL	FC	TL	FC
From the CBRT (*)	10,809	8,536	1,336	5,354
From Domestic Banks	6,996	4,201	5,885	1,055
From Foreign Banks	-	2,445	123	431
Headquarters and Branches Abroad	-	-	-	-
Total	17,805	15,182	7,344	6,840

(*) 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

	31 March 2019		31 March 2018	
	TL	FC	TL	FC
From Financial Assets At Fair Value Through Profit or Loss	656	1,128	637	21
From Financial Assets at Fair Value Through Other Comprehensive Income	147	-	8,084	14,436
From Financial Assets Measured at Amortised Cost	11,748	33,033	-	11,719
Total	12,551	34,161	8,721	26,176

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

None (31 December 2018:None).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

b. Information on interest expense

1. Information on interest expense on borrowings

	31 March 2019		31 March 2018	
	TL	FC	TL	FC
Banks	6,249	67,808	2,022	55,090
CBRT	11	-	11	-
Domestic Banks	6,238	7,941	2,011	11,064
Foreign Banks	-	59,867	-	44,026
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	14,143	-	7,890
Total (*)	6,249	81,951	2,022	62,980

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

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

None (31 December 2018: None).

3. Information on interest expense to marketable securities issued

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. Information on interest rate and maturity structure of deposits

	Demand Deposit	Time Deposit					Accumulated Deposit	Total
		Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	Over 1 Year		
Turkish Lira		5,174	1	-	-	-	-	5,175
Bank Deposits	-	30,224	140,784	38,338	5,688	3,105	-	218,139
Savings Deposits	-	-	4	40	-	-	-	44
Public Deposits	-	30,194	69,707	8,106	2,306	37	-	110,350
Commercial Deposits	-	55	6,686	-	446	-	-	7,187
Other Deposits	-	-	-	-	-	-	-	-
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Total	-	65,647	217,182	46,484	8,440	3,142	-	340,895
Foreign Currency								
Foreign Currency Account	-	3,148	55,580	1,904	4,216	784	-	65,632
Bank Deposits	-	9	-	-	-	-	-	9
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	41	-	2	-	-	43
Total	-	3,157	55,621	1,904	4,218	784	-	65,684
Grand Total	-	68,804	272,803	48,388	12,658	3,926	-	406,579

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED 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. Informations 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”.

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)

	31 March 2019	31 March 2018
Income	8,808,542	3,462,748
Income from Capital Market Transactions	232	112
Derivative Financial Transactions	281,838	241,824
Foreign Exchange Gains	8,526,472	3,220,812
Loss (-)	8,712,383	3,449,186
Loss from Capital Market Transactions	1,390	839
Derivative Financial Transactions	140,300	223,677
Foreign Exchange Loss	8,570,693	3,224,670
Net Income/(Loss)	96,159	13,562

e. Explanations about other operating income

	31 March 2019	31 March 2018
Provision for the Expenses Recovered from Customers	693	331
Gain on Sale of Property, Plant and Equipment	568	1,448
Provision for Communication Costs Received from Customers	399	364
Cancellation of Provisions for Disposal Property	-	27
Other	3,040	2,800
Total	4,700	4,970

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

f. Expected Provision Losses and Other Provision Losses

	31 March 2019	31 March 2018
Expected Credit Loss	92,598	36,637
12 month expected credit loss (stage 1)	4,712	(8,797)
Significant increase in credit risk (stage 2)	10,994	27,176
Non-performing loans (stage 3)	76,892	18,258
Marketable Securities Impairment Expense	2,582	2,582
Financial Assets at Fair Value Through Profit or Loss	2,582	2,582
Financial Assets at Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	20,698	3,996
Total	115,878	43,215

(*)Free provision for possible risks amounting to TL 20,000 is included.

g. Information related to personnel expenses and other operating expenses

	31 March 2019	31 March 2018
Personnel Expenses	54,449	42,723
Reserve For Employee Termination Benefits	131	398
Unused Vacation	722	493
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	9,143	2,965
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	2,975	2,284
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	22,382	24,522
Maintenance Expenses	351	272
Advertising Expenses	886	1,022
Other Expenses	20,905	14,945
Operational Lease Expenses (**)	240	8,283
Loss on Sales of Assets	2,318	319
Other (*)	8,125	5,675
Total	100,245	79,379

(*) Other operating charges is TL 2,819 (31 March 2018: TL 1,879) except premium of SDIF and tax amounting to TL 5,306 (31 March 2018: TL 3,774).

(**) IFRS 16 effect is included.

h. 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”.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

i. Provision for taxes on income from continuing operations

As of 31 March 2019, the Bank has no current tax expense (31 March 2018: None), and deferred tax expense amounting to TL 18,363 (31 March 2018: TL 13,950).

j. 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”.

k. Information on net income/loss for the period

1) Interest income from ordinary banking transactions is TL 713,672 (31 December 2018: TL 454,308), interest expense is TL 559,626 (31 December 2018: TL 298,992).

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

3) Profit or loss attributable to minority shares

	31 March 2019	31 March 2018
Profit/Loss Attributable to Minority Shares	-	1

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

Fees and Commissions Received - Other	31 March 2019	31 March 2018
Credit Card Pos Commissions	7,032	2,306
Insurance Commissions	2,603	1,188
Banking Service Income	5,435	783
Expertise Commissions	319	594
Account Management Fee Commission	630	376
Transfer Commissions	383	474
Credit Early Termination Compensation	3,573	320
Export Letters of Credit Commissions	311	320
Brokerage Commissions	230	295
Other	2,972	1,549
Total	23,488	8,205
Fees and Commissions Paid - Other	31 March 2019	31 March 2018
Debit Card Fees and Commissions	5,029	1,451
Fees and Commissions on Foreign Currency Transactions	2,438	1,773
Clearing Commissions	2,792	652
Commissions Granted to Correspondent Banks	317	203
Commissions for Effective and Future Transactions	217	-
Transfer Commissions	183	99
CBRT Interbank Money Market	30	260
Pos Transaction Commissions Paid	250	212
Bonds Commissions	969	524
Other	1,072	31
Total	13,297	5,205

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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”.

VII. Explanations and Notes on the Parent Bank’s Risk Group

a. The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period

1. 31 March 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
Group’s Risk Group (*) (**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	164,542	151,800	5,483
Balance at the End of the Period	-	-	-	101,547	158,471	9,928
Interest and Commission						
Income Received	-	-	50	7	1,474	18

(*) 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.

2. 31 December 2018

	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
Group’s Risk Group (*) (**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	249,646	113,277	2,870
Balance at the End of the Period	-	-	-	164,542	151,800	5,483
Interest and Commission						
Income Received (***)	-	-	110	12,309	1,133	3

(*) As described in the Article 49 of Banking Law No 5411.

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

(***) 31 March 2018 balances used for income accounts.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes on the Parent Bank’s Risk Group (Continued)

a. The volume of transactions relating to the Group’s risk group, outstanding loan and deposit transactions and profit and loss of the period (Continued)

3. Information on deposits of the Group’s risk group

Group’s Risk Group (*)	Associates , subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Deposit						
Beginning of the Period (**)	-	-	-	-	37,278	74,207
End of the Period (**)	-	-	-	-	41,995	37,278
Interest Expense on Deposits (***)					518	591

(*) As described in the Article 49 of Banking Law No 5411.

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

(***) 31 March 2018 balances used for expense accounts.

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

Group’s Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018	31 March 2019	31 December 2018
Transactions for Trading Purposes (**)						
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss (***)				12,074		
Transactions for Hedging Purposes						
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss (***)						

(*) As described in the Article 49 of Banking Law 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.

(***) Represents 31 March 2018 balances.

b. With respect to the Parent Bank’s risk group

1. The relations with entities that are included in the Group’s risk group and controlled by the Parent Bank irrespective of the relationship between the parties:

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

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

	Total Risk Group	Share in Financial Statements (%)
Deposit	41,995	0.31%
Non-cash Loans	111,475	1.91%
Loans	158,471	0.91%
Subordinated Loans	552,894	24.11%

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.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

VII. Explanations and Notes on the Parent Bank’s Risk Group (Continued)

b. With respect to the Parent 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 31 March 2019, there is no financial leasing agreement between the Parent Bank and Alternatif Finansal Kiralama A.Ş. The Parent Bank also has cost sharing agreements with Alternatif Finansal Kiralama A.Ş. and Alternatif Menkul Değerler A.Ş.

The bank allocate cash and non-cash loans to risk group of the Bank in limit of Bank Law and that amount is 1.43% of total cash and non-cash loan amount (31 December 2018: 1.40%).

5. Information on Other Liabilities

None.

c. Information regarding benefits provided to the Group’s key management

Benefits provided to the Group’s key management amount to TL 9,781 as of 31 December 2018 (31 March 2018: TL 4,256).

VIII. Explanations on the domestic, foreign and off-shore branches or affiliates and foreign representative offices of the Parent 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.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. Other Explanations Related To The Parent Bank’s Operations

Summaries about the Parent Bank’s rates from international credit rating agencies

Fitch Ratings: July 2018	
Foreign Currency	
Long Term	BB-
Short Term	B
Local Currency	
Long Term	BB
Short Term	B
National Note	AA(tur)
Support Note	3
Financial Capacity Note	b-
Outlook	Negatif

Moody’s: September 2018	
Foreign Currency	
Long Term	B2
Short Term	NP
Local Currency	
Long Term	Ba3
Short Term	NP
National Long Term	Aa1.tr
National Short Term	TR-1
Outlook	Negatif

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SECTION SEVEN

EXPLANATIONS ON AUDITORS’ LIMITED REPORT

I. Explanations on Independent Auditors’ Report

Group’s consolidated financial statements and footnotes to be disclosed to public as of 31 March 2019 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 auditors’ report dated 7 May 2019 has been presented at the beginning of this report.

II. Explanations and Footnotes Prepared by Independent Auditor

None.

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SECTION EIGHT

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

Abstract Financial Information About the Term Activity Results

The unconsolidated financial statements with explanations related to these and financial data compatible to footnotes that prepared according to Financial Tables that will be Announced to Public by Banks with Explanations Related to these and Footnotes Communique which has been regulated by Council of Bank Audit and Regulation regarding to the bank’s 1 January - 31 March 2019 activity period is below.

	31 March 2019	31 December 2018	31 March 2018
Loans	15,897,960	15,587,603	14,200,220
Stocks and Shares	3,670,005	3,476,492	2,582,874
Bank Deposits	13,550,921	13,816,340	11,335,398
Total Assets	24,997,365	24,297,937	20,369,514
Equity	1,965,390	1,632,546	1,372,295
Profit / Loss Before Taxes	70,347	228,938	55,309
Profit / Loss	51,817	194,934	42,761

2019 First Quarter Activity Report – Message from the Chairman

Dear Stakeholders,

We observed that the moderate trends in global markets which started in late 2018 continued in most of the first quarter of 2019. Following weak economic indicators in January, there was a slight recovery in credit growth in February, which became stronger at the beginning of March. Despite a limited increase in production, we need to wait a little while before we can speak of a resurgence in terms of growth. That being said, we foresee the possibility for a resurgence in growth in the second half of the year and we believe in a strong medium and long-term growth prospect for the Turkish economy.

We believe that Turkey will continue to serve as an important destination for global investments with its strong growth potential. Accordingly, we are pleased to increase Alternatif Bank’s capital by TRY 272.7 million in the first quarter of the year, demonstrating a reinforcement of trust in Turkey and Alternatif Bank. Strengthened by synergies between Alternatif Bank and Commercial Bank, we offer a seamless banking experience to our customers in Turkey and Qatar, continue to expand our support for the ever-increasing mutual investments and capital flows, and act as a bridge between the two countries.

I wholeheartedly believe that Alternatif Bank will achieve its sustainable growth targets and make an even greater contribution to the region's trade in line with its strategic plan in the upcoming quarter. This is thanks to both its experienced executive leadership and committed human resources.

Yours sincerely,

Omar Hussain I H Alfardan
Chairman of the Board of Directors

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

2019 First Quarter Activity Report - Message from the CEO

Dear Stakeholders,

As Alternatif Bank, we have left behind the first quarter of the year in agreement with our objectives after a very challenging albeit successful 2018. We have taken firm steps forward in accordance with our business plan by always prioritising risk management and our Bank’s asset quality. Our recent TRY 272.7 million capital injection has given us more strength as part of our strategic growth plan and made a significant contribution as a tangible indicator of our shareholder Commercial Bank’s trust in Alternatif Bank and the Turkish economy.

As in the final quarter of the last year, important steps were taken by our economy administration to ensure recovery in the first three months of this year. SME Value Loan packages of which our Bank was a participant in initial implementation, the newly enacted regulation on the restructuring of non-performing consumer loans, and ‘Real Economy and Finance Sector Dialogue Enhancement’ meetings organised by TBB and TOBB were among the important developments in terms of taking soundings of the economy and supporting the real economy.

In this fast-paced first quarter for the Bank, our total consolidated assets grew by 21% on a year-over-year basis reaching TRY 26.5 billion. In the first quarter, we grew our balance sheet, as well as increasing the total amount of funds extended to our customers. Alternatif Bank’s contribution to the real economy through total cash (including leasing receivables) and non-cash loans has increased by 17% on a year-over-year basis to TRY 23.3 billion. In this period, our deposit volume reached TRY 13.4 billion with 19% growth on a year-over-year basis. As a result of our efforts, our net profits increased by 6% from the previous year and reached TRY 52.2 million.

We will continue our sustainable growth journey in the upcoming period by managing the risk factors in global and domestic markets and ever increasing our efforts, sensitivity and support for our customers. We will continue to add value to Turkey’s business and trade world with our strong correspondent bank relations, renewed advisory branch network, the crucial steps we have taken for digitalisation and our experienced people.

I would like to take this opportunity to express my sincere thanks to our devoted employees, valuable customers who accept Alternatif Bank as their companion, our shareholder which believes in our bright future, members of the Board which offer their insight to us with their valued experiences and all of our stakeholders which strengthen our Bank with their close collaboration.

Yours sincerely,

Kaan Gür