

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

Alternatifbank A.Ş.

Consolidated Interim Financial Statements

As of and For the Three-Month Period Ended 31 March 2017

With Independent Auditors' Review Report Thereon

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

26 April 2017

This report includes "Independent Auditors' Review Report" comprising 2 pages and; "Consolidated Interim Financial Statements and Related Disclosures and Footnotes" comprising 81 pages.

**Convenience Translation of the Limited Review Report
Originally Prepared and Issued in Turkish to English (See Note I in Section Three)**

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

Introduction

We have reviewed the consolidated statement of financial position of Alternatifbank A.Ş. (“the Bank”) and its consolidated financial subsidiaries (together “the Group”) at 31 March 2017 and the related consolidated income statement, consolidated statement of income and expense items under shareholders’ equity, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Banking Regulation and Supervision Agency (“BRSA”) Accounting and Reporting Legislation” which includes 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 Board and circulars and interpretations published by BRSA and the requirements of Turkish Accounting Standard 34 “Interim Financial Reporting” principles for those matters not regulated by the aforementioned legislations. 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 as at 31 March 2017 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 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 VII, are not consistent with the consolidated financial statements and disclosures in all material respects.

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

Funda Aslanoğlu, SMMM
Partner

26 April 2017
Istanbul, Türkiye

Additional paragraph for convenience translation to English:

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

**THE CONSOLIDATED FINANCIAL REPORT OF
ALTERNATİFBANK A.Ş. AS OF AND FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2017**

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The consolidated financial report as of and for the three-month period ended 31 March 2017 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks” as regulated by the Banking Regulation and Supervision Agency, comprises the following sections.

- GENERAL INFORMATION ABOUT THE GROUP
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- DISCLOSURES RELATED TO INDEPENDENT AUDITORS’ REVIEW REPORT
- INTERIM PERIOD 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 Chairman of the Board of Directors	Müge Öner CEO	Kağan Gündüz Financial Control and Planning Executive Vice President	Alper Uzeli Financial Control Manager
	Didem Çerçi Vice-Chairlady of the Board of Directors and Chairlady of Board Audit and Compliance Committee		İzzat Dajani Member of Board of Directors and Member of Board Audit and Compliance Committee

The authorised contact person for questions on this financial report:

Name-Surname / Title : Alper Uzeli / Financial Control Manager
Telephone Number : 0 212 315 69 53
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ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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 53 (31 December 2016:53) 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 2017, 100% of the shares of the Bank are owned by The Commercial Bank (P.S.Q.C.). Shareholder’s structure of the Bank is as follows:

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

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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

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

(*)With the decision number 2 of the Board of Directors dated on 18 January 2017, Gerard George Risk was resigned from the Board of Directors.

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

With the decision number 14 of the Board of Directors dated on 31 January 2017, Boğaç Levent Güven is appointed as Executive Vice President.

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

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.)	980,000	% 100.00	980,000	-

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 2017, the Parent Bank has 53 branches (31 December 2016: 53 branches) and has 938 employees (31 December 2016: 928 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called “Group” as a whole. As of 31 March 2017, The Group has 1,010 employees (31 December 2016: 1,000 employees).

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

None.

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

None.

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five)	31 March 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
			ASSETS					
I.	CASH AND BALANCES WITH CENTRAL BANK	I-a	379,229	1,711,243	2,090,472	149,340	1,820,848	1,970,188
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT or LOSS (Net)	I-b	151,509	22,953	174,462	26,673	35,277	61,950
2.1	Financial Assets Held for Trading		151,509	22,953	174,462	26,673	35,277	61,950
2.1.1	Public Sector Debt Securities		22,476	741	23,217	-	526	526
2.1.2	Equity Securities		-	-	-	-	-	-
2.1.3	Derivative Financial Assets Held for Trading		129,033	22,212	151,245	26,673	34,751	61,424
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets at Fair Value through Profit and Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Equity Securities		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
III.	BANKS	I-c	262,527	657,903	920,430	121,348	463,587	584,935
IV.	MONEY MARKETS PLACEMENTS		200,064	-	200,064	350,081	-	350,081
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		200,064	-	200,064	350,081	-	350,081
V.	FINANCIAL ASSETS AVAILABLE-FOR-SALE (Net)	I-d	298,909	1,293,712	1,592,621	301,283	2,028,756	2,330,039
5.1	Share Certificates		6,065	-	6,065	6,065	-	6,065
5.2	Government Debt Securities		290,799	943,058	1,233,857	293,186	1,701,761	1,994,947
5.3	Other Marketable Securities		2,045	350,654	352,699	2,032	326,995	329,027
VI.	LOANS	I-e	5,307,078	5,070,337	10,377,415	5,310,753	5,178,096	10,488,849
6.1	Loans		5,087,778	5,056,048	10,143,826	5,085,781	5,169,561	10,255,342
6.1.1	Loans to the Bank's Risk Group		154	19,540	19,694	161	18,634	18,795
6.1.2	Public Sector Debt Securities		-	-	-	-	-	-
6.1.3	Other		5,087,624	5,036,508	10,124,132	5,085,620	5,150,927	10,236,547
6.2	Non Performing Loans		611,795	20,429	632,224	582,430	22,357	604,787
6.3	Specific Provisions (-)		392,495	6,140	398,635	357,458	13,822	371,280
VII.	FACTORING RECEIVABLES		-	-	-	-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	I-f	-	847,817	847,817	-	-	-
8.1	Public Sector Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	847,817	847,817	-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	I-g	-	-	-	-	-	-
9.1	Accounted for under Equity Method		-	-	-	-	-	-
9.2	Unconsolidated Associates		-	-	-	-	-	-
9.2.1	Financial Investments		-	-	-	-	-	-
9.2.2	Non-financial Investments		-	-	-	-	-	-
X.	INVESTMENTS IN SUBSIDIARIES (Net)	I-h	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
XI.	ENTITIES UNDER COMMON CONTROL (JOINT VENTURES) (Net)	I-i	-	-	-	-	-	-
11.1	Consolidated Under Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-Financial Joint Ventures		-	-	-	-	-	-
XII.	LEASE RECEIVABLES (Net)	I-j	323,433	1,029,419	1,352,852	262,789	982,806	1,245,595
12.1	Financial Lease Receivables		360,571	1,107,829	1,468,400	318,614	1,046,585	1,365,199
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		27,179	32,733	59,912	1,027	41,656	42,683
12.4	Unearned Income (-)		64,317	111,143	175,460	56,852	105,435	162,287
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	I-k	149	-	149	-	-	-
13.1	Fair Value Hedge		149	-	149	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Net Foreign Investment Hedge		-	-	-	-	-	-
XIV.	TANGIBLE ASSETS (Net)		36,640	-	36,640	36,674	-	36,674
XV.	INTANGIBLE ASSETS (Net)		88,664	-	88,664	86,837	-	86,837
15.1	Goodwill		49,647	-	49,647	49,647	-	49,647
15.2	Other		39,017	-	39,017	37,190	-	37,190
XVI.	INVESTMENT PROPERTY (Net)	I-l	-	-	-	-	-	-
XVII.	TAX ASSET	II-i	36,383	-	36,383	64,458	-	64,458
17.1	Current Tax Asset		-	-	-	-	-	-
17.2	Deferred Tax Asset		36,383	-	36,383	64,458	-	64,458
XVIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-m	-	-	-	-	-	-
18.1	Assets Held for Sale		-	-	-	-	-	-
18.2	Assets of Discontinued Operations		-	-	-	-	-	-
XIX.	OTHER ASSETS	I-n	278,025	98,967	376,992	240,275	131,282	371,557
	TOTAL ASSETS		7,362,610	10,732,351	18,094,961	6,950,511	10,640,652	17,591,163

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five)	31 March 2017			31 December 2016		
			TL	FC	Total	TL	FC	Total
	LIABILITIES							
I.	DEPOSITS	II-a	3,539,474	5,183,606	8,723,080	4,587,476	4,210,511	8,797,987
1.1	Deposits from Bank's Risk Group		660	15,113	15,773	740	20,792	21,532
1.2	Other		3,538,814	5,168,493	8,707,307	4,586,736	4,189,719	8,776,455
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-b	95,295	32,260	127,555	49,287	21,157	70,444
III.	FUNDS BORROWED	II-c	117,568	4,230,661	4,348,229	69,414	3,870,563	3,939,977
IV.	MONEY MARKET FUNDS		38,786	316,025	354,811	213,347	313,068	526,415
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		38,766	-	38,766	40,021	-	40,021
4.3	Funds Provided Under Repurchase Agreements		20	316,025	316,045	173,326	313,068	486,394
V.	MARKETABLE SECURITIES ISSUED (Net)		194,923	912,235	1,107,158	151,924	889,656	1,041,580
5.1	Bills		194,923	912,235	1,107,158	151,924	889,656	1,041,580
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	FUNDS		-	-	-	-	-	-
6.1	Borrower Funds		-	-	-	-	-	-
6.2	Other		-	-	-	-	-	-
VII.	MISCELLANEOUS PAYABLES		122,117	144,884	267,001	91,400	119,061	210,461
VIII.	OTHER LIABILITIES	II-d	117,191	19,398	136,589	78,622	14,287	92,909
IX.	FACTORING PAYABLES		-	-	-	-	-	-
X.	LEASE PAYABLES (Net)	II-e	-	-	-	-	-	-
10.1	Finance Lease Payables		-	-	-	-	-	-
10.2	Operating Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-f	-	-	-	404	-	404
11.1	Fair Value Hedge		-	-	-	404	-	404
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Net Foreign Investment Hedge		-	-	-	-	-	-
XII.	PROVISIONS	II-g	100,569	528	101,097	114,463	8	114,471
12.1	General Loan Loss Provision		42,803	-	42,803	52,211	-	52,211
12.2	Provisions for Restructuring		-	-	-	-	-	-
12.3	Reserve for Employee Benefit		12,310	-	12,310	10,474	-	10,474
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		45,456	528	45,984	51,778	8	51,786
XIII.	TAX LIABILITY	II-h	21,059	-	21,059	22,230	-	22,230
13.1	Current Tax Liability		21,059	-	21,059	22,230	-	22,230
13.2	Deferred Tax Liability		-	-	-	-	-	-
XIV.	PAYABLES FOR ASSET-HELD-FOR-RESALE AND DISCONTINUED OPERATIONS (Net)		1,300	3,246	4,546	1,200	3,100	4,300
14.1	Held for Sale		1,300	3,246	4,546	1,200	3,100	4,300
14.2	Discontinued Operations		-	-	-	-	-	-
XV.	SUBORDINATED LOANS	II-j	-	1,586,541	1,586,541	-	1,504,693	1,504,693
XVI.	SHAREHOLDERS' EQUITY	II-k	1,374,131	(56,836)	1,317,295	1,416,101	(150,809)	1,265,292
16.1	Paid-in Capital		980,000	-	980,000	980,000	-	980,000
16.2	Capital Reserves		(87,181)	(56,836)	(144,017)	(17,590)	(150,809)	(168,399)
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(83,541)	(56,836)	(140,377)	(14,358)	(150,809)	(165,167)
16.2.4	Tangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-	-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-	-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-
16.2.8	Hedging Reserves (Effective portion)		-	-	-	-	-	-
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-	-	-	-
16.2.10	Other Capital Reserves		(3,694)	-	(3,694)	(3,286)	-	(3,286)
16.3	Profit Reserves		440,967	-	440,967	440,967	-	440,967
16.3.1	Legal Reserves		28,974	-	28,974	28,974	-	28,974
16.3.2	Status Reserves		-	-	-	-	-	-
16.3.3	Extraordinary Reserves		411,993	-	411,993	411,993	-	411,993
16.3.4	Other Profit Reserves		-	-	-	-	-	-
16.4	Profit or (Loss)		40,332	-	40,332	12,711	-	12,711
16.4.1	Prior Years' Profit or (Loss)		12,711	-	12,711	(17,652)	-	(17,652)
16.4.2	Current Year Profit or (Loss)		27,621	-	27,621	30,363	-	30,363
16.5	Minority Shares	II-l	13	-	13	13	-	13
	TOTAL LIABILITIES		5,722,413	12,372,548	18,094,961	6,795,868	10,795,295	17,591,163

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
FOR THE INTERIM PERIOD ENDED 31 MARCH 2017

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

II. OFF-BALANCE SHEET ITEMS	Note (Section Five)	31 March 2017			31 December 2016		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		8,800,162	14,982,530	23,782,692	7,387,132	12,946,202	20,333,334
I. GUARANTEES AND WARRANTIES	III-a-2	1,116,330	1,906,270	3,022,600	1,042,789	1,905,042	2,947,831
1.1 Letters of Guarantee	III-a-2.ii	1,114,663	1,120,469	2,235,132	1,041,129	1,045,258	2,086,387
1.1.1 Guarantees Subject to State Tender Law		20,471	40,400	60,871	19,059	17,442	36,501
1.1.2 Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-
1.1.3 Other Letters of Guarantee		1,094,192	1,080,069	2,174,261	1,022,070	1,027,816	2,049,886
1.2 Bank Acceptances	III-a-2.i	-	5,757	5,757	-	3,885	3,885
1.2.1 Import Letter of Acceptance		-	5,757	5,757	-	3,885	3,885
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit	III-a-2.i	1,667	221,212	222,879	1,660	264,016	265,676
1.3.1 Documentary Letters of Credit		1,667	221,212	222,879	1,660	264,016	265,676
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7 Factoring Guarantees		-	-	-	-	-	-
1.8 Other Guarantees	III-a-2.i	-	558,832	558,832	-	591,883	591,883
1.9 Other Warranties		-	-	-	-	-	-
II. COMMITMENTS		836,734	426,699	1,263,433	621,668	351,120	972,788
2.1 Irrevocable Commitments		756,350	328,511	1,084,861	604,591	252,959	857,550
2.1.1 Asset Purchase and Sales Commitments		201,432	328,511	529,943	20,846	60,548	81,394
2.1.2 Deposit Purchase and Sales Commitments		-	-	-	-	192,411	192,411
2.1.3 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4 Commitments for Loan Limits	III-a-1	176,601	-	176,601	191,311	-	191,311
2.1.5 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7 Commitments for Cheques		228,595	-	228,595	218,649	-	218,649
2.1.8 Tax and Fund Liabilities from Export Commitments		-	-	3,738	-	-	3,738
2.1.9 Commitments for Credit Card Limits		90,956	-	90,956	128,405	-	128,405
2.1.10 Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13 Other Irrevocable Commitments		55,028	-	55,028	41,642	-	41,642
2.2 Revocable Commitments		80,384	98,188	178,572	17,077	98,161	115,238
2.2.1 Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		80,384	98,188	178,572	17,077	98,161	115,238
III. DERIVATIVE FINANCIAL INSTRUMENTS	III-b	6,847,098	12,649,561	19,496,659	5,722,675	10,690,040	16,412,715
3.1 Hedging Derivative Financial Instruments		110,000	-	110,000	220,000	-	220,000
3.1.1 Transactions for Fair Value Hedge		110,000	-	110,000	220,000	-	220,000
3.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		6,737,098	12,649,561	19,386,659	5,502,675	10,690,040	16,192,715
3.2.1 Forward Foreign Currency Buy/Sell Transactions		333,967	360,442	694,409	124,595	253,116	377,711
3.2.1.1 Forward Foreign Currency Transactions-Buy		168,046	166,117	334,163	47,584	128,590	176,174
3.2.1.2 Forward Foreign Currency Transactions-Sell		165,921	194,325	360,246	77,011	124,526	201,537
3.2.2 Swap Transactions Related to Foreign Currency and Interest Rates		4,952,411	9,154,209	14,106,620	4,624,187	8,053,933	12,678,120
3.2.2.1 Foreign Currency Swap-Buy		2,215,652	4,620,980	6,836,632	2,818,519	3,518,161	6,336,680
3.2.2.2 Foreign Currency Swap-Sell		2,736,759	4,183,919	6,920,678	1,805,668	4,535,772	6,341,440
3.2.2.3 Interest Rate Swap-Buy		-	174,655	174,655	-	-	-
3.2.2.4 Interest Rate Swap-Sell		-	174,655	174,655	-	-	-
3.2.3 Foreign Currency, Interest Rate and Securities Options		1,450,720	3,076,731	4,527,451	753,893	2,326,684	3,080,577
3.2.3.1 Foreign Currency Options-Buy		671,639	1,194,818	1,866,457	310,722	849,263	1,159,985
3.2.3.2 Foreign Currency Options-Sell		779,081	1,077,125	1,856,206	443,171	708,925	1,152,096
3.2.3.3 Interest Rate Options-Buy		-	402,394	402,394	-	384,248	384,248
3.2.3.4 Interest Rate Options-Sell		-	402,394	402,394	-	384,248	384,248
3.2.3.5 Securities Options-Buy		-	-	-	-	-	-
3.2.3.6 Securities Options-Sell		-	-	-	-	-	-
3.2.4 Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1 Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2 Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5 Interest Rate Futures		-	-	-	-	-	-
3.2.5.1 Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2 Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6 Other		-	58,179	58,179	-	56,307	56,307
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		44,263,237	25,919,700	70,182,937	42,773,218	25,050,319	67,823,537
IV. ITEMS HELD IN CUSTODY		2,834,850	5,448,934	8,283,784	2,735,212	5,409,039	8,144,251
4.1 Customer Fund and Portfolio Balances		203,261	-	203,261	249,254	-	249,254
4.2 Investment Securities Held in Custody		452,002	39,725	491,727	456,731	40,195	496,926
4.3 Cheques Received for Collection		159,141	10,235	169,376	234,435	11,865	246,300
4.4 Commercial Notes Received for Collection		33,279	21,464	54,743	39,161	24,867	64,028
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1,987,167	5,377,510	7,364,677	1,755,631	5,332,112	7,087,743
4.8 Custodians		-	-	-	-	-	-
V. PLEDGES RECEIVED		41,094,800	20,416,025	61,510,825	40,022,286	19,641,088	59,663,374
5.1 Marketable Securities		-	-	-	-	-	-
5.2 Guarantee Notes		28,482,665	12,886,454	41,369,119	27,757,789	12,345,999	40,103,788
5.3 Commodity		922,870	86,774	1,009,644	877,870	119,322	997,192
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		9,455,006	5,760,578	15,215,584	9,117,030	5,392,089	14,509,119
5.6 Other Pledged Items		2,234,259	1,682,219	3,916,478	2,269,597	1,783,678	4,053,275
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		333,587	54,741	388,328	15,720	192	15,912
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		53,063,399	40,902,230	93,965,629	50,160,350	37,996,521	88,156,871

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017

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

III. INCOME STATEMENT

INCOME AND EXPENSE ITEMS		Note (Section Five)	1 January 2017– 31 March 2017	1 January 2016– 31 March 2016
I.	INTEREST INCOME	IV-a	341,759	292,811
1.1	Interest on Loans		248,486	205,181
1.2	Interest Received from Reserve Requirements		3,293	2,469
1.3	Interest Received from Banks		7,725	8,337
1.4	Interest Received from Money Market Transactions		7,189	35,549
1.5	Interest Received from Marketable Securities Portfolio		48,772	17,322
1.5.1	Trading Financial Assets		796	79
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		32,547	17,243
1.5.4	Held-to-maturity Investments		15,429	-
1.6	Financial Lease Income		24,833	22,499
1.7	Other Interest Income		1,461	1,454
II.	INTEREST EXPENSE	IV-b	215,059	184,021
2.1	Interest on Deposits		134,590	132,802
2.2	Interest on Funds Borrowed		63,655	34,581
2.3	Interest Expense on Money Market Transactions		2,866	4,395
2.4	Interest on Securities Issued		12,141	9,856
2.5	Other Interest Expenses		1,807	2,387
III.	NET INTEREST INCOME (I - II)		126,700	108,790
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		16,148	4,121
4.1	Fees and Commissions Received		20,580	14,591
4.1.1	Non-cash Loans		7,464	8,378
4.1.2	Other	IV-k	13,116	6,213
4.2	Fees and Commissions Paid		4,432	10,470
4.2.1	Non-cash Loans		208	134
4.2.2	Other	IV-k	4,224	10,336
V.	DIVIDEND INCOME	IV-c	-	-
VI.	TRADING INCOME / LOSS (Net)	IV-d	12,059	(19,611)
6.1	Trading Gains/Losses on Securities		(503)	(476)
6.2	Trading Gains/Losses on Derivative Financial Instruments		(52,108)	(99,706)
6.3	Foreign Exchange Gains/Losses		64,670	80,571
VII.	OTHER OPERATING INCOME	IV-e	21,579	14,490
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		176,486	107,790
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-f	68,500	69,057
X.	OTHER OPERATING EXPENSES (-)	IV-g	74,586	81,438
XI.	NET OPERATING INCOME/(LOSS) (VIII-IX-X)		33,400	(42,705)
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	IV-h	33,400	(42,705)
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (±)	IV-i	(5,779)	10,633
16.1	Current Tax Provision		(3,232)	-
16.2	Deferred Tax Provision		(2,547)	10,633
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV± XVI)		27,621	(32,072)
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other Income from Discontinued Operations		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
19.1	Expense from Non-Current Assets Held for Resale		-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Expenses from Discontinued Operations		-	-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)		-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET INCOME/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII.	NET INCOME/LOSS (XVII+XXII)	IV-j	27,621	(32,072)
23.1	Group's Profit/Loss		27,621	(32,071)
23.2	Non-controlling interest (-)	IV-l	-	(1)
	Earnings / (Loss) per share in (Full TL)		0.0282	(0.0517)

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017

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

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

INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		1 January 2017– 31 March 2017	1 January 2016– 31 March 2016
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	30,988	16,494
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	(510)	(80)
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(6,096)	(3,283)
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	24,382	13,131
XI.	CURRENT PERIOD INCOME/LOSS	27,621	(32,071)
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	(402)	(381)
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	28,023	(31,690)
XII.	TOTAL PROFIT/LOSS RELATED TO THE CURRENT PERIOD (X±XI)	52,003	(18,940)

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

31 March 2016	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income / (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Shares	Minority shares	Total Shareholders' Equity
I.	Prior Period End Balance	620,000	-	54	-	24,972	-	333,171	(1,524)	69,876	(4,007)	(27,437)	-	-	-	-	1,015,105	11	1,015,116
II.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	13,195	-	-	-	-	13,195	-	13,195
IV.	Hedging Reserves (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	(701)	-	-	-	-	-	(701)	2	(699)
X.	Changes due to the Reclassification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	(64)	-	-	-	-	-	-	-	(64)	-	(64)
XVII.	Net Profit or Loss for the Period	-	-	-	-	-	-	-	-	(32,071)	-	-	-	-	-	-	(32,071)	(1)	(32,072)
XVIII.	Profit Distribution	-	-	-	-	4,003	-	61,967	-	(69,876)	3,906	-	-	-	-	-	-	-	-
18.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	-	-	-	-	4,003	-	61,967	-	(69,876)	3,906	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+II+III+... +XVIII)	620,000	-	54	-	28,975	-	395,138	(1,588)	(32,071)	(802)	(14,242)	-	-	-	-	995,464	12	995,476

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017

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

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																				
31 March 2017	Note (Section Five)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income / (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Equity Except for Minority Shares	Minority shares	Total Shareholders' Equity	
I.	Prior Period End Balance	980,000	-	54	-	28,974	-	411,993	(3,286)	30,363	(17,652)	(165,167)	-	-	-	-	1,265,279	13	1,265,292	
II.	Increase/Decrease due to the Merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	-	-	-	-	-	-	-	-	-	-	24,790	-	-	-	-	24,790	-	24,790	
IV.	Hedging Reserves (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of the Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other	-	-	-	-	-	-	-	(408)	-	-	-	-	-	-	-	(408)	-	(408)	
XVII.	Net Profit or Loss for the Period	-	-	-	-	-	-	-	-	27,621	-	-	-	-	-	-	27,621	-	27,621	
XVIII.	Profit Distribution	-	-	-	-	-	-	-	-	(30,363)	30,363	-	-	-	-	-	-	-	-	-
18.1	Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	-	-	-	-	-	-	-	-	(30,363)	30,363	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (I+II+III+... +XVIII)		980,000	-	54	-	28,974	-	411,993	(3,694)	27,621	12,711	(140,377)	-	-	-	-	1,317,282	13	1,317,295	

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS	Note (Section Five)	1 January 2017– 31 March 2017	1 January 2016– 31 March 2016
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	531,402	80,952
1.1.1	Interest Received	273,165	295,378
1.1.2	Interest Paid	(191,987)	(147,747)
1.1.3	Dividend Received	-	-
1.1.4	Fees and Commissions Received	20,580	14,591
1.1.5	Other Income	251,811	82,605
1.1.6	Collections from Previously Written-off Loans and Other Receivables	26,108	42,364
1.1.7	Payments to Personnel and Service Suppliers	(36,674)	(48,444)
1.1.8	Taxes Paid	14,099	(6,006)
1.1.9	Other	174,300	(151,789)
1.2	Changes in Operating Assets and Liabilities	15,069	1,502,471
1.2.1	Net (Increase)/Decrease in Trading Securities	(22,665)	(64,711)
1.2.2	Net (Increase)/Decrease in Fair Value through Profit/Loss Financial Assets	-	-
1.2.3	Net (Increase)/Decrease in due from Banks	98,467	539,754
1.2.4	Net (Increase)/Decrease in Loans	(261,604)	1,069,996
1.2.5	Net (Increase)/Decrease in Other Assets	85,779	(63,099)
1.2.6	Net Increase/(Decrease) in Bank Deposits	256,193	(343,000)
1.2.7	Net Increase/(Decrease) in Other Deposits	(333,062)	528,061
1.2.8	Net Increase/(Decrease) in Funds Borrowed	281,523	(298,607)
1.2.9	Net Increase/(Decrease) in Payables	-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(89,562)	134,077
I.	Net Cash Provided from Banking Operations	546,471	1,583,423
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities	(115,210)	16,561
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries	-	-
2.2	Cash Obtained from Disposal of Investments, Associates and subsidiaries	-	-
2.3	Purchases of Property and Equipment	(6,365)	(11,395)
2.4	Disposals of Property and Equipment	1,276	3,348
2.5	Cash Paid for Purchase of Investments Available-for-sale	(944,566)	(82,235)
2.6	Cash Obtained from Sale of Investments Available-for-sale	834,445	106,843
2.7	Cash Paid for Purchase of Investment Securities	-	-
2.8	Cash Obtained from Sale of Investment Securities	-	-
2.9	Other	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities	45,704	(437,293)
3.1	Cash Obtained from Funds Borrowed and Securities Issued	192,227	-
3.2	Cash used for Repayment of Funds Borrowed and Securities Issued	(146,523)	(437,293)
3.3	Issued Capital Instruments	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(69,747)	29,770
V.	Net Increase in Cash and Cash Equivalents (I+II+III+IV)	407,218	1,192,461
VI.	Cash and Cash Equivalents at Beginning of the Period	1,518,017	1,284,635
VII.	Cash and Cash Equivalents at End of the Period	1,925,235	2,477,096

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

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
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SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

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

The 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.

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 XXVI 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 adequacy 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 2017 and 31 December 2016, the Group does not have any investment in foreign companies.

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017

(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 2017.

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

ALTERNATİFBANK A.Ş.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. Forward Transactions, Options and Derivative Instruments

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

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

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

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

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

V. Interest Income and Expense

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

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

VI. Fee and 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 depending on nature of fees and commission income derived from agreements and asset purchases for third parties are recognized as income when realized.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD FROM 1 JANUARY TO 31 MARCH 2017
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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Financial Assets

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

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

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

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

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

a. Cash, Banks and Other Financial Institutions

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

b. Marketable securities

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

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

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

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

Interests that earned while keeping the financial assets fair value difference which are reflected to profit and loss referrals to interest income accounts, share of profits referrals to share of profit income accounts.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Financial Assets (Continued)

b. Marketable securities (Continued)

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

c. Loans and receivables

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

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

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

Starting from 24 March 2014, the Parent Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan amounting TL 31,736 with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2017, the difference of TL 567 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 24 March 2019.

VIII. Impairment of Financial Assets

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IX. Offsetting Financial Assets

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the 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.

X. Sales and Repurchase Agreements and Securities Lending Transactions

Funds obtained by the Parent Bank from repurchase agreements (“repo”) are accounted under “Funds Provided under Repurchase Agreements” 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 “Receivables from Reverse Repurchase Agreements” on the balance sheet.

XI. Assets Held For Sale and Discontinued Operations

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

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

A discontinued operation is a part of the 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.

The Group has no discontinued operations.

XII. Goodwill and Other Intangible Assets

Group has TL 49,647 goodwill in consolidated financial statements as of balance sheet date (31 December 2016: 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. Goodwill and Other Intangible Assets (Continued)

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.

XIII. Property and Equipment

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

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

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

If fix assets’ value, adjusted for inflation (until 31 December 2004) is higher than the current value, exceeding amount is being allocated for impairment and determined amounts are reflected in the financial statements. Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

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

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

XIV. Leasing Transactions

Finance leasing activities as the lessee

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

Finance leasing activities as the lessor

The total of minimum rent amounts are recorded at “finance lease receivables” account in gross amounts comprising the principal amounts and interests. The interest, the difference between the total of rent amounts and the cost of the fixed assets, is recorded at “unearned income” account. As the rents are collected, “finance lease receivables” account is decreased by the rent amount; and the interest component is recorded at consolidated income statement as interest income.

Operating lease transactions

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. 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.

XVI. Obligations Related To Employee Rights

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

XVII. Taxation

a. Current tax

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

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. Taxation (Continued)

b. Deferred tax

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.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized. The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

XVIII. Additional Explanations on Borrowings

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

XIX. Share Certificates and Issuance of Share Certificates

At capital increases, the 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.

XX. Avalized Drafts And Acceptances

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

XXI. Government Grants

As of 31 March 2017, the Group has unused investment incentives amounting to TL 71,922 which is investment incentive of qualifying investment allowances amount, over 40% of property value of having been leased investment.

XXII. Profit Reserves And Profit Distribution

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXIII. Earnings Per Share

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

	31 March 2017	31 March 2016
Group’s Profit	27,621	(32,071)
Weighted Average Number of Issued Ordinary Shares (Thousand) (*)	980,000	620,000
Earnings Per Share (Disclosed in full TL)	0.0282	(0.0517)

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

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

XXIV. Related Parties

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

XXV. Cash and Cash Equivalents

For the purposes of 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.

XXVI. 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.

- The Parent Bank provides basic banking services in corporate/commercial banking and treasury.
- Corporate banking services consists of automatic money transfers, current accounts, deposits, open loan transactions as well as option and other derivative instruments that are used for banking operations.
- Investment banking services consists of trading of financial instruments and fund management.
- 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 a 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVI. Operating Segments (Continued)

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 Parent Bank’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%.

Major balance sheet and income statement items according to operating segments

	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
31 March 2017				
Net Interest Income	123,084	3,616	-	126,700
Net Fees and Commissions Income and Other Operating Income	37,178	549	-	37,727
Trading Profit/Loss	2,420	9,639	-	12,059
Dividend Income	-	-	-	-
Impairment Provision for Loans and Other Receivables (-)	(67,138)	(1,362)	-	(68,500)
Other Operating Expenses (-)	(71,843)	(2,743)	-	(74,586)
Profit Before Taxes	23,701	9,699	-	33,400
Tax Provision	-	-	-	(5,779)
Net Profit for the Period	23,701	9,699	-	27,621
31 March 2017				
Segment Assets	11,919,212	5,522,003	653,746	18,094,961
Investments in Associates and Subsidiaries	-	-	-	-
Total Assets	11,919,212	5,522,003	653,746	18,094,961
Segment Liabilities	9,925,504	3,899,606	2,952,556	16,777,666
Shareholders’ Equity	138,962	19,827	1,158,506	1,317,295
Total Liabilities	10,064,466	3,919,433	4,111,062	18,094,961

	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
31 March 2016				
Net Interest Income	83,529	25,261	-	108,790
Net Fees and Commissions Income and Other Operating Income	18,149	462	-	18,611
Trading Profit/Loss	831	(20,442)	-	(19,611)
Dividend Income	-	-	-	-
Impairment Provision for Loans and Other Receivables (-)	(69,022)	(35)	-	(69,057)
Other Operating Expenses (-)	(79,737)	(1,701)	-	(81,438)
Profit Before Taxes	(46,250)	3,545	-	(42,705)
Tax Provision	-	-	-	10,633
Net Profit for the Period	(46,250)	3,545	-	(32,072)
31 December 2016				
Segment Assets	11,803,556	4,961,147	826,460	17,591,163
Investments in Associates and Subsidiaries	-	-	-	-
Total Assets	11,803,556	4,961,147	826,460	17,591,163
Segment Liabilities	9,953,357	3,595,904	2,776,610	16,325,871
Shareholders’ Equity	135,530	19,829	1,109,933	1,265,292
Total Liabilities	10,088,887	3,615,733	3,886,543	17,591,163

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Information on Capital Adequacy Ratio

The standard rate of the capital adequacy of the Group is 18.83% (31 December 2016: 16.98%). The standard rate of the capital adequacy of the Parent Bank is 20.32% (31 December 2016: 18.31%).

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

a. Information about the shareholders’ equity items

31 March 2017

	Amount	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	980,000	
Share issue premiums	54	
Reserves	440,967	
Gains recognized in equity as per TAS	-	
Profit	40,332	
Current Period Profit	27,621	
Prior Period Profit	12,711	
Minority Shares	13	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,461,366	
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 (-)	144,071	
Improvement costs for operating leasing (-)	16,894	49,647
Goodwill (net of related tax liability)	39,718	39,017
Other intangibles other than mortgage-servicing rights (net of related tax liability)	31,213	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	36,383	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	

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

I. Information on Capital Adequacy Ratio(Continued)

a. Information about the shareholders’ equity items (Continued)

Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	268,279	-
Total Common Equity Tier 1 Capital	1,193,087	-
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	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier 1 Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks (-)	17,733	-
Net Deferred Tax Asset/Liability not deducted from Tier 1 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	-	-
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	1,175,354	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,534,585	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	42,803	-
Tier II Capital Before Deductions	1,577,388	-
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	1,577,388	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,752,742	-
Deductions from Total Capital	2,752,742	-
Loans granted against the articles 50 and 51 of the banking law	481	-
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	3,190	-
Other items to be defined by the BRSA	-	-

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(Continued)

I. Information on Capital Adequacy Ratio(Continued)

a. Information about the shareholders’ equity items (Continued)

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)	2,749,071	2,749,071
Total risk weighted amounts	14,599,309	14,599,309
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	8.17%	8.17%
Tier I Capital Adequacy Ratio (%)	8.05%	8.05%
Capital Adequacy Ratio (%)	18.83%	18.83%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	1.25%	
Capital conservation buffer requirement (%)	1.25%	
Bank specific counter-cyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
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)	42,803	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	42,803	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

(*) Amounts taken into consideration during the transition period.

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(Continued)

I. Information on Capital Adequacy Ratio (Continued)

a. Information about the shareholders’ equity items (Continued)

31 December 2016

	Amount	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	980,000	
Share issue premiums	54	
Reserves	440,967	
Gains recognized in equity as per TAS	-	
Profit	30,363	
Current Period Profit	30,363	
Prior Period Profit	-	
Minority Shares	13	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	1,451,397	
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 (-)	186,105	
Improvement costs for operating leasing (-)	17,561	
Goodwill (net of related tax liability)	52,102	86,837
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	64,458	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	

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

I. Information on Capital Adequacy Ratio (Continued)

a. Information about the shareholders’ equity items (Continued)

Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	320,226	-
Total Common Equity Tier I Capital	1,131,171	-
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	-	-
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA (-)	-	-
Transition from the Core Capital to Continue to deduce Components		
Goodwill and Other Intangible Assets and Related Deferred 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 (-)	34,735	-
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	-	-
Total Tier I Capital (Tier I Capital=Common Equity Tier I Capital+Additional Tier I Capital)	1,096,436	-
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	1,485,208	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	52,211	-
Tier II Capital Before Deductions	1,537,419	-
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	1,537,419	-
Total Capital (The sum of Tier I Capital and Tier II Capital)	2,633,855	-
Deductions from Total Capital	2,633,855	-
Loans granted against the articles 50 and 51 of the banking law	355	-
Net book values of movables and immovables exceeding the limit defined in the Article 57, clause 1 of the Banking Law and the assets acquired against overdue receivables and held for sale but retained more than five years	3,344	-
Other items to be defined by the BRSA	-	-

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

I. Information on Capital Adequacy Ratio (Continued)

a. Information about the shareholders’ equity items (Continued)

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)	2,630,156	2,630,156
Total risk weighted amounts	15,488,367	15,488,367
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	7.30%	7.08%
Tier 1 Capital Adequacy Ratio (%)	7.08%	7.08%
Capital Adequacy Ratio (%)	16.98%	16.98%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	0.63%	-
Capital conservation buffer requirement (%)	0.63%	-
Bank specific counter-cyclical buffer requirement (%)	-	-
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	1.08%	-
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)	52,211	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	52,211	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to % 0.6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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	-	-

(*) Amounts taken into consideration during the transition period.

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

I. Information on Capital Adequacy Ratio (Continued)

b. Details on Subordinated Liabilities

Issuer	The Commercial Bank (Q.S.C), United Arab Bank, National Bank Of Oman
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	454.525
Par value of instrument (Million TRL)	454.525
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date	10 years+ 1 day
Issuer call subject to prior supervisory approval	-Illegality, - After 5th year, -Taxation reason and -Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Floating
Coupon rate and any related index	Libor+6
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts int	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

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

I. Information on Capital Adequacy Ratio (Continued)

b. Details on Subordinated Liabilities (Continued)

Issuer	Alternatif Bank A.Ş.
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	1,080,060
Par value of instrument (Million TRL)	1,080,060
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)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Before core capital, after all creditors
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

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

I. Information on Capital Adequacy Ratio (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 3 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Banking accounts, concentration risk, business risk, reputation risk, model risk, and exchange risk are also included.

The risks that the Parent Bank can encounter due to its operations are being evaluated in 2016 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 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

	Usd	Euro
Rate used:	TL 3.6362	TL 3.8851
31 March 2017 Foreign Currency Bid Rate	TL 3.6362	TL 3.8851
30 March 2017 Foreign Currency Bid Rate	TL 3.6386	TL 3.9083
29 March 2017 Foreign Currency Bid Rate	TL 3.6416	TL 3.9268
28 March 2017 Foreign Currency Bid Rate	TL 3.6186	TL 3.9283
27 March 2017 Foreign Currency Bid Rate	TL 3.5931	TL 3.9045

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 3.6687
Euro: TL 3.9187

As of 31 December 2016;

	Usd	Euro
Rate Used:	TL 3.5192	TL 3.7099

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

II. 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	Yen	Other FC	Total
31 March 2017					
Assets					
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	259,685	1,101,312	1	350,245	1,711,243
Banks	126,741	528,074	(533)	3,621	657,903
Financial Assets at Fair Value Through Profit and Loss (*)	-	13,465	-	-	13,465
Money Market Placements	-	-	-	-	-
Financial Assets Available-For-Sale	-	1,293,712	-	-	1,293,712
Loans (**)	3,870,884	3,274,350	-	-	7,145,234
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Held-to-Maturity Investments	-	-	-	-	-
Hedging Derivative Financial Assets	-	847,817	-	-	847,817
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (***)	51,025	47,794	-	-	98,819
Total Assets	4,308,335	7,106,524	(532)	353,866	11,768,193
Liabilities					
Bank Deposits	737	294,185	-	785	295,707
Foreign Currency Deposits	1,677,419	2,614,223	526	595,731	4,887,899
Money Market Funds	-	316,025	-	-	316,025
Funds Borrowed From Other Financial Institutions	1,672,192	4,145,010	-	-	5,817,202
Marketable Securities Issued	-	912,235	-	-	912,235
Miscellaneous Payables	41,505	101,503	121	1,755	144,884
Derivative Financial Liabilities For Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	14,204	19,177	11	-	33,392
Total Liabilities	3,406,057	8,402,358	658	598,271	12,407,344
Net Balance Sheet Position	902,278	(1,295,834)	(1,190)	(244,405)	(639,151)
Net Off Balance Sheet Position	(893,914)	1,402,584	1,140	258,747	768,557
Financial Derivative Assets	1,795,273	4,191,031	6,252	318,285	6,310,841
Financial Derivative Liabilities	2,689,187	2,788,447	5,112	59,538	5,542,284
Non-Cash Loans (*****)	795,818	1,092,152	20,728	305	1,909,003
31 December 2016					
Total Assets	4,021,805	7,354,243	338	332,969	11,709,355
Total Liabilities	3,201,183	7,208,857	338	521,160	10,931,538
Net Balance Sheet Position	820,622	145,386	-	(188,191)	777,817
Net Off balance Sheet Position	(758,614)	(210,483)	4	192,604	(776,489)
Financial Derivative Assets	1,737,935	2,672,901	3,504	207,012	4,621,352
Financial Derivative Liabilities	2,496,549	2,883,384	3,500	14,408	5,397,841
Non-Cash Loans (*****)	753,295	1,135,648	19,188	587	1,908,718

(*) Accruals of derivative assets held for trading amounting to TL 9,488 (31 December 2016: TL 23,665) have been deducted from fair value through profit and loss.

(**) FC indexed loans and accruals amounting to TL 1,045,478 (31 December 2016: TL 1,092,396) and leasing receivables of TL 1,029,419 (31 December 2015: TL 982,806) are shown in loans.

(***) Accruals of spot transaction amounting to TL 148 (31 December 2016: TL 28) have been deducted from other assets.

(****) Accruals of derivative liabilities held for trading amounting to TL 21,512 (31 December 2016: TL 14,558) and other provisions amounting to TL 528 (31 December 2016: TL 8) 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)

II. Explanations on Currency Risk (Continued)

b. Exposure to currency risk

The table below represents the sensitivity of the Group to 10% weakening of TL against USD, EUR and other currencies and the effects on equity and income statement (without tax effect) for interim periods then ended 31 March 2017 and 31 March 2016.

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

	31 March 2017		31 March 2016	
	Income statement	Equity	Income statement	Equity
Usd	10,675	10,675	4,494	4,494
Euro	836	836	312	312
Other FC	1,429	1,429	21	21
Total, net	12,940	12,940	4,827	4,827

The table below represents the sensitivity of the Group to 10% strenghtening of TL against below mentioned currencies and the effects on equity and income statement (without tax effect) for the year then ended 31 March 2017 and 31 March 2016.

	31 March 2017		31 March 2016	
	Income statement	Equity	Income statement	Equity
Usd	(10,675)	(10,675)	(4,494)	(4,494)
Euro	(836)	(836)	(312)	(312)
Other FC	(1,429)	(1,429)	(21)	(21)
Total, net	(12,940)	(12,940)	(4,827)	(4,827)

III. Explanations on Interest Rate Risk

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

The expected impact on the financial position and on the cash flow of the 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.

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

III. Explanations on Interest Rate Risk (Continued)

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

31 March 2017	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	1,935,397	-	-	-	-	155,075	2,090,472
Banks	760,694	54,528	-	-	-	105,208	920,430
Financial Assets at Fair Value Through Profit and Loss	36,952	11,530	22,625	60,635	42,869	-	174,611
Money Market Placements	200,064	-	-	-	-	-	200,064
Financial Assets Available-for-Sale	782,096	183,275	585,761	-	35,424	6,065	1,592,621
Loans	1,029,919	740,046	2,531,527	3,979,022	1,863,312	233,589	10,377,415
Held-to-maturity Investments	631,405	-	216,412	-	-	-	847,817
Other Assets (*) (**)	62,217	76,921	325,595	804,758	27,255	594,785	1,891,531
Total Assets	5,438,744	1,066,300	3,681,920	4,844,415	1,968,860	1,094,722	18,094,961
Liabilities							
Bank Deposits (***)	461,182	459,688	-	-	-	8,045	928,915
Other Deposits	4,992,080	2,303,597	47,553	261	-	450,674	7,794,165
Money Market Funds	280,384	74,427	-	-	-	-	354,811
Miscellaneous Payables	-	-	-	-	-	267,001	267,001
Marketable Securities Issued	-	89,217	105,706	912,235	-	-	1,107,158
Funds Borrowed From Other Financial Institutions	2,304,229	2,132,227	1,495,132	3,182	-	-	5,934,770
Other Liabilities and Shareholders' Equity (****)	16,556	10,025	18,927	60,635	21,323	1,580,675	1,708,141
Total Liabilities	8,054,431	5,069,181	1,667,318	976,313	21,323	2,306,395	18,094,961
Balance Sheet Long Position	-	-	2,014,602	3,868,102	1,947,537	-	7,830,241
Balance Sheet Short Position	(2,615,687)	(4,002,881)	-	-	-	(1,211,673)	(7,830,241)
Off-Balance Sheet Long Position	-	-	2,316	27,023	-	-	29,339
Off-Balance Sheet Short Position	(181,982)	(29,976)	-	-	-	-	(211,958)
Total Position	(2,797,669)	(4,032,857)	2,016,918	3,895,125	1,947,537	(1,211,673)	(182,619)

(*) 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.

(**) Leasing receivables are classified to other assets.

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

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

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

III. Explanations on Interest Rate Risk (Continued)

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

31 December 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	1,749,540	-	-	-	-	220,648	1,970,188
Banks	504,180	55,063	-	-	-	25,692	584,935
Financial Assets at Fair Value Through Profit and Loss	42,054	7,950	11,856	90	-	-	61,950
Money Market Placements	350,081	-	-	-	-	-	350,081
Financial Assets Available-for-Sale	2,033	814,083	1,475,266	-	32,592	6,065	2,330,039
Loans	2,625,700	1,180,542	3,047,963	2,701,792	699,345	233,507	10,488,849
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*) (**)	60,379	74,803	295,243	746,824	29,553	598,319	1,805,121
Total Assets	5,333,967	2,132,441	4,830,328	3,448,706	761,490	1,084,231	17,591,163
Liabilities							
Bank Deposits	562,825	86,015	-	-	-	24,581	673,421
Other Deposits	5,083,585	2,201,791	491,762	277	-	347,151	8,124,566
Money Market Funds	456,117	70,298	-	-	-	-	526,415
Miscellaneous Payables	-	-	-	-	-	210,461	210,461
Marketable Securities Issued	67,399	84,525	-	889,656	-	-	1,041,580
Funds Borrowed From Other Financial Institutions	934,523	1,083,606	3,370,959	931	54,651	-	5,444,670
Other Liabilities and Shareholders' Equity (***)	28,855	32,298	7,527	31	-	1,501,339	1,570,050
Total Liabilities	7,133,304	3,558,533	3,870,248	890,895	54,651	2,083,532	17,591,163
Balance Sheet Long Position	-	-	960,080	2,557,811	706,839	-	4,224,730
Balance Sheet Short Position	(1,799,337)	(1,426,092)	-	-	-	(999,301)	(4,224,730)
Off-balance Sheet Long Position	-	-	9,291	27,023	-	-	36,314
Off-balance Sheet Short Position	(137,337)	(70,464)	-	(541)	-	-	(208,342)
Total Position	(1,936,674)	(1,496,556)	969,371	2,584,293	706,839	(999,301)	(172,028)

(*) 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.

(**) Leasing receivables are classified to other assets.

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

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III. Explanations on Interest Rate Risk (Continued)

b. Average interest rates for monetary financial instruments

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

31 March 2017(*)	Euro	Usd	Other FC	TL
Assets	%	%	%	%
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	-	0.75	-	3.31
Banks	-	1.05	-	11.74
Financial Assets at Fair Value Through Profit and Loss	-	5.22	-	11.03
Money Market Placements	-	-	-	11.70
Financial Assets Available-for-Sale	-	4.25	-	9.67
Loans	4.75	5.85	-	15.33
Held-to-Maturity Investments	-	5.29	-	-
Liabilities				
Bank Deposits	-	0.99	-	9.34
Other Deposits	1.83	3.17	-	12.08
Money Market Funds	-	0.34	-	6.00
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	3.13	-	-
Funds Borrowed From Other Financial Institutions	1.09	4.95	-	13.75

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

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

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

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IV. Explanation on share certificates

None.

V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

There is a liquidity limit approved and monitored on a weekly basis by the 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, dated 21 March 2014, the deposit banks are subject to set 80% and 60% 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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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (Continued)

1.d. Information on liquidity management on the basis of currencies constitute the minimum five percentage of the 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

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.

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

2. Liquidity Coverage Ratio

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

	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
31 March 2017				
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets			3,055,967	2,377,582
CASH OUTFLOWS				
2 Retail and Small Business Customers	3,031,053	1,351,043	273,789	135,104
3 Stable Deposits	586,333	-	29,317	-
4 Less Stable Deposit	2,444,720	1,351,043	244,472	135,104
5 Unsecured Wholesale Funding	4,897,618	2,755,726	3,322,121	1,717,613
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	3,936,449	2,310,744	2,360,952	1,272,630
8 Other Unsecured Fundings	961,169	444,982	961,169	444,983
9 Secured Funding			127,879	127,879
10 Other Cash Outflows	67,999	38,658	67,999	38,658
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	67,999	38,658	67,999	38,658
12 Obligations related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	2,816,640	1,293,607	429,471	154,899
15 Other irrevocable or conditionally revocable off-balance sheet obligations	572,560	572,560	28,628	28,628
16 TOTAL CASH OUTFLOWS			4,249,887	2,202,781
CASH INFLOWS				
17 Secured lending	313,472	-	-	-
18 Unsecured lending	2,097,411	717,410	1,655,802	647,599
19 Other cash inflows	3,383	2,700	3,383	2,700
20 TOTAL CASH INFLOWS	2,414,266	720,110	1,659,185	650,299
			Total Adjusted Values	
21 TOTAL HIGH QUALITY ASSETS STOCKS			3,055,967	2,377,582
22 TOTAL CAH OUTFLOWS			2,590,702	1,552,482
23 LIQUIDITY COVERAGE RATIO (%)			119.19%	155.88%

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

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

2. Liquidity Coverage Ratio (Continued)

31 December 2016	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets			2,546,682	1,937,291
CASH OUTFLOWS				
2 Retail and Small Business Customers	3,089,050	1,278,133	278,977	127,813
3 Stable Deposits	598,573	-	29,929	-
4 Less Stable Deposit	2,490,477	1,278,133	249,048	127,813
5 Unsecured Wholesale Funding	4,541,102	2,027,056	3,065,965	1,272,118
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	3,626,479	1,737,425	2,151,597	982,486
8 Other Unsecured Fundings	914,623	289,631	914,368	289,632
9 Secured Funding			108,119	108,119
10 Other Cash Outflows	29,769	231	29,769	231
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	29,769	231	29,769	231
12 Obligations related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	2,733,603	1,302,921	396,279	169,357
15 Other irrevocable or conditionally revocable off-balance sheet obligations	588,420	588,420	29,421	29,421
16 TOTAL CASH OUTFLOWS			3,908,530	1,707,059
CASH INFLOWS				
17 Secured lending	376,808	-	-	-
18 Unsecured lending	1,710,277	561,488	1,250,193	482,847
19 Other cash inflows	3,542	3,575	3,542	3,575
20 TOTAL CASH INFLOWS	2,090,627	565,063	1,253,735	486,422
			Total Adjusted Value	
21 TOTAL HIGH QUALITY ASSETS STOCKS			2,546,682	1,937,291
22 TOTAL CAH OUTFLOWS			2,654,795	1,220,637
23 LIQUIDITY COVERAGE RATIO (%)			96.77%	178.23%

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

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

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

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

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

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

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

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

Basically deposits, loans and subordinated loans as unsecured debt items have the most significant portion in Parent Bank’s funding balances. As of 31 March 2017, the proportion of total liabilities to all deposits of the bank is 57% and borrowings constitutes 22% portion whereas subordinate debt is 10%. Secured borrowings such as repo transactions has lower portion (2%). In addition, as a funding item, the Parent Bank has USD 250,000 issued securities.

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 2017, net of derivative assets and liabilities amounts to TL 21,853. 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 2017, the liability balance is computed as TL 29,763 in case of a change in fair value of derivatives products.

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

As of 31 March 2017, the Bank’s approximately 36.26% 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 (98%). As of 31 March 2017, 30% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (Q.S.C.), United Arab Bank and National Bank of Oman.

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

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

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified (*) (**)	Total
31 March 2017								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	155,075	1,935,397	-	-	-	-	-	2,090,472
Due From Banks	105,208	760,694	54,528	-	-	-	-	920,430
Financial Assets at Fair Value Through Profit and Loss	-	8,663	11,304	49,321	60,878	44,445	-	174,611
Money Market Placements	-	200,064	-	-	-	-	-	200,064
Financial Assets Available-for-Sale	-	-	-	33,029	643,104	910,423	6,065	1,592,621
Loans	-	1,029,919	740,046	2,531,527	3,979,022	1,863,312	233,589	10,377,415
Held-to-Maturity Investments	-	-	-	-	216,413	631,404	-	847,817
Other Assets (*) (***)	919	115,273	141,687	336,607	837,940	47,678	411,427	1,891,531
Total Assets	261,202	4,050,010	947,565	2,950,484	5,737,357	3,497,262	651,081	18,094,961
Liabilities								
Bank Deposits (****)	8,045	461,182	459,688	-	-	-	-	928,915
Other Deposits	450,674	4,992,080	2,303,597	47,553	261	-	-	7,794,165
Funds Borrowed From Other Financial Institutions	-	247,441	526,615	2,040,562	926,445	2,193,707	-	5,934,770
Money Market Funds	-	280,384	74,427	-	-	-	-	354,811
Marketable Securities Issued	-	-	89,217	105,706	912,235	-	-	1,107,158
Miscellaneous Payables	-	48,740	-	-	-	-	218,261	267,001
Other Liabilities (**)	1,793	136,915	10,025	18,927	60,635	21,323	1,458,523	1,708,141
Total Liabilities	460,512	6,166,742	3,463,569	2,212,748	1,899,576	2,215,030	1,676,784	18,094,961
Liquidity Gap	(199,310)	(2,116,732)	(2,516,004)	737,736	3,837,781	1,282,232	(1,025,703)	-
31 December 2016								
Total Assets	246,927	4,204,109	535,975	3,228,412	5,233,263	3,425,127	717,350	17,591,163
Total Liabilities	374,323	6,430,703	2,635,052	2,719,025	1,765,394	2,088,279	1,578,387	17,591,163
Liquidity Gap	(127,396)	(2,226,594)	(2,099,077)	509,387	3,467,869	1,336,848	(861,037)	-

(*) 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.

(***) Leasing receivables are classified to other assets.

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

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VI. 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 2017 (*)	31 December 2016 (*)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	18,061,911	16,781,989
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	460,773	364,750
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	(896,085)	(271,122)
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	5,265,495	4,595,443
7	Total risk amount	22,892,094	21,471,060

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

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

The Group’s leverage ratio is 5% calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks' which was not consolidated. (31 December 2016: 4.58%). Changes in the leverage ratio are mainly due to the increase in the amount of assets’ risk on-balance sheet. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

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VI. 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)

		31 March 2017 (*)	31 December 2016 (*)
	Assets in Balance Sheet		
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	18,061,911	16,781,989
2	Assets deducted in determining Tier 1 capital	(162,818)	(161,034)
3	Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives	17,899,093	16,620,955
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	182,699	117,569
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	460,773	364,750
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5) Securities or commodity financing transactions (SCFT)	643,472	482,319
	Securities or commodity financing transactions		
7	Risks from SCFT assets of off-balancesheet	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions	-	-
	off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	5,245,614	4,638,908
11	(Adjustments for conversion to credit equivalent amounts)	(896,085)	(271,122)
12	Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks	4,349,529	4,367,786
	Capital and Total Risk		
13	Tier 1 capital	1,143,801	984,035
14	Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio	22,892,094	21,471,060
	Leverage ratio		
15	Leverage ratio	%5.00	%4.58

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

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(Continued)

VII. Explanations on the Risk Management Objectives and Policies

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to the Communiqué these notes have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Parent Bank, the following tables have not been presented as of 31 March 2017:

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

a. Risk Management and General Information on Risk Weighted Amount

1. Overview of Risk Weighted Amount

	Risk Weighted Amount		Minimum capital requirement
	31 March 2017	31 December 2016	31 March 2017
1 Credit risk (excluding counterparty credit risk) (CCR)	13,047,514	14,066,204	1,043,801
2 Standardised approach (SA)	13,047,514	14,066,204	1,043,801
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	547,985	343,593	43,839
5 Standardised approach for counterparty credit risk (SA-CCR)	547,985	343,593	43,839
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	44,338	153,188	3,547
17 Standardised approach (SA)	44,338	153,188	3,547
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	959,472	925,382	76,758
20 Basic Indicator Approach	959,472	925,382	76,758
21 Standart Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	14,599,309	15,488,367	1,167,945

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

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

b. Explanations on Credit Risk

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

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

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

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

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(Continued)**

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

b. Explanations on Credit Risk (Continued)

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

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

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

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

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

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

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

Bank is not active in international banking market.

The accumulation of the Parent Bank’s highest 100 cash loan clients is 56.19% (31 December 2016: 57.89%) of the overall cash loans.

The accumulation of the Parent Bank’s highest 100 non-cash loan clients is 67.72% (31 December 2016: 65.34%) of the overall non-cash loans.

The accumulation cash and non-cash receivables of the Parent Bank’s highest 100 loan clients are 7.30% (31 December 2016: 7.79%) of the overall balance sheet and off balance sheet items.

As of 31 March 2017, the general loan loss provision is TL 42,803 (31 December 2016: TL 52,211).

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

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

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

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

1. Information on Market Risk

	31 March 2017	31 December 2016
(I) Capital Requirement Against General Market Risk – Standard Method	1,977	2,618
(II) Capital Requirement Against Specific Risk – Standard Method	11	8
Capital Requirement Specific Risk Related to Securitization Positions-Standard Method	-	-
(III) Capital Requirement Against Currency Risk – Standard Method	1,559	9,629
(IV) Capital Requirement Against Commodity Risk – Standard Method	-	-
(V) Capital Requirement Against Exchange Risk – Standard Method	-	-
(VI) Capital Requirement Against Market Risk of Options – Standard Method	-	-
(VII) Capital Requirement Against Counterparty Credit Risk-Standard Method	-	-
(VIII) Capital Requirement Against Market Risks of Banks Applying Risk Measurement Models	-	-
(IX) Total Capital Requirement Against Market Risk (I+II+III+IV+V+VI)	3,547	12,255
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)	44,338	153,188

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(Continued)

VIII. Explanation on Hedge Accounting

The Bank uses “Fair Value Hedge Accounting” from the beginning of 24 March 2014 as of balance sheet date.

Derivative financial instruments is used as hedging instruments are interest swap transactions.

	31 March 2017		
	Principal (*)	Asset	Liability
Derivative Financial Instruments			
Interest Swap Transactions	110,000	149	-
Total	110,000	-	-

(*) Total of purchase and sale notional amounts.

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

Starting from 24 March 2014, the Bank has hedged the fair value effects of changes in libor interest rates, fixed interest rate loan amounting TL 31,736 with maturity 5 years funding by using interest rate swap. The nominal value of interest rate swap is TL 55,000 with maturity 5 years respectively.

As of 24 March 2017, the difference of TL 567 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 24 March 2019.

Hedging Instrument	Hedged item (assets and liabilities)	Hedged risks	Fair value difference/ adjustment of the hedged item	Net fair value of hedging instrument	
				Asset	Liability
Interest swap transactions	Fixed rate equal installments paid commercial installment loans	Fixed interest rate risk	439	149	-

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

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

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE 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 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign Currency	23,921	60,027	30,131	71,916
CBRT	355,308	1,651,216	119,209	1,748,932
Other	-	-	-	-
Total	379,229	1,711,243	149,340	1,820,848

2. Information on the account of the CBRT

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount (*)	72,013	367,410	119,209	362,532
Time Unrestricted Amount	283,295	-	-	-
Time Restricted Amount	-	-	-	-
Reserve Requirement	-	1,283,806	-	1,386,400
Total	355,308	1,651,216	119,209	1,748,932

(*) 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 2017, the Turkish lira required reserve ratios are determined to be within the range of 4% - 10.5% depending on the maturity structure of deposits denominated in Turkish Lira (31 December 2016: 4%-10.5% for all Turkish lira liabilities), and the required reserve ratios for foreign currency deposits within the range of 9% - 13% (31 December 2016: 9%- 13% for all foreign currency deposits) and other foreign currency liabilities within the range of 4%-24% (31 December 2016: 5%-25% for all foreign currency liabilities).

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

b. Information About Financial Assets at Fair Value Through Profit or Loss

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

b. Information About Financial Assets at Fair Value Through Profit Or Loss (Continued)

2. Positive differences related to trading derivative financial assets

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	2,973	3,206	134	3,413
Swap Transactions	125,800	6,282	26,489	20,252
Options	260	12,724	50	11,086
Total	129,033	22,212	26,673	34,751

c. Information on banks

1. Information on banks

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Banks				
Domestic	262,527	467,400	121,348	440,816
Foreign	-	190,503	-	22,771
Total	262,527	657,903	121,348	463,587

2. Information on foreign banks:

	Unrestricted Amount		Restricted Amount	
	31 March 2017	31 December 2016	31 March 2017	31 December 2016
	EU Countries	131,746	14,351	-
USA and Canada	58,191	7,846	-	-
OECD Countries (*)	390	455	-	-
Other	176	119	-	-
Total	190,503	22,771	-	-

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

d. Information on available-for-sale financial assets

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

As of 31 March 2017, there are available-for-sale financial assets TL 117,317 amounting given as collateral/blocked (31 December 2016: TL 507,730) and those subject to repurchase agreements amounts to TL 327,020 (31 December 2016: TL 578,986). As of 31 March 2017, except the available-for-sale financial assets given as collateral/blocked and those subject to repurchase agreements, there are unrestricted amount is TL 1,142,219 (31 December 2016: TL 1,237,258).

2. Information on available-for-sale financial assets

	31 March 2017	31 December 2016
Debt Securities	1,682,223	2,536,301
Quoted on Stock Exchange	1,319,960	2,188,096
Not Quoted	362,263	348,205
Share Certificates	6,065	6,065
Quoted on Stock Exchange	1	1
Not Quoted (*)	6,064	6,064
Impairment Provision (-)	95,667	212,327
Total	1,592,621	2,330,039

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans

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

	31 March 2017		31 December 2016	
	Cash	Non-cash	Cash	Non-cash
Direct Loans Granted To Shareholders	-	94,225	-	80,452
Corporate Shareholders	-	94,225	-	80,452
Real Person Shareholders	-	-	-	-
Indirect Loans Granted To Shareholders	19,694	-	18,795	-
Loans Granted To Employees	6,621	-	6,654	-
Total	26,315	94,225	25,449	80,452

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Amendments on Conditions of Contract		Loans and Other Receivables	Amendments on Conditions of Contract	
		Amendments Related to the Extention of Payment Plan	Other		Amendments Related to the Extention of Payment Plan	Other
Non-Specialized Loans	9,660,757	20,543	-	121,106	341,420	-
Corporate Loans	-	-	-	-	-	-
Export Loans	460,779	-	-	2,731	6,686	-
Import Loans	-	-	-	-	-	-
Loans Given to Financial Sector	297,805	-	-	257	-	-
Consumer Loans	171,477	-	-	10,377	1,938	-
Credit Cards	27,452	-	-	1,643	-	-
Other	8,703,244	20,543	-	106,098	332,796	-
Specialized Loans	-	-	-	-	-	-
Other Receivables	-	-	-	-	-	-
Total	9,660,757	20,543	-	121,106	341,420	-

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

3. Loans according to their maturity structure

	Standart Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and Other Receivables	2,816,749	340	11,278	9,549
Non-specialised Loans	2,809,396	340	10,846	9,549
Specialised Loans	7,353	-	432	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	6,844,008	20,203	109,828	331,871
Non-specialised Loans	6,843,619	20,203	109,828	331,871
Specialised Loans	389	-	-	-
Other Receivables	-	-	-	-
Total	9,660,757	20,543	121,106	341,420

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

	Short-term	Medium and Long-term	Total
Consumer Loans-TL	1,549	174,566	176,115
Real Estate Loans	110	122,732	122,842
Automotive Loans	-	940	940
Consumer Loans	1,439	50,894	52,333
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TL	6,663	-	6,663
With Installments	2,124	-	2,124
Without Installments	4,539	-	4,539
Individual Credit Cards- FC	4	-	4
With Installments	-	-	-
Without Installments	4	-	4
Personnel Loans-TL	341	4,091	4,432
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	341	4,091	4,432
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	2,052	-	2,052
With Installments	710	-	710
Without Installments	1,342	-	1,342
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Credit Deposit Account-TL (Individuals) (*)	3,245	-	3,245
Credit Deposit Account-FC (Individuals)	-	-	-
Total	13,854	178,657	192,511

(*) TL 138 of the credit deposit account personnel loans (31 December 2016: TL 146).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

5. Information on commercial installment loans and corporate credit cards

	Short-term	Medium and long-term	Total
Commercial Loans With Installments-TL	69,552	1,671,670	1,741,222
Real Estate Loans	-	688	688
Automotive Loans	-	53,522	53,522
Consumer Loans	69,552	1,617,460	1,687,012
Other	-	-	-
Commercial Loans With Installment-FC Indexed	2,725	446,598	449,323
Real Estate Loans	-	377,462	377,462
Automotive Loans	-	51,786	51,786
Consumer Loans	2,725	17,350	20,075
Other	-	-	-
Commercial Loans With Installment-FC	2,765	1,361,041	1,363,806
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2,765	1,361,041	1,363,806
Other	-	-	-
Corporate Credit Cards-TL	20,376	-	20,376
With Installment	1,966	-	1,966
Without Installment	18,410	-	18,410
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Accounts – TL(Corporate)	53,380	-	53,380
Overdraft Accounts – FC (Corporate)	-	-	-
Total	148,798	3,479,309	3,628,107

6. Loans according to types of borrowers

	31 March 2017	31 December 2016
Public	24,880	24,084
Private	10,118,946	10,231,258
Total	10,143,826	10,255,342

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

7. Distribution of domestic and foreign loans

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

	31 March 2017	31 December 2016
Domestic Loans	9,970,393	10,086,605
Foreign Loans	173,433	168,737
Total	10,143,826	10,255,342

8. Loans given to investments in associates and subsidiaries

As of 31 March 2017, there are no loans granted to associates and subsidiaries amount (31 December 2016: None).

9. Specific provisions provided against loans

	31 March 2017	31 December 2016
Loans and Other Receivables with Limited Collectability	9,057	9,527
Loans and Other Receivables with Doubtful Collectability	36,443	42,209
Uncollectible Loans and Other Receivables	353,135	319,544
Total	398,635	371,280

10. Information on non-performing loans (Net)

10.(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 2017 (31 December 2016: None).

10.(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 2016	78,893	124,915	400,979
Addition (+)	63,237	1,043	2,068
Transfers from Other Categories of Non-performing Loans (+)	-	69,799	74,052
Transfers to Other Categories of Non-performing Loans (-)	(69,799)	(74,052)	-
Collections (-)	(6,280)	(7,083)	(12,745)
Write-offs (-) (*)	-	-	(12,803)
Corporate and Commercial Loans	-	-	(11,117)
Consumer Loans	-	-	(1,686)
Credit Cards	-	-	-
Other	-	-	-
31 March 2017	66,051	114,622	451,551
Specific Provision (-)	(9,057)	(36,443)	(353,135)
Net Balance on Balance Sheet	56,994	78,179	98,416

(*) Alternatif Finansal Kiralama A.Ş. has sold non-performing loans of TL 12,803 and provision amounting to TL 12,803 to Hayat Varlık Yönetim A.Ş. on March 29, 2017 for TL 25.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

e. Explanations on loans (Continued)

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

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

The Group has TL 20,429 non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2016: TL 22,357).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 March 2017 (Net)			
Loans to Real Persons and Legal Entities (Gross)	66,051	114,622	451,551
Specific Provision Amount (-)	(9,057)	(36,443)	(353,135)
Loans to Real Persons and Legal Entities (Net)	56,994	78,179	98,416
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2016 (Net)			
Loans to Real Persons and Legal Entities (Gross)	78,893	124,915	400,979
Specific Provision Amount (-)	(9,527)	(42,209)	(319,544)
Loans to Real Persons and Legal Entities (Net)	69,366	82,706	81,435
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

11. Explanation on liquidation policy for uncollectible loan and receivable

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

12. Explanations on write-off policy

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

Alternatif Finansal Kiralama A.Ş. has sold non-performing loans of TL 12,803 and provision amounting to TL 12,803 to Hayat Varlık Yönetim A.Ş. on 29 March 2017 for TL 25.

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I. Explanations and Notes on Assets (Continued)

f. Information on held-to-maturity investments:

1. Information on held to maturity debt securities

Group has held to maturity debt securities amounting to TL 847,817 as of 31 March 2017 (31 December 2016: None).

	31 March 2017	31 December 2016
Government Bonds	847,817	-
Treasury Bills	-	-
Other Government Debt Securities	-	-
Total	847,817	-

The Parent Bank has reclassified the government debt with the nominal value of TL 847,817 from the Available-for-Sale Financial Assets portfolio to the Held-to-Maturity investments portfolio.

2. Information on held to maturity investments

Group has held to maturity investments amounting to TL 847,817 as of 31 March 2017 (31 December 2016: None).

	31 March 2017	31 December 2016
Debt Securities	857,509	-
Quoted to Stock Exchange	857,509	-
Not Quoted to Stock Exchange	-	-
Impairment Provision (-)	(9,692)	-
Total	847,817	-

3. Movement of investments held-to-maturity:

Group has investment held to maturity amounting to TL 847,817 as of 31 March 2017 (31 December 2016: None).

	31 March 2017	31 December 2016
Balance at the Beginning of the Period	-	-
Foreign Currency Differences on Monetary Assets	-	-
Transfers from Investment Securities Available for Sale	857,509	-
Disposals Through Sales and Redemptions	-	-
Impairment Provision (-)	(9,692)	-
Balance at the End of the Period	847,817	-

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

As of 31 March 2017 there is held-to-maturity investment given as collateral amounting to TL 847,817 (31 December 2016: None).

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Given as collateral/blocked	-	501,650	-	-
Subject to repurchase agreements	-	84,540	-	-
Other	-	261,627	-	-
Total	-	847,817	-	-

g. Information on investments in associates (Net)

Group has no associates as of 31 March 2017 (31 December 2016: None).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on subsidiaries (Net)

1. Information on shareholders’ equity of the significant subsidiaries

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

	Alternatif Finansal Kiralama A.Ş.	Alternatif Menkul Değerler A.Ş (*)
Core Capital	143,461	19,224
Paid-in Capital	50,000	13,309
Share Premium	-	-
Share Cancellation Profits	-	-
Reserves	27,569	14,111
Current Period’s Profit and Prior Period’s Profit	66,384	-
Current Period’s Losses and Prior Period’s Losses	-	(8,074)
Leasehold Improvements on Operational Leases (-)	-	13
Intangible Assets (-)	492	109
Consolidation Goodwill	-	-
Supplementary Capital	-	-
Deductions From Capital	143,461	19,224
Total Shareholders Equity		

2. Information on unconsolidated subsidiaries:

There is no unconsolidated subsidiary (31 December 2016: 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 Yatırım 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(*)	130,656	19,827	318	1,400	-	4	(8,545)	-
2(*)	1,590,700	138,964	1,078	25,333	-	3,434	72,041	-

(*)The above mentioned subsidiaries' current year information is based on 31 March 2017 BRSA financials.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

h. Information on subsidiaries (Net) (Continued)

4. The movement of the subsidiaries

	31 March 2017	31 December 2016
Balance at the beginning of the period	166,380	166,380
Movements during the period	-	-
Purchases	-	-
Transfers	-	-
Bonus Shares Obtained	-	-
Share in Current Year Income	-	-
Sales	-	-
Revaluation (Decrease) / Increase	-	-
Provision for Impairment	-	-
Balance at the End of the Period	166,380	166,380
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	100	100

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

Subsidiaries	31 March 2017	31 December 2016
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	142,165	142,165
Finance Companies	-	-
Other Financial Subsidiaries	24,215	24,215

6. Valuation of investments in consolidated subsidiaries

	31 March 2017	31 December 2016
Cost Value Method	166,380	166,380
Fair Value Method	-	-
Equity Method	-	-
Total	166,380	166,380

7. Quoted subsidiaries: None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

i. Information on joint ventures

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

j. Information on finance lease receivables (net)

Finance lease receivable of the Group is amounting to TL 1,352,852 (31 December 2016: TL 1,245,595).

k. Information on hedging derivative financial assets

There are differences related with hedging derivative financial assets amounting to TL 149 (31 December 2016: None).

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge	149	-	-	-
Cash Flow Hedge	-	-	-	-
Net Investment Hedge in a foreign operation	-	-	-	-
Total	149	-	-	-

l. Information on investment property

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

m. Movement of assets held for resale and discontinued operations

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

n. Information on other assets

1. The distribution of other assets:

	31 March 2017	31 December 2016
Assets Held for Sale	105,821	95,663
Collaterals Given for Derivative Transactions	94,025	126,215
Prepaid Expenses	73,146	43,202
Receivables from Clearing	49,708	31,874
Pos Receivables	34,494	43,201
Other	19,528	31,155
Collaterals Given	270	247
Total	376,992	371,557

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

None (31 December 2016: None).

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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

1 (i) 31 March 2017:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	44,699	-	109,357	1,397,846	40,970	3,405	653	251	1,597,181
Foreign Currency Deposits	245,700	-	259,417	3,277,946	499,659	28,863	16,481	-	4,328,066
Residents in Turkey	234,410	-	255,457	3,251,905	499,659	25,463	16,473	-	4,283,367
Residents Abroad	11,290	-	3,960	26,041	-	3,400	8	-	44,699
Public Sector Deposits	25,323	-	-	-	-	-	-	-	25,323
Commercial Deposits	132,351	-	203,271	1,336,530	73,167	13,467	25	-	1,758,811
Other Institutions Deposits	997	-	5,828	54,515	7,041	-	9,654	-	78,035
Precious Metal Deposits	1,604	-	179	3,183	771	49	963	-	6,749
Bank Deposits	8,045	-	364,948	342,891	-	-	213,031	-	928,915
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	519	-	344,044	-	-	-	-	-	344,563
Foreign Banks	7,485	-	20,904	342,891	-	-	213,031	-	584,311
Participation Banks	41	-	-	-	-	-	-	-	41
Other	-	-	-	-	-	-	-	-	-
Total	458,719	-	943,000	6,412,911	621,608	45,784	240,807	251	8,723,080

1(ii) 31 December 2016:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	52,408	-	172,606	1,574,267	11,590	4,335	2,250	213	1,817,669
Foreign Currency Deposits	195,539	-	249,035	2,581,798	471,686	33,902	15,932	-	3,547,892
Residents in Turkey	180,353	-	243,038	2,557,000	471,686	30,614	15,924	-	3,498,615
Residents Abroad	15,186	-	5,997	24,798	-	3,288	8	-	49,277
Public Sector Deposits	5,768	-	-	-	-	-	-	-	5,768
Commercial Deposits	89,690	-	580,502	1,851,049	113,124	18,350	8,439	-	2,661,154
Other Institutions Deposits	1,576	-	7,730	56,691	773	-	19,556	-	86,326
Precious Metal Deposits	2,170	-	83	2,159	176	269	900	-	5,757
Bank Deposits	24,581	-	137,909	318,016	-	-	192,915	-	673,421
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	392	-	127,239	-	-	-	-	-	127,631
Foreign Banks	23,600	-	10,670	318,016	-	-	192,915	-	545,201
Participation Banks	589	-	-	-	-	-	-	-	589
Other	-	-	-	-	-	-	-	-	-
Total	371,732	-	1,147,865	6,383,980	597,349	56,856	239,992	213	8,797,987

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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

2(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 2017	31 December 2016	31 March 2017	31 December 2016
Saving Deposits (*)	458,166	491,538	1,139,062	1,326,678
Foreign Currency Savings Deposit	127,535	98,266	1,264,575	989,867
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

(*) Related savings deposits include TL 47 straight rediscount - internal efficiency difference.

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

	31 March 2017	31 December 2016
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	5,235	5,188
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCL” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-

b. Information on trading derivative financial liabilities

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Forward Transactions	141	4,631	778	714
Swap Transactions	95,154	16,881	48,495	13,844
Futures Transactions	-	-	-	-
Options	-	10,748	14	6,599
Other	-	-	-	-
Total	95,295	32,260	49,287	21,157

c. Information on borrowings

1. Information on borrowing

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
From Domestic Banks and Institutions	117,433	648,825	56,604	640,458
From Foreign Banks, Institutions and Funds	135	3,581,836	12,810	3,230,105
Total	117,568	4,230,661	69,414	3,870,563

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

c. Information on borrowings (Continued)

2. Information on maturity profile of borrowings

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	117,568	1,133,948	69,414	1,111,950
Medium and Long-term	-	3,096,713	-	2,758,613
Total	117,568	4,230,661	69,414	3,870,563

d. Information on other foreign liabilities

As of 31 March 2017 other foreign liabilities do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements

None (31 December 2016: None).

f. Information on hedging derivative financial liabilities

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Fair Value Hedge Risk (*)	-	-	404	-
Cash Flow Hedge	-	-	-	-
Hedge of Net Investments in Foreign Operations	-	-	-	-
Total	-	-	404	-

(*) Explained in Section Four Note VIII.

g. Information on provisions

1. Information on general provisions

	31 March 2017	31 December 2016
Provisions for Group I Loans and Receivables	23,614	33,909
Provisions for Group II Loans and Receivables	4,601	4,279
Provisions for Non-Cash Loans	8,460	7,896
Other	6,128	6,127
Total	42,803	52,211

2. Information on reserve for employment termination benefits

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

Actuarial gains and losses net of deferred tax amounting to TL 408 is accounted for under the equity according to the revised TAS 19 standard as of 31 March 2017 (31 December 2016: TL 1,762).

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

g. Information on provisions (Continued)

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

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

	31 March 2017	31 December 2016
Discount Rate (%)	4.72	4.72
Ratio used for Probability of Pension (%)	83.33	83.33

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

In addition, the Group has accounted retirement pay provision amounting to TL 9,084 (31 December 2016: TL 7,722) and for unused vacation rights provision amounting to TL 3,226 as 31 March 2017 (31 December 2016: TL 2,752).

3. Other provisions

	31 March 2017	31 December 2016
Specific Provision for Unindemnified Non-cash Loan	27,437	26,336
Bonus Provision	3,528	11,560
Provision for the Impairment due Settlement Date	528	8
Other (*)	14,491	13,882
Total	45,984	51,786

(*) Other line consist of TL 14,181 litigation and claims (31 December 2016: TL 13,727) and TL 310 (31 December 2016: TL 155) amounted other provisions.

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

As of 31 March 2017, the provision related to the foreign currency differences on foreign indexed loans amounts to TL 3,569 (31 December 2016: TL 16,433) are netted with loans in the financial statements.

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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

Information on current tax liability

As of 31 March 2017, there is no current tax liability (31 December 2016: None).

(i) Information on taxes payable

	31 March 2017	31 December 2016
Taxation of Marketable Securities	6,817	8,270
Property Tax	209	179
Banking Insurance Transaction Tax (BITT)	6,343	5,478
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	429	370
Other	3,848	3,199
Total	17,646	17,496

(ii) Information on premium payables

	31 March 2017	31 December 2016
Social Security Premiums - Employee	1,119	1,737
Social Security Premiums - Employer	1,997	2,541
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	81	125
Unemployment Insurance - Employer	178	263
Other	38	68
Total	3,413	4,734

i. Explanations about deferred tax provision

As of 31 March 2017, the Parent Bank has calculated deferred tax asset of TL 36,383 (31 December 2016: TL 64,458) in the financial statements.

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

	30 September 2016	31 December 2016
Deferred Tax Assets		
Tangible Assets Base Differences	2,672	4,293
Provisions	7,425	7,504
Valuation of Financial Assets	19,078	47,533
Commission Deferral	1,752	4,048
Investment Incentive	5,139	-
Financial Losses	1,089	1,080
Other	(772)	-
Net Deferred Tax Assets	36,383	64,458

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

j. Information on subordinated loans

1. Group’s detailed explanation on subordinated loans including quantity, maturity, interest rate, issuing institution, option to be converted into stock certificate

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

TL equivalent of the subordinated loan is TL 1,586,541 (31 December 2016: TL 1,504,693).

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

2. Information on subordinated loans

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
Domestic Banks	-	-	-	-
Other Domestic	-	-	-	-
Foreign Banks	-	1,586,541	-	1,504,693
Other Foreign Institutions	-	-	-	-
Total	-	1,586,541	-	1,504,693

k. Information on shareholders’ equity

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

	31 March 2017	31 December 2016
Common Stock (*)	980,000	980,000
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 principal capital system.

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

None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

k. Information on shareholders’ equity (Continued)

4. Information on additions from revaluation reserves to capital in the current period: None.
5. Information on capital 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.
8. Information on marketable securities valuation reserve

	31 March 2017		31 December 2016	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(83,541)	(56,836)	(14,358)	(150,809)
Foreign Currency Difference	-	-	-	-
Total	(83,541)	(56,836)	(14,358)	(150,809)

9. Information of the previous year profit distribution

None.

l. Information on minority interests

	31 March 2017	31 December 2016
Balance at the Beginning of the Period	13	11
Current Year Income	-	2
Dividends Paid	-	-
Purchase from Minority Interests	-	-
Other	-	-
Balance at the End of the Period	13	13

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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 176,601 irrevocable loan commitments as of 31 March 2017 (31 December 2016: TL 191,311).

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

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

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

	31 March 2017	31 December 2016
Guarantees and Collaterals	558,832	591,883
Bank Acceptance Loans	5,757	3,885
Letter of Credits	222,879	265,676
Total	787,468	861,444

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

	31 March 2017	31 December 2016
Temporary Letter of Guarantees	36,182	48,342
Definite Letter of Guarantees	1,858,646	1,712,135
Advance Letter of Guarantee	245,395	218,345
Letter of Guarantees Given to Customs	94,909	107,565
Total	2,235,132	2,086,387

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b. Information on derivative financial instruments

	31 March 2017	31 December 2016
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	18,174,382	15,367,912
Currency Forward Transactions	694,409	377,711
Currency Swap Transactions	13,757,310	12,678,120
Futures Transactions	-	-
Options	3,722,663	2,312,081
Securities Options	-	-
Interest Related Derivative Transactions (II)	1,154,098	768,496
Forward Rate Agreements	-	-
Interest Rate Swaps	349,310	-
Interest Rate Options	804,788	768,496
Interest Rate Futures	-	-
Other Trading Derivative Transactions (III)	58,179	56,307
A. Total Trading Derivative Transactions (I+II+III)	19,386,659	16,192,715
	-	-
Types of Hedging Transactions		
Fair Value Hedges	110,000	220,000
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivatives	110,000	220,000
Total Derivative Transactions (A+B)	19,496,659	16,412,715

c. Investment Funds

None.

d. Information on contingent liabilities

As of 31 March 2017, outstanding legal claims against the group have been considered as contingent liabilities amounting to TL 28,739 and TL 14,181 provision is provided against these legal cases (31 December 2016:Contingent Liability: TL 25,184 Provision: TL 13,727).

e. Information on the services in the name and account of third parties

The Parent Bank acts as an investment agent for banking transactions on behalf of its customers and provides custody services. Such transactions are followed under off-balance sheet accounts.

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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 2017		31 March 2016	
	TL	FC	TL	FC
Short-term Loans	92,744	8,215	96,587	8,339
Medium/Long-term Loans	73,272	70,961	56,281	41,759
Interest on Loans Under Follow-up	3,294	-	2,215	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total (*)	169,310	79,176	155,083	50,098

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

2. Information on interest income on banks

	31 March 2017		31 March 2016	
	TL	FC	TL	FC
From the CBRT (*)	899	2,394	915	1,554
From Domestic Banks	6,357	931	6,778	311
From Foreign Banks	217	220	1,053	195
Headquarters and Branches Abroad	-	-	-	-
Total	7,473	3,545	8,746	2,060

(*) 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 2017		31 March 2016	
	TL	FC	TL	FC
From Trading Financial Assets	575	221	54	25
From Financial Assets At Fair Value Through Profit or Loss	-	-	-	-
From Available-for-Sale Financial Assets	11,470	21,077	8,828	8,415
From Held-to-Maturity Investments	-	15,429	-	-
Total	12,045	36,727	8,882	8,440

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

None (31 March 2016: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 2017		31 March 2016	
	TL	FC	TL	FC
Banks	90	48,141	2,733	20,434
CBRT	-	-	-	-
Domestic Banks	90	10,384	2,733	4,454
Foreign Banks	-	37,757	-	15,980
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	15,424	-	11,414
Total (*)	90	63,565	2,733	31,848

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

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

None (31 March 2016: None).

3. Information on interest expense to marketable securities issued

	31 March 2017	31 March 2016
Information on Interest Expense to Marketable Securities Issued	12,141	9,856

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								
Bank Deposits	-	769	765	-	-	-	-	1,534
Savings Deposits	-	2,983	42,128	474	103	28	7	45,723
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	7,675	45,074	3,588	396	123	-	56,856
Other Deposits	-	141	1,836	142	-	-	-	2,119
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	-	-	-	-	-	-
Total	-	11,568	89,803	4,204	499	151	7	106,232
Foreign Currency								
Foreign Currency Account	-	1,006	21,212	3,742	243	140	-	26,343
Bank Deposits	-	1,770	-	-	-	-	-	1,770
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	-	1,117	-	-	-	-	1,117
Total	-	2,776	22,329	3,742	243	140	-	29,230
Grand Total	-	14,344	112,132	7,946	742	291	7	135,462

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

c. Information on dividend income

The Group has no dividend income as of 31 March 2017 (31 March 2016: None).

d. Information on trading income/loss (Net)

	31 March 2017	31 March 2016
Income	4,544,649	2,429,691
Income from Capital Market Transactions	372	453
Derivative Financial Transactions	212,932	147,490
Foreign Exchange Gains	4,331,345	2,281,748
Loss (-)	4,532,590	2,449,302
Loss from Capital Market Transactions	875	929
Derivative Financial Transactions	265,040	247,196
Foreign Exchange Loss	4,266,675	2,201,177
Net Income/(Loss)	12,059	(19,611)

e. Explanations about other operating income

	31 March 2017	31 March 2016
Reversal of Specific Loan Provisions	17,291	11,315
Gain on Sale of Property, Plant and Equipment	840	579
Provision for Communication Costs Received from Customers	287	350
Provision for the Expenses Recovered from Customers	280	316
Reversal of Provision Possible Risks	135	-
Other	2,746	1,930
Total	21,579	14,490

f. Provision expenses related to loans and other receivables

	31 March 2017	31 March 2016
Specific Provisions for Loans and Other Receivables	47,874	56,668
III. Group Loans and Receivables	6,691	15,023
IV. Group Loans and Receivables	12,206	20,654
V. Group Loans and Receivables	28,977	20,991
General Provision Expenses	168	194
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	9,205	3,372
Financial Assets at Fair Value Through Profit or Loss	1,362	35
Available-for-sale Financial Assets	7,843	3,337
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	9,693	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	9,693	-
Other	1,560	8,823
Total	68,500	69,057

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

g. Information related to other operating expenses

	31 March 2017	31 March 2016
Personnel Expenses	38,663	49,425
Reserve For Employee Termination Benefits	953	543
Unused Vacation	283	156
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	3,021	2,486
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	1,708	1,288
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	249	144
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	20,949	20,009
Operational Lease Expenses	8,087	7,626
Maintenance Expenses	305	116
Advertising Expenses	2,164	1,034
Other Expenses	10,393	11,233
Loss on Sales of Assets	236	547
Other (*)	8,524	6,840
Total	74,586	81,438

(*) Other operating charges are TL 4,411 (31 March 2016: TL 3,859) except premium of SDIF amounting to TL 4,113 and tax (31 March 2016: TL 2,981).

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

	31 March 2017	31 March 2016
Net Interest Income	126,700	108,790
Net Fees And Commissions Income/Expense	16,148	4,121
Trading Income / Loss (Net)	12,059	(19,611)
Other Operating Income	21,579	14,490
Provision For Loan Losses And Other Receivables (-)	68,500	69,057
Other Operating Expenses (-)	74,586	81,438
Income/ Loss Before Tax From Continuing Operations	33,400	(42,705)

i. Provision for taxes on income from continuing operations

As of 31 March 2017, the Group has current tax expense is TL 3,232 (31 March 2016: None) and deferred tax expense is TL 2,547 (31 March 2016: TL 10,633 deferred tax expense).

j. Information on net income/loss for the period

1) Interest income from ordinary banking transactions is TL 341,759 (31 March 2016: TL 292,811), interest expense is TL 215,059 (31 March 2016: TL 184,021).

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

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

Fees and Commissions Paid - Other	31 March 2017	31 March 2016
Fees and Commissions on Foreign Currency Transactions	1,600	-
Debit Card Fees and Commissions	399	-
Commissions for Effective and Future Transactions	293	87
CBRT Interbank Money Market	287	232
Pos Transaction Commissions Paid	162	-
Commissions Granted to Correspondent Banks	106	135
Transfer Commissions	52	86
Other	1,325	9,796
Total	4,224	10,336
Fees and Commissions Received - Other	31 March 2017	31 March 2016
Insurance Commissions	8,702	391
Credit Card Pos Commissions	1,638	-
Expertise Commissions	768	295
Transfer Commissions	424	431
Account Management Fee Commission	346	443
Banking Service Income	230	-
Other	1,008	4,653
Total	13,116	6,213

l. Profit or loss attributable to minority shares

	31 March 2017	31 March 2016
Profit/Loss Attributable to Minority Shares	-	(1)

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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 2017

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	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	80,452	18,795	-
Balance at the End of the Period	-	-	-	94,225	19,694	-
Interest and Commission Income Received	-	-	-	8	224	13

(*) 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 2016

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	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	79,746	53,526	130,282	26,379
Balance at the End of the Period	-	-	-	80,452	18,795	-
Interest and Commission Income Received (***)	-	-	814	254	472	156

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

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

(***) Represents 31 March 2016 balances.

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 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Deposit						
Beginning of the Period	-	-	-	256,033	21,532	94,743
End of the Period	-	-	-	-	15,773	21,532
Interest Expense on Deposits (**)	-	-	1	7,615	155	4,500

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

(**) Represents 31 March 2016 balances.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

V. 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)

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 2017	31 December 2016	31 March 2017	31 December 2016	31 March 2017	31 December 2016
Transactions for Trading Purposes (**)						
Beginning of the Period (***)	-	-	-	13,945	-	-
End of the Period (***)	-	-	-	-	-	-
Total Profit / Loss(****)	-	-	(11)	(134)	-	161
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 Bank’s derivative instruments are classified as “Financial Assets at Fair Value through Profit or Loss” according to TAS 39.

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

(****) Represents 31 March 2016 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	15,773	0.18%
Non-cash Loans	94,225	3.12%
Loans	19,694	0.19%
Subordinated Loans	462,832	29.17%

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)

V. 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 2017, 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 0.19 % of total cash and non-cash loan amount (31 December 2016: 0.18%).

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

Benefits provided to the Group’s key management amount to TL 3,964 as of 31 March 2017 (31 March 2016: TL 10,746).

VI. 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: February 2017	
Foreign Currency	
Long Term	BBB- (Stable)
Short Term	F3
Local Currency	
Long Term	BBB- (Stable)
Short Term	F3
National Note	AAA(tur) (Stable)
Support Note	2
Financial Capacity Note	b+

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

SECTION SEVEN

DISCLOSURES ON AUDITORS’ REVIEW REPORT

I. Explanations on Independent Auditors’ Review Report

Group’s consolidated financial statements and footnotes to be disclosed to public as of 31 March 2017 have been reviewed by Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member firm of KPMG International, a Swiss cooperative) and the independent auditors’ review report dated 26 April 2017 has been presented with the unconsolidated financial statements.

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 consolidated 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 2017 activity period is below.

REALIZED FIGURES	31 March 2017	31 December 2016	31 March 2016
Loans	11,730,267	11,734,444	9,237,527
Stocks and Shares	2,463,655	2,330,565	798,496
Bank Deposits	8,723,080	8,797,987	6,427,118
Total Assets	18,094,961	17,591,163	13,673,779
Equity	1,317,295	1,265,292	995,476
Profit / Loss Before Taxes	33,400	27,242	(42,705)
Profit / Loss	27,621	30,365	(32,072)

MESSAGE FROM THE CHAIRMAN

Esteemed Stakeholders,

Following the year 2016, which was dominated by growth concerns and cyclical fluctuations, we concluded the first quarter of 2017 with continued impact of regional developments on the markets.

In the first quarter, the weak trend in global trading and investments enabled the continuation of the enduring low-growth environment in many developed and emerging economies. The markets kept a close eye on the implementation process of Brexit and recent developments regarding the banking industry in the EU, whereas the new president’s policy-making process and the Fed’s approach on interest rate levels occupied the agenda in the USA.

Meanwhile in Turkey, we felt the effects of global and regional fluctuations in addition to country-specific developments persevering since 2016. Constitutional referendum process, the CBT’s strict stance on the liquidity of Turkish Lira, and thus Turkish currency’s regaining value are considered as the noteworthy developments in the first quarter. In this period, the positive momentum in banking industry’s total credit volume proved once again that both the banking industry and Turkish economy maintain a strong and stable stance in the face of all developments.

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

We are also delighted with the support of ABank and its shareholder The Commercial Bank for improvement of the strategic relationship between Turkey and Qatar. Our goal will be increasing the share of ABank in the Commercial Bank’s consolidated figures, thanks to Turkish economy’s great potential and the gradually strengthening commercial ties between Qatar and Turkey.

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

Respectfully yours,

Omar Hussain I H Al-Fardan

Chairman

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

MESSAGE FROM THE CEO

Esteemed Stakeholders,

As ABank we maintained our sound position in core banking areas and achieved positive results thanks to the whole-hearted dedication and commitment of my colleagues. ABank increased its asset size by 31 percent to TL 16.8 billion and its deposit volume by 36 percent to TL 8.8 billion year-on-year. Meanwhile, our loan volume increased by 28 percent to TL 10.6 billion. We posted TL 24.2 million in profits in the first quarter of the year as a natural outcome of the sound growth momentum we have built up since the third quarter of 2016.

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

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

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

Respectfully yours,

Müge Öner

CEO