

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

ALTERNATİFBANK A.Ş.

**INDEPENDENT AUDITOR'S REVIEW REPORT,
CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND NOTES FOR THE SIX
MONTHS PERIOD ENDED 30 JUNE 2020**

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

INTERIM REVIEW REPORT AND INTERIM FINANCIAL INFORMATION

To the Board of Directors of Alternatifbank A.Ş.

Introduction

We have reviewed the consolidated statement of financial position of Alternatifbank A.Ş. ("the Bank") and its subsidiaries (together will be referred as "the Group") as of 30 June 2020 and the related consolidated income statement, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the six-month-period then ended. The Bank Management is responsible for the preparation and presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Financial Reporting Legislation"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Basis for Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not give a true view of the consolidated financial position of Alternatifbank A.Ş. and its subsidiaries as of 30 June 2020, and the results of its operations and its consolidated cash flows for the six-month-period then ended in all material aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional paragraph for convenience translation to English:

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

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



Yaşar Bivas, SMMM
Partner

29 July 2020
Istanbul, Turkey

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

Headquarter Address : Ayazağa Mah. Cendere Cad. No:109 M 2D Blok Sarıyer/İstanbul
Telephone : 0 212 315 65 00
Fax : 0 212 233 15 00
Web site : www.alternatifbank.com.tr
E-mail : malikontrol@alternatifbank.com.tr

The consolidated financial report as of and for the six-month period ended 30 June 2020 prepared in accordance with the communiqué of “Financial Statements and Related Disclosures and Footnotes to be announced to Public by Banks” as regulated by the Parent Banking Regulation and Supervision Agency, comprises the following sections.

- GENERAL INFORMATION ABOUT GROUP
- CONSOLIDATED FINANCIAL STATEMENTS OF GROUP
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE CURRENT PERIOD
- INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND DISCLOSURES ON CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND DISCLOSURES
- EXPLANATIONS ON AUDITORS’ LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

Subsidiaries:

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

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

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

The authorised contact person for questions on this financial report:

Name-Surname/Title : Emrullah Altun/Accounting Manager
Telephone Number : 0 212 338 29 50
Fax Number : 0 212 233 15 00

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SECTION ONE**GENERAL INFORMATION ABOUT THE GROUP****I. Explanations on the Establishment Date and Initial Status of the Parent Bank, and History Including the Changes in the Former Status**

Alternatifbank A.Ş. (“the Parent Bank” or “the Parent Bank”), was established in Istanbul on 6 November 1991 and started Banking activities on February 1992. The Parent Bank’s ordinary shares started to be traded in Istanbul Stock Exchange on 3 July 1995. The Parent Bank is still a privately owned commercial bank status and provides banking services through 49 (31 December 2019: 48) 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 30 June 2020, 100% of the shares of the Parent Bank are owned by The Commercial Bank (P.S.Q.C.). Shareholder’s structure of the Parent Bank is as follows:

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

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

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

(1) In accordance with the decision of number 07 of the Board of Directors dated on February 3, 2020, in addition to Muzaffer Gökhan Songül's current duties and responsibilities, Mr Songül has been appointed as Deputy General Manager of Structuring and Legal Follow-Up Group.

(2) In accordance with the decision of number 32 of the Board of Directors dated on March 26, 2020, Halil Sedat Ergür has been appointed as member of the board of directors.

(3) In accordance with the decision of number 33 of the Board of Directors dated on March 26, 2020, Zafer Kurtul has resigned from Member of the Board Risk Committee, and Leonie Ruth Lethbridge has been appointed to Member of the Board of Directors Remuneration Committee with the same decision.

(4) In accordance with the decision of number 53 of the Board of Directors dated on July 1, 2020 Kimberley Ann Reid has resigned from member of the board of directors

GENERAL INFORMATION ABOUT THE GROUP (Continued)**IV. Information on the Parent Bank’s Qualified Shareholders**

According to the Parent 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 (P.Q.S.C.)	2,038,390	100.00%	2,038,390	-

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 Parent Bank’s Articles of Association.

As of 30 June 2020, the Parent Bank has 49 branches (31 December 2019: 48 branches).

As of 30 June 2020, the Parent Bank has 877 employees (31 December 2019: 892 employees).

Parent Bank and its subsidiaries that are consolidated with the Parent Bank are called “Group” as a whole. As of 30 June 2020, The Group has 939 employees (31 December 2019: 952 employees).

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

None.

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

None.

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

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

ASSETS	Notes (Section Five)	Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		1,198,414	4,848,079	6,046,493	2,462,619	3,713,569	6,176,188
1.1 Cash and Cash Equivalents		496,970	4,626,921	5,123,891	2,081,523	3,655,970	5,737,493
1.1.1 Cash and Balances with Central Bank	I-a	140,036	2,064,519	2,204,555	148,827	2,537,597	2,686,424
1.1.2 Banks	I-d	131,646	2,390,935	2,522,581	20,430	1,118,373	1,138,803
1.1.3 Money Market Placements		226,070	171,467	397,537	1,912,595	-	1,912,595
1.1.4 Expected Credit Losses (-)		782	-	782	329	-	329
1.2 Financial Assets at Fair Value Through Profit or Loss		22,001	15,121	37,122	14,444	-	14,444
1.2.1 Government Debt Securities		13,559	15,121	28,680	5,176	-	5,176
1.2.2 Equity Instruments		-	-	-	-	-	-
1.2.3 Other Financial Assets		8,442	-	8,442	9,268	-	9,268
Financial Assets at Fair Value Through Other Comprehensive							
1.3 Income	I-f	628,908	130,139	759,047	235,254	-	235,254
1.3.1 Government Debt Securities		619,995	130,133	750,128	223,786	-	223,786
1.3.2 Equity Instruments		8,420	-	8,420	8,420	-	8,420
1.3.3 Other Financial Assets		493	6	499	3,048	-	3,048
1.4 Derivative Financial Assets	I-c	50,535	75,898	126,433	131,398	57,599	188,997
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		38,818	75,898	114,716	130,256	57,599	187,855
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive		-	-	-	-	-	-
1.4.2 Income		11,717	-	11,717	1,142	-	1,142
FINANCIAL ASSETS MEASURED AT AMORTIZED COST							
II. (NET)		10,884,272	14,747,966	25,632,238	8,938,144	13,487,471	22,425,615
2.1 Loans	I-g	10,886,048	9,954,815	20,840,863	8,851,948	8,934,690	17,786,638
2.2 Lease Receivables	I-l	614,896	980,987	1,595,883	363,698	1,139,533	1,503,231
2.3 Factoring Receivables		42,898	-	42,898	-	-	-
2.4 Other Financial Assets Measured at Amortized Cost	I-h	75,774	3,848,249	3,924,023	289,820	3,442,674	3,732,494
2.4.1 Government Debt Securities		75,774	3,385,597	3,461,371	289,820	2,980,116	3,269,936
2.4.2 Other Financial Assets		-	462,652	462,652	-	462,558	462,558
2.5 Expected Credit Losses (-)		735,344	36,085	771,429	567,322	29,426	596,748
III. PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (NET)	I-s	292,398	-	292,398	321,735	-	321,735
3.1 Held for Sale Purpose		292,398	-	292,398	321,735	-	321,735
3.2 Related to Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		-	-	-	-	-	-
4.1 Investments in Associates (Net)	I-i	-	-	-	-	-	-
4.1.1 Accounted Under Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)	I-j	-	-	-	-	-	-
4.2.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
4.3 Entities under Common Control (Joint Venture) (Net)	I-k	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (Net)	I-n	370,099	-	370,099	350,790	-	350,790
VI. INTANGIBLE ASSETS (Net)	I-o	113,448	-	113,448	109,942	-	109,942
6.1 Goodwill		49,649	-	49,649	49,647	-	49,647
6.2 Other		63,799	-	63,799	60,295	-	60,295
VII. INVESTMENT PROPERTY (Net)	I-p	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		6,469	-	6,469	51,895	-	51,895
IX. DEFERRED TAX ASSET	I-r	129,545	-	129,545	136,304	-	136,304
X. OTHER ASSETS	I-t	438,808	475,953	914,761	288,372	227,346	515,718
TOTAL ASSETS		13,433,453	20,071,998	33,505,451	12,659,801	17,428,386	30,088,187

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

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

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

		Reviewed Current Period 30 June 2020			Restated ^(*) Audited Prior Period 31 December 2019			
LIABILITIES		Notes (Section Five)	TL	FC	Total	TL	FC	Total
I.	DEPOSITS	II-a	8,178,416	9,875,104	18,053,520	7,438,725	8,539,989	15,978,714
II.	FUNDS BORROWED	II-c	277,492	8,450,053	8,727,545	307,543	7,481,561	7,789,104
III.	MONEY MARKET BALANCES		88,087	171,407	259,494	1,657	91,938	93,595
IV.	MARKETABLE SECURITIES ISSUED (Net)		493,442	-	493,442	771,622	-	771,622
4.1	Bills		493,442	-	493,442	771,622	-	771,622
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	BORROWER FUNDS		-	-	-	-	-	-
5.1	Borrower Funds		-	-	-	-	-	-
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		39,376	93,546	132,922	118,806	75,233	194,039
7.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss	II-b	39,376	92,436	131,812	104,687	75,233	179,920
7.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income	II-f	-	1,110	1,110	14,119	-	14,119
VIII.	FACTORING LIABILITIES		-	-	-	-	-	-
IX.	LEASE LIABILITIES	II-e	61,132	2,305	63,437	45,204	5,166	50,370
X.	PROVISIONS	II-g	117,149	1,062	118,211	123,100	1,575	124,675
10.1	Restructuring Provisions		-	-	-	-	-	-
10.2	Reverse for Employee Benefits		15,211	-	15,211	12,475	-	12,475
10.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
10.4	Other Provisions		101,938	1,062	103,000	110,625	1,575	112,200
XI.	CURRENT TAX LIABILITY	II-h	36,244	-	36,244	42,867	-	42,867
XII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	II-j	-	-	-	-	-	-
13.1	Held for Sale Purpose		-	-	-	-	-	-
13.2	Related to Discontinued Operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT INSTRUMENTS	II-k	-	2,585,532	2,585,532	-	2,541,645	2,541,645
14.1	Loans		-	514,643	514,643	-	743,663	743,663
14.2	Other Debt Instruments		-	2,070,889	2,070,889	-	1,797,982	1,797,982
XV.	OTHER LIABILITIES		438,566	226,563	665,129	369,309	160,977	530,286
XVI.	SHAREHOLDERS' EQUITY	II-l	2,377,100	(7,125)	2,369,975	1,971,270	-	1,971,270
16.1	Paid-in Capital		2,038,390	-	2,038,390	1,730,655	-	1,730,655
16.2	Capital Reserves		497	-	497	497	-	497
16.2.1	Share Premium		54	-	54	54	-	54
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		443	-	443	443	-	443
16.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		23,151	-	23,151	24,324	-	24,324
16.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		(21,437)	(7,125)	(28,562)	(46,089)	-	(46,089)
16.5	Profit Reserves		608,185	-	608,185	581,138	-	581,138
16.5.1	Legal Reserves		56,229	-	56,229	46,650	-	46,650
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		551,956	-	551,956	534,488	-	534,488
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit Or Loss		(271,704)	-	(271,704)	(319,272)	-	(319,272)
16.6.1	Prior Years' Profit/Loss		(346,319)	-	(346,319)	(415,017)	-	(415,017)
16.6.2	Current Year Profit/Loss		74,615	-	74,615	95,745	-	95,745
16.7	Non-Controlling Interests		18	-	18	17	-	17
TOTAL LIABILITIES AND EQUITY			12,107,004	21,398,447	33,505,451	11,190,103	18,898,084	30,088,187

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

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

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

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

II. OFF-BALANCE SHEET ITEMS	Notes (Section Five)	Reviewed Current Period 30 June 2020			Audited Prior Period 31 December 2019		
		TL	FC	Total	TL	FC	Total
A	OFF-BALANCE SHEET COMMITMENTS (I+II+III)	7,436,077	27,822,441	35,258,518	9,521,614	25,040,439	34,562,053
I.	GUARANTEES AND WARRANTIES	3,260,574	5,284,475	8,545,049	2,539,427	4,347,270	6,886,697
1.1	Letters of Guarantee	3,178,790	4,234,970	7,413,760	2,531,636	3,657,012	6,188,648
1.1.1	Guarantees Subject to State Tender Law	46,542	189,151	235,693	26,150	161,086	187,236
1.1.2	Guarantees Given for Foreign Trade Operations	-	-	-	-	-	-
1.1.3	Other Letters of Guarantee	3,132,248	4,045,819	7,178,067	2,505,486	3,495,926	6,001,412
1.2	Bank Acceptances	-	22,773	22,773	-	18,379	18,379
1.2.1	Import Letter of Acceptance	-	22,773	22,773	-	18,379	18,379
1.2.2	Other Bank Acceptances	-	-	-	-	-	-
1.3	Letters of Credit	81,784	1,026,732	1,108,516	7,791	671,879	679,670
1.3.1	Documentary Letters of Credit	81,784	1,026,732	1,108,516	7,791	671,879	679,670
1.3.2	Other Letters of Credit	-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee	-	-	-	-	-	-
1.5	Endorsements	-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey	-	-	-	-	-	-
1.5.2	Other Endorsements	-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees	-	-	-	-	-	-
1.7	Factoring Guarantees	-	-	-	-	-	-
1.8	Other Guarantees	-	-	-	-	-	-
1.9	Other Warranties	-	-	-	-	-	-
II.	COMMITMENTS	898,379	1,362,637	2,261,016	467,712	243,763	711,475
2.1	Irrevocable Commitments	799,215	1,309,141	2,108,356	422,020	182,892	604,912
2.1.1	Asset Purchase and Sales Commitments	389,634	1,309,141	1,698,775	66,012	93,792	159,804
2.1.2	Deposit Purchase and Sales Commitments	-	-	-	-	89,100	89,100
2.1.3	Share Capital Commitments to Associates and Subsidiaries	-	-	-	-	-	-
2.1.4	Commitments for Loan Limits	123,768	-	123,768	104,799	-	104,799
2.1.5	Securities Issue Brokerage Commitments	-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements	-	-	-	-	-	-
2.1.7	Commitments for Cheques	93,364	-	93,364	92,561	-	92,561
2.1.8	Tax and Fund Liabilities from Export Commitments	3,738	-	3,738	3,738	-	3,738
2.1.9	Commitments for Credit Card Limits	90,637	-	90,637	77,977	-	77,977
2.1.10	Promotion Commitments for Credit Cards and Banking Services	-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities	-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments	98,074	-	98,074	76,933	-	76,933
2.2	Revocable Commitments	99,164	53,496	152,660	45,692	60,871	106,563
2.2.1	Revocable Commitments for Loan Limits	-	-	-	-	-	-
2.2.2	Other Revocable Commitments	99,164	53,496	152,660	45,692	60,871	106,563
III.	DERIVATIVE FINANCIAL INSTRUMENTS	3,277,124	21,175,329	24,452,453	6,514,475	20,449,406	26,963,881
3.1	Hedging Derivative Financial Instruments	460,000	342,160	802,160	860,000	-	860,000
3.1.1	Transactions for Fair Value Hedge	-	-	-	-	-	-
3.1.2	Transactions for Cash Flow Hedge	460,000	342,160	802,160	860,000	-	860,000
3.1.3	Transactions for Foreign Net Investment Hedge	-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments	2,817,124	20,833,169	23,650,293	5,654,475	20,449,406	26,103,881
3.2.1	Forward Foreign Currency Buy/Sell Transactions	62,031	888,344	950,375	244,828	725,145	969,973
3.2.1.1	Forward Foreign Currency Transactions-Buy	43,623	404,973	448,596	108,089	354,728	462,817
3.2.1.2	Forward Foreign Currency Transactions-Sell	18,408	483,371	501,779	136,739	370,417	507,156
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates	2,349,740	15,498,256	17,847,996	4,003,669	16,643,967	20,647,636
3.2.2.1	Foreign Currency Swap-Buy	571,038	6,742,584	7,313,622	1,495,113	7,549,989	9,045,102
3.2.2.2	Foreign Currency Swap-Sell	1,548,702	5,804,802	7,353,504	2,508,556	6,531,670	9,040,226
3.2.2.3	Interest Rate Swap-Buy	115,000	1,475,435	1,590,435	-	1,281,154	1,281,154
3.2.2.4	Interest Rate Swap-Sell	115,000	1,475,435	1,590,435	-	1,281,154	1,281,154
3.2.3	Foreign Currency, Interest rate and Securities Options	405,353	2,600,792	3,006,145	1,405,978	2,052,246	3,458,224
3.2.3.1	Foreign Currency Options-Buy	163,417	1,346,922	1,510,339	646,409	1,081,250	1,727,659
3.2.3.2	Foreign Currency Options-Sell	241,936	1,253,870	1,495,806	759,569	970,996	1,730,565
3.2.3.3	Interest Rate Options-Buy	-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell	-	-	-	-	-	-
3.2.3.5	Securities Options-Buy	-	-	-	-	-	-
3.2.3.6	Securities Options-Sell	-	-	-	-	-	-
3.2.4	Foreign Currency Futures	-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy	-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell	-	-	-	-	-	-
3.2.5	Interest Rate Futures	-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy	-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell	-	-	-	-	-	-
3.2.6	Other	-	1,845,777	1,845,777	-	1,028,048	1,028,048
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)	59,935,948	43,095,567	103,031,515	63,690,084	36,681,478	100,371,562
IV.	ITEMS HELD IN CUSTODY	10,564,338	8,010,817	18,575,155	15,252,026	7,082,934	22,334,960
4.1	Customer Fund and Portfolio Balances	5,662,792	-	5,662,792	10,247,748	-	10,247,748
4.2	Investment Securities Held in Custody	1,541,496	132,047	1,673,543	1,733,686	68,170	1,801,856
4.3	Cheques Received for Collection	298,389	33,367	331,756	332,043	41,304	373,347
4.4	Commercial Notes Received for Collection	46,896	3,993	50,889	45,049	3,868	48,917
4.5	Other Assets Received for Collection	-	-	-	-	-	-
4.6	Assets Received for Public Offering	-	-	-	-	-	-
4.7	Other Items Under Custody	3,014,765	7,841,410	10,856,175	2,893,500	6,969,592	9,863,092
4.8	Custodians	-	-	-	-	-	-
V.	PLEDGES RECEIVED	48,923,815	34,858,831	83,782,646	47,791,409	29,381,816	77,173,225
5.1	Marketable Securities	895,539	-	895,539	133,303	-	133,303
5.2	Guarantee Notes	36,407,480	22,296,604	58,704,084	34,756,978	19,022,196	53,779,174
5.3	Commodity	997,904	474,063	1,471,967	1,009,904	459,050	1,468,954
5.4	Warranty	-	-	-	-	-	-
5.5	Immovable	8,526,088	11,006,424	19,532,512	9,371,865	8,517,579	17,889,444
5.6	Other Pledged Items	2,096,804	1,081,740	3,178,544	2,519,359	1,382,991	3,902,350
5.7	Pledged Items-Depository	-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES	447,795	225,919	673,714	646,649	216,728	863,377
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		67,372,025	70,918,008	138,290,033	73,211,698	61,721,917	134,933,615

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020
(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated).

INCOME AND EXPENSE ITEMS		Note (Section Five)	Reviewed	Reviewed	Restated(*)	Restated(*)
			Current Period 1 January - 30 June 2020	Current Period 1 April - 30 June 2020	Reviewed Prior Period 1 January 2019 - 30 June 2019	Reviewed Prior Period 1 April 2019 - 30 June 2019
I.	INTEREST INCOME	IV-a	1,122,958	537,682	1,484,688	771,016
1.1	Interest on Loans		846,911	402,499	1,133,202	578,033
1.2	Interest Received from Reserve Deposits		3,787	2,111	33,440	15,712
1.3	Interest Received from Banks		19,278	11,361	33,556	18,297
1.4	Interest Received from Money Market Placements		54,104	28,404	93,025	60,782
1.5	Interest Received from Marketable Securities Portfolio		127,025	58,560	100,067	53,355
1.5.1	Fair Value Through Profit or Loss		1,763	750	3,188	1,404
1.5.2	Fair Value Through other Comprehensive Income		33,156	21,642	2,170	2,023
1.5.3	Measured at Amortized Cost		92,106	36,168	94,709	49,928
1.6	Finance Lease Income		69,780	33,921	83,232	41,877
1.7	Other Interest Income		2,073	826	8,166	2,960
II.	INTEREST EXPENSES (-)	IV-b	774,853	383,332	1,157,620	597,994
2.1	Interest on Deposits		426,607	212,709	794,581	388,002
2.2	Interest on Funds Borrowed		277,618	144,264	218,301	130,101
2.3	Interest on Money Market Borrowings		4,583	3,383	13,006	5,377
2.4	Interest on Securities Issued		38,767	19,836	121,374	72,158
2.5	Leasing Interest Expense		3,332	605	3,731	1,824
2.6	Other Interest Expense		23,946	2,535	6,627	532
III.	NET INTEREST INCOME (I - II)		348,105	154,350	327,068	173,022
IV.	NET FEES AND COMMISSIONS INCOME / EXPENSES		77,327	40,505	47,922	18,870
4.1	Fees and Commissions Received		109,312	57,603	75,732	33,181
4.1.1	Non-cash Loans		27,158	13,327	36,588	17,525
4.1.2	Other	IV-i	82,154	44,276	39,144	15,656
4.2	Fees and Commissions Paid (-)		31,985	17,098	27,810	14,311
4.2.1	Non-cash Loans		397	199	391	189
4.2.2	Other	IV-i	31,588	16,899	27,419	14,122
V.	DIVIDEND INCOME	IV-c	53	53	2,804	42
VI.	NET TRADING INCOME	IV-d	45,794	28,276	105,340	35,236
6.1	Securities Trading Gains / (Losses)		8,765	4,499	4,020	5,178
6.2	Derivative Financial Instruments Gains / Losses		89,563	(50,751)	78,177	(63,361)
6.3	Foreign Exchange Gains / Losses (Net)		(52,534)	74,528	23,143	93,419
VII.	OTHER OPERATING INCOME	IV-e	36,402	22,196	10,354	5,654
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		507,681	245,380	493,488	232,824
IX.	EXPECTED CREDIT LOSSES (-)	IV-f	179,593	96,455	181,870	89,272
X.	OTHER PROVISION EXPENSES (-)	IV-f	12,712	(6,354)	27,045	3,765
XI.	PERSONNEL EXPENSES (-)	IV-g	109,111	52,171	105,669	50,367
XII.	OTHER OPERATING EXPENSES (-)	IV-g	114,368	56,550	94,624	49,681
XIII.	NET OPERATING INCOME/(LOSS) (VIII-IX-X-XI-XII)		91,897	46,558	84,280	39,739
XIV.	AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-	-	-
XV.	PROFIT / (LOSS) ON EQUITY METHOD		-	-	-	-
XVI.	GAIN / (LOSS) ON NET MONETARY POSITION		-	-	-	-
	PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		91,897	46,558	84,280	39,739
XVIII.	TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-h	(17,281)	(12,270)	(21,840)	(9,209)
18.1	Provision for Current Income Taxes		(12,228)	(12,228)	(19,278)	(19,278)
18.2	Deferred Tax Income Effect (+)		(5,053)	(42)	(2,562)	10,069
18.3	Deferred Tax Expense Effect (-)		-	-	-	-
	NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)	IV-i	74,616	34,288	62,440	30,530
XX.	INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income on Assets Held for Sale		-	-	-	-
	Income on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
20.2	Income on Other Discontinued Operations		-	-	-	-
20.3	Income on Other Discontinued Operations		-	-	-	-
XXI.	LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Loss from Assets Held for Sale		-	-	-	-
	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities (Joint Venture)		-	-	-	-
21.2	Loss from Other Discontinued Operations		-	-	-	-
21.3	Loss from Other Discontinued Operations		-	-	-	-
	PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX-XXI)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Provision for Current Income Taxes		-	-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-	-
	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXIV.	NET PROFIT/LOSS (XIX+XXIV)		74,616	34,288	62,440	30,530
25.1	Group's Profit / Loss	IV-i	74,615	34,288	62,440	30,530
25.2	Minority Shares (-)	IV-i	1	-	-	-
	Earning / Loss per share		0.03932	0.01807	0.04763	0.02329

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF INCOME
FOR THE INTERIM PERIOD 1 JANUARY - 30 JUNE 2020
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated).

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

	Reviewed Current Period 1 January 2020 30 June 2020	Restated ^(*) Reviewed Prior Period 1 January 2019- 30 June 2019
I. CURRENT PERIOD INCOME/(LOSS)	74,616	62,440
II. OTHER COMPREHENSIVE INCOME	16,354	7,098
2.1 Not Reclassified Through Profit or (Loss)	(1,173)	(52)
2.1.1 Property and Equipment Revaluation Increase/(Decrease)	-	-
2.1.2 Intangible Assets Revaluation Increase/(Decrease)	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	(1,466)	(65)
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	293	13
2.2 Reclassified Through Profit or (Loss)	17,527	7,150
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Valuation and/or Reclassification Income/(Expense) of the Financial Assets at Fair Value through Other Comprehensive Income	2,447	6,082
2.2.3 Cash Flow Hedge Income/(Loss)	17,079	2,381
2.2.4 Foreign Net Investment Hedge Income/(Loss)	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or (Loss)	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or (Loss)	(1,999)	(1,313)
III. TOTAL COMPREHENSIVE INCOME (I+II)	90,970	69,538

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

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

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

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

Restated (*) Prior Period 1 January 2019- 30 June 2019	Note (Section Five)	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss						Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Total Equity Except for Minority Shares	Minority shares	Total Shareholders' Equity
						1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)			
I.	Prior Period End Balance	1,167,000	54	-	289,538	27,782	(3,096)	-	-	(52,783)	(3,884)	549,430	(481,224)	204,897	1,697,714	16	1,697,730
II.	Corrections and Accounting Policy Changes Made According to TAS 8 ^(*)	-	-	-	(289,095)	-	-	-	-	-	-	-	30,420	(137,402)	(396,077)	-	(396,077)
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	(289,095)	-	-	-	-	-	-	-	30,420	(137,402)	(396,077)	-	(396,077)
III.	Adjusted Beginning Balance (I+II)	1,167,000	54	-	443	27,782	(3,096)	-	-	(52,783)	(3,884)	549,430	(450,804)	67,495	1,301,637	16	1,301,653
IV.	Total Comprehensive Income	-	-	-	-	-	(52)	-	-	5,301	1,849	-	-	62,440	69,538	-	69,538
V.	Capital Increase by Cash	II-1	563,655	-	-	-	-	-	-	-	-	-	-	-	563,655	-	563,655
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	31,708	35,787	(67,495)	-	-	-
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	31,708	35,787	(67,495)	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+...+XVI+XVII+XVIII)	1,730,655	54	-	443	27,782	(3,148)	-	-	(47,482)	(2,035)	581,138	(415,017)	62,440	1,934,830	16	1,934,846

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

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

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

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

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

Current Period 1 January 2020 - 30 June 2020	Note (Section Five)	Paid-in Capital	Share Premiums	Share Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Equity		Total Shareholders' Equity
						1	2	3	4	5	6				Except for Minority Shares	Minorit shares	
I. Prior Period End Balance (Restated (*)		1,730,655	54	-	443	27,782	(3,458)	-	-	(38,159)	(7,930)	581,138	(415,017)	95,745	1,971,253	17	1,971,270
II. Corrections and Accounting Policy Changes Made According to TAS 8^(*)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		1,730,655	54	-	443	27,782	(3,458)	-	-	(38,159)	(7,930)	581,138	(415,017)	95,745	1,971,253	17	1,971,270
IV. Total Comprehensive Income		-	-	-	-	-	(1,173)	-	-	4,177	13,350	-	-	74,615	90,969	1	90,970
V. Capital Increase by Cash	II-1	307,735	-	-	-	-	-	-	-	-	-	-	-	-	307,735	-	307,735
VI. Capital Increase by Internal Sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	27,047	68,698	(95,745)	-	-	-
11.1 Dividends paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	27,047	68,698	(95,745)	-	-	-
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+...+XVI+XVII+XVIII)		2,038,390	54	-	443	27,782	(4,631)	-	-	(33,982)	5,420	608,185	(346,319)	74,615	2,369,957	18	2,369,975

(*) Explained in Chapter Three Footnote Number XXVI.

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

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

ALTERNATİFBANK A.Ş.
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2020

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

VI. STATEMENT OF CASH FLOWS		Notes	Reviewed	Restated(*)
A.	CASH FLOWS FROM BANKING OPERATIONS	(Section	1 January-	1 January -
		Five)	30 June 2020	30 June 2019
1.1	Operating Profit/(Loss) Before Changes in Operating Assets and Liabilities		596,857	100,345
1.1.1	Interest Received		1,096,121	1,467,437
1.1.2	Interest Paid		(667,963)	(1,147,059)
1.1.3	Dividend Received		53	2,804
1.1.4	Fees and Commissions Received		109,312	75,732
1.1.5	Other Income		315,000	114,418
1.1.6	Collections from Previously Written-off Loans and Other Receivables		93,908	84,999
1.1.7	Payments to Personnel and Service Suppliers		(110,360)	(106,829)
1.1.8	Taxes Paid		(38,423)	(12,465)
1.1.9	Other		(200,791)	(378,692)
1.2	Changes in Operating Assets and Liabilities		(556,127)	472,804
1.2.1	Net Increase/(Decrease) in Financial Assets at Fair Value Through Profit or Loss		(16,720)	58,885
1.2.2	Net Increase/(Decrease) in Due from Banks and Other Financial Institutions		704,369	(488,705)
1.2.3	Net Increase/(Decrease) in Loans		(2,327,860)	(369,151)
1.2.4	Net Increase/(Decrease) in Other Assets		(402,001)	(58,279)
1.2.5	Net Increase/(Decrease) in Bank Deposits		(38,879)	(8,891)
1.2.6	Net Increase/(Decrease) in Other Deposits		878,782	1,351,134
1.2.7	Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		476,972	1,099,724
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities		169,210	(1,111,913)
I.	Net Cash Provided from Banking Operations		40,730	573,149
B.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from Investing Activities		(217,687)	41,728
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		22,482	(16,659)
2.4	Disposals of Property and Equipment		7,072	1,521
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(704,120)	-
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income		150,670	-
2.7	Purchase of Financial Assets Measured at Amortised Cost		-	-
2.8	Sale of Financial Assets Measured at Amortised Cost		306,209	56,866
2.9	Other		-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES			
III.	Net Cash Provided from Financing Activities		(291,583)	1,638,333
3.1	Cash Obtained from Funds Borrowed and Securities Issued		142,736	1,634,803
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(683,561)	(550,737)
3.3	Issued Capital Instruments		307,735	563,655
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		(58,493)	(9,388)
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		556,345	310,965
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		87,805	2,564,175
VI.	Cash and Cash Equivalents at Beginning of the Period		4,489,721	2,864,730
VII.	Cash and Cash Equivalents at End of the Period		4,577,526	5,428,905

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

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

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. Basis of Presentation

As prescribed in the Article 37 of the Parent Banking Act No. 5411, the Parent 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 Parent Banking Regulation and Supervision Agency (“BRSA”) and Turkish Accounting Standards (“TAS”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) except for BRSA regulations. TAS consists of Turkish Accounting Standards, Turkish Financial Reporting Standards and related appendices and interpretations.

The consolidated financial statements have been prepared in TL, under the historical cost basis as modified in accordance with inflation adjustments applied until 31 December 2004, except for the financial assets and liabilities carried at fair value. Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.

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

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

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

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

Additional paragraph for convenience translation into English

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

II. Strategy of Using Financial Instruments and Foreign Currency Transactions

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

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

As of 30 June 2020 and 31 December 2019, the Group does not have any investment in foreign companies.

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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 30 June 2020.

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 Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	Investment Management	100.00	100.00
Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	Leasing	99.99	99.99

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. Interest Income and Expense

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

V. Fee and Commission Income and Expense

Except for the Parent Banking services revenues are recognized as income at the time of collection, commission income related with the cash and non-cash loans are deferred and recognized as income by using with the effective interest rate method in accordance with TFRS 15 "Revenue from Contracts with Customers" standard. Depending on nature of fees and commission income derived from agreements and asset purchases for third parties are recognized as income when realized.

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

VI. Financial Assets

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

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

a. Financial Assets at Fair Value through Profit or Loss

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

b. Financial Assets at Fair Value through Other Comprehensive Income

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

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

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

In case of sales, the realized gain/(losses) are recognized directly in the income statement. During initial recognition an entity may irrevocably elect to record the changes of the fair value of the investment in an equity instrument that is not held for trading purposes in the other comprehensive income.

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

c. Financial Assets Measured at Amortized Cost

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

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

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

d. Derivative Financial Assets

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

The major derivative instruments utilized by the Group are foreign currency swaps, interest rate swaps, currency forwards, currency futures and currency options.

Derivatives are initially recorded with their fair values and related transaction costs as of the contract date are recorded on gain or loss. The following periods of initial reporting, they are measured with their fair values. The result of this assessment, offsetting debit and credits stemming from each contract debit and credits are reflected to the financial statements as a contract-based single asset and liability. The recognition method of profit/loss is based on whether the related derivative is hedged or not, and the content of the hedged instrument.

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. Financial Assets (Continued)

e. Loans

Loans are financial assets which are created by providing money, goods or services to the debtor. Loans are recognized at acquisition cost which is reflecting the fair value after that measured at amortized cost using the effective interest rate method. Any fees and other similar charges paid for assets received as collateral are not considered as part of the transaction cost and reflected in the expense accounts.

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

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

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

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

VII. Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. Impairment of Financial Assets (Continued)

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

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

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

➤ **Definition of Default:**

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

➤ **Considered as a significant increase in credit risk;**

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

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

VIII. Offsetting Financial Instruments

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

IX. Sales and Repurchase Agreements and Securities Lending Transactions

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

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

Funds given against securities purchased under agreements to resell ("Reverse Repo") are accounted under "Money Market Placements" on the balance sheet.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

X. Assets Held For Sale and Discontinued Operations

In accordance with TFRS 5 standard ("Non-current Assets Held for Sale and Discontinued Operations"), a tangible asset (or a group of assets to be disposed) classified as "asset held for resale" is measured at lower of carrying value and fair value less costs to sell. An asset (or a group of assets to be disposed) is regarded as "asset held for resale" only when the sale is highly probable and the asset (or a group of assets to be disposed) is available for immediate sale in its present condition. For a highly probable sale, there must be a valid plan prepared by the management for the sale of asset including identification of possible buyers and completion of sale process. Furthermore, the asset should be actively in the market at a price consistent with its fair value.

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

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

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

XI. Goodwill and Other Intangible Assets

Group has TL 49,647 goodwill in consolidated financial statements as of balance sheet date (31 December 2019: TL 49,647).

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

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

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

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

XII. Property and Equipment

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

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

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

If properties and equipments' value, adjusted for inflation (until 31 December 2004) is higher than the current value, exceeding amount is being allocated for impairment and determined amounts are reflected in the financial statements. Expenditures for the repair and renewal of property and equipment are recognised as expense. There are no pledges, mortgages or other restrictions on the properties and equipments.

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. Property and Equipment (Continued)

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

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

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

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

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

XIII. Leasing Transactions

Financial leasing transactions as a lessee

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

Right of use assets:

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

- The initial measurement amount of the lease obligation,
- The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- All initial direct costs incurred by the Parent Bank

When the Parent Bank applying the cost method, the existence of the right to use:

- Accumulated depreciation and accumulated impairment losses are deducted and
- Measures the restatement of the lease obligation at the restated cost.

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

The Lease Obligations:

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. Leasing Transactions (Continued)

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

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

XIV. Provisions, Contingent Asset and Liabilities

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

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

XV. Obligations Related To Employee Rights

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

XVI. Taxation

a. Corporate tax

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

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

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

A 75% portion of the capital (With the Law, No. 7061 Amendment of Certain Taxes and Laws and Other Acts promulgated in the Official Gazette, dated 5 December 2017, the exemption applied as 75% was decreased to 50% to be effective as of the promulgation of the Law for the mentioned sale of properties.) gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. Taxation (Continued)

a. Corporate tax (Continued)

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

b. Deferred taxes

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

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

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

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

XVII. Additional Explanations on Borrowings

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

XVIII. Share Certificates and Issuance of Share Certificates

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

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

XIX. Avalized Drafts And Acceptances

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

XX. Government Incentives

As of 30 June 2020, the Group has an investment allowance of TL 39,705 which has not been used yet. 40% of the amount of the investment cost of the financial leasing investments.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXI. Profit Reserves And Profit Distribution

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

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

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

XXII. Earnings Per Share

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

	30 June 2020	30 June 2019
Group’s Profit/(Loss)	74,616	62,440
Weighted Average Number of Issued Ordinary Shares (Thousand) (*)	1,897,758	1,310,844
Earnings/(Losses) Per Share (Disclosed in full TL)	0.0393	0.0476

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

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

No bonus shares were issued as of 30 June 2020 (31 December 2019: None).

XXIII. Related Parties

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

The transactions with related parties are disclosed in detail in Note VII. of Section Five.

XXIV. Cash and Cash Equivalents

For the purposes of 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXV. Explanations on the Accounting Policies of the Current Period

None.

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

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

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

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

	Reported			Restated
	31 December 2019	Classifications	Adjustments	31 December 2019
Subordinated Debt Instruments	2,096,143	445,502	-	2,541,645
Total Equity	2,416,772	(445,502)	-	1,971,270
<i>Prior Years' Profit/(Loss)</i>	(351,796)	-	(63,221)	(415,017)
<i>Other Capital Reserves</i>	300,412	(299,969)	-	443
<i>Current Period Profit/(Loss) /Net</i>	178,057	-	(82,312)	95,745
	Reported			Restated
	30 June 2019	Classifications	Adjustments	30 June 2019
Subordinated Debt Instruments	2,030,670	431,635	-	2,462,305
Total Equity	2,366,481	(431,635)	-	1,934,846
<i>Prior Years' Profit/(Loss)</i>	(329,086)	-	(85,931)	(415,017)
<i>Other Capital Reserves</i>	297,361	(296,918)	-	443
Interest expense	1,136,569	-	21,051	1,157,620
Trading Profit / (Loss) (Net)	140,898	-	(35,558)	105,340
Provision for Taxes on Continuing Operations	(29,663)	-	7,823	(21,840)
Current Period Profit/(Loss) (Net)	111,226	-	(48,786)	62,440
	Reported			Restated
	31 December 2018	Classifications	Adjustments	1 January 2019
Subordinated Debt Instruments	1,863,654	396,077	-	2,259,731
Total Equity	1,697,730	(396,077)	-	1,301,653
<i>Prior Years' Profit/(Loss)</i>	(481,224)	-	30,420	(450,804)
<i>Other Capital Reserves</i>	289,538	(289,095)	-	443
<i>Current Period Profit/(Loss)(Net)</i>	204,897	-	(137,402)	67,495

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

XXVII. Explanations on Other Matters

None.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Operating Segments

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

- a) The Parent Bank provides basic banking services in corporate/commercial banking and treasury.
- b) Corporate banking services consists of automatic money transfers, current accounts, deposits, open loan transactions as well as option and other derivative instruments that are used for banking operations.
- c) Investment banking services consists of trading of financial instruments and fund management.
- d) The Parent Bank's one of the subsidiary Alternatif Yatırım A.Ş. provides capital market activities in accordance with Capital Market Law and relevant legislations. In accordance with the law and within the authorization and permits given, the Company operates in the company brokerage, portfolio management, margin trading, Short Selling and Lending and Borrowing of Securities, investment advisory, the securities exchange with buy-back sell-back commitment, intermediation for public offering , intermediation for the derivative instruments exchange.
According to the Law, the Company received an authority certificate from the Capital Market Board to create the company's portfolio, to managing and to make changes in the portfolio when it is necessary. Parent Bank's another subsidiary Alternatif Finansal Kiralama A.Ş., established in 1997 to operate in Turkey, within the framework of 3226 Financial Leasing Law, with following permission from Undersecretariat of Treasury. Company has been operating its activities within the framework of BRSA's 'Regulations on the Establishment and Procedures of the Financial Leasing, Factoring and Financing Company', published in the Official Gazette No. 28627 in 24 April 2013.
- e) Other operations consist of subsidiaries and joint ventures, tangible assets, intangible assets, deferred tax asset and equity amounts and other income/loss accounts associated with these accounts.
- f) The Group's software requirements, possible software updates and additional software requirements to compete with other firms are provided by the Parent Bank.
- g) According to the table provided, share of each Group's operating segment in the Balance sheet is as follows; corporate/retail banking 65%, investment banking 30% and other 5%.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXVIII. Operating Segments (Continued)

Major balance sheet and income statement items according to operating segments

30 June 2020	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	299,419	48,686	-	348,105
Net Fees and Commissions Income and Other Operating Income	86,416	27,313	-	113,729
Trading Profit/Loss	30,735	15,059	-	45,794
Dividend Income	-	53	-	53
Impairment Provision for Loans and Other Receivables (-) ^(*)	(183,542)	(8,763)	-	(192,305)
Other Operating Expenses (-)	(205,109)	(18,370)	-	(223,479)
Profit Before Taxes				91,897
Tax Provision				(17,281)
Minority	-	-	1	1
Net Profit for the Period				74,616
30 June 2020				
Segment Assets	21,843,016	9,945,989	1,716,446	33,505,451
Investments in Associates and Subsidiaries	-	-	-	-
Total Assets	21,843,016	9,945,989	1,716,446	33,505,451
Segment Liabilities	19,239,471	8,052,540	3,843,465	31,135,476
Shareholders' Equity	-	-	2,369,975	2,369,975
Total Liabilities	19,239,471	8,052,540	6,213,440	33,505,451

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

30 June 2019	Corporate / Retail Banking	Investment Banking	Other	Total Operations of the Group
Net Interest Income / (Expense)	351,193	(24,125)	-	327,068
Net Fees and Commissions Income and Other Operating Income	55,093	3,183	-	58,276
Trading Profit/(Loss)	9,936	95,404	-	105,340
Dividend Income	-	2,804	-	2,804
Impairment Provision for Loans and Other Receivables (-) ^(*)	(205,816)	(3,099)	-	(208,915)
Other Operating Expenses (-)	(192,451)	(7,842)	-	(200,293)
Profit Before Taxes	17,955	66,325	-	84,280
Tax Provision				(21,840)
Minority Shares	-	-	-	-
Net Profit for the Period				62,440
31 December 2019 ^(**)				
Segment Assets	18,824,424	9,905,239	1,358,524	30,088,187
Investments in Associates and Subsidiaries	-	-	-	-
Total Assets	18,824,424	9,905,239	1,358,524	30,088,187
Segment Liabilities	17,170,535	6,931,522	4,014,860	28,116,917
Shareholders' Equity	-	-	1,971,270	1,971,270
Total Liabilities	17,170,535	6,931,522	5,986,130	30,088,187

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

(**) The table has been restated.

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SECTION FOUR

INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP

I. Explanations on Shareholders' Equity

The standard rate of the capital adequacy of the Group is 18.44% (31 December 2019: 17.25%). The standard rate of the capital adequacy of the Parent Bank is 19.01% (31 December 2019: 17.79%).

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

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

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

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity

	30 June 2020	Restated (**) 31 December 2019
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Parent Bank	2,038,390	1,730,655
Share issue premiums	54	54
Reserves	608,185	581,138
Gains recognized in equity as per TAS	28,537	28,547
Profit	74,993	96,122
Current Period Profit	74,615	95,745
Prior Period Profit	378	377
Minority Shares	18	17
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	2,750,177	2,436,533
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 (-)	202,869	200,945
Improvement costs for operating leasing (-)	23,587	21,426
Goodwill (net of related tax liability)	49,647	49,647
Other intangibles other than mortgage-servicing rights (net of related tax liability)	63,801	60,295
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Parent 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 Parent Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Parent 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 Parent Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Parent Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity (Continued)

Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity		
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks		
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Parent Bank owns 10% or more of the issued common share capital		
Excess amount arising from mortgage servicing rights		
Excess amount arising from deferred tax assets based on temporary differences		
Other items to be defined by the BRSA		
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital		
Total Deductions From Common Equity Tier 1 Capital	339,904	332,313
Total Common Equity Tier 1 Capital	2,410,273	2,104,220
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 ^(***)	513,240	445,502
Debt instruments and the related issuance premiums defined by the BRSA (Covered by Temporary Article 4)		
Third parties' share in the Tier II Capital		
Third parties' share in the Tier II Capital (Temporary Article 3)		
Additional Tier I Capital before Deductions	513,240	445,502
Deductions from Additional Tier I Capital		
Direct and indirect investments of the Parent 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 Parent 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 Parent 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 (-)		
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	513,240	445,502
Total Tier I Capital (Tier I Capital=Common Equity Tier 1 Capital+Additional Tier I Capital)	2,923,513	2,549,722
TIER II CAPITAL		
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	2,032,636	2,061,358
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)		
Third parties' share in the Tier II Capital		
Third parties' share in the Tier II Capital (Temporary Article 3)		
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital) ^(*)	133,260	9,619
Tier II Capital Before Deductions	2,165,896	2,070,977
Deductions From Tier II Capital		
Direct and indirect investments of the Parent 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 Parent 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 Parent Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of Tier I Capital (-)		
Other items to be defined by the BRSA (-)		
Total Deductions from Tier II Capital		
Total Tier II Capital	2,165,896	2,070,977
Total Capital (The sum of Tier I Capital and Tier II Capital)	5,089,409	4,620,699

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

I. Explanations on Shareholders' Equity (Continued)

a. Information on Shareholders' Equity (Continued)

	5,089,409	4,620,699
Deductions from Total Capital		
Loans granted against the articles 50 and 51 of the Parent Banking law	1,833	1,396
Net book values of movables and immovables exceeding the limit defined in the Article 57, clause 1 of the Parent Banking Law and the assets acquired against overdue receivables and held for sale but retained more than three years	-	-
Other items to be defined by the BRSA	-	-
Items to be Deducted from sum of Tier I and Tier II (Capital) during the Transition Period		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the Parent 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 Parent 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 Parent 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)	5,087,576	4,619,303
Total risk weighted amounts	27,592,566	26,772,367
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	%8.74	7.86%
Tier I Capital Adequacy Ratio (%)	%10.60	9.52%
Capital Adequacy Ratio (%)	%18.44	17.25%
BUFFERS		
Bank specific total Common Equity Tier 1 Capital requirement (%)	%2.50	2.50%
Capital conservation buffer requirement (%)	%2.50	2.50%
Bank specific counter-cyclical buffer requirement (%)	%0.00	0.00%
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	%4.43	3.36%
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 Parent 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 Parent 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 tenthousandandtwentyfive limitation)	133,260	9,619
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	133,260	9,619
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

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

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

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

I. Explanations on Shareholders' Equity (Continued)

a. Details on Subordinated Liabilities

Issuer	The Commercial Bank (P.S.Q.C.)
Unique identifier (eg CUSIP, ISIN)	-
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	TIER-I Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	513,240
Par value of instrument (Million TRL)	513,240
Accounting classification	347
Original date of issuance	30.06.2015
Demand or time	Time
Original maturity date(*)	10 years + 1 day
	-Illegality, - After 5th year, -Taxation reason and
Issuer call subject to prior supervisory approval	-Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	9.85%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Discretionary
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	Non-cumulative
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger (s)	When unsustainable situation is realized,value decrement is realized.
If write-down, full or partial	Partial or completely value decrement is should be realized.
If write-down, permanent or temporary	Permanent
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After claims, deposit holders, other creditors and instruments included in the calculation of supplementary capital
Whether conditions which stands in article of 7 and 8 of Banks' shareholder equity law are possessed or not	Possess
According to article 7 and 8 of Banks' shareholders equity law that are not possessed	-

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

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

I. Explanations on Shareholders’ Equity (Continued)

b. Details on Subordinated Liabilities

Issuer	Alternatif Bank A.Ş.
Unique identifier (eg CUSIP, ISIN)	ISIN: XS1396282177
Governing law(s) of the instrument	Regulation on Equity of Banks (Published in the Official Gazette Nr. 28756 dated 5 September 2013)
Regulatory treatment	
Subject to 10% deduction as of 1/1/2015	No
Eligible on Unconsolidated/ consolidated / both unconsolidated and consolidated	Valid on Consolidated and Unconsolidated Basis
Instrument type	Secondary Subordinated Loan
Amount recognised in regulatory capital (Currency in million TRL, as of most recent reporting date)	2,032,636
Par value of instrument (Million TRL)	2,032,636
Accounting classification	347
Original date of issuance	15.04.2016
Demand or time	Time
Original maturity date	10 years+ 1 day
	-Illegality, - After 5th year, -Taxation reason and
Issuer call subject to prior supervisory approval	-Depending on regulatory as a reason BRSA has the right to refund.
Optional call date, contingent call dates and redemption amount	-
Subsequent call dates, if applicable	-
Coupons / dividends	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	8.75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	Mandatory
Existence of step up or other incentive to redeem	-
Non-cumulative or cumulative	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. Explanations on Shareholders’ Equity (Continued)

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

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

Within this scope, legal and internal capital requirements are assessed prospectively, along with the annual targets of the Parent Bank, in parallel to the preparation of 5 year strategic plans. In the process of assessing internal capital requirements, the credit risk, market risk, and operational risks, in the first pillar, and the interest rate risk resulting from the Parent 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 2020 budget works and the possible capital requirements according to The Parent Bank’s goal and strategies are evaluated.

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

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

II. Explanations on Credit Risk

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

III. Explanations on Currency Risk

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

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

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

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

The 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 6.8113

EUR: TL 7.6707

As of 30 June 2020;

Rate Used:

USD

TL 6.8432

EUR

TL 7.6720

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

III. Explanations on Currency Risk (Continued)

a. Information on currency risk of the Group

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

	EURO	USD	Other FC	Total
30 June 2020				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	443,315	1,558,472	62,732	2,064,519
Banks	76,556	2,139,993	174,386	2,390,935
Financial Assets at Fair Value Through Profit and Loss (*)	49,308	12,114	13	61,435
Money Market Placements	-	171,467	-	171,467
Financial Assets at Fair Value Through Other Comprehensive Income	-	130,139	-	130,139
Loans (**)	7,902,653	3,300,827	10,185	11,213,665
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial Assets Measured at Amortised Cost	-	3,848,249	-	3,848,249
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	91,709	384,244	-	475,953
Total Assets	8,563,541	11,545,505	247,316	20,356,362
Liabilities				
Bank Deposits	380	1,866	685	2,931
Foreign Currency Deposits	2,494,500	7,171,397	206,276	9,872,173
Money Market Funds	-	171,407	-	171,407
Funds Borrowed From Other Financial Institutions	2,680,330	8,355,255	-	11,035,585
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	80,414	134,797	723	215,934
Derivative Financial Liabilities For Hedging Purposes	-	1,110	-	1,110
Other Liabilities (***)	46,209	3,209	242	49,660
Total Liabilities	5,301,833	15,839,041	207,926	21,348,800
Net Balance Sheet Position	3,261,708	(4,293,536)	39,390	(992,438)
Net Off Balance Sheet Position	(3,188,450)	4,463,013	(139,507)	1,135,056
Financial Derivative Assets	2,242,424	6,510,473	481,644	9,234,541
Financial Derivative Liabilities	5,430,874	2,047,460	621,151	8,099,485
Non-Cash Loans (****)	1,964,292	2,927,356	399,501	5,291,149
31 December 2019 (*****)				
Total Assets	7,682,278	9,973,850	116,436	17,772,564
Total Liabilities	4,087,286	14,666,913	100,365	18,854,564
Net Balance Sheet Position	3,594,992	(4,693,063)	16,071	(1,082,000)
Net Off balance Sheet Position	(3,594,308)	4,795,975	(15,180)	1,186,487
Financial Derivative Assets	2,498,324	6,541,627	156,229	9,196,180
Financial Derivative Liabilities	6,092,632	1,745,652	171,409	8,009,693
Non-Cash Loans	1,790,628	2,179,548	377,094	4,347,270

(*) Accruals of derivative assets held for trading amounting to TL 29,584 (31 December 2019: TL 27,771) have been deducted from fair value through profit and loss.

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

(***) Accruals of derivative liabilities held for trading amounting to TL 49,647(31 December 2019: TL 30) have been deducted from other liabilities.

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

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

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

IV. Explanations on Interest Rate Risk

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

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

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

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

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

30 June 2020	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	1,910,401	-	-	-	-	294,154	2,204,555
Banks (**)(****)	1,440,014	-	-	-	-	1,081,785	2,521,799
Financial Assets at Fair Value Through Profit and Loss	17,792	25,271	64,648	37,605	6,522	-	151,838
Money Market Placements	397,537	-	-	-	-	-	397,537
Financial Assets at Fair Value Through Other Comprehensive Income (****)	11,626	302,392	437,757	10,569	-	8,420	770,764
Loans (****)	8,265,291	1,044,703	5,165,622	4,650,288	2,216,465	366,496	21,708,865
Financial Assets Measured at Amortised Cost (****)	124,231	1,794,618	2,005,174	-	-	(650)	3,923,373
Other Assets (*)	60,231	-	-	-	-	1,766,489	1,826,720
Total Assets	12,227,123	3,166,984	7,673,201	4,698,462	2,222,987	3,516,694	33,505,451
Liabilities							
Bank Deposits (**)	73,771	32,056	-	-	-	2,978	108,805
Other Deposits	11,719,535	3,903,048	315,639	21,268	-	1,985,225	17,944,715
Money Market Funds	71,862	187,632	-	-	-	-	259,494
Miscellaneous Payables	348	-	-	-	-	448,013	448,361
Marketable Securities Issued	350,661	80,739	11,642	50,400	-	-	493,442
Funds Borrowed From Other Financial Institutions	1,691,241	1,122,033	6,132,591	1,853,831	513,381	-	11,313,077
Other Liabilities and Shareholders' Equity (**)	36,631	25,703	42,850	63,359	28,896	2,740,118	2,937,557
Total Liabilities	13,944,049	5,351,211	6,502,722	1,988,858	542,277	5,176,334	33,505,451
Balance Sheet Long Position	-	-	1,170,479	2,709,604	1,680,710	-	5,560,793
Balance Sheet Short Position	(1,716,926)	(2,184,227)	-	-	-	(1,659,640)	(5,560,793)
Off-Balance Sheet Long Position	-	-	-	598,699	-	-	598,699
Off-Balance Sheet Short Position	(5,867)	(19,820)	(419,874)	-	-	-	(445,561)
Total Position	(1,722,793)	(2,204,047)	750,605	3,308,303	1,680,710	(1,659,640)	153,138

(*) 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.

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

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

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 782 were deducted from non-interest banks, amounted to TL 650 were deducted from non-interest financial assets measured at amortised.

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

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

IV. Explanations on Interest Rate Risk (Continued)

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

31 December 2019 (*****)	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Non-Interest Bearing	Total
Assets							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic Turkey	2,425,375	-	-	-	-	261,049	2,686,424
Banks (**) (****)	605,264	10,000	-	-	-	523,210	1,138,474
Financial Assets at Fair Value Through Profit and Loss	20,329	46,696	27,086	29,730	71,897	6,561	202,299
Money Market Placements	1,912,595	-	-	-	-	-	1,912,595
Financial Assets at Fair Value Through Other Comprehensive Income (****)	89,479	7,205	130,150	1,142	-	8,420	236,396
Loans and Receivables	3,972,092	1,619,509	6,132,832	5,428,848	1,098,557	441,814	18,693,652
Financial Assets Measured at Amortised Cost (****)	-	2,144,021	1,588,473	-	-	(531)	3,731,963
Other Assets (*)	26,110	-	-	-	-	1,460,274	1,486,384
Total Assets	9,051,244	3,827,431	7,878,541	5,459,720	1,170,454	2,700,797	30,088,187
Liabilities							
Bank Deposits (**)	144,470	-	-	-	-	2,579	147,049
Other Deposits	11,298,714	2,719,525	524,539	19,745	-	1,269,142	15,831,665
Money Market Funds	93,595	-	-	-	-	-	93,595
Miscellaneous Payables	408	-	-	-	-	352,614	353,022
Marketable Securities Issued	234,905	486,125	-	50,592	-	-	771,622
Funds Borrowed From Other Financial Institutions	1,646,796	2,616,621	3,899,173	288,078	1,880,081	-	10,330,749
Other Liabilities and Shareholders' Equity (***)	64,221	34,885	42,146	31,769	72,340	2,315,124	2,560,485
Total Liabilities	13,483,109	5,857,156	4,465,858	390,184	1,952,421	3,939,459	30,088,187
Balance Sheet Long Position	-	-	3,412,683	5,069,536	-	-	8,482,219
Balance Sheet Short Position	(4,431,865)	(2,029,725)	-	-	(781,967)	(1,238,662)	(8,482,219)
Off-Balance Sheet Long Position	6,124	170,102	(154,839)	180,072	-	-	201,459
Off-Balance Sheet Short Position	-	-	(6,441)	-	-	-	(6,441)
Total Position	(4,425,741)	(1,859,623)	3,251,403	5,249,608	(781,967)	(1,238,662)	195,018

(*) 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.

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

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

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 329 were deducted from non-interest banks, amounted to TL 531 were deducted from non-interest financial assets measured at amortised.

(*****) Includes restatement effect.

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

IV. Explanations on Interest Rate Risk (Continued)

b. Interest rate risk arising from banking accounts

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

c. Average interest rates applied to monetary financial instruments

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

30 June 2020 (*)	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	-	-	-	8.00
Banks	-	0.93	-	7.04
Financial Assets at Fair Value Through Profit and Loss	2.19	-	-	10.68
Money Market Placements	-	-	-	7.64
Financial Assets at Fair Value Through Other Comprehensive Income	-	4.25	-	10.91
Loans and Receivables	3.53	5.08	4.90	11.88
Financial Assets Measured at Amortised Cost	-	4.68	-	6.91
Liabilities				
Bank Deposits (*)	-	1.24	-	7.98
Other Deposits (*)	0.53	1.29	0.20	7.24
Money Market Funds	-	2.40	-	8.14
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	10.28
Funds Borrowed From Other Financial Institutions	1.63	4.80	-	9.48

31 December 2019 (*)	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	-	-	-	10.00
Banks	-	1.55	-	10.75
Financial Assets at Fair Value Through Profit and Loss	-	-	-	11.60
Money Market Placements	-	-	-	11.30
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	7.63
Loans and Receivables	4.23	6.06	-	16.88
Financial Assets Measured at Amortised Cost	-	4.65	-	18.15
Liabilities				
Bank Deposits (**)	-	2.24	0.20	11.04
Other Deposits (**)	0.26	2.41	1.04	10.97
Money Market Funds	-	2.80	-	9.50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	12.19
Funds Borrowed From Other Financial Institutions	1.92	5.24	-	12.52

(*) Represents Parent Bank’s interest rates.

(**) Amount of demand deposits are included.

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

V. Explanation on share certificates

None.

VI. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

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

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

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

In accordance with the framework of BRSA’s “Regulation on calculation of Bank’s liquidity coverage ratio”, published in Official Gazette no. 28948 as of 2019, dated 21 March 2014, as of 2019 the deposit banks are subject to set 100% and 80% liquidity ratios for Foreign Currency accordingly. The liquidity ratio is calculated by dividing the high quality liquid assets by net cash outflows. On the other hand, with the Board Decision No. 8967 of 26 March 2020, BRSA until 31 December 2020, in order to provide flexibility for banks to meet the minimum ratios due to the epidemic process of COVID-19, Banks were decided to be exempted from Article 32 of the Regulation on Calculation of Liquidity Coverage Ratio (LCR Regulation), but to continue reporting to the Agency within the scope of Article 31 of the LCR Regulation.

1.a. Information on liquidity risk management regarding how to provide communication with the Board of Directors and lines of business for risk capacity of the 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 Parent 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.

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

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

1.c. Information on the Parent Bank's funding strategy including policies on diversity of fund terms and resources (Continued)

For the Parent 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.

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

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

1.e. Information on current liquidity risk mitigation techniques

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

1.f. Information on the use of stress testing

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

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

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

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

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

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

2. Liquidity Coverage Ratio

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

30 June 2020	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1 High Quality Liquid Assets			6,313,970	4,474,356
CASH OUTFLOWS				
2 Retail and Small Business Customers	9,337,104	3,916,721	859,747	391,672
3 Stable Deposits	1,479,277	-	73,964	-
4 Less Stable Deposit	7,857,827	3,916,721	785,783	391,672
5 Unsecured Wholesale Funding	12,324,930	9,439,249	7,965,542	6,320,014
6 Operational Deposits	-	-	-	-
7 Non-operational Deposits	7,416,134	5,068,055	3,165,691	2,057,714
8 Other Unsecured Fundings	4,908,796	4,371,194	4,799,851	4,262,300
9 Secured Funding			-	-
10 Other Cash Outflows	672,621	671,604	672,620	671,604
11 Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	672,621	671,604	672,620	671,604
12 Obligations related to structured financial products	-	-	-	-
13 Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-	-
14 Other revocable off-balance sheet commitments and contractual obligations	20,956	20,956	1,048	1,048
15 Other irrevocable or conditionally revocable off-balance sheet obligations	8,526,937	5,634,973	1,289,523	725,210
16 TOTAL CASH OUTFLOWS			10,788,480	8,109,548
CASH INFLOWS				
17 Secured lending	1,380,757	64,416	-	-
18 Unsecured lending	8,198,595	6,792,207	7,388,391	6,344,847
19 Other cash inflows	659,709	659,125	659,709	659,125
20 TOTAL CASH INFLOWS	10,239,061	7,515,748	8,048,100	7,003,972
			Total Adjusted Values	
21 TOTAL HIGH QUALITY ASSETS STOCKS			6,313,970	4,474,356
22 TOTAL CAH OUTFLOWS			2,901,709	2,027,387
23 LIQUIDITY COVERAGE RATIO (%)			%218.80	%220.75

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

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

30 June 2020	Highest	Date	Lowest	Date	Average
TL+FC	%239.4	30.04.2020	200.1%	31.05.2020	%218.8
FC	%230.8	31.05.2020	214.6%	30.06.2020	%220.8

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

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

2. Liquidity Coverage Ratio (Continued)

31 December 2019	Consideration Ratio Unapplied to Total Value (*)		Consideration Ratio Applied to Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS				
1	High Quality Liquid Assets		6,475,085	4,183,664
CASH OUTFLOWS				
2	Retail and Small Business Customers	7,894,376	3,908,206	721,300
3	Stable Deposits	1,362,748	-	68,137
4	Less Stable Deposit	6,531,628	3,908,206	653,163
5	Unsecured Wholesale Funding	9,026,304	5,838,908	5,476,252
6	Operational Deposits	-	-	-
7	Non-operational Deposits	6,535,758	4,096,008	3,042,732
8	Other Unsecured Fundings	2,490,546	1,742,900	2,433,520
9	Secured Funding			-
10	Other Cash Outflows	559,593	559,807	559,593
11	Derivative cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	559,593	559,807	559,593
12	Obligations related to structured financial products	-	-	-
13	Commitments related to debts to financial markets and other off-balance sheet obligations	-	-	-
14	Other revocable off-balance sheet commitments and contractual obligations	16,717	16,717	836
15	Other irrevocable or conditionally revocable off-balance sheet obligations	5,828,248	3,663,993	903,709
16	TOTAL CASH OUTFLOWS			7,661,690
CASH INFLOWS				
17	Secured lending	1,680,302	21,746	-
18	Unsecured lending	4,268,303	3,130,020	3,599,004
19	Other cash inflows	237,755	233,751	237,755
20	TOTAL CASH INFLOWS	6,186,360	3,385,517	3,836,759
				Total Adjusted Values
21	TOTAL HIGH QUALITY ASSETS STOCKS			6,475,085
22	TOTAL CAH OUTFLOWS			3,824,931
23	LIQUIDITY COVERAGE RATIO (%)			169.70%
				244.04%

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

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

31 December 2019	Highest	Date	Lowest	Date	Average
TL+FC	179.50%	31.10.2019	160.90%	30.11.2019	169.70%
FC	248.37%	31.10.2019	235.85%	31.12.2019	244.04%

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

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

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 30 June 2020, the proportion of total liabilities to all deposits of the Parent Bank is 56% and borrowings constitutes 23% portion whereas subordinate debt is 8%. Secured borrowings such as repo transactions has lower portion (1%). In addition, as of 30 June 2020 as a funding item, the Parent Bank has TL 493,442 issued securities (31 December 2019: TL 771,622).

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

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

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

As of 31 December 2020, approximately 52% 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 (77%). As of 30 June 2020, 20% of the subordinated loans which are subject to capital adequacy calculations provided from The Commercial Bank (P.S.Q.C.). In addition, the Group has issued securities amounting to TL 493,442 as of 31 December 2019..

3.f The liquidity risk for the potential funding needs for the Parent 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 Parent 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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INFORMATION ON THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)

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

Breakdown of assets and liabilities according to their outstanding maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and Over	Unclassified	Total
30 June 2020								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	294,154	1,910,401	-	-	-	-	-	2,204,555
Due From Banks(****)	1,082,567	1,440,014	-	-	-	-	(782)	2,521,799
Financial Assets at Fair Value Through Profit and Loss	-	91,525	29,491	13,228	17,594	-	-	151,838
Money Market Placements	-	397,537	-	-	-	-	-	397,537
Financial Assets at Fair Value Through Other Comprehensive Income (****)	-	498	-	1,154	505,556	255,134	8,422	770,764
Loans(*****)	-	2,868,151	1,312,309	7,865,426	6,747,788	2,555,364	359,827	21,708,865
Financial Assets Measured at Amortised Cost (****)	-	-	-	667,673	1,910,513	1,345,837	(650)	3,923,373
Other Assets (*) (****)	718	172,456	7,201	23,859	12,258	8,612	1,601,616	1,826,720
Total Assets	1,377,439	6,880,582	1,349,001	8,571,340	9,193,709	4,164,947	1,968,433	33,505,451
Liabilities								
Bank Deposits(****)	2,978	73,771	32,056	-	-	-	-	108,805
Other Deposits	1,985,225	11,719,530	3,903,053	315,639	21,268	-	-	17,944,715
Funds Borrowed From Other Financial Institutions (**)	-	1,691,239	984,163	4,007,155	2,044,983	2,585,537	-	11,313,077
Money Market Funds	-	71,857	187,637	-	-	-	-	259,494
Marketable Securities Issued	-	350,661	80,739	11,642	50,400	-	-	493,442
Miscellaneous Payables	-	40,270	-	-	-	-	408,091	448,361
Other Liabilities	6,276	283,997	38,196	14,176	38,332	22,374	2,534,206	2,937,557
Total Liabilities	1,994,479	14,231,325	5,225,844	4,348,612	2,154,983	2,607,911	2,942,297	33,505,451
Liquidity Gap	(617,040)	(7,350,743)	(3,876,843)	4,222,728	7,038,726	1,557,036	(973,864)	-
31 December 2019 (*****)								
Total Assets	792,218	6,842,406	2,260,052	5,603,362	9,174,220	3,708,232	1,707,697	30,088,187
Total Liabilities	1,540,873	12,375,186	4,092,262	5,249,301	1,981,208	2,613,986	2,235,371	30,088,187
Liquidity Gap	(748,655)	(5,532,780)	(1,832,210)	354,061	7,193,012	1,094,246	(527,674)	-

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

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

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

(****) Expected loss provision for financial assets is presented non-interest bearing on the table. Amounted to TL 782 were deducted from non-interest banks, amounted to TL 650 were deducted from non-interest financial assets measured at amortised cost.

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

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

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

Contractual maturity analysis of the Group’s derivative instruments:

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

VII. Explanations on Leverage Ratio

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

		30 June 2020(*)	31 December 2019(*)
1	Total assets in consolidated financial statements prepared in accordance with Turkish Accounting Standards	34,740,652	29,431,112
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	430,024	325,481
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	(1,208,834)	(860,003)
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	16,748,552	9,569,146
7	Total risk amount	50,710,394	38,465,736

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

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

VII. Explanations on Leverage Ratio (Continued)

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

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

The Group's leverage ratio is 5.73% calculated in compliance with "Regulation on Measurement and Evaluation of Leverage Levels of Banks" which was not consolidated. (31 December 2019: 6.66%). Increase in the leverage ratio is mainly due to the decrease in total risk. Regulation has been arrived at a decision of the minimum leverage ratio of 3%.

		30 June 2020 (*)	31 December 2019(*)
	Assets in Balance Sheet		
1	On-balance sheet items (excluding derivative financial instruments and credit derivatives but including collateral)	34,740,652	29,431,112
2	Assets deducted in determining Tier 1 capital	(137,094)	(129,754)
3	Total on-balance sheet risks (sum of lines 1 and 2) Derivative financial instruments and credit derivatives	34,603,558	29,301,358
	Derivative financial instruments and credit derivatives		
4	Replacement cost associated with all derivative financial instruments and credit derivatives	254,142	202,958
5	Add-on amounts for PFE associated with all derivative financial instruments and credit derivatives	430,024	325,481
6	Total risks of derivative financial instruments and credit derivatives (sum of lines 4 to 5) Securities or commodity financing transactions (SCFT)	684,166	528,439
	Securities or commodity financing transactions		
7	Risks from SCFT assets of off-balance sheet	-	-
8	Risks from brokerage activities related exposures	-	-
9	Total risks related with securities or commodity financing transactions (sum of lines 7 to 8) Other off-balance sheet transactions	-	-
	off-balance sheet transactions		
10	Gross notional amounts of off-balance sheet transactions	16,631,504	9,495,942
11	(Adjustments for conversion to credit equivalent amounts)	(1,208,834)	(860,003)
12	Total risks of off-balance sheet items (sum of lines 10 and 11) Capital and total risks	15,422,670	8,635,939
	Capital and Total Risk		
13	Tier 1 capital	2,903,930	2,561,114
14	Total risks (sum of lines 3, 6, 9 and 12) Leverage ratio	50,710,394	38,465,736
	Leverage ratio		
15	Leverage ratio (%)	%5.73	6.66%

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

VIII. Fair values of financial assets and liabilities

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

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

None (31 December 2019: None).

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

X. Explanations on the Risk Management

a. Risk Management and General Information on Risk Weighted Amount

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to the Communiqué these notes have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Parent Bank, the following tables have not been presented as of 30 June 2020.

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

1. The Parent Bank's risk management approach

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

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

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

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

Risk Appetite monitoring activities are reported to the Board Risk Committee and Audit Committee. In case of any Risk Appetite threshold breach occurs, it is ensured that the risk management treatment and business controls are implemented to bring the exposure levels for each metric back within an acceptable range as approved by the BOD. Issues related to Bank's work programs and business objectives are discussed in the Board Risk Committee, and necessary acknowledgment, monitoring and approval processes are performed herein.

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

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

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

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

X. Explanations on the Risk Management (Continued)

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

1. The Parent Bank's risk management approach (Continued)

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

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

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

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

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

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

X. Explanations on the Risk Management (Continued)

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

2. Overview of Risk Weighted Amount

	Risk Weighted Amount		Minimum capital requirement
	30 June 2020	31 December 2019	30 June 2020
1 Credit risk (excluding counterparty credit risk) (CCR)	25,890,321	24,804,870	2,071,226
2 Standardised approach (SA)	25,890,321	24,804,870	2,071,226
3 Internal rating-based (IRB) approach	-	-	-
4 Counterparty credit risk	329,140	437,356	26,331
5 Standardised approach for counterparty credit risk (SA-CCR)	329,140	437,356	26,331
6 Internal model method (IMM)	-	-	-
7 Basic risk weight approach to internal models equity position in the Parent 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	103,813	407,900	8,305
17 Standardised approach (SA)	103,813	407,900	8,305
18 Internal model approaches (IMM)	-	-	-
19 Operational Risk	1,269,292	1,122,241	101,543
20 Basic Indicator Approach	1,269,292	1,122,241	101,543
21 Standard Approach	-	-	-
22 Advanced measurement approach	-	-	-
23 The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24 Floor adjustment	-	-	-
25 Total (1+4+7+8+9+10+11+12+16+19+23+24)	27,592,566	26,772,367	2,207,405

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

X. Explanations on the Risk Management (Continued)

b. Explanations on linkages between financial statements and risk amounts

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

c. Explanations on credit risk

1. Credit Quality of Assets

		Gross carrying value in consolidated financial statements prepared in accordance with Turkish Accounting Standards (TAS)		Allowances/amortisation and impairments c	Net values (a+b-c) d
		Defaulted (a)	Non-defaulted (b)		
1	Loans	1,130,605	19,981,828	770,776	20,341,657
2	Debt securities	-	5,237,457	125,751	5,111,706
3	Off-balance sheet exposures	84,545	8,242,226	26,836	8,299,935
4	Total	1,215,150	33,461,511	923,363	33,753,298

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

2. Changes In Stock of Defaulted Loans And Debt Securities

	Amount
1	Defaulted loans and debt securities at end of the previous reporting period 1,105,391
2	Loans and debt securities that have defaulted since the last reporting period 197,976
3	Receivables back to non-defaulted status -
4	Amounts written off -
5	Other changes (88,217)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5) 1,215,150

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

X. Explanations on the Risk Management (Continued)

3. Credit Risk Mitigation Techniques

		Exposures unsecured: carrying amount as per TAS	Exposures secured by collateral	Collateralized amount of exposures secured by collateral	Exposures secured by financial guarantees	Collateralized amount of exposures secured by financial guarantees	Exposures secured by credit derivatives	Collateralized amount of exposures secured by credit derivatives
1	Loans	17,846,849	2,494,809	466,032	-	-	-	-
2	Debt securities	5,111,706	-	-	-	-	-	-
3	Total	22,958,555	2,494,809	466,032	-	-	-	-
4	Of which defaulted	393,417	24,121	2,311	-	-	-	-

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

4. Consolidated Credit Risk Exposure and Credit Risk Mitigation Techniques

	Risk Classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA Density
1	Exposures to central governments or central banks	6,328,200	-	6,723,242	-	36,873	%0.55
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	%0.00
3	Exposures to public sector entities	-	853	-	853	853	%100.00
4	Exposures to multilateral development banks	-	-	-	-	-	%0.00
5	Exposures to international organizations	-	-	-	-	-	%0.00
6	Exposures to institutions	2,704,685	759,741	2,704,685	759,736	1,371,459	%39.59
7	Exposures to corporates	17,983,502	5,523,298	17,503,123	5,442,912	21,418,443	%93.34
8	Retail exposures	1,103,466	171,761	927,919	156,031	812,962	%75.00
9	Exposures secured by residential property	250,680	19,223	237,996	18,788	89,874	%35.00
10	Exposures secured by commercial real estate	633,970	3,952	631,338	3,953	317,646	%50.00
11	Past-due loans	788,450	-	783,729	-	841,547	%107.38
12	High risk categories by the Agency Board	-	-	-	-	-	%0.00
13	Exposures in the form of covered bonds	-	-	-	-	-	%0.00
14	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	%0.00
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	%0.00
16	Other exposures	1,625,343	-	1,625,343	-	1,329,804	%81.82
17	Investments in equities	-	-	-	-	-	%0.00
18	Total	31,418,296	6,478,828	31,137,375	6,382,273	26,219,461	%69.88

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

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

X. Explanations on the Risk Management (Continued)

c. Explanations on credit risk (Continued)

5. Consolidated Exposures by Asset Classes and Risk Weights

Regulatory portfolio		0%	10%	20%	35% secured by real estate mortgage	50% secured by real estate mortgage	50%	75%	100%	150%	200 %	Others	Total risk amount (post-CCF and CRM)
1	Exposures to central governments or central banks	6,649,495	-	-	-	-	73,747	-	-	-	-	-	6,723,242
2	Exposures to regional and local governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	853	-	-	-	-	853
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	1,202,507	-	-	2,261,913	-	1	-	-	-	3,464,421
7	Exposures to corporates	-	-	1,053,160	-	-	1,370,128	-	20,522,747	-	-	-	22,946,035
8	Retail exposures	-	-	-	-	-	-	1,083,950	-	-	-	-	1,083,950
9	Exposures secured by residential property	-	-	-	256,784	-	-	-	-	-	-	-	256,784
10	Exposures secured by commercial real estate	-	-	-	-	635,291	-	-	-	-	-	-	635,291
11	Past-due loans	-	-	-	-	-	22,442	-	623,209	138,078	-	-	783,729
12	High risk categories by the Agency Board	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
17	Other exposures	290,229	-	6,637	-	-	-	-	1,328,477	-	-	-	1,625,343
18	Total	6,939,724	-	2,262,304	256,784	635,291	3,728,230	1,083,950	22,475,287	138,078	-	-	37,519,648

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

X. Explanations on the Risk Management (Continued)

d. Explanations on counterparty credit risk

1. Consolidated Counterparty Credit Risk (CCR) Approach Analysis

		Replacement cost	Potential future exposure	EEPE(Effective Expected Positive Exposure)	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	Standardised Approach - CCR (for derivatives)	160,759	147,349		1,4	308,108	234,695
2	Internal Model Method (for derivative financial instruments, repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)			-	-	-	-
3	Simple Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)					-	-
4	Comprehensive Approach for credit risk mitigation (for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions))					38,164	7,583
5	Value-at-Risk (VaR) for repo transactions, securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions					38,164	7,583
6	Total						242,278

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

		EAD post-CRM	RWA
	Total portfolio value with comprehensive approach CVA capital adequacy	-	-
1	(i) Value at Risk component (including the 3×multiplier)		-
2	(ii) Stressed Value at Risk component (including the 3×multiplier)		-
3	Total portfolio value with simplified approach CVA adequacy	132,186	82,862
4	Total subject to the CVA capital obligation	132,186	82,862

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

X. Explanations on the Risk Management (Continued)

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

3. CCR Exposures by Risk Class and Risk Weights

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

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

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

X. Explanations on the Risk Management (Continued)

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

4. Collaterals for Consolidated CCR

	Fair value of collateral received		Fair value of collateral given		Fair value of collateral received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	87,920	191,751
Cash-foreign currency	-	-	-	-	28,856	20,665
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	116,776	212,416

5. Credit Derivatives

None.

6. Central counterparty risks (CCR):

None (31 December 2019: None.)

e. Explanations on securitisations:

None.

f. Explanations on market risk

		RWA
Outright products		
1	Interest rate risk (general and specific)	26,238
2	Equity risk (general and specific)	-
3	Foreign exchange risk	71,750
4	Commodity risk	-
Options		
5	Simplified approach	-
6	Delta-plus method	5,825
7	Scenario approach	-
8	Securitisation	-
9	Total	103,813

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

X. Explanations on the Risk Management (Continued)

g. Explanations on market risk

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

h. Explanations on operational risk

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

i. Explanations on banking book interest rate risk

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

j. Explanations on -credit risk mitigation techniques

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

k. Explanations on risk management objectives and policies

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

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XI. Explanation on Hedge Accounting

Starting from 24 March 2014, the Parent Bank has balanced the fair value effects of changes in libor interest rates, fixed interest rate by applying hedge accounting with the interest rate swap nominal value of TL 55,000 with maturity 5 years. As of 24 March 2019, the difference of TL 97 resulting from the changes in the fair values of the loans that are subject to fair value hedge accounting will be amortized until 25 December 2023.

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. If the underlying hedge does not conform to the hedge accounting requirements, according to the adjustments made to the carrying value (amortised cost) of the hedged item, for which the risk is hedged by a portfolio hedge, are amortized with the straight line method within the time to maturity and recognized under the “Trading Gains/Losses on derivative financial instruments” account.

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

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

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

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

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

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

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SECTION FIVE

EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Notes on Assets

a. Information on Cash and Balances with the Central Bank of Republic of Turkey (“CBRT”)

1. Information on cash and the account of the CBRT

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

2. Information on the account of the CBRT

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

(*) 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 Parent 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 Parent Banks total domestic liabilities and branches abroad on behalf of the deposits accepted from Turkey liabilities subject to reserve requirements.

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (CONTINUED)

a. Information on Cash and Balances with the Central Bank of Republic of Turkey (“CBRT”) (Continued)

3. Information on reserve requirements (Continued)

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

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

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

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

c. Positive differences related to derivative financial assets

	30 June 2020 (*)		31 December 2019	
	TL	FC	TL	FC
Forward Transactions	313	4,216	542	3,397
Swap Transactions	38,146	56,774	129,571	46,883
Options	359	14,908	143	7,319
Total	38,818	75,898	130,256	57,599

(*) Hedging derivative financial assets are excluded

d. Information on banks

1. Information on banks

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Banks				
Domestic	131,646	381,238	20,430	510,315
Foreign	-	2,009,697	-	608,058
Total	131,646	2,390,935	20,430	1,118,373

2. Information on foreign banks:

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

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

As of 30 June 2020, there are no financial assets at fair value through other comprehensive income given as collateral/blocked (31 December 2019: None) and subject to repurchase agreements (31 December 2019: None). As of 30 June 2020, except the financial assets at fair value through other comprehensive income given as collateral/blocked and those subject to repurchase agreements, amounting to TL 505 (31 December 2019: TL 3,048). As of 30 June 2020, the share certificates amounted to TL 8,420 (31 December 2019: TL 8,420).

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

	30 June 2020	31 December 2019
Debt Securities	760,171	227,222
Quoted on Stock Exchange	759,666	224,174
Not Quoted	505	3,048
Share Certificates	8,420	8,420
Quoted on Stock Exchange	1	1
Not Quoted	8,419	8,419
Impairment Provision (-)	9,544	388
Total	759,047	235,254

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans

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

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

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

Cash Loans (*)	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to restructuring	Restructured Loans	
			Amendments on Conditions of Contract	Refinancing
Non-Specialized Loans	17,043,473	1,949,579	875,022	-
Corporate Loans	-	-	-	-
Export Loans	2,837,264	95,704	51,147	-
Import Loans	-	-	-	-
Loans Given to Financial Sector	1,764,446	5,313	972	-
Consumer Loans	138,465	8,591	468	-
Credit Cards	30,129	3,072	-	-
Other	12,273,169	1,836,899	822,435	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	17,043,473	1,949,579	875,022	-

(*) Standard and closely monitored leasing receivables amounting to TL 930,982 and TL 549,982 are not included.

Current Period (*)

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	121,594	-
Significant Increase in Credit Risk	-	297,203

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

Prior Period

	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	85,532	-
Significant Increase in Credit Risk	-	224,621

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

3. Loans according to their maturity structure

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

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

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

(*) TL 65 of the credit deposit account consists of loans extended to personnel.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

5. Information on commercial installment loans and corporate credit cards

	Short-term	Medium and long-term	Total
Commercial Loans With Installments-TL	131,275	2,415,741	2,547,016
Real Estate Loans	-	-	-
Automotive Loans	-	10,525	10,525
Consumer Loans	131,275	2,405,216	2,536,491
Other	-	-	-
Commercial Loans With Installment-FC Indexed	-	171,753	171,753
Real Estate Loans	-	149,812	149,812
Automotive Loans	-	20,259	20,259
Consumer Loans	-	1,682	1,682
Other	-	-	-
Commercial Loans With Installment-FC	2,569	3,456,075	3,458,644
Real Estate Loans	-	-	-
Automotive Loans	-	-	-
Consumer Loans	2,569	3,456,075	3,458,644
Other	-	-	-
Corporate Credit Cards-TL	23,130	48	23,178
With Installment	7,928	48	7,976
Without Installment	15,202	-	15,202
Corporate Credit Cards-FC	1	-	1
With Installment	-	-	-
Without Installment	1	-	1
Overdraft Accounts – TL(Corporate)	54,760	-	54,760
Overdraft Accounts – FC (Corporate)	-	-	-
Total	211,735	6,043,617	6,255,352

6. Loans according to types of borrowers

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

7. Distribution of domestic and foreign loans

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

	30 June 2020	31 December 2019
Domestic Loans	19,825,684	16,837,084
Foreign Loans	42,390	9,187
Total	19,868,074	16,846,271

8. Loans given to investments in associates and subsidiaries

As of 30 June 2020, there are no loans granted to associates and subsidiaries amount (31 December 2019: None).

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

	30 June 2020	31 December 2019
Loans with Limited Collectability	51,177	49,650
Loans with Doubtful Collectability	70,403	54,396
Uncollectible Loans	230,402	182,018
Total	351,982	286,064

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

10. Information on non-performing loans (Net)

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

Group has no non-performing loans restructured or rescheduled and other receivables as of 30 June 2020 (31 December 2019: None).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
31 December 2019	111,904	131,838	777,062
Addition (+)	150,843	15,405	37,462
Transfers from Other Categories of Non-performing Loans (+)	-	107,602	107,802
Transfers to Other Categories of Non-performing Loans (-)	(107,602)	(107,802)	-
Collections (-)	(10,260)	(15,289)	(68,359)
Write-offs (-) (*)	-	-	-
Sold Portfolio (**)	-	-	-
Corporate and Commercial Loans	-	-	-
Consumer Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
30 June 2020	144,885	131,754	853,967
Specific Provision (-)	51,177	70,403	230,402
Net Balance on Balance Sheet	93,708	61,351	623,565

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

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

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

The Group has no non-performing loans denominated in foreign currency loans as at the balance sheet date (31 December 2019: None).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
30 June 2020 (Net)	93,708	61,351	623,565
Loans to Real Persons and Legal Entities (Gross)	144,885	131,754	853,967
Specific Provision Amount (-)	51,177	70,403	230,402
Loans to Real Persons and Legal Entities (Net)	93,708	61,351	623,565
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
31 December 2019 (Net)	62,254	77,442	595,044
Loans to Real Persons and Legal Entities (Gross)	111,904	131,838	777,062
Specific Provision Amount (-)	(49,650)	(54,396)	(182,018)
Loans to Real Persons and Legal Entities (Net)	62,254	77,442	595,044
Banks (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provision Amount (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

g. Explanations on loans (Continued)

11. Explanation on liquidation policy for uncollectible loan and receivable

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

12. Explanations on write-off policy

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

h. Information on financial assets measured at amortised cost

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

(i) Financial assets measured at amortised cost

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

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

2. Information on debt securities measured at amortised cost

(i) Financial assets measured at amortised cost

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

3. Financial assets measured at amortised cost

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

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

4. Movement of financial assets measured at amortised cost

	30 June 2020	31 December 2019
Balance at the Beginning of the Period	3,732,494	3,427,060
Effect of Reclassifications and Measurements in accordance with TFRS 9	-	-
Foreign Currency Differences on Monetary Assets	521,848	391,587
Disposals Through Sales and Redemptions	(306,207)	(56,866)
Impairment Provision (-)	24,112	29,287
Balance at the End of the Period	3,924,023	3,732,494

i. Information on investments in associates (Net)

Group has no associates as of 31 December 2020 (31 December 2019: None).

j. Information on subsidiaries (Net)

1. Information on shareholders’ equity of the significant subsidiaries

There is no deficit of regulatory limits on capital structure of the subsidiaries which are included in the consolidated capital adequacy ratio calculation in accordance with the capital adequacy ratio limits.

2. Information on unconsolidated subsidiaries

There is no unconsolidated subsidiary (31 December 2019: 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 Menkul Değerler A.Ş.	İstanbul/Türkiye	100.00	100.00
2	Alternatif Finansal Kiralama A.Ş.	İstanbul/Türkiye	99.99	99.99

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

No	Total Assets	Shareholders’ Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair Value
1(*)	91,468	36,547	1,768	2,044	1,121	1,038	1,851	-
2(*)	1,733,751	225,929	21,137	71,487	-	12,409	3,385	-

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

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

Information about equity component of the consolidated subsidiaries:

	Alternatif Finansal Kiralama A.Ş.	Alternatif Yatırım Menkul Değerler A.Ş.
TIER I Capital	234,807	35,400
Paid-in Capital	100,000	22,509
Capital Reserves	115,920	14,625
Current and Prior Period Net Profit	20,438	1,038
Current and Prior Period Net (Loss)	-	(2,379)
Intangible Assets (-)	1,551	393
TIER II Capital	-	-
Deduction from Capital	-	-
Net Usable Capital	234,807	35,400

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

j. Information on subsidiaries (Net) (Continued)

4. The movement of the subsidiaries

	30 June 2020	31 December 2019
Balance at the beginning of the period	225,580	225,580
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	225,580	225,580
Capital Commitments	-	-
Share Percentage at the End of the Period (%)	-	-

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

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

6. Quoted subsidiaries

None (31 December 2019: None).

k. Information on joint ventures

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

l. Information on finance lease receivables (Net)

Finance lease receivable of the Group is amounting to TL 1,595,883 (31 December 2019: TL 1,503,231).

m. Information on hedging derivative financial assets

The differences related with hedging derivative financial assets are TL 11,717. (31 December 2019: TL 1,142).

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

(*) Explained in Section Three Footnote VI.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. Explanations and Notes on Assets (Continued)

n. Tangible assets

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

o. Intangible assets

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

p. Information on investment property

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

r. Explanations about deferred tax asset

As of 30 June 2020, the Group has deferred tax asset amounting to TL 129,545 (31 December 2019: TL 136,304 deferred tax asset) in the financial statements.

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

	30 June 2020		31 December 2019	
	Tax Base	Deferred Tax Amount	Tax Base	Deferred Tax Amount
Deferred Tax Asset / (Liability)				
Tangible Assets Base Differences	(26,828)	(6,352)	(24,476)	(5,370)
Provisions	476,390	118,380	411,939	90,347
Valuation of Financial Assets	11,182	3,014	(4,073)	(896)
Commission Deferral	35,598	7,832	36,054	7,932
Investment Allowances	46,022	1,012	69,034	6,180
Financial Losses	-	-	120,588	26,530
Other	27,061	5,659	52,640	11,581
Net Deferred Tax Assets	569,425	129,545	661,706	136,304

	1 January-30 June 2020	1 January -30 June 2019
1 January 2020 Net Deferred Tax Asset/(Liability)	136,304	167,287
Deferred Tax (Expense)/Income	(5,053)	(2,562)
Deferred Tax Accounted Under Shareholders’ Equity	(1,706)	(1,300)
Deferred tax recognized in other comprehensive income	-	-
30 June 2020 Net Deferred Tax Asset/(Liability)	129,545	163,425

s. Movement of assets held for resale and discontinued operations

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

t. Information on other assets

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities

a. Information on deposits

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

(i) 30 June 2020:

	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	105,672	-	1,524,921	3,175,053	223,346	5,872	118,842	-	5,153,706
Foreign Currency Deposits	1,096,130	-	1,403,193	6,786,223	305,047	32,888	107,417	-	9,730,898
Residents in Turkey	1,065,094	-	1,391,503	6,735,021	304,613	17,622	29,703	-	9,543,556
Residents Abroad	31,036	-	11,690	51,202	434	15,266	77,714	-	187,342
Public Sector Deposits	19,496	-	-	-	-	-	-	-	19,496
Commercial Deposits	678,302	-	978,550	1,127,385	52,474	3,663	10	-	2,840,384
Other Institutions Deposits	1,306	-	1,984	49,916	5,750	-	-	-	58,956
Precious Metal Deposits	84,319	-	2,827	39,860	6,472	240	7,557	-	141,275
Bank Deposits	2,978	-	10,943	94,883	1	-	-	-	108,805
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	157	-	2	-	-	-	-	-	159
Foreign Banks	2,821	-	10,941	94,883	1	-	-	-	108,646
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,988,203	-	3,922,418	11,273,320	593,090	42,663	233,826	-	18,053,520

(ii) 31 December 2019:

	Demand	With 7 days notifications	Up to 1 month	1-3 months	3-6 months	6 months -1 year	1 year and over	Accumulated Deposits	Total
Saving Deposits	85,315	-	1,328,494	2,903,921	32,598	23,563	83,659	-	4,457,550
Foreign Currency Deposits	680,467	-	1,118,951	5,895,121	548,021	153,231	89,829	-	8,485,620
Residents in Turkey	635,013	-	1,105,092	5,831,957	547,793	137,775	23,369	-	8,280,999
Residents Abroad	45,454	-	13,859	63,164	228	15,456	66,460	-	204,621
Public Sector Deposits	55,129	-	-	-	-	-	-	-	55,129
Commercial Deposits	434,558	-	761,801	1,466,092	33,238	44,189	1,207	-	2,741,085
Other Institutions Deposits	1,374	-	4,357	50,085	-	-	-	-	55,816
Precious Metal Deposits	12,299	-	55	16,701	1,801	5,571	-	38	36,465
Bank Deposits	2,579	-	17,917	126,553	-	-	-	-	147,049
The CBRT	-	-	-	-	-	-	-	-	-
Domestic Banks	154	-	-	-	-	-	-	-	154
Foreign Banks	2,425	-	17,917	126,553	-	-	-	-	146,895
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	1,271,721	-	3,231,575	10,458,473	615,658	226,554	174,695	38	15,978,714

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

a. Information on deposits (Continued)

2. Information on saving deposits insurance

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

Saving Deposits	Under the Guarantee of Deposit Insurance		Exceeding Limit of the Deposit Insurance	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Saving Deposits (*)	1,142,663	1,082,231	4,010,007	3,377,372
Foreign Currency Savings Deposit	339,058	334,981	3,188,253	3,601,587
Other Deposits in the Form of Savings Deposits	-	-	-	-
Foreign Branches' Deposits Under Foreign Authorities' Insurance	-	-	-	-
Off-shore Banking Regions' Deposits Under Foreign Authorities' Insurance	-	-	-	-

(*) Related savings deposits include TL 1,036 straight rediscount - internal efficiency difference. (31 December 2019: TL 2,053)

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

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

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

	30 June 2020	31 December 2019
Deposits and Other Accounts in Foreign Branches	-	-
Deposits and Other Accounts of Main Shareholders and their Families	-	-
Deposits and Other Accounts of President of Board of Directors, Members of Board of Directors, Vice General Managers and Their Families	44,612	42,408
Deposits and Other Accounts of Property Assets Value due to Crime which is in the Scope of Article 282 of Numbered 5237 “TCL” Dated 26/9/2004	-	-
Deposits in Banks Incorporated in Turkey Exclusively for Off-shore Banking Operations	-	-

b. Table of negative differences for trading derivative financial liabilities

1. Information on derivative financial liabilities

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

c. Information on borrowings

1. Information on borrowing

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
The CBRT Borrowings	-	1,647,315	-	939,265
From Domestic Banks and Institutions	277,492	712,662	307,543	364,936
From Foreign Banks, Institutions and Funds	-	6,090,076	-	6,177,360
Total	277,492	8,450,053	307,543	7,481,561

2. Information on maturity profile of borrowings

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
Short-term	320,995	946,862	307,543	2,698,433
Medium and Long-term	(43,503)	7,503,191	-	4,783,128
Total	277,492	8,450,053	307,543	7,481,561

3. Disclosures for concentration areas of bank’s liabilities

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

d. Information on other foreign liabilities

Other foreign liabilities amounting to TL 216,765 are included in “Other Liabilities” (31 December 2019: TL 177,264) and do not exceed 10% of the total balance sheet.

e. Information on financial lease agreements

i) Explanations on liabilities arising from financial leasing transactions:

	30 June 2020		31 December 2019	
	Gross	Net	Gross	Net
Less than 1 year	12,718	5,024	8,119	3,319
1-4 year	32,000	21,856	24,793	19,088
More than 4 year	41,817	36,557	29,492	27,963
Total	86,535	63,437	62,404	50,370

f. Information on hedging derivative financial liabilities

Related to information on hedging derivative financial liabilities negative difference amount is TL 1,110 (31 December 2019: TL 14,119).

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

(*) Explained in Section Four Footnote Number XI.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

g. Information on provisions

1. Provisions for employee benefits

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

As of 30 June 2020, in accordance with the revised TAS 19 Standard, Actuarial losses has recognized under the equity, amount of after deferred tax TL 1,173 (30 June 2019: TL 52 Loss).

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

	30 June 2020	31 December 2019
Discount Rate(%)	4.50	4.50
Possible Retirement rate (%)	83.33	83.33

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

As of 30 June 2020, The Group has provision for employee termination benefits amount of TL 11,395 (31 December 2019: TL 8,850), provision of unused vacation amount of TL 3,816 (31 December 2019: TL 3,625).

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

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

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

	30 June 2020	31 December 2019
Provisions for Unindemnified Non-cash Loan	55,762	51,409
Provision for Litigation and Claims	18,461	17,769
Bonus Provision	14,442	20,401
Free Provision for Possible Risks	10,000	20,000
Provision for the Impairment due Settlement Date	-	1,576
Other	4,335	1,045
Total	103,000	112,200

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

h. Information on taxes payable (Continued)

Information on current tax liability (Continued)

As of 30 June 2020, the current tax liability is TL 36,244 (31 December 2019: TL 42,867).

(i) Information on taxes payable

	30 June 2020	31 December 2019
Taxation of Marketable Securities	14,183	18,993
Banking Insurance Transaction Tax (BITT)	11,370	12,651
Foreign Exchange Transaction Tax	2,688	-
Property Tax	336	271
VAT Payable	212	856
Corporate Tax Payable	87	226
Other	3,391	6,322
Total	32,267	39,319

(ii) Information on premium payables

	30 June 2020	31 December 2019
Social Security Premiums - Employer	2,085	1,859
Social Security Premiums - Employee	1,413	1,257
Bank Pension Fund Premiums - Employee	-	-
Bank Pension Fund Premiums - Employer	-	-
Bank Pension Fund Premiums - Employee	-	-
Bank Pension Fund Premiums - Employer	-	-
Unemployment Insurance – Employee	103	91
Unemployment Insurance - Employer	233	207
Other	143	134
Total	3,977	3,548

i. Deferred tax liability

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

j. Liabilities for assets held for sale and assets of discontinued operations

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

k. Subordinated debts

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

I. Information on shareholders’ equity

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

	30 June 2020	31 December 2019
Common Stock (*)	2,038,390	1,730,655
Preferred Stock	-	-

(*) It refers to the nominal capital.

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

The Parent Bank applies registered share capital system. The Parent Bank’s registered capital is TL 2,500,000,000 (Two billion five hundred million Turkish Liras) and all are divided into 2.500.000.000 shares in the name of the holder with a nominal value of TL 1,00 (one Turkish Lira).

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

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

4. Information on additions from revaluation reserves to capital in the current period: None.

5. Information on capital increases from capital reserves during the current period: None.

6. Information on prior period’s indicators on the Group’s income, profitability and liquidity, and possible effects of these future assumptions on the Group’s equity due to uncertainties of these indicators

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. Explanations and Notes on Liabilities (Continued)

I. Information on shareholders’ equity (Continued)

8. Information on marketable securities valuation reserve

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
From Investments in Associates, Subsidiaries, and Joint Ventures	-	-	-	-
Valuation Difference	(27,910)	(6,072)	(38,159)	-
Foreign Currency Difference	-	-	-	-
Total	(27,910)	(6,072)	(38,159)	-

9. Information on other capital reserves

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

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

m. Information on minority interests

	30 June 2020	31 December 2019
Balance at the Beginning of the Period	17	16
Current Year Income	1	1
Dividends Paid	-	-
Purchase from Minority Interests	-	-
Other	-	-
Balance at the End of the Period	18	17

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

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

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

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

	30 June 2020	31 December 2019
Guarantees and Collaterals	1,108,516	679,670
Bank Acceptance Loans	22,773	18,379
Letter of Credits	-	-
Total	1,131,289	698,049

(ii). Guarantees, sureties and other similar guarantees

	30 June 2020	31 December 2019
Temporary Letter of Guarantees	203,612	108,472
Definite Letter of Guarantees	6,736,352	5,673,300
Advance Letter of Guarantee	312,106	266,120
Letter of Guarantees Given to Customs	161,690	140,756
Total	7,413,760	6,188,648

3. Non-cash loans

(i). Total amount of non-cash loans

	30 June 2020	31 December 2019
Non-Cash Loans against Cash Risks	3,712,603	3,052,550
With Original Maturity of 1 Year or Less	3,712,603	3,052,550
With Original Maturity of More Than 1 Year	-	-
Other Non-Cash Loans	4,832,446	3,834,147
Total	8,545,049	6,886,697

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a. Information on off balance sheet commitments(Continued)

(ii). Other information on non-cash loans

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

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

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

b. Information on derivative financial instruments

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

c. Credit derivatives and risk exposures on credit derivatives

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

d. Contingent liabilities and assets

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

e. Services rendered on behalf of third parties

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement

a. Information on interest income

1. Information on interest income on loans

	30 June 2020		30 June 2019	
	TL	FC	TL	FC
Short-term Loans	316,435	43,284	576,913	43,917
Medium/Long-term Loans	265,775	189,523	301,668	193,265
Interest on Loans Under Follow-up	31,894	-	17,439	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total (*)	614,104	232,807	896,020	237,182

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

2. Information on interest income on banks

	30 June 2020		30 June 2019	
	TL	FC	TL	FC
From the CBRT (*)	4,971	-	18,186	17,123
From Domestic Banks	5,801	1,642	11,071	7,453
From Foreign Banks	1,241	9,410	2,935	10,228
Headquarters and Branches Abroad	-	-	-	-
Total	12,013	11,052	32,192	34,804

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

3. Information on interest income on marketable securities

	30 June 2020		31 December 2019	
	TL	FC	TL	FC
From Financial Assets At Fair Value Through Profit or Loss	1,630	133	685	2,503
From Financial Assets at Fair Value Through Other Comprehensive Income	27,755	5,401	2,170	-
From Financial Assets Measured at Amortised Cost	11,029	81,077	24,525	70,184
Total	40,414	86,611	27,380	72,687

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

None (31 December 2019: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

	30 June 2020		30 June 2019	
	TL	FC	TL	FC
Banks	21,290	185,880	19,027	170,375
CBRT	3,289	-	442	-
Domestic Banks	18,001	2,931	18,585	211
Foreign Banks	-	182,949	-	170,164
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	70,448	-	28,899
Total (*)	21,290	256,328	19,027	199,274

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

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

None (31 December 2019: None).

3. Information on interest expense to marketable securities issued

	30 June 2020	30 June 2019
Interest Expense to Marketable Securities Issued	38,767	121,374

4. Information on interest rate and maturity structure of deposits

30 June 2020	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	-	5,629	-	-	-	-	-	5,629
Savings Deposits	-	75,515	168,951	2,632	620	621	6,580	254,919
Public Deposits	-	-	-	-	-	-	-	-
Commercial Deposits	-	45,685	50,468	929	1,754	20	-	98,856
Other Deposits	-	122	2,783	3	-	2	-	2,910
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Total	-	126,951	222,202	3,564	2,374	643	6,580	362,314
Foreign Currency								
Foreign Currency Account	-	8,933	49,799	2,347	1,396	1,680	-	64,155
Bank Deposits	-	41	-	-	-	-	-	41
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	(1)	22	8	39	29	-	97
Total	-	8,973	49,821	2,355	1,435	1,709	-	64,293
Grand Total	-	135,924	272,023	5,919	3,809	2,352	6,580	426,607

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

Information on interest rate and maturity structure of deposits(Continued)

30 June 2019	Demand Deposit	Time Deposit					Accummulated 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	-	10,848	-	-	-	-	-	10,848
Savings Deposits	-	62,380	261,522	42,052	10,613	4,845	-	381,412
Public Deposits	-	-	4	926	-	-	-	930
Commercial Deposits	-	79,743	152,627	9,081	5,820	91	-	247,362
Other Deposits	-	204	17,516	1	726	2	-	18,449
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Total	-	153,175	431,669	52,060	17,159	4,938	-	659,001
Foreign Currency	-	-	-	-	-	-	-	-
Foreign Currency Account	-	6,881	112,214	4,799	9,557	1,710	-	135,161
Bank Deposits	-	299	-	-	-	-	-	299
Deposit with 7 days notification	-	-	-	-	-	-	-	-
Precious Metal Deposits	-	3	86	1	30	-	-	120
Total	-	7,183	112,300	4,800	9,587	1,710	-	135,580
Grand Total	-	160,358	543,969	56,860	26,746	6,648	-	794,581

5. Given interest amount on repurchase agreement

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

6. Informations on leasing expense

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

7. Information on given interest for factoring transaction

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

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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

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

d. Information on trading income/loss (Net)

	30 June 2020	30 June 2019
Income	18,049,733	16,936,877
Income from Capital Market Transactions	22,683	8,492
Derivative Financial Transactions	550,582	428,107
Foreign Exchange Gains	17,476,468	16,500,278
Loss (-)	18,003,939	16,831,537
Loss from Capital Market Transactions	13,918	4,472
Derivative Financial Transactions	461,019	349,930
Foreign Exchange Loss	17,529,002	16,477,135
Net Income/(Loss)	45,794	105,340

e. Explanations about other operating income

	30 June 2020	30 June 2019
Cancellation of Provisions for Disposal Property	6,905	1,269
Gain on Sale of Property, Plant and Equipment	615	66
Provision for Communication Costs Received from Customers	516	1,485
Provision for the Expenses Recovered from Customers	470	812
Other(*)	27,896	6,722
Total	36,402	10,354

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

f. Expected Provision Losses and Other Provision Losses

	30 June 2020	30 June 2019
Expected Credit Loss	179,593	181,870
12 month expected credit loss (stage 1)	41,878	3,471
Significant increase in credit risk (stage 2)	71,872	63,338
Non-performinf loans (stage 3)	65,843	115,061
Marketable Securities Impairment Expense	8,807	5,193
Financial Assets at Fair Value Through Profit or Loss	5,280	5,193
Financial Assets at Fair Value Through Other Comprehensive Income	3,527	-
Investments in Associates, Subsidiaries and Joint Ventures Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	3,905	21,852
Total	192,305	208,915

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

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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 personnel expenses and other operating expenses

	30 June 2020	30 June 2019
Personnel Expenses	107,578	104,756
Reserve For Employee Termination Benefits	974	31
Unused Vacation	559	882
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Assets	22,367	18,540
Impairment Expenses of Intangible Assets	-	-
Impairment Expense of Goodwill	-	-
Amortisation Expenses of Intangible Assets	9,030	6,132
Impairment Expenses of Equity Participations Accounted for under Equity Method	-	-
Impairment Expenses of Assets Held For Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses of Tangible Assets Held for Sale	-	-
Other Operating Expenses	58,176	49,415
Other Expenses	52,703	45,386
Advertising Expenses	3,551	2,597
Maintenance Expenses	1,315	903
Operational Lease Expenses (**)	607	529
Loss on Sales of Assets	396	3,134
Other (*)	24,399	17,403
Total	223,479	200,293

(*) Other operating charges is TL 15,552 (30 June 2019: TL 11,552) except premium of SDIF and tax amounting to TL 8,407(30 June 2019: TL 5,533).

(**) IFRS 16 effect is included.

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

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

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. Explanations and Notes on Income Statement (Continued)

i. Provision for taxes on income from continuing operations

As of 30 June 2020, the Parent Bank has amount of TL 12,228 current tax expense (30 June 2019: 19,278), and deferred tax expense amounting to TL 5,053 (30 June 2019: TL 2,562).

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

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

k. Information on net income/loss for the period

1) Interest income from ordinary banking transactions is TL 1,122,958 (30 June 2019: TL 1,484,688), interest expense is TL 774,853 (30 June 2019: TL 1,157,620).

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

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

Fees and Commissions Received - Other	30 June 2020	30 June 2019
Credit Card Pos Commissions	42,555	14,254
Banking Service Income	21,496	8,686
Insurance Commissions	6,218	4,519
Brokerage Commissions	1,696	679
Account Management Fee Commission	1,151	1,464
Export Letters of Credit Commissions	496	636
Credit Early Termination Compensation	233	3,674
Transfer Commissions	199	760
Expertise Commissions	1	575
Other	8,109	3,897
Total	82,154	39,144
Fees and Commissions Paid - Other	30 June 2020	30 June 2019
Clearing Commissions	16,204	6,810
Debit Card Fees and Commissions	9,127	10,869
Commissions Granted to Correspondent Banks	1,826	1,003
Fees and Commissions on Foreign Currency Transactions	554	4,903
Transfer Commissions	494	454
Pos Transaction Commissions Paid	381	442
Commissions for Effective and Future Transactions	311	393
CBRT Interbank Money Market	112	111
Bonds Commissions	-	-
Other	2,579	2,434
Total	31,588	27,419

	30 June 2020	30 June 2019
Minority Shares (-)	1	-

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

V. Explanations and Notes on Changes in Shareholders’ Equity

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

VI. Explanations and Notes on Statement of Cash Flows

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

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

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

1. 30 June 2020

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Parent Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Group’s Risk Group ^(*) ^(**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	15,888	437,597	10,000
Balance at the End of the Period	-	-	-	22,566	518,064	11,292
Interest and Commission Income Received	-	-	1,021	1,127	2,186	2,211

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

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

2. 31 December 2019

	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Parent Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-cash
Group’s Risk Group ^(*) ^(**)						
Loans and Other Receivables						
Balance at the Beginning of the Period	-	-	-	164,542	151,800	5,483
Balance at the End of the Period	-	-	-	15,888	437,597	10,000
Interest and Commission Income Received ^(***)	-	-	-	1,112	3,043	60

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

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

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

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

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

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

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

Group’s Risk Group (*)	Associates , subsidiaries and joint ventures		Direct and indirect shareholders of the Parent Bank		Other real and legal persons that have been included in the risk group	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Deposit						
Beginning of the Period (**)	-	-	-	-	66,167	37,278
End of the Period (**)	-	-	-	-	76,421	66,167
Interest Expense on Deposits (***)	-	-	-	1,184	701	3,033

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

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

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

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

Group’s Risk Group (*)	Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Parent Bank		Other real and legal persons that have been included in the risk group	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Transactions for Trading Purposes						
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss (***)	-	-	3,356	(2)	-	-
Transactions for Hedging Purposes						
Beginning of the Period (**)	-	-	-	-	-	-
End of the Period (**)	-	-	-	-	-	-
Total Profit/Loss (***)	-	-	-	-	-	-

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

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

(***) Represents 30 June 2019 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	76,421	0.42
Non-cash Loans	33,858	0.40
Loans	518,064	2.49
Subordinated Loans	778,836	30.12

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

3. Equity accounted transactions:

None.

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EXPLANATIONS AND NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

As of 30 June 2020, 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 Yatırım Menkul Değerler A.Ş.

The Parent Bank allocate cash and non-cash loans to risk group of the Parent Bank in limit of Bank Law and that amount is 1.88% of total cash and non-cash loan amount (31 December 2019: 1.88%).

5. Information on Other Liabilities

None.

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

Benefits provided to the Group’s key management amount to TL 14,481 as of 30 June 2020 (30 June 2019: TL 15,332).

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

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

IX. Explanations and Notes on Subsequent Events

None.

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

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

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

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

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

ALTERNATİFBANK A.Ş.
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SECTION SEVEN

EXPLANATIONS ON AUDITORS’ LIMITED REPORT

I. Explanations on Independent Auditors’ Report

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

II. Explanations and Footnotes Prepared by Independent Auditor

None.

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SECTION EIGHT

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

Abstract Financial Information About the Term Activity Results

The unconsolidated financial statements with explanations related to these and financial data compatible to footnotes that prepared according to Financial Tables that will be Announced to Public by Banks with Explanations Related to these and Footnotes Communique which has been regulated by Council of Bank Audit and Regulation regarding to the Parent Bank’s 1 January - 30 June 2020 activity period is below.

	30 June 2020	31 December 2019	30 June 2019
Loans (Net)	21,708,215	18,693,121	18,299,421
Securities	4,720,192	3,982,192	3,646,776
Total Assets	33,505,451	30,088,187	30,027,957
Deposits	18,053,520	15,978,714	15,588,269
Equity	2,369,975	1,971,270	1,934,846
Profit / Loss Before Taxes	91,897	125,966	84,280
Profit / Loss	74,616	95,746	62,440

Message from the Chairman of the Board of Directors

Dear Stakeholders,

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

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

Commercial activities and the economy have started to be revived through normalization steps taken towards the end of the second quarter. Moreover, we have entered a different phase of globalization with the impact of digitalization on commerce due to social distancing and isolation rules. We have seen the first signs of economic recovery thanks to these developments. However, the prominence of the expansionary monetary policies became the fundamental aspect that limited the fluctuations in capital markets and loss of strength in the economy. While uncertainty related to the Coronavirus continues, we expect the low interest rate and abundant liquidity process to remain on the agenda of the global economy for a much longer time.

Observing the Turkish economy, we see a much smoother transition compared to other countries impacted by the pandemic, especially thanks to the strength of the healthcare system and its successful performance displayed throughout the process. Various campaigns and loan packages carried out have supported the gradual normalization of companies and consumers. Indicators show a significant recovery in the economy subsequent to the rigid hesitation in April. As Commercial Bank, we believe in the growth potential of Turkey and I would like to underline the fact that it shall continue to be a crucial centre of our global investments as always. We are very pleased with the synergy we have created with Alternatif Bank and continue to support the mutual investment and capital activities between Turkey and Qatar by our duty of serving as a bridge. I wholeheartedly believe that Alternatif Bank will fulfil its objectives in line with the bank’s strategic plan and continue making valuable contributions to regional trade volumes thanks to its experienced executive leadership and committed human resources throughout the rest of the year.

Yours sincerely,

Omar Hussain I H Alfardan

Chairman of the Board of Directors

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

CEO Message

Dear Stakeholders,

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

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

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

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

Observing our consolidated figures, we see that our total asset size has reached 33.5 Billion TL in the second quarter with an 11% growth compared to 2019 year-end. We continued offering our support to the economy and to our customers for them to access financing during such trying times. Our contribution to the economy reached 30.3 Billion TL including our cash (including financial leasing receivables) and non-cash loans. We preserved our strong capital structure, and our capital adequacy ratio outperformed the sector and exceeded 18%. The consolidated net profit of our bank realized as 74.6 Million TL.

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

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

Yours sincerely,

Cenk Kaan Gür

CEO