

2012  
ANNUAL REPORT



**T-BANK**  
TURKLANDBANK

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## SECTION I

### Corporate Profile

Capitalizing on the **long-standing banking expertise** of its shareholders, T-Bank successfully designs products and services that meet **its customers' needs.**

With 27 branches strategically located in Turkey's prominent industrial and commercial centers, T-Bank offers unique banking solutions tailored to its customers' demand.

T-Bank is committed to building solid relationships with its customers, while achieving significant improvements in the profitability and efficiency of its business processes.

By transforming its main shareholders' extensive banking network in the Middle East and North Africa into a competitive edge, T-Bank developed healthy relationships with prominent global banks, hence strengthening its financial structure.

## Financial Highlights and Key Ratios

### Financial Data Statement (thousand TL, thousand USD)

	31 December 2012		31 December 2011		Change
	TL	USD	TL	USD	%
Total Assets	2.966.250	1.663.349	2.203.333	1.169.746	35%
Loan Portfolio (net)	2.016.910	1.130.999	1.468.718	779.740	37%
Loan Portfolio (gross)	2.052.378	1.150.888	1.484.709	788.229	38%
Securities portfolio (net)	350.091	196.316	337.252	179.047	4%
Receivables from Banks/Money market	249.551	139.938	160.413	85.163	56%
Total Deposit	2.149.313	1.205.245	1.595.580	847.091	35%
Loans Received	132.495	74.298	104.731	55.602	27%
Equity	366.604	205.576	338.082	179.488	8%
Warranties and Bails	1.078.909	605.007	1.030.628	547.159	5%

	31 December 2012		31 December 11		Change
Net Interest Income	110.069	61.722	70.210	37.274	57%
Net Commission Income	21.795	12.222	19.338	10.267	13%
Profit Before Tax	17.859	10.015	5.618	2.983	218%
Net Profit	12.709	7.127	3.561	1.891	257%

Loans (Net)/Total Assets (%)



Capital Adequacy Ratio (%)



Loans (Net)/Deposits (%)



Achieving further operational and financial development, **T-Bank** grew its net profits by **257%** over the previous year.



**T-Bank** views the synergy with **its shareholding banks** as a valuable advantage which expands the **Bank's expertise**, hence contributing to meeting **its clients' needs** better.

## History

Established in 1985 as the Istanbul branch of the Bank of Bahrain and Kuwait, T-Bank became a separate entity in 1991 named Bahreyn ve Kuveyt Bankası A.Ş. In 1992, the Bank was purchased by Doğuş Group and renamed Garanti Yatırım ve Ticaret Bankası A.Ş. In 1997, the Bank was purchased by Mehmet Nazif Günal, and named MNG Bank A.Ş.

In 2006, Arab Bank and BankMed acquired 91% of the shares of MNG Bank A.Ş. through a mutual agreement with Mehmet Nazif Günal. This transaction was approved by the BDDK (Banking Regulation and Supervision Agency) in a ruling dated December 29, 2006. After the share transfer was completed in January 2007, Arab Bank and BankMed became owners of 50% and 41% of the Bank's shares, respectively. On April 3, 2007, the Bank was renamed Turkland Bank A.Ş. or, T-Bank for short. In July 2010, BankMed acquired the remaining 9% share that was owned by Mehmet Nazif Günal, increasing its share in T-Bank from 41% to 50%.

The following year, in November 2011, T-Bank's capital was increased from 170 million TL to 300 million TL with a partial contribution from a new shareholder, Arab Bank Switzerland. T-Bank's current partnership structure is as follows: BankMed 50%, Arab Bank 28%, and Arab Bank Switzerland 22%.

T-Bank greatly benefits from the banking expertise of its shareholders, BankMed and Arab Bank, particularly their long-standing retail and corporate banking experience that dates back to the 1930s. The synergy between the shareholding banks is of great value to T-Bank and to its customers.

T-Bank has expanded its operations by adding Small and Medium Sized Enterprise (SME) business to its portfolio while remaining focused on its core strength in the corporate and commercial banking field.



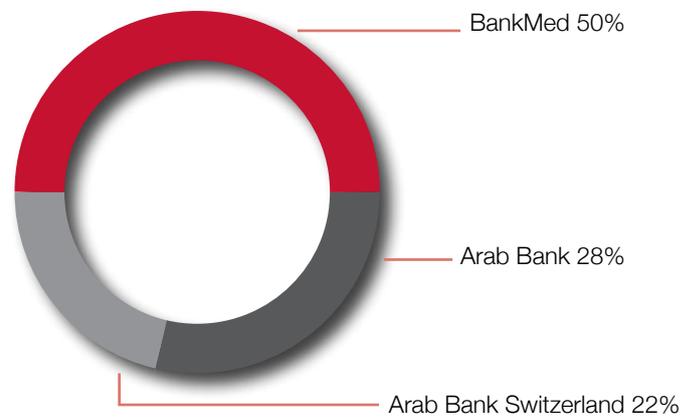
# Changes in the Articles of Incorporation

No changes have been made in the articles of Incorporation.

## Partnership and Capital Structure Information

With a **strong financial position** and a proficient overseas correspondent **banking network**, T-Bank is a **distinguished institution** within the Turkish banking industry.

The partnership structure of the Bank is as follows:



BankMed	1,499,999,989	shares (corresponding to 50%)
Arab Bank	849,999,995	shares (corresponding to 28%)
Arab Bank Switzerland	650,000,000	shares (corresponding to 22%)
Other shareholders	16	shares
Paid Capital	300,000,000	



## **Arab Bank**

Established in 1930, Arab Bank, the first private sector financial institution in the Arab world, is headquartered in Amman, Jordan. Arab Bank provides a wide variety of financial services in addition to a wide range of products to individuals, corporations, government agencies and other international financial institutions. The Bank's products and services are divided into three main sections: Consumer Banking, Corporate and Institutional Banking and Treasury Services.

Arab Bank has a global network of over 600 branches in 30 countries, spanning five continents and locations in key financial markets and centers such as London, New York, Dubai, Singapore, Zurich, Paris, Frankfurt, Sydney and Bahrain. In 2012, Arab Bank Group's net profit rose to USD 352 million, total assets equaled to USD 45.6 billion, while shareholders' equity stood at USD 7.7 billion.

Arab Bank received many international awards and recognitions in 2012, such as Global Finance magazine's Best Trade Finance Provider in the Middle East, Best Emerging Market Bank in Jordan and Yemen, Best Foreign Exchange Provider in Jordan, and the award of Best Investment Bank in Jordan. Arab Bank was also recognized with Best Bank in the Middle East for Cash Management and FX Solutions by EMEA Finance magazine. In addition, Arab Bank was named Best Bank in Jordan by Euromoney for five consecutive years.

## **BankMed**

Established in 1944, BankMed's headquarters is located in Beirut, Lebanon. One of Lebanon's largest banks in terms of the size of its assets, BankMed has a market share of almost 10% in its home country. BankMed and its affiliates provide services in many areas, including retail banking, corporate banking, private banking, wealth management, brokerage and investment banking. Conducting its international operations in Turkey via T-Bank, BankMed also serves Switzerland through BankMed (Suisse), a private banking services affiliate; Saudi Arabia through SaudiMed, an investment banking and asset management affiliate; Cyprus through a local branch; and most recently Iraq through two local branches in Baghdad and Erbil.

As of December 2012, BankMed's total assets stood at USD 12.51 billion, its customer deposits totaled approximately USD 9.86 billion, and its total loans were more than USD 4.33 billion with total capital under the IFRS9 standards of USD 1.29 billion. The bank's 2,115 employees serve more than 160,000 customers.

BankMed has an expansion policy aimed at selectively penetrating regional markets with strong potential and diversifying its income sources, while adding value to its stakeholders. Target markets of strategic importance provide a suitable platform for BankMed to become a competitive player in the region's financial system.

## **Arab Bank Switzerland**

Arab Bank Switzerland Ltd. was founded in 1962 and has a recognized Swiss banking status. As a Swiss bank, it is subject to all Swiss banking laws, rules and regulations and is supervised by the Swiss Financial Market Supervisory Authority (FINMA). For 50 years, Arab Bank Switzerland Ltd. has been offering private banking services and has built an excellent reputation in the successful management of clients' assets. The Bank is also a premier partner in commodities and trade finance. The clients of Arab Bank Switzerland Ltd. originate from or are resident predominantly in Arab countries. As a sister company of Arab Bank plc, Arab Bank Switzerland Ltd. can draw upon a wide network of branches in the Arab world and in major financial centres around the globe. At present, Arab Bank Switzerland Ltd. has approximately 22,000 shareholders, mainly in the Middle East. The ratio of its shareholders' equity is well above the standard set by Swiss and international monetary supervisory bodies, bearing witness to the Bank's excellent capitalization.

## **Shares Held by the Chairman, Board Members, General Manager and Deputy General Managers**

As of December 31, 2012, the Chairman, Board Members, the General Manager and the Deputy General Managers possessed no shares in T-Bank.

# Chairman's Message

It is clear that in 2012 the world economy has positively turned a corner in terms of the systemic risks that were associated with the European sovereign debt crisis. The probability of a meltdown due to an exit from the Eurozone or a default by a European sovereign is significantly lower, fueling a rally in risk-assets around the world. Yet, the world economy remains in a mode of sluggish economic activity and many global imbalances would have to unwind before we go back to the world growth rates that we have witnessed before the financial crisis of 2008.

In this context, Turkey continues to enjoy a relatively high growth, having achieved a growth rate of 3% in 2012 compared with -0.4% in the Eurozone. True, growth in Turkey has slowed down compared with previous years, but unlike other places, this slowdown was triggered by a prudent monetary policy that sought to reduce the imbalances and vulnerabilities in the Turkish economy with a view to fostering its resilience. Tighter monetary policy restrained domestic demand and consequently lowered the high import bill. Meanwhile, exports, especially to the Middle East and Africa continued to grow, which helped further reduce the current account deficit while strengthening the balance of payments. With these developments, growth is expected to record an uptick and reach 4% in 2013.

Macroeconomic stability and real economic growth have provided the appropriate framework for the banking industry to record another solid year in 2012. The performance of the banks was further supported by the appropriate policy mix adopted by the Central Bank of Turkey. All figures reflected double-digits growth rates, making the Turkish banking sector a true outlier in Europe: credit by the banking sector recorded a growth rate of 16.4%, while assets have increased by almost 12.6%. The sector's Return on Equity and Return on Assets were reported at 15.8% and 1.8%, respectively. Net profit grew by 19.2% over the previous year and capital adequacy ratio was reported at 17.9%

The performance of T-Bank paralleled the performance of the overall banking sector. The bank is now present in the most dynamic and relevant industrial regions in Turkey, which allows it to play an important role in the export sector.

T-Bank's focus on customer service along with its close relations with clients has made it a market leader amongst peer banks. This has been reflected in the recorded growth figures. T-Bank's assets and shareholders' equity have grown by more than four folds between the end of 2006 and 2012 to reach TL 2.9 billion and TL 378 million, respectively. The increase in shareholders' equity was supported by several shareholder injections since 2006 totaling TL 265 million. Customers' deposits have grown around six times in size to reach TL 2.1 Billion by the end of 2012. T-Bank reported earnings of TL 12.7 million in 2012, growing significantly from TL 3.5 million in the previous year. Capital adequacy ratio was maintained above 15 %.

T-Bank will continue providing services to the commercial business sector in Turkey focusing on the small and medium-sized enterprises. "The Bank will also continue to develop a business model that capitalizes on the realized as well as the potential commercial ties between Turkey and its neighboring countries." Our wide range of innovative products, coupled with our personalized services, and human as well as logistical capabilities, allow us to meet the demands of a client base that is spread across various regions as well as industries. Finally, I would like to express my gratitude to our clients for their continued trust and business, to our stakeholders and Board members for their continued support, and of course to our dedicated employees for their consistent hard work.

## **Nemeh Sabbagh**

Chairman

**The Bank** will continue to **develop a business model** that capitalizes on the realized as well as the **potential commercial** ties between **Turkey and its neighboring countries.**



# CEO's Message

The continued growth of the Turkish economy and the growing economic relations with the MENA region provided the right context for T-Bank's growth strategy. The Bank's shareholders are major players in the MENA banking region with activities that span over five continents, providing further support for T-Bank's vision to become a leading niche SME and trade finance Bank in Turkey.

T-Bank successfully met its targets in 2012 reporting an increase in assets by around 35% to reach TL 2.9 billion. The Bank continued providing services throughout its 27 branches located in Turkey's economically vibrant regions, increasing its deposit volume by around 35% to reach TL 2.1 billion. In line with the dynamic nature and strong financial infrastructure of the Turkish economy, T-Bank increased its loan portfolio by 37% to reach TL 2.05 billion.

Consistent with its growth strategy at capitalizing on Turkey's fast growing and promising SME sector, T-Bank increased the number of SME customers consisting of companies and company partners to around 15,000 by 2012. With 25% of its customers consisting of SMEs, T-Bank's goal is to continually increase this percentage, with a view to doubling it in the coming years.

International trade finance is another business line that T-Bank is focusing on. The Bank successfully provides international finance services throughout the Middle East, North Africa and Europe. Working with Turkish companies that are strong in import and export activities, T-Bank with its extensive offering of international trade products, has proven it to be a strong partner for customers once more in 2012. Empowered by its shareholders' long-standing experience, its corporate structure and quick decision-making processes, T-Bank aims to reinforce its international corporate and commercial banking activities by tapping on significant projects in the year ahead.

In 2012, T-Bank continued investing in information technologies in order to improve the functionality of its business processes in terms of efficiency, speed and

quality. With "Project Future", the main core banking, CRM (Customer Relationship Management), Treasury and Internet Banking systems continue to be upgraded. The project's analysis processes have been completed. Its design and development efforts are ongoing, and the goal is to bring them online in the first quarter of 2013.

With its strong partnership structure and advanced organizational skills, T-Bank has reported a solid improvement to its bottom line in 2012. Due to its operational and financial development, net profit grew by 257% over last year, jumping from TL 3.5 million to TL 12.7 million. The Bank achieved an increase in net interest income of 57% and its net commission income rose by 13%.

T-Bank's plan for the years ahead is to continue to grow its business lines capitalizing on the fields and sectors that represent a comparative advantage to the Bank. My appreciation goes to our customers for their confidence in us and to our shareholders and Board Members for their trust. Last but surely not least, I extend my gratitude to our employees for their hard work and dedication.

**Dinçer Alpman**  
CEO

With its **strong partnership structure** and advanced **organizational skills**, T-Bank has reported a **solid improvement** to its bottom line in 2012.







## SECTION II

### Activities

**T-Bank** is considered a **valuable partner** to **Turkish entrepreneurs** seeking to conduct operations in the **Middle East and North Africa.**

Through its strategically located branches, T-Bank successfully provides its customers with diversified and innovative products.

## T-Bank, Turkey's Boutique Bank

With 27 branches encompassing all of Turkey's prominent industrial and commercial centers, T-Bank offers unique banking solutions through its "boutique service" approach that supports steady development. Having built solid positions in treasury and cash management, investment services, and trade financing through its years of expertise, the Bank advances by meeting customer expectations and continually improving product and service quality. By converting the extensive Middle Eastern and North African banking network of its main shareholders into a significant competitive advantage, the Bank has developed strong relationships with prominent global banks to add further support to its financial structure. These relationships allow it to provide additional coverage and quality to its services.

With its "boutique services" approach, T-Bank now holds a distinguished position in the banking industry due to its

added value, and as a result of its prompt, customized solutions to the ever changing needs of customers. By utilizing the advantages that come with being a mid-sized bank, T-Bank has developed solid relationships with its customers and has contributed to significant increases in profitability and efficiency of business processes

In 2012, as in previous periods, T-Bank converted its customers' feedback into innovative solutions that now add further value to its own banking activities.

T-Bank has continued its marketing efforts aimed at extending its overall customer portfolio and has acquired numerous new customers that operate in a broad range of commercial fields. By continuing its proactive marketing strategy, the Bank's aim is to further increase its market share during the next term.

### Loan Portfolio Distributed by Sector (31 December 2012 - thousand TL)

Sector	Cash Loans		Non-Cash Loans	
	Total	%	Total	%
<b>Service</b>	<b>786.371</b>	<b>38,32%</b>	<b>410.521</b>	<b>33,53%</b>
Wholesale and Retail Commerce	327.370	15,95%	196.990	16,09%
Transport and Communication	134.922	6,57%	40.806	3,33%
Hotel and Restaurant Services	105.081	5,12%	11.879	0,97%
Financial Institutions	76.919	3,75%	102.937	8,41%
Real Estate and Rental Services	48.414	2,36%	3.847	0,31%
Self Employment Services	48.064	2,34%	32.731	2,67%
Health and Social Services	42.738	2,08%	21.147	1,73%
Training Services	2.863	0,14%	184	0,02%
<b>Industry</b>	<b>842.205</b>	<b>41,04%</b>	<b>340.056</b>	<b>27,78%</b>
Manufacturing Industry	745.075	36,30%	291.300	23,79%
Mining	96.529	4,70%	33.553	2,74%
Electricity, Gas and Water	601	0,03%	15.203	1,24%
<b>Construction</b>	<b>271.909</b>	<b>13,25%</b>	<b>410.279</b>	<b>33,51%</b>
<b>Other</b>	<b>77.677</b>	<b>3,78%</b>	<b>51.346</b>	<b>4,19%</b>
<b>Agriculture</b>	<b>74.216</b>	<b>3,62%</b>	<b>12.030</b>	<b>0,98%</b>
Farming and Breeding	67.644	3,30%	10.349	0,85%
Forestry	6.511	0,32%	1.585	0,13%
Fishing	61	0,00%	96	0,01%
<b>TOTAL</b>	<b>2.052.378</b>	<b>100,00%</b>	<b>1.224.232</b>	<b>100,00%</b>

## 2012 Activities

### Active Branch Network

T-Bank has 27 branches located across Turkey, each offering boutique services. With branches in the main commercial and industrial cities of Turkey, the Bank provides its customers with a diversified product offering through its efficient banking system.

### A Turkish Representative with International Experience

The vast international experience of T-Bank's main shareholders, Arab Bank, BankMed, and Arab Bank Switzerland, offers important opportunities for the Bank's operations in the Middle East and North Africa. Turkey's growing influence in North Africa and the Middle East raises the commercial value of this synergy. Today, T-Bank is considered the prime financial partner available to Turkish entrepreneurs seeking to conduct operations in these regions.

### Segment-Based Expertise

In order to improve its service quality, T-Bank has divided its customer portfolio into SME and Corporate Banking segments.

The SMEs targeted by T-Bank include local producers, commercial companies, suppliers and manufacturers with an annual revenue between TL 1.5 million and TL 25 million. The Bank's activities in the corporate/commercial sector mainly serve high-turnover companies operating in manufacturing, tourism, construction, energy and logistics. Another specific feature of the companies operating in this segment is that they need financing for their international trade activities.

Of T-Bank's total loans in 2012, corporate customers represented 75% of the whole portfolio, while SMEs represented a share of 25%. In 2013, the aim is to continue to increase the share of SMEs in the Bank's total loans.

Upholding its  
“**boutique service**”  
approach, T-Bank  
offers **unique**  
**banking** solutions.



### **Robust Credit Process**

The T-Bank Credit process uses a two-level approach where the starting point is a rigorous definition of credit appetite based on a forward-looking assessment of the economy and scan of industries (on a top-down basis). Within this framework, a detailed analysis of selected companies and transactions are performed on a bottom-up basis. Applications are then escalated for approval up to a level commensurate with the risk. Credit Allocation provides an objective assessment of opportunities. T-Bank's underwriting standards reflect a disciplined application of risk policies which have been tested through economic cycles and have consistently resulted in a high quality portfolio.

### **High Quality Assets**

T-Bank continues to hold a leading position in the banking industry with a customer portfolio of companies displaying solid financial profitability and credibility. In its new customer marketing efforts, T-Bank pays strict attention to maintaining its current levels of profitable asset quality. The Bank's intention is to grow its customer's portfolio by including only successful companies operating in specific industries.

### **Pioneer in Cash Management Services**

T-Bank has an extensive customer base successfully using its cash management services. In addition to being a tool for supporting the growth of its corporate banking operations, its active cash management service is a vital source for commercial deposits.

### **Corporate and Commercial Banking**

The Corporate Banking Division serves corporate companies with a turnover of at least TL 15 million. The Bank's customer portfolio is comprised of public companies, financial organizations, as well as companies in the trading, industrial, transportation, services, and construction sectors.

At each branch office, the experienced T-Bank Corporate Banking staff offer solutions tailored for the financial needs of each of its customers. Need-driven solutions are produced after a comprehensive analysis of its customer's requirements. A key element of T-Bank's success is its competent specialized staff and seasoned managers who maintain dynamic client relationships at all levels.

The Bank's key principles view its customers as partners and are keen on maintaining long-term relationships with them. T-Bank pays as much attention to the risk/yield balance as it does to profitability, and the Bank's reliable and powerful

financial structure ensures its consistent growth and strong market position.

Empowered by its shareholders' long-standing experience, its corporate structure, and quick decision-making processes, T-Bank successfully operates international finance services throughout the Middle East, North Africa and Europe. Cash management, project financing, cash/non-cash loans, and international commercial financing are some of the key areas its Corporate Banking unit focuses on.

### **SME Banking**

T-Bank provides SME Banking services throughout its 27 branches in Turkey, focusing primarily on medium-sized SMEs. The Bank aims to serve companies and private businesses in the SME Banking segment with net sales of between TL 1.5 million and TL 25 million.

T-Bank mainly targets companies located in cities with developed industries, trade and tourism activity, especially those in dynamic industrial areas. T-Bank is focused on working with companies that conduct export activities and are growth focused.

T-Bank's goal in SME Banking is to establish tailored loans and payment schedules that suit each individual customer and to provide solutions that clearly address each customer's needs. Likewise, its service quality and the quick and effective solutions resulting from its customer-oriented loan product offering are significant priorities of the Bank.

T-Bank aims to provide sustainable and quality oriented services, to maintain its position as one of the leading banks in SME Banking. Recognized as some of the most seasoned in the sector, T-Bank's portfolio managers proactively offer comprehensive solutions to its SME customers, solidifying the trust-based relationship between the client and the Bank. Its portfolio managers are approachable experts who supply the Bank's customers with the most suitable products and finalize sales in response to the clients' individual needs, all while ensuring sustainable growth and development of the relationship.

T-Bank's strategic goal, in the short term, is to increase its proportion of cash loans to SMEs to 50%. T-Bank supports SMEs with a diversified product offering and focusing on "TL Cash" loans. The Bank also satisfies both SMEs and their partners with their need for "Foreign Currency Cash"

and “Foreign Exchange” loans, as well as international trade payments, letter of guarantee, time deposits, investment products, or project and investment financing.

Through agreements with organizations that generate private loans, including KGF, KOSGEB and EXIMBANK, SMEs are encouraged to benefit from these products. T-Bank pays close attention to technological innovation, seeking to provide its customers with faster access to banking opportunities through a simplified operational workflow. Customers can access a wide range of products including check books, salary payments, tax and social security payments, invoice payments, treasury bills, and cash management products.

The Bank’s SME business has been in operation since 2007, and as of 2012 it boasts 15,000 companies and customers. An improvement of 30% over the previous year was reflected in its TL loans, which is SME banking’s main product, and this has had a significant impact on profitability levels.

With its experienced and competent staff, T-Bank stays abreast of all market developments, carefully tracking how advances in the international and local economies interact with SMEs’ micro-economies, guiding SMEs and encouraging them to take action when required.

T-Bank’s General Management is in touch with its SME customers, and performs regular site visits to meet the customer’s management and to ensure that their operations and the financed projects are on track. All marketing staff, especially senior managers and T-Bank’s General Managers, are continuously on the move and dedicate a lot of their time to visiting SMEs throughout Turkey and analyzing customers’ needs after listening to them in person.

With the goal of fostering its **SME banking**, T-bank aims to design **custom-tailored** loans and payment schedules, as well as provide solutions clearly addressing its **customers’ needs.**



T-Bank plans to work even more closely with SMEs in 2013 and thereafter in order to develop its SME business, grow together with its SMEs, and restructure itself in accordance with the needs of SMEs until this segment makes up at least half of its customer loan portfolio.

### **Loan Allocation/Follow-up**

The Loan Allocation/Tracking Division serves customers through four expert subdivisions:

- Corporate/Commercial
- SME
- Construction/Contracting
- Personal Loans

Because it is specialized in each customer segment and in each industry's needs, the Loan Allocation/Follow-up division can satisfy the loan demands of its customers by delivering the most innovative and accurate solutions. The Bank's credit allocation processes have become more effective as a result of the fundamental innovations and workflow arrangements that have been implemented. T-Bank can currently respond to its customer demands even more quickly.

### **Early Warning System**

T-Bank places a great importance on the development of its Early Warning System, which is designed to detect potential risks in advance and then take the necessary precautions. An updated and more advanced software system that consolidates and assesses all potentially negative information has been developed as part of the improvements which were made to the Bank's credit assessment processes. The Loan Follow-up Unit, which is part of the Loan Allocation/Follow-up Division, monitors all stages of the loan application/allocation process and organizes all internal and loan follow-up reports.

### **Credit Allocation**

T-Bank delivers "boutique services" without compromising on its risk-management criteria. The Credit Allocation Division conducts frequent customer visits along with the Bank's Marketing Division. As a result, the Bank can meet the needs of its customers more effectively, offering a more convenient working environment through suitable limits and loan conditions.

### **Rating and Assessment Models**

T-Bank utilizes rating and assessment models that comply with Basel II for its SME and Corporate/Commercial segments. These models have been proven to assist with loan decisions, as they enable more accurate loan analysis processes and deliver greater added value to the overall loan processes. Following a validation process completed in 2011, the assessment model's accuracy rate has improved. As a result of this process, significant advances were made in ensuring the improvement of asset quality during 2012.

### **Treasury**

T-Bank's Treasury Division oversees the Bank's liquidity, its foreign currency positions and its securities portfolio in accordance with the Bank's requirements. It also monitors bank transaction limits and market risk limits set by the Board of Directors. As an extension of its shareholders' prudent management style and its customer-oriented strategy, the Treasury Division's securities portfolio is a proportionally small component of the balance sheet relative to loans. The Board of Directors has limited the share of total assets consisting of the securities portfolio to 25%. The contribution of the Treasury Division to the Bank's profits is generally reflected through its securities portfolios as well as its treasury products offering through the Bank's branch office distribution channels based on customer demand.

Taking into account market conditions, assets/liabilities and the Bank's liquidating interest rate structure, the Treasury Division keeps all senior managers informed on the management of the balance sheet through the Assets/Liabilities Committee.

### **Financial Institutions**

The Financial Institutions Division is responsible for establishing and developing relationships with correspondent international banks and financial institutions, diversifying the Bank's funding sources and overseeing its international trade finance transactions. T-Bank sets loan limits for other international banks and export loan institutions so that it can meet its own financing needs and those of its customers.

With a strong network of more than 500 correspondent banks in 81 countries, T-Bank is continually expanding its network into other countries and new regions so that it can offer tailored solutions that satisfy the needs of its customers.

T-Bank performed much better in 2012 than it did in previous years in terms of exports, with intermediated international trade transactions totaling USD 400 million. In addition to non-cash services such as letters of credit and letters of guarantee, the Bank provides funding resources through correspondent banks to finance international trade, working capital loans and term loans as required by its customers.

T-Bank's main shareholders, Arab Bank and BankMed, operate through 500 branch offices in 30 countries, primarily in the Middle East and North Africa, giving T-Bank a significant competitive advantage in international trade financing. With the support of its main shareholders, the Bank has significantly increased its reach by offering its customers in these regions trade financing at competitive rates.

#### **Information Technologies**

The Bank's Information Technologies (IT) Division, and in accordance with T-Bank strategies and policies, provides employees with the newest technological advances in order to deliver more efficient, faster and higher quality business processes.

#### **Effective System Architecture**

Located at T-Bank's headquarters, the Basic Banking System runs on three application servers, two high performance and high scalability database servers each with IBM P6 processors, and an EMC Symmetrix storage device. The multi-tier system provides secure infrastructure for the Bank's applications.

The Bank's host operating system is Unix while other servers and personal computers run Windows and Linux. The Main Banking System features an Oracle 10g Server, while the subsystems utilize SQL Server software. To respond to emergency situations, backups of all critical applications

With its intermediated  
**international trade**  
transactions totaling  
**USD 400 million** in  
2012, T-Bank has  
greatly advanced its  
**exports operations.**



are transferred to another regularly synchronized database server in the Emergency Center located outside of Istanbul. T-Bank utilizes the Microsoft Active Directory as its client computer infrastructure. Branch offices and general management use Cisco systems for their network connections. Servers, on the other hand, are IBM servers. Lotus Notes is the solution utilized for e-mail and workflow systems. These systems together comprise the workflow software infrastructure required by office automation systems, the workflow software for the Basic Banking System, and for internal and external e-communication.

Transaction security is a top priority within the IT Division. Checkpoint is used as the firewall, Websense is used for content filtering and web security, while Trend Micro and Cisco IRONPORT are used for antivirus protection and e-mail security. As required by the Bank's security agreements, its information technologies are updated each year to ensure the correct and optimal usage of the latest technology.

### **Key Activities in 2012**

The development of the Main Banking, CRM (Customer Relationship Management), Treasury, and Internet Banking systems that were launched in 2010 have continued in 2012.

As part of "Project Future", the Bank's Core Banking software system has been in the process of being upgraded to a new state-of-the-art system that will also benefit CRM and Treasury systems. This software delivers significant advantages to Core Banking, CRM, treasury, and asset management; enabling T-Bank to diversify its products and services, improve its customer experience, and achieve better operational competency.

Also part of "Project Future" is a local Internet Banking solution that has been in the process of development for use both in Turkey and around the world. The process of analyzing the project has been completed, the design and development efforts are ongoing, and it is scheduled to go live in the second quarter of 2013.

In addition, efforts have been underway throughout 2012 to upgrade the Bank's infrastructure. T-Bank has commissioned Türk Telekom to replace the Bank's branch office lines with a faster and more reliable fiber optic network infrastructure. The Emergency Center's back-up capacity has been increased, enabling a more significant back-up capability.

Significant steps have been taken to ensure compliance with COBIT standards so that Quality Management within the IT Division remains at the highest levels. A wide range of processes, including IT Process Management, IT ID Management, IT Inventory, Configuration, Capacity, Performance Management, and Log Tracking, have all been documented and activated.

# Human Resources

## Employee Breakdown

T-Bank's Human Resources (HR) Division ensures significant productivity improvements in business processes, through practices developed in accordance with the Bank's general strategies. Qualified and experienced human resources are one of the Bank's most significant competitive advantages. By the end of 2012, T-Bank had 520 employees in its service network supporting the General Management across 27 branch offices.

## Recruitment Process

HR practices at T-Bank are based on transparency, active sharing and equality. The primary goal within the recruitment process is to hire the right qualified person. Therefore, the Bank's strategy is to recruit experienced personnel or recent graduates as trainees depending on the qualities required by the job description.

When recruiting new graduates and conducting mass recruitment, candidates take a written exam, followed by a face-to-face interview with the appropriate line units for the shortlisted applicants. For experienced candidates, a process involving a "Human Resources Recruitment Team" as well as the appropriate line managers is utilized. Those candidates who receive positive ratings following their face-to-face interviews undergo pre-hiring checks, receive offers and then complete the recruitment process. Such a process involves the construction of a personal inventory. A collective interview or a competency-based interview is undertaken depending on the requirements of the position. In 2012, T-Bank commenced online interviews utilizing the latest technologies and adopting effective methods. With these online interviews, the recruitment process for candidates residing outside of Istanbul has become much faster. T-Bank's human resources have been strengthened in 2012 with the new additions that the Bank has made during the year. In the branch offices, 41 experienced Portfolio Managers have been recruited. Departments other than Marketing and the Headquarter teams have seen the addition of 60 experienced employees or trainees. Moreover, because it values the importance of internship programs, T-Bank has provided internship opportunities to 33 students during the year, contributing to both their education and their overall development.

## Performance Management

Performance assessments are conducted based on the contributions of employees to business results. Competency assessments are conducted in accordance with the Bank's targets and strategies. The results of these evaluations are used to develop career and training plans for each employee.

Employees who are successful in their current position, who have maintained performance sustainability, and who have the required competencies may be promoted to a more senior role after the approval of the Promotion Committee. The Bank had an internal promotion rate of 14% in 2012.

Furthermore, to improve its service quality, T-Bank conducts surveys such as the "Internal Customer Satisfaction" and "Employee Engagement" surveys once every year. The Bank also undertakes role-playing exercises and inventory studies to support employees' personal development. In addition to such studies, which are primarily used to collect feedback, T-Bank also runs coaching programs to develop its employees.

## Performance Compensation

With the Bank's annual target achievements in mind, managers and senior executives are paid annual bonuses. These bonuses are based on their branch/division's achievement of their targets and the managers' effective use of their individual competencies.

For those managers and senior executives employed in General Management, the size of each bonus is set after consideration of each employee's annual performance as assessed by his or her superior, and the influence that the employee's work has on the Bank's ability to achieve its targets. For Branch Managers, bonuses are determined after reviewing the branch office's annual target achievements and whether or not the manager's goals have been realized. In March 2012, a total gross payment of TL 2,975,000 was made in bonuses.

## Training

T-Bank's training and development activities consist of Orientation Programs that enable new employees to quickly adapt, Nurturing Programs that cover basic banking topics for employees without previous banking experience, technical/ personal development training sessions for experienced employees, and Managerial Development Training Sessions and coaching for all managers. Developmental Seminars conducted by specialists in different topics are also part of the Bank's training and development activities.

In order to support the career development of its experienced managers, T-Bank launched its "Individual Leadership and Development" project in 2012. This study, also known as the "Wisdom Project", is attended by all Assistant Managers with more than five years of experience at that level either at T-Bank or at another bank. With the support of a specialist consulting company, the project's first stage was the creation of a work performance evaluation center.

The evaluation center assesses each participating employee's business competencies and behavioral characteristics during the business process, after which it provides the employee with feedback. In the "Wisdom Project", which is scheduled to last for approximately two years, assistant managers will receive Drucker's "Way of Management" training, which consists of three modules: "Managing Oneself", "Managing the Team" and "Managing Opportunities". These modules will be supported by forum posts, presentations, and other training techniques. Those who complete the project will receive the "Drucker Institute" and "Center for Great Management" certification. Looking forward into 2013, T-Bank will add assistant managers with three or more years of experience to the program, and eventually the Bank intends to include all of its assistant managers in this development program.

Furthermore, the T-Bank Training Division presented a new developmental tool in 2012 titled the Remote Training System. Every employee has an account on the T-Bank e-learning platform, through which they can access their e-training programs 24/7 from work or home.

During 2012, the Training Division continued the Catalog Training that was initiated in 2010. By giving each employee the opportunity to participate in training that they themselves choose, this program has been shown to meet the technical banking and personal development training needs of all employees throughout 2012.

Also in 2012, Istanbul Branch employees were given the opportunity, along with General Management employees, to participate in training provided by the Banks Association of Turkey. In addition, training and certification programs

conducted by private training companies were attended by numerous General Management and T-Bank branch office employees.

### Corporate Social Responsibility

In the context of its Corporate Social Responsibility, T-Bank firmly believes in the vitality of educational and social activities, particularly among the youth, in the process of shaping a bright future and ensuing sustainable development. As such, and as a major initiative in 2012, T-Bank sponsored an interactive workshop, "Mysterious Boxes", which seeks to develop children's scientific thinking and has been brought to Turkey by Informel Eğitim/Çocuk Istanbul.

Developed by the London Science Museum and currently in use in England, "Mysterious Boxes" teaches children aged between 10 and 15 how science applies in real life, and how it affects every aspect of our lives. As children try to find out "what's inside the boxes" during the "Mysterious Boxes" workshop, they experience the processes required by the scientific method. This entails discussion, curiosity, the development of argument, communication, listening, cooperation, and a broadening of perspective and imagination. These processes are similar to those scientists use when they form hypotheses and theories, conduct testing, do research, and draw conclusions. The workshop's final session gives its students the opportunity to realize that science does not have an «end» and that scientific information is always subject to change. The Mysterious Boxes workshop is held at every school in Istanbul free of charge and reservations are required. In the near future, the program will also be held in Ankara, Izmir, Adana and other cities within Turkey.

### Number of Employees and Branch Offices

	2012	2011	2010	2009	2008	2007
Employees in General Management	228	215	226	199	190	189
Employees in Branch Offices	296	281	284	265	267	201
Total Employee Numbers	524	496	510	464	457	390
Number of Branch Offices	27	27	27	25	25	16

### Demographic Data

	2012	2011	2010	2009	2008	2007
Male (%)	51	52	53	51	51	49
Female (%)	49	48	47	49	49	51
Average Age of Employees	36	36	35	35	34	34

# Internal Communication and T-Club

Through internal communications and T-Club's activities, T-Bank seeks to bolster employee motivation and relationships. The Bank believes that these types of activities bring people closer together and improve the employee's sense of attachment to the institution. Consequently, this plays a significant role in improving employees' output and in turn the Bank's service quality.

## Internal Communication

The activities undertaken by T-Bank to improve internal communication and employee motivation are:

- "Birlik-T" is the Bank's intranet portal which features regular updates regarding employee promotions and appointments, T-Bank's activities, news about T-Bank and other information.
- Special discounts are offered at restaurants, hair dressers, health centers and similar businesses frequently visited by T-Bank employees.
- The Bank shares the joy with its employees on their special days through messages sent on birthdays and anniversaries, as well as through birth announcements.
- For employees who have just had a baby, gifts are given in the name of their newborn baby.
- New T-Bank employees are introduced to the whole Bank through an email with a photo attached.

## T-Club

Employment at T-Bank offers not only a professional career but also a privileged business life for professionals in the form of social facilities. All employees are members of T-Club, which offers a range of activities that enrich the personal lives of employees and their families. In 2012, one of these activities was a painting contest called "Animals are the Color of Life" organized for the children of T-Bank employees. After the contest, all of the pictures that were drawn were exhibited at the General Management building. The pictures will also be included in the Bank's 2013 desk calendar. During 2012, T-Club also organized cultural tours for employees and their families, with trips to Çanakkale and Edirne.

Other social activities held by T-Club during 2012 were:

- The traditional Children's Festival on the 23rd of April
- The Bi-annual bowling tournament
- A backgammon tournament





## SECTION III

### T-Bank Management and Corporate Management Practices

T-Bank upholds the highest standards of corporate governance.

Stemming from its firm commitment to **internal control and risk management**, T-Bank views the **Audit Committee**, **Internal Audit**, and the **Risk Management Department** as integral elements of its **corporate structure**.

# Board of Directors

## **Nemeh Sabbagh**

### **Chairman**

Nemeh Sabbagh, CEO of Arab Bank, is a graduate of International Economics at Johns Hopkins University and has a Master's degree in Finance from the University of Chicago. He began his banking career at the World Bank in 1973 and has served at various banks, including the National Bank of Kuwait for 19 years, as the CEO of the Arab National Bank for seven and a half years and as Executive General Manager of BankMed for four years.

## **Amin Rasheed Sa'id Hussein**

Vice Chairman (for the period 01.10.2009 - 26.09.2012)  
Amin Hussein is a graduate of Physics at Yarmouk University, Jordan. He holds an MBA from Fort Hays State University, USA. He started his career at Arab Bank Plc and served as Executive Vice President and Head of Financial Institutions and Transactional Services. In 2010, he was appointed the Country Manager of Bahrain at Arab Bank Plc.

## **Mohamed Ali Beyhum**

### **Vice Chairman (since 26.09.2012)**

Mohamed Ali Beyhum is a graduate of the faculty of Mechanical Engineering at the American University of Beirut, Lebanon. He also holds an MS in Industrial Management from Columbia University. At the start of his career, he worked at Irving Trust Company and the Bank of New York in the United States gaining ample experience in the sector. He then relocated to Lebanon where he served as Vice President and Senior Representative at the Beirut office of the Bank of New York. He joined BankMed as an Advisor to the Executive Office before assuming his current position as Executive General Manager of the Bank.

## **Dinçer Alpman**

### **Board Member and CEO**

Dinçer Alpman is a graduate of Management Engineering at Istanbul Technical University. He started his banking career at Pamukbank in 1988 and went on to work at Marmara Bank, Tekfen İnşaat and Alternatif Bank. Before joining T-Bank, he spent 10 years at DenizBank as Executive Vice President in charge of Retail Banking.

## **Henri Jacquand**

### **Board Member**

Henri Jacquand is a graduate of Ecole des Hautes Etudes Commerciales and holds a MBA from the University of Chicago Graduate School of Business. During his managerial career, he served as Vice President at Citibank, New York, Executive Vice President at CIC Group and Executive Vice President at Rabobank.

## **Riad Burhan Taher Kamal**

### **Board Member**

Riad Kamal is a graduate of Civil Engineering and also holds a Master's degree in Structural Engineering from the University of London. He has worked at Arabtec Construction since 1974, where he currently serves as the Chairman and Managing Director.

## **Faten Matar**

### **Board Member**

Faten Matar is a Business Administration graduate from the American University of Beirut. He started his banking career at Citibank in 1978 for four years before joining Universal Bank. In 1986, he returned to Citibank and worked for 10 years in managerial positions. Between 1998 and 2000, he worked as the Vice General Manager of Byblos Bank. In the latter stage of his career, he served as the General Manager of Banque de la Méditerranée Sal and Allied Bank Sal. He is currently Advisor to the Executive General Manager of BankMed.

### **Nadya Nabil Tawfik Talhouni**

#### **Board Member**

Nadya Nabil Tawfik Talhouni is a graduate of Bryn Mawr College in the USA and holds a degree in Economics with a minor in Political Science. She worked for Citibank NA as Financial Institutions Securities Business Manager before joining Arab Bank in July 2002. She currently serves as Senior Vice President and the Global Head of Cash Management and Trade Finance at Arab Bank.

### **Mustafa Selçuk Tamer**

#### **Board Member**

Selçuk Tamer is a graduate from the University of Ankara with a degree in Business Administration from the Faculty of Political Sciences. He started his banking career in 1976 and worked at a number of banks. Prior to his current position as a Board member at T-Bank, he served as Assistant General Manager and finally Vice Chairman at Yapı ve Kredi Bankası A.Ş., for 18 years.

### **M. Behçet Perim**

#### **Board Member**

Behçet Perim is a graduate of Boğaziçi University with a degree in Electrical and Electronic Engineering in addition to an MBA from the same institution. He started his banking career in 1991 at Interbank where he served for three years. His career continued at Bank Ekspres for another three years before moving to Denizbank for 10 years. Mr. Perim served as Executive Vice President in charge of Risk Management and Internal Control at DenizBank, before joining T-Bank as a Board member.

**Corporate governance at T-Bank is based on transparent business practices, effective Board structure and operations, clear and comprehensive information disclosure, as well as sound stakeholder relations.**



# Executive Management

## **Doruk Parman**

### **Executive Vice President-Marketing and Sales**

Doruk Parman is a graduate of Middle East Technical University with a degree in Mechanical Engineering. He received his MBA from Bilkent University followed by a doctorate in Banking from Marmara University. Mr. Parman started his business career at Interbank and later served at DenizBank for 10 years in a number of positions including Senior Vice President of Retail Banking Division, before his current position as Executive Vice President at T-Bank.

## **Hakkı Yıldırım**

### **Executive Vice President-Human Resources**

Hakkı Yıldırım is a graduate of Middle East Technical University and holds a degree in Industrial Engineering. He earned his MBA and PhD in Management and Organization at Yeditepe University. His banking career began in 1993 at Türkiye İş Bankası; he later worked with İktisat Bankası, Alternatifbank and Denizbank. Prior to his current position as Executive Vice President at T-Bank, he served as Alternative Distribution Channels Senior Vice President at Denizbank.

## **İlhan Zeki Köroğlu**

### **Executive Vice President-Operation and Information Technologies**

İlhan Zeki Köroğlu is a graduate of Middle East Technical University with a degree in Public Administration. He started his banking career at Pamukbank and assumed critical positions at Körfezbank and Garanti Investment. Prior to becoming Executive Vice President-Operation and Information Technologies at T-Bank, he served as Executive Vice President at Alternatifbank.

## **Mehmet Özgüner**

### **Executive Vice President-Financial Affairs**

Mehmet Özgüner is a graduate from the department of Mining Engineering at Middle East Technical University. He started his banking career in 1994 at the Banking School of Ziraat Bankası and later served as an Internal Auditor on the Board of Internal Auditors at Osmanlı Bankası for six years. In 2002, he joined T-Bank's Board of Internal Auditors; the following year, he was appointed Chairman of the Board. Since 2004, he has served as Executive Vice President-Financial Affairs at the Bank.

## **Münevver Eröz**

### **Executive Vice President-Treasury and Financial Institutions**

Münevver Eröz is a graduate from the Business Administration Department at Boğaziçi University and holds an MBA from Koç University. She joined the banking industry in 1987 at the Saudi American Bank, serving in several managerial positions over a

ten-year period. She joined the Bank in 1997 and has been Executive Vice President since 2000.

## **Yurdakul Özdoğan**

### **Executive Vice President-Credit Allocation and Follow-up**

Yurdakul Özdoğan holds a degree in Economics from the Faculty of Political Sciences at Ankara University. He started his banking career at Pamukbank, before serving at Toprakbank, İktisatbank and Finansbank. Prior to becoming T-Bank's Executive Vice President-Credit Allocation and Follow-up, his last position was Senior Vice President of Credit at Oyakbank.

## **Ali Has**

### **Head of Internal Audit**

Ali Has is a graduate of the Faculty of Management at Istanbul University and started his business career at the Foreign Transactions Department of Yapı Kredi Bankası in 1994. Working at İş Factoring Finansal Hizmetler A.Ş. and TEB A.Ş. before his current position as Department Head of T-Bank Inspection Committee. Has is also a Certified Internal Auditor (CIA).

# Statutory Auditors

## **Osman Baydoğan**

### **Statutory Auditor**

Osman Baydoğan is a graduate of Ege University's Business Administration Department. He worked in Financial and Administrative Affairs Departments of various leading construction companies between 1978 and 1985. Beginning in 1985, his next 13 years were spent at Al Baraka Türk Katılım Bankası where his last position was Risk Follow-up Manager. From 1998 to 2004, Mr. Baydoğan served as Financial Affairs Coordinator at Eksim Şirketler Grubu and is currently Executive Director at Inter Trade.

## **Özgür Çelik**

### **Statutory Auditor**

Özgür Çelik graduated from Istanbul University and holds a degree in Business Administration. He started his career in 1997 as a research intern and spent three years at KPMG, Istanbul as a Senior Accountant. He later worked as an Assistant Finance and Accounting Manager of an affiliate company of NEXT Plc, before joining Oger Telecom in 2007. He currently serves as Financial Controller at Oger Telekomünikasyon A.Ş. and Oger Telecom Yönetim Hizmetleri Ltd. Şti., a subsidiary of Oger Telecom in Turkey.

# Credit Committee and Other Committees

## Credit Committee

**Dinçer Alpman**, CEO and Board Member

**Henri Jacquand**, Board Member

**M. Selçuk Tamer**, Board Member

## Executive Committee

**Dinçer Alpman**, CEO and Board Member

**M. Selçuk Tamer**, Board Member

**M. Behçet Perim**, Board Member

**Doruk Parman**, Executive Vice President

**Hakkı Yıldırım**, Executive Vice President

**İlhan Zeki Köroğlu**, Executive Vice President

**Mehmet Özgüner**, Executive Vice President

**Münevver Eröz**, Executive Vice President

**Yurdakul Özdoğan**, Executive Vice President

**Ali Has**, Head of the Internal Audit

## Assets/Liabilities Committee

**Dinçer Alpman**, CEO

**M. Behçet Perim**, Audit Committee Board Member in Charge of the Risk Management Group, Internal Audit, and Internal Control

**Doruk Parman**, Executive Vice President

**İlhan Zeki Köroğlu**, Executive Vice President

**Mehmet Özgüner**, Executive Vice President

**Münevver Eröz**, Executive Vice President

**Yurdakul Özdoğan**, Executive Vice President

**Cengizhan Cengiz**, SME Banking Manager

**Elif Ertemel**, Retail Banking Director

**Serhan Yazıcı**, Corporate Banking Director

**Alper Üstündağ**, Treasury Manager

**Elida Stupljanin**, Financial Institutions Manager

**Gülgün F. Öztaş**, Risk Management Group Head

**İsmail Dokur**, Budget Planning and Management Reporting Manager

**Veyis Fertekligil**, Chief Economist, Economic Research

## Audit Committee

**Mohamed Ali Beyhum**, Vice Chairman

**Amin Rasheed Sa'id Hussein**, Board Member

**M. Behçet Perim**, Board Member

## Corporate Governance Committee

**Mohammed Ali Beyhum**, Vice Chairman of the Board of Directors

**Amin Rasheed Sa'id Hussein**, Board Member

**M. Behçet Perim**, Board Member

## Compensation Committee

**Mohamed Ali Beyhum**, Vice Chairman of the Board of Directors

**Faten Matar**, Board Member

**M. Selçuk Tamer**, Board Member

## Risk Management Committees

### Executive Risk Committee

**Dinçer Alpman**, CEO

**M. Behçet Perim**, Audit Committee Board Member in Charge of the Risk Management Group, Internal Audit, and Internal Control

**Doruk Parman**, Executive Vice President-Member

**Hakkı Yıldırım**, Executive Vice President-Member

**İlhan Zeki Köroğlu**, Executive Vice President-Member

**Mehmet Özgüner**, Executive Vice President-Member

**Münevver Eröz**, Executive Vice President-Member

**Yurdakul Özdoğan**, Executive Vice President-Member

**Gülgün F. Öztaş**, Risk Management Group Head-Member

### Operational Risk Committee

**Dinçer Alpman**, CEO

**M. Behçet Perim**, Audit Committee Board Member in Charge of the Risk Management Group, Internal Audit, and Internal Control

**Doruk Parman**, Executive Vice President-Member

**İlhan Zeki Köroğlu**, Executive Vice President-Member

**Ali Has**, Head of the Internal Audit -Member

**Gülgün F. Öztaş**, Risk Management Group Head-Member

**Şehsuvar Erol**, Internal Control Center Department Head-Member

### Information Technologies Risk Committee

**Dinçer Alpman**, CEO

**M. Behçet Perim**, Board Member

**İlhan Zeki Köroğlu**, Executive Vice President-Member

**Ali Has**, President of the Internal Audit -Member

**Gülgün F. Öztaş**, Risk Management Group Head-Member

**Şehsuvar Erol**, Internal Control Center Department Head-Member

# Risk Management, Internal Control and Internal Audit Managers

## **M. Behçet Perim**

### **Audit Committee Board Member in Charge of the Risk Management Group, Internal Audit, and Internal Control**

Behçet Perim is a graduate of Boğaziçi University with a degree in Electrical and Electronic Engineering in addition to an MBA from the same institution. He started his banking career in 1991 at Interbank where he served for three years. His career continued at Bank Ekspres for another three years before moving to Denizbank for 10 years. Mr. Perim served as Executive Vice President in charge of Risk Management and Internal Control at DenizBank, before joining T-Bank as a Board member.

## **Ali Has**

### **Head of Internal Audit**

Ali Has is a graduate of the Faculty of Management at Istanbul University and started his business career at the Foreign Transactions Department of Yapı Kredi Bankası in 1994. Working at İş Factoring Finansal Hizmetler AŞ. and TEB A.Ş. before his current position as Department Head of T-Bank Inspection Committee. Has is also a Certified Internal Auditor (CIA).

## **Gülgün Figen Öztaş**

### **Group Head, Risk Management Group**

Gülgün Figen Öztaş is a graduate of Business Administration at Marmara University, Faculty of Economics. She also holds a Master of Science in Financial Economics Quantitative Finance from Bilgi University. She began her career in the banking sector at Türkiye İş Bankası in 1994 as a Financial Analyst. Starting from 1995, she served as a Senior Analyst at TSKB and joined the Risk Management Group of T-Bank in 2005. Ms. Öztaş is a Certified Financial Risk Manager.

## **Şehsuvar Erol**

### **Department Head, Internal Control Center**

Şehsuvar Erol is a graduate of Economics at Istanbul University. He started his banking career at Koçbank in 1992 as an Assistant Auditor and has worked as a Senior Financial Analyst at TSKB. After serving at DenizBank for nine years, he joined the Internal Control Center of T-Bank in 2007.

## **Attendance at the Board of Directors, Audit Committee and Other Committee Meetings**

All Board and Committee members attended all the meetings unless a valid excuse was presented.

# Board Report Summary Submitted to the General Assembly

2012 was a year of continued uncertainty in global growth and exacerbating debt problems, compounded by credit downgrades for some countries. All of this caused developing countries to lag behind their growth targets. As a result of monetary expansion policies implemented by developed countries, we are entering a period where currency wars are being fought between developed countries and emerging markets.

In this global economic environment, Turkey worked hard to exercise caution and bring stability while handling the problems caused by economic growth over the past two years. High growth in 2010 and 2011 resulted in economic imbalances that calmed down in 2012. Turkey grew stronger in new export markets such as the Middle East and Africa, and has managed to decrease its economic dependence on Europe by exporting fewer products to the EU. As a result, Turkey's credit rating was upgraded to 'investment grade' by Fitch, an international credit rating agency.

In 2012, the Turkish banking sector maintained its growth and solid standing. Profitability increased and credit growth has also risen rapidly in recent months. In fact, banking sector profitability increased by more than 19%, while the capital adequacy ratio reached a rate of 16.5%. A 13% increase in credits was achieved compared with the end of 2011.

T-Bank achieved all the goals it set in 2012 and was a dependable business partner for all of its customers, gaining strength from the international experiences of its shareholders. The bank increased its net profit at a rate of 257% over the previous year, achieving a 57% increase in net interest income and a 13% increase in net commission income.

SMEs are of fundamental importance to the growth achieved by the Turkish economy, and they continued to be an important segment for T-Bank in 2012. T-Bank has increased the number of its SME customers to 15,000. While 30% of loans provided by T-Bank to the SME sector consist of cash loans, our goal is to increase this rate to over 50% in the near future.

In 2012, T-Bank continued to carry out important projects that aim to facilitate efficiency and speed in business processes. A project named "Project Future" also continued at full steam in 2012 and is on track to be completed in the first quarter of 2013. Thus T-Bank will be completely renewed and will be able to provide higher quality and faster service to its customers with Primary Banking, CRM, Treasury and Internet Banking applications.

As in previous years, we would like to once again express our gratitude to our customers for their trust in us. In 2013 and in the future, T-Bank will continue to grow without sacrificing service quality thanks to the strength it derives from its employees, management and shareholders.

**Nemeh Sabbagh**  
Chairman

**Dinçer Alpman**  
CEO

## Related Party Transactions

### T-Bank Group Risk Exposure by Sector (thousand TL)

	Cash Loans	Risk Share (%)	Non-Cash loans	Risk Share (%)	Total Loans	Risk Share (%)
Financial Institutions	59	0,00%	3.194	0,26%	3.253	0,10%
Communication	-	0,00%	3.093	0,25%	3.093	0,09%
Information Technology	6.951	0,32%	1.221	0,10%	8.172	0,24%
Others	3	0,00%	63	0,01%	66	0,00%
<b>Total</b>	<b>7.013</b>	<b>0,33%</b>	<b>7.571</b>	<b>0,62%</b>	<b>14.584</b>	<b>0,43%</b>

## Persons and Companies that Provide Support Services

As required by “The Regulations on Banks Receiving Support Services and the Authorization of Support Service Institutions”, T-Bank receives support services for its basic banking activities. In accordance with its business requirements, the Bank purchases software applications from local and foreign companies. The Bank works with Provus Bilişim A.Ş. for its card operations and with Securverdi for its money transportation operations.

**T-Bank** is in accordance with “The **Regulations** on Banks Receiving Support Services and the **Authorization** of Support Services Institutions”.





## SECTION IV

### Financial Information and Risk Management

Owing to effective risk management strategies, T-Bank has an asset quality well above the banking sector's average.

# Risk Management Policies

The T-Bank Risk Management Group was formed as an independent unit in 2001 and reports to the Audit Committee Member in charge of Internal Systems.

The Risk Management Group's aim is to measure the Bank's credit, market, interest rate, concentration, liquidity and operational risks, as well as to determine limits and control processes for these risks. T-Bank views risk management as an integral part of its banking processes, and as such it considers extremely important that risk management awareness is assured throughout the Bank's organizational structure.

The Risk Management Group prepares reports on all risks the Bank is exposed to -in relation to concentrations, legal limits and the Bank's own internal limits- for Senior Management and the Audit Committee, on a daily, weekly, monthly, and quarterly basis. These reports include Value at Risk analysis, market risk limits, stress tests and scenario analysis, liquidity and interest rate risk reports, as well as economic capital and capital adequacy analysis. Presented at the weekly Assets & Liabilities Committee meetings, these reports contain Value at Risk analysis of risk exposure, weekly interest rate risks, economic capital calculations and market risk limits. In addition, the volatility and closing values of numerous market risk instruments are closely monitored and reported daily.

In order to better analyse those instruments exposed to market risk and to better measure the risk levels, efforts have been made in 2012 to update and improve the Bank's market risk measurement tool. Stress tests, scenario analysis on the Bank's economic capital, capital adequacy, scenarios on liquidity and profitability NPL portfolio analysis compared with peers, and progress in the Bank's credit portfolio are presented to the Audit Committee on a quarterly basis. Senior Management tracks the Bank's performance and limits by using these detailed reports.

T-Bank's Assets & Liabilities Management Policy focuses on supplying sufficient funds to satisfy the loan demands of customers while meeting all legal requirements faced by the

Bank. The composition of assets and liabilities and topics related to interest rates and maturities are discussed weekly by the Assets & Liabilities Committee.

Every three months, a presentation covering the Bank's main risks is given to the Audit Committee and the Board of Directors. This presentation also contains economic capital calculations that covers credit, market, and operational risks. The Audit Committee and Senior Management are also informed about any risk limits that have been exceeded. Risk limits are reviewed by Risk Management and Senior Management on a regular basis and updated when necessary.

The Board of Directors has limited its economic capital to 50% of its equity, value at risk values to 2.5% of its equity, and its securities portfolio to 25% of the Bank's total assets. Also, volume and portfolio limits have been set for the securities portfolio. These limits are monitored and regularly reported. The Audit Committee and Senior Management are also informed about any risk limits that have been exceeded. In December 2012, the Board of Directors approved new market risk limits prepared by the Risk Management Committee and by Senior Management. The Risk Management Group systematically performs Basel II capital adequacy calculations for Credit Risk, Market Risk, and Operational Risk in accordance with "Regulation on Measuring and Assessing the Capital Adequacy of Banks," which was published in the Official Gazette 28337 dated June 28, 2012.

## Credit Risk

Credit risk is the risk that the other parties in a contract with the Bank will not be able to meet their obligations. Credit risk management plays a vital role in T-Bank's sustainable growth policy. While the Board of Directors delegates its credit approval responsibilities, it does provide guidance on the disbursement of loans issued to various industries, companies, and groups. When setting credit limits, numerous criteria including the customer's financial strength, trade capacity, industry, geographical region, capital structure, morality, and other relevant aspects are assessed

in aggregate. The customer's financial structures are reviewed based on their accounting documents and other related data as required by applicable regulations. Credit limits are set after evaluating all of the general economic developments and changes in the customer's financial data and activities. These credit limits are constantly monitored and the conditions of the loan are regularly revised. For credit limits, various collateral types and amounts are supplied per customer. Product and customer-based limits are considered when issuing the loans, and risks, limits, and collateral are constantly monitored. The Credit Follow-up Department is primarily responsible for monitoring credit risks and for detecting early warning signs of possible default. Capital requirements related to the Bank's loans are calculated in accordance with "Regulation on Measuring and Assessing the Capital adequacy of Banks," which was published in the Official Gazette 28337 dated June 28, 2012.

A new committee has been established to create a new internal rating system in order to make T-Bank's rating system compliant with Basel II standards. Following the initiation of the project, an "expert opinion based" rating system was prepared as a result of meetings by the Bank's concerned managers. This system has been in use since January 2009. The rating system's validation process, which began in June 2011, has now been completed. The recommendations that came out of this process were put into force after being approved by Senior Management starting in October 2011 and have been applied throughout 2012.

The Risk Management Group monitors the Bank's correspondent bank's credit risk limits as defined by the Board of Directors on a daily basis, and reports any limit excess, through a written notification to Senior Management and related departments.

All repo, derivative, and money market transactions conducted by T-Bank's Treasury Division are closely monitored for any risk of the counter-party defaulting.

### **Market Risk**

Market risk is a term used to refer to the value fluctuations that occur in the Bank's positions as a result of price changes. At T-Bank, this concept is dealt with in two different categories: trading risk, and asset/liability mismatch. The Risk Management Group calculates Value at Risk with one-day holding period and a 99% confidence level on a daily and weekly basis. These Value at Risk results, calculated by using Parametric, Historical Simulation, and Monte Carlo methods, are used to calculate the capital requirements for trading book. In addition, Value at Risk can be recalculated with the Bank's new market risk tool by adding advanced probability simulations and probable non-linear movements in the markets. With the help of this tool more detailed scenario analysis can be performed and monitored on a daily basis. The precision of the Value at Risk methods are checked through "backtesting", and the number of days on which the P&L is higher than the Value at Risk is monitored.

Within the scope of "Regulations on Measuring and Assessing the Capital Adequacy of Banks" and "Regulations on Measuring the Shareholder's Equity of Banks" published in the Official Gazette 28337 dated June 28, 2012, and within the financial risk management framework, the Bank has determined market risk management activities and has taken the necessary measures in order to protect itself from market risk.

### **Interest Rate Risk**

T-Bank maintains a policy of limiting its risk levels with conservative, self-determined limits at values that are compliant with its internal policies. In order to effectively monitor interest rate risk, the Risk Management Group regularly prepares sensitivity analyses that cover the entire balance sheet, preparing weekly interest rate GAP and Duration GAP analysis.

### **Interest Rate Risk Related To Banking Book**

Interest rate risk arises from all interest-sensitive on and off-balance sheet banking book items, excluding subordinated debts, and calculated according to the framework “Regulation on Bank’s Shareholder’s Equity” published in the Official Gazette No. 26333 dated November 1st, 2006. At T-Bank, the interest rate risk related to banking book is calculated monthly and is closely monitored and managed.

### **Liquidity Risk**

Liquidity risk is the risk that the Bank cannot fulfill its payment obligations fully and on time, either due to its insufficient cash inflow or due to inadequate available cash, resulting from the mismatch between cash inflows and outflows.

T-Bank maintains a high level of liquidity in parallel to its cautious approach to banking.

As required by the Bank’s general policies, the compatibility of the maturity structures of its assets and liabilities and their interest rates are always maintained through Bank’s Assets & Liabilities Management strategies. The difference in the returns and costs related to TL and FX balance sheet items are managed for a positive outcome. In accordance with this strategy, various crisis scenarios prepared by the Risk Management Group are presented to Senior Management and the Audit Committee.

Considering its funding and liquidity resources, the Bank meets most of its liquidity needs through its deposits, with syndication and pre-financing products constituting other sources of liquidity.

### **Operational Risk**

Operational risk is the risk of loss due to improper or inaccurate internal processes, employee or system errors, or external events. The Operational Risk Unit manages this risk through clearly defined policies, procedures, and internal audits.

At T-Bank, operational processes are planned by the Central Operations Department, which is located in the Head Office. Operation managers at the Bank’s branch offices are responsible for carrying out all operations. These managers report to the Central Operation Division independent of their Branch Managers.

The Risk Management Group calculates operational risk based on the Basel II Basic Indicator Approach. The Bank’s ultimate objective is to use advanced measurement methods to detect quantifiable and non-quantifiable operational risk on a per-process and transaction basis, and to then make the Bank’s Senior Management aware of each of these operational risks, controls, and residual risks. For this purpose, new software was acquired in 2010 and the project was completed in 2011; Senior Management and the Audit Committee were informed of these developments throughout a presentation. By using this independent system, the Risk Management Group ensures regular recording of all operational risk exposures and losses. This system is also integrated with daily risk management processes.

As part of its compliance with the supporting services regulations, the operational risks of supporting service companies are regularly reviewed. Risk analysis studies have been completed by the Risk Management Group together with the divisions of those companies that provide the Bank with support services. There is an annual Risk Management program for support services which has been presented to the Board of Directors.

The Risk Management Group also assesses the risks associated with the IT Risk Management program’s IT processes as part of the overall operational risk system. It then coordinates the work to improve IT processes found to be critical. Improvement actions to resolve the findings of independent audit institutions related to information systems are coordinated together with the concerned divisions. Actions to be taken as part of these improvement processes

are evaluated by the IT Risk Committee and the IT Risk Subcommittee. After improvement efforts are coordinated between the related divisions, procedures are created and updated as required, steps required to implement the processes are reviewed, improvement actions are suggested as needed, and the actions to be taken by each division are monitored.

The IT Subcommittee, under the chairmanship of the Risk Management Group, annually updates and calculates the impact and frequency of each IT risk. The committee studies each risk assessment that exceeds its critical threshold, and then presents these risks to the IT Risk Committee. The latter then decides whether to engage in risk reduction, acceptance, avoidance, investment, or transfer, and whether other actions are required to be taken. The committee's role afterwards is to monitor the process.

The Business Continuity Plan and the related IT Continuity Plan has been updated in 2012 in coordination with related departments and in line with IT Risk Management framework. After being discussed with all of the Bank departments covered by the plan, critical business processes are assessed and the Bank's Emergency Plan, Crisis Management Plan, Recovery Plan, and the associated teams are updated. In the latest study, undertaken during 2012, the procedures for the Emergency Plan and the Contingency Plans have been updated, a Business Continuity Procedure has been created, and Business Continuity and related IT Continuity Plan for critical processes has been tested.

### **Internal Capital Management**

As part of its internal Capital Management, the Bank implements a stress test based management where Credit, Operational, Market and other risks' maximum loss exposures are calculated by taking market fluctuations into account. Stress tests and the results of scenario analyses are reported by the Risk Management Group on a daily, weekly, and quarterly basis.

The Risk Management Group calculates capital adequacy ratios on a monthly basis, informs Senior Management about capital needs in accordance with its strategic plans when requested, and conducts all required internal capital management operations. The design and execution of the Internal Capital Assessment process are implemented by the Risk Management Group, which also informs Senior Management about these topics either directly or through the Senior Level Risk Committee.

# The Audit Committee Report On Internal Systems

T-Bank's Audit Committee is responsible for ensuring the efficiency and adequacy of the Bank's internal systems (Internal Audit, Internal Control and Compliance, and Risk Management Systems), the operation of those systems, the operation of the Bank's accounting and reporting systems, and the integrity of the information thus produced. At T-Bank, internal systems are overseen by the Bank's Internal Audit Group, the Internal Control and Compliance Units, and the Risk Management Group.

Along with the internal systems, the Operational Risk Committee has been established to define, evaluate, and manage operational risks more efficiently. The IT Risk Committee, the Outsourced Services Committee, the IT Risk Management Subcommittee, and the Basel II CRD 48 Compliance Committee all have conducted their operations successfully during 2012. These committees bring together the Bank's senior managers, including the General Manager, as well as members of the Internal Systems Group. The action plans from these committees are then applied so as to evaluate and minimize the operational risks to which T-Bank is exposed.

The purpose of the Internal Audit Group, which works in connection with the Internal Systems Group, is to provide Senior Management with reasonable assurance so that it can conduct the Bank's activities in accordance with all appropriate laws, other regulations, and in accordance with the Bank's internal strategies, policies, principles, and objectives. Its ultimate goal is to deliver added value to T-Bank's business processes, ensuring that its activities will improve in accordance with its objectives.

In this respect, no effort is spared to ensure the adequacy and efficiency of the tools to enhance the operation of T-Bank's internal controls and monitor the risk structures within the Bank's organization. The recommendations of the internal auditors and the results are shared with T-Bank's Senior Management, as well as with the Audit Committee. These recommendations are presented as a guide that addresses each related decision process. Based on the results of the audits, the recommended actions are meticulously implemented and systematically monitored.

The primary criterion directing the Internal Audit Group's efforts is that T-Bank's audit activities must remain in compliance with international professional audit standards. Implementing a risk-based approach approved by the

Bank's Board of Directors, audits included in the 2012 audit plan have, to a large extent, been finalized. Furthermore, in each department in which an audit is finalized, care is taken to ensure that the audit performance is properly assessed through analytic audit grades. Any department whose grades are below average is then subject to diligent review during the next annual audit plan's preliminary stages. The program utilized in the Internal Audit Group's audits ensures that efficiency has significantly increased and extensive insights into the different divisions have been gained from the audit findings, through the process of tracking unresolved conclusions by converting the audits' findings into one standard report format.

T-Bank attaches great importance to the professional development of its internal auditors, who work in the Internal Audit Group. Due to the sensitive nature of its operations, internal auditors are encouraged to obtain certificates that will improve their audits' quality and strengthen compliance with international audit standards. As such, T-Bank's nine internal auditors now hold five certificates of international validity: 2 CIA (Certified Internal Auditor), 2 CISA (Certified Information Systems Auditor), and 1 CFSA (Certified Financial Services Auditor).

T-Bank also employs an internal auditor on its Internal Audit Group who holds a Capital Market Operations Advanced License, so it now has one of the largest number of highly qualified audit staffs in the industry in terms of the number of its certified personnel and the average length of experience they have.

The Internal Control and Compliance Department has made every effort to maintain T-Bank's operations in accordance with all appropriate legislation and with the Bank's own regulations. This seeks to ensure that the Bank maintains the integrity and reliability of its accounting and reporting systems, and devises an internal control system that covers all operations and processes.

In all of its work, the Internal Control and Compliance Department aims to achieve the following:

- The reliability and integrity of all financial and administrative data
- Operational efficiency
- Accurate and effective use of resources
- Compliance with laws and regulations

In terms of frequency, coverage, and methodology, Internal Controls are conducted in a manner that complies with the Bank's objectives; they are quick, modern, and action oriented. During these operations, the Bank's technological facilities are extensively utilized. The computer-assisted audit methods, especially ACL (Audit Command Language), which is utilized by the Internal Control and Compliance Department, ensure that processes throughout the Bank are always under control.

The Internal Control and Compliance Department conducts its operations through the Branches Internal Control Unit, the Head Office Internal Control Unit, and the Compliance Unit.

During the controls carried out by the Head Office Internal Control Unit in 2012, the consistency and reliability of the Bank's business operations, IT practices, and accounting processes have all been ensured, areas of operational risk have been defined, and each required control has been conducted.

In 2012, the Branches Control Unit has performed on-site controls of every branch office as part of its defined control plan. Evaluations covering "Credits", "Physical Counts, General Outlook and Security", "Current Account, Desk and Cheque Transactions", and "Know-Your-Customer and the Customer Risk Policy" have each been done.

Moreover, the Compliance Unit has successfully carried out a review on all current and future operations, all new transactions, and all products for compliance with each law and regulation, the Bank's articles of incorporation, the Bank's internal rules, ethical principles of banking, and other Bank policies. It has conducted these operations in accordance with the Regulation on the Internal Systems of Banks published by the Banking Regulation and Supervision Agency. This unit has ensured the implementation of operations to administer the Bank's prestige risk, as well as the coordination of operations both inside and outside of the Bank in order to prevent criminal income and the financing of terrorism. The transactions of customers have been analyzed using ACL (Audit Command Language) against pre-determined scenarios to combat criminal income. Daily warnings have been reviewed by the Unit, and the Financial Crimes Investigation Board (MASAK) has been notified in the case of any suspicious behavior.

The findings of the controls carried out by the Internal Control and Compliance Department have all been reported to Senior Management with quarterly reports presented to the Audit Committee.

T-Bank views the Audit Committee, Internal Audit, and the Risk Management Department as integral elements of its corporate structure. The Bank has made numerous investments in 2012 to improve the competency of these departments. T-Bank believes these investments are effective ways to improve the Bank's overall performance and also sees this as an efficient tool for governing Corporate shareholders rights.

### **Branches Audit Unit**

In 2012, the Branches Audit Unit has performed on-site checks of every branch office as part of its defined audit plan. Evaluations covering "Loans", "Physical Counts, General Outlook and Security", "Current Account, Desk and Cheque Transactions", and "Know-your-Customer and the Customer Risk Policy" have all been performed.

### **Compliance Unit**

The Compliance Unit has checked all current and future operations, as well as all new transactions and products for compliance with laws and regulation, the Bank's articles of incorporation, the Bank's internal rules, ethical principles of banking, and other Bank policies. It has conducted these operations in accordance with the "Regulation on the Internal Systems of Banks" published by the Banking Regulation and Supervision Agency. The Unit has ensured the implementation of operations to administer the Bank's prestige risk, as well as coordinating operations both inside and outside of the Bank in order to prevent criminal income and the financing of terrorism.

The transactions of customers have been analyzed using ACL (Audit Command Language) against pre-determined scenarios to combat criminal income. Daily warnings have been reviewed by the Unit, and the Financial Crimes Investigation Board (MASAK) has been notified in the case of any suspicious behavior.

The findings of the investigation and audit operations carried out by Internal Audit and the Compliance Unit have all been reported to Senior Management with quarterly reports presented to the Audit Committee.

# Statutory Auditor's Report

To the Shareholders of TURKLAND-BANK A.Ş.

We have audited the transactions and accounts of TURKLAND-BANK A.Ş. for the year 2012 in accordance with the Banking Law, the Turkish Commercial Code, other legislation and the Bank's Articles of Incorporation. We have concluded that the Bank's balance sheet and income statement are in compliance with accounting records and the records with the documents.

Based on our conclusion, we cordially submit the Balance Sheet and the Income Statement for the year 2012, prepared by the Board of Directors, for approval by the General Assembly.

AUDITOR  
Özgür Çelik

AUDITOR  
Osman Baydoğan



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## STATEMENT OF COMPLIANCE

To the Shareholders of TURKLAND-BANK A.Ş.

We have audited the accuracy and the compliance of the financial statements included in the annual report of Turkland Bank A.Ş. ("Bank") as of December 31, 2012 with the independent auditors' report, issued for the year then ended. This Annual Report is the responsibility of the Bank's management. As the independent auditing firm, our responsibility is to express an opinion on this annual report based on our audit.

Pursuant to the Banking Law numbered 5411, we conducted our audits in accordance with the procedures and principles on the preparation and publishing of the annual report and with the regulations on independent auditing principles. Those regulations require that we plan and perform the audit to obtain reasonable assurance about whether the annual report is free of material misstatement. We believe that our audit provides a reasonable and sufficient basis for our opinion.

In our opinion, the financial highlights in the accompanying Annual Report presents fairly, in all material aspects, the financial position of Turkland Bank A.Ş. as of December 31, 2012. In accordance with the procedures and principles set forth in the regulations in force, pursuant to the provisions of Article 40 of the Banking Act numbered 5411 and contains the summary report of the Board and our independent auditors' opinion. These are in compliance with the data given in the audited financial statements and accompanying notes to financial statements.

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

Ayşe Zeynep Deldağ  
Engagement Partner Lead Auditor, SMMM  
7 Mart 2013  
İstanbul, Türkiye



**TURKLAND BANK ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S REPORT,  
UNCONSOLIDATED  
FINANCIAL STATEMENTS AND NOTES FOR  
THE YEAR ENDED DECEMBER 31, 2012**

**Translated into English from the original  
Turkish report and  
financial statements**





“Translated into English from the original Turkish report and financial statements”

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**TURKLAND BANK ANONİM ŞİRKETİ**

**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR JANUARY 1,2012- DECEMBER 31,2012**

We have audited the accompanying balance sheet of Turkland Bank A.Ş. as at December 31, 2012, and the related statements of income, cash flows and changes in shareholders' equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

**Responsibility of the Bank's Board of Directors for the Financial Statements**

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the “Communiqué on Banks' Accounting Practice and Maintaining Documents” published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency (“BRSA”). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on “Licensing and Operations of Audit Firms in Banking” published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the BRSA in respect of accounting and financial reporting.

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

Ayşe Zeynep Deldag  
Partner

İstanbul, Turkey  
February 22, 2013

Translated into English from the original Turkish report and financial statements

## **TURKLAND BANK ANONİM ŞİRKETİ**

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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Address : 19 Mayıs Mah. 19 Mayıs Caddesi Şişli Plaza A Blok No:7 Şişli/ İstanbul Turkey  
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The unconsolidated financial report for the year designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND FOOTNOTES
- INDEPENDENT AUDITORS' REPORT

The unconsolidated audited financial statements and the explanatory footnotes and disclosures, unless otherwise indicated, are prepared in thousands of Turkish Lira, in accordance with the Communiqué on Banks' Accounting Practice and Maintaining Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, related communiqués and the Bank's records, have been independently audited and presented as attached.

January 31, 2013

**Nehme SABBAGH**  
Chairman of the Board

**A. Dinçer ALPMAN**  
General Manager

**Mehmet ÖZGÜNER**  
Executive Vice President

**Gülçin SU**  
Mali İşler Müdürü

**Mehmet Behçet PERİM**  
Member of Audit  
Committee

**Mohamed Ali BEYHUM**  
Member of Audit Committee

**Amin Rasheed Sa'id  
HUSSEINI**  
Member of Audit Committee

Information related to responsible personnel for the questions that can be raised about financial statements:

**Name-Surname / Title** : Sevgi Üstün / Yönetmen

**Telephone Number** : (+90 212) 368 37 24

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## **TURKLAND BANK ANONİM ŞİRKETİ**

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2012**

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

### **SECTION ONE**

#### **GENERAL INFORMATION**

##### **I. Bank's Incorporation Date, Beginning Statue, Changes in the Existing Statue**

Turkland Bank Anonim Şirketi ("the Bank"), was established in 1991 in İstanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğu Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

An agreement has been made with Arab Bank and BankMed for the sale of 91% of MNG Bank's shares in mid of 2006 and this agreement was approved by Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchasing 50% and 41% of MNG bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. Transfer of the Bank was made on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, "MNG BANK Anonim Şirketi" title of the bank was registered as "TURKLAND BANK Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2010 and July 15, 2010 respectively, Mehmet Nazif Günel's 153 million shares with TL 15,300 nominal value were purchased by BankMed SAL. As of July 22, 2010 the share transfer was realized.

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TL 170,000 to TL 300,000, and it was registered in the Turkish Trade RegisTL Gazette dated June 20, 2011 numbered 7840. According to the BRSA Approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TL 65,000 have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

##### **II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year, if any and Explanations on the Controlling Group of the Bank**

As of December 31, 2012, the shareholders' structure and their ownerships are summarized as follows:

<b>Name of shareholders</b>	<b>Share Amount</b>	<b>Share Ratios %</b>	<b>Paid up Shares</b>	<b>Unpaid</b>
ARAB BANK PLC	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65,000.00	-
BANKMED, SAL	149,999.99	%50	149,999.99	-
<b>Toplam</b>	<b>300,000.00</b>	<b>%100</b>	<b>300,000.00</b>	<b>-</b>

As of December 31, 2012 the nominal value of the Bank's capital is amounting to TL 300,000 and consists of 3,000 million shares.

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2012

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

### III. Explanations Regarding the Chairman and the Members of Board of Directors, Audit Committee, General Manager and Assistants and Their Shares and Areas of Responsibility in the Bank

Title	Name and Surname	Responsibility	Education
Chairman of the Board of Directors	NEHME SABBAGH	Chairman	Master Degree
Members of the Board of Directors	MOHAMED ALI BEYHUM(**)	Vice Chairman and Member of Audit Committee	Master Degree
	MEHMET BEHÇET PERİM	Vice Chairman and Member of Audit Committee	Master Degree
	AMIN RASHEED SA'ID HUSSEINI	Member of Audit Committee	Master Degree
	HENRI MARIE RENE JACQUAND	Member	Master Degree
	MUSTAFA SELÇUK TAMER	Member	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	NADYA NABİL TAWFİK TALHOUNI	Member	Bachelor's Degree
	FATEN MATAR	Member	Master Degree
General Manager and Member of Board of Directors Assistant General Managers	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
	DORUK PARMAN	Marketing Sales	PHD Degree
	HAKKI YILDIRMAZ	Human Resources	PHD Degree
	İLHAN ZEKİ KÖROĞLU	Operation and Information Technologies	Bachelor's Degree
	MEHMET ÖZGÜNER	Finance	Bachelor's Degree
	MÜNEVER ERÖZ	Treasury and Financial Institutions	Master Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree
	Statutory Auditors	OSMAN BAYDOĞAN	Auditor
ÖZGÜR ÇELİK		Auditor	Bachelor's Degree

(\*) The above stated persons do not have Bank shares.

(\*\*) According to Board of Directors' decision dated September 26, 2012 numbered 507, Mohamed Ali Beyhum was appointed as Vice Chairman of the Board of Directors.

### IV. Information About The Persons and Institutions That Have Qualified Shares

Information about the persons and institutions that have qualified shares as of December 31, 2012:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid
ARAB BANK PLC	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65.000.00	-
BANKMED, SAL	149,999.99	%50	149,999,99	-

## **TURKLAND BANK ANONİM ŞİRKETİ**

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş. FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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### **V. Summary on the Bank's Functions and Areas of Activity**

The Bank has 27 branches and 524 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2011: 27 branches, 496 personnel).

The Bank was established with private capital, has the authority to accept deposits and its operations are mostly based on retail and corporate banking transactions. As it is indicated in Articles of Association, the Bank is mainly dealing in the transactions below:

- a. Acceptance of Deposit
- b. Corporate and Retail Banking
- c. Foreign Trade
- d. Capital Market Transactions
- e. Bank Assurance

### **VI. Differences between the communiqué on preparation of consolidated financial statements of Banks and Turkish Accounting Standards and short explanation about the institutions subject to full consolidation method or proportional consolidation and institutions which are deducted from equity or not included in these three methods:**

The Bank has no consolidated subsidiaries.

### **VII. The existing or potential, actual or legal obstacles on the transfer of shareholder's equity between the Bank and its subsidiaries or reimbursement of liabilities:**

The Bank has no consolidated subsidiaries.

Translated into English from the original Turkish report and financial statements

## **TURKLAND BANK ANONİM ŐİRKETİ**

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ő. FOR THE YEAR ENDED DECEMBER 31, 2012**

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

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### **SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet
- II. Statement of Off Balance Sheet Contingencies and Commitments
- III. Statement of Income
- IV. Statement of Profit and Loss Accounted for Under Equity
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flow
- VII. Profit Distribution Table

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

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

### I. BALANCE SHEET – ASSETS (STATEMENT OF FINANCIAL POSITION)

	Note Ref (Section Five)	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	I-1	<b>91,249</b>	<b>199,347</b>	<b>290,596</b>	<b>69,498</b>	<b>131,417</b>	<b>200,915</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	I-2	<b>182</b>	<b>5</b>	<b>187</b>	<b>186</b>	<b>57</b>	<b>243</b>
2.1 Financial assets held for trading		182	5	187	186	57	243
2.1.1 Public sector debt securities		182	-	182	177	-	177
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		-	5	5	9	57	66
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	I-3	<b>13</b>	<b>97,513</b>	<b>97,526</b>	<b>17</b>	<b>80,353</b>	<b>80,370</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		<b>152,025</b>	<b>-</b>	<b>152,025</b>	<b>80,043</b>	<b>-</b>	<b>80,043</b>
4.1 Interbank money market placements		72,010	-	72,010	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		80,015	-	80,015	80,043	-	80,043
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	I-4	<b>278,948</b>	<b>2</b>	<b>278,950</b>	<b>238,886</b>	<b>44,451</b>	<b>283,337</b>
5.1 Share certificates		75	-	75	75	-	75
5.2 Public sector debt securities		278,873	2	278,875	238,811	44,451	283,262
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	I-5	<b>1,750,867</b>	<b>266,043</b>	<b>2,016,910</b>	<b>1,239,341</b>	<b>229,377</b>	<b>1,468,718</b>
6.1 Loans and receivables		1,717,791	266,043	1,983,834	1,215,999	229,377	1,445,376
6.1.1 Loans to risk group of the Bank		6,954	-	6,954	-	69	69
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1,710,837	266,043	1,976,880	1,215,999	229,308	1,445,307
6.2 Non-performing loans		68,544	-	68,544	39,333	-	39,333
6.3 Specific provisions (-)		(35,468)	-	(35,468)	(15,991)	-	(15,991)
<b>VII. FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	I-6	<b>70,959</b>	<b>-</b>	<b>70,959</b>	<b>53,738</b>	<b>-</b>	<b>53,738</b>
8.1 Public sector debt securities		70,959	-	70,959	53,738	-	53,738
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-7	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	I-8	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	I-9	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	I-10	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	I-11	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	I-12	<b>11,379</b>	<b>-</b>	<b>11,379</b>	<b>11,720</b>	<b>-</b>	<b>11,720</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-13	<b>1,037</b>	<b>-</b>	<b>1,037</b>	<b>1,244</b>	<b>-</b>	<b>1,244</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1,037	-	1,037	1,244	-	1,244
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-14	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. TAX ASSET</b>	I-15	<b>2,758</b>	<b>-</b>	<b>2,758</b>	<b>2,579</b>	<b>-</b>	<b>2,579</b>
17.1 Current tax asset		-	-	-	172	-	172
17.2 Deferred tax asset		2,758	-	2,758	2,407	-	2,407
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-16	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	I-17	<b>43,679</b>	<b>244</b>	<b>43,923</b>	<b>20,178</b>	<b>248</b>	<b>20,426</b>
<b>TOTAL ASSETS</b>		<b>2,403,096</b>	<b>563,154</b>	<b>2,966,250</b>	<b>1,717,430</b>	<b>485,903</b>	<b>2,203,333</b>

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

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

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

### I. BALANCE SHEET – LIABILITIES AND EQUITY (STATEMENT OF FINANCIAL POSITION)

	Note Ref. (Section Five)	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	II-1	<b>1,366,022</b>	<b>783,291</b>	<b>2,149,313</b>	<b>920,201</b>	<b>675,379</b>	<b>1,595,580</b>
1.1 Deposits from risk group of the Bank		1,370	142	1,512	16,748	592	17,340
1.2 Other		1,364,652	783,149	2,147,801	903,453	674,787	1,578,240
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	II-2	<b>-</b>	<b>203</b>	<b>203</b>	<b>-</b>	<b>39</b>	<b>39</b>
<b>III. FUNDS BORROWED</b>	II-3	<b>24,704</b>	<b>107,791</b>	<b>132,495</b>	<b>15,926</b>	<b>88,805</b>	<b>104,731</b>
<b>IV. MONEY MARKET BALANCES</b>		<b>209,986</b>	<b>-</b>	<b>209,986</b>	<b>97,725</b>	<b>-</b>	<b>97,725</b>
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	II-4	209,986	-	209,986	97,725	-	97,725
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		<b>10,790</b>	<b>1,252</b>	<b>12,042</b>	<b>11,989</b>	<b>582</b>	<b>12,571</b>
<b>VIII. OTHER LIABILITIES</b>	II-5	<b>49,193</b>	<b>1,613</b>	<b>50,806</b>	<b>22,098</b>	<b>328</b>	<b>22,426</b>
<b>IX. FACTORING PAYABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>X. LEASE PAYABLES (Net)</b>	II-6	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	II-7	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	II-8	<b>36,148</b>	<b>787</b>	<b>36,935</b>	<b>25,901</b>	<b>721</b>	<b>26,622</b>
12.1 General loan loss provisions		21,994	-	21,994	14,388	-	14,388
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		7,051	-	7,051	4,901	-	4,901
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		7,103	787	7,890	6,612	721	7,333
<b>XIII. TAX LIABILITY</b>	II-9	<b>7,866</b>	<b>-</b>	<b>7,866</b>	<b>5,557</b>	<b>-</b>	<b>5,557</b>
13.1 Current tax liability		7,866	-	7,866	5,557	-	5,557
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	II-10	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	II-11	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-12	<b>366,604</b>	<b>-</b>	<b>366,604</b>	<b>340,144</b>	<b>(2,062)</b>	<b>338,082</b>
16.1 Paid-in capital		300,000	-	300,000	300,000	-	300,000
16.2 Supplementary capital		34,255	-	34,255	20,504	(2,062)	18,442
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		8,824	-	8,824	(4,927)	(2,062)	(6,989)
16.2.4 Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		-	-	-	-	-	-
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		25,431	-	25,431	25,431	-	25,431
16.3 Profit reserves		19,640	-	19,640	16,079	-	16,079
16.3.1 Legal reserves	II-13	967	-	967	789	-	789
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves	II-14	15,927	-	15,927	12,544	-	12,544
16.3.4 Other profit reserves		2,746	-	2,746	2,746	-	2,746
16.4 Profit or loss		12,709	-	12,709	3,561	-	3,561
16.4.1 Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2 Current year income/ (loss)		12,709	-	12,709	3,561	-	3,561
16.5 Minority shares	II-15	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,071,313</b>	<b>894,937</b>	<b>2,966,250</b>	<b>1,439,541</b>	<b>763,792</b>	<b>2,203,333</b>

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

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

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

### II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

		Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011			
		Note Ref. (Section Five)	TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>6,280,576</b>	<b>408,773</b>	<b>6,689,349</b>	<b>6,054,489</b>	<b>409,896</b>	<b>6,464,385</b>
<b>I.</b>	<b>GUARANTEES</b>	III-1	<b>779,826</b>	<b>299,083</b>	<b>1,078,909</b>	<b>675,751</b>	<b>354,877</b>	<b>1,030,628</b>
1.1	Letters of guarantee		779,664	158,827	938,491	675,751	165,353	841,104
1.1.1	Guarantees subject to State Tender Law		30,542	6,408	36,950	29,571	5,549	35,120
1.1.2	Guarantees given for foreign trade operations		-	34,789	34,789	-	33,768	33,768
1.1.3	Other letters of guarantee		749,122	117,630	866,752	646,180	126,036	772,216
1.2	Bank loans		-	5,372	5,372	-	11,597	11,597
1.2.1	Import letter of acceptance		-	5,372	5,372	-	11,597	11,597
1.2.2	Other bank acceptances		-	-	-	-	-	-
1.3	Letters of credit		-	52,105	52,105	-	92,948	92,948
1.3.1	Documentary letters of credit		-	52,105	52,105	-	92,948	92,948
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 Turkey		-	-	-	-	-	-
1.5.2	Other endorsements		-	-	-	-	-	-
1.6	Securities issue purchase guarantees		-	-	-	-	-	-
1.7	Factoring guarantees		-	-	-	-	-	-
1.8	Other guarantees		162	82,779	82,941	-	84,979	84,979
1.9	Other collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	III-1	<b>5,500,750</b>	<b>63,208</b>	<b>5,563,958</b>	<b>5,374,917</b>	<b>48,723</b>	<b>5,423,640</b>
2.1	Irrevocable commitments		123,188	63,208	186,396	121,606	48,723	170,329
2.1.1	Forward asset purchase and sales commitments		6,879	34,194	41,073	12,442	28,873	41,315
2.1.2	Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3	Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4	Loan granting commitments		32,554	-	32,554	38,849	-	38,849
2.1.5	Securities underwriting commitments		-	-	-	-	-	-
2.1.6	Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7	Payment commitment for checks		81,885	-	81,885	67,900	-	67,900
2.1.8	Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9	Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10	Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11	Receivables from short sale commitments		-	-	-	-	-	-
2.1.12	Payables for short sale commitments		-	-	-	-	-	-
2.1.13	Other irrevocable commitments		1,870	29,014	30,884	2,415	19,850	22,265
2.2.	Revocable commitments		5,377,562	-	5,377,562	5,253,311	-	5,253,311
2.2.1	Revocable loan granting commitments		5,377,562	-	5,377,562	5,253,311	-	5,253,311
2.2.2	Other revocable commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	III-2	-	<b>46,482</b>	<b>46,482</b>	<b>3,821</b>	<b>6,296</b>	<b>10,117</b>
3.1	Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1	Fair value hedge		-	-	-	-	-	-
3.1.2	Cash flow hedge		-	-	-	-	-	-
3.1.3	Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2	Held for trading transactions		-	46,482	46,482	3,821	6,296	10,117
3.2.1	Forward foreign currency buy/sell transactions		-	-	-	3,821	6,296	10,117
3.2.1.1	Forward foreign currency transactions-buy		-	-	-	1,921	3,151	5,072
3.2.1.2	Forward foreign currency transactions-sell		-	-	-	1,900	3,145	5,045
3.2.2	Swap transactions related to foreign currency, and interest rates		-	46,482	46,482	-	-	-
3.2.2.1	Foreign currency swaps-buy		-	-	-	23,142	-	-
3.2.2.2	Foreign currency swaps-sell		-	23,340	23,340	-	-	-
3.2.2.3	Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4	Interest rate swaps-sell		-	-	-	-	-	-
3.2.3	Foreign currency, interest rate and securities options		-	-	-	-	-	-
3.2.3.1	Foreign currency options-buy		-	-	-	-	-	-
3.2.3.2	Foreign currency options-sell		-	-	-	-	-	-
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		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>7,371,545</b>	<b>1,384,508</b>	<b>8,756,053</b>	<b>5,975,782</b>	<b>1,275,127</b>	<b>7,250,909</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>442,251</b>	<b>69,280</b>	<b>511,531</b>	<b>422,581</b>	<b>53,906</b>	<b>476,487</b>
4.1.	Assets under management		-	-	-	-	-	-
4.2.	Investment securities held in custody		26,292	5,467	31,759	28,973	1,216	30,189
4.3.	Checks received for collection		392,655	51,778	444,433	386,521	47,115	433,636
4.4.	Commercial notes received for collection		23,304	11,683	34,987	7,087	3,935	11,022
4.5.	Other assets received for collection		-	340	340	-	411	411
4.6.	Assets received for public offering		-	-	-	-	-	-
4.7.	Other items under custody		-	12	12	-	1,229	1,229
4.8.	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGED ITEMS</b>		<b>6,929,294</b>	<b>1,315,228</b>	<b>8,244,522</b>	<b>5,553,201</b>	<b>1,221,221</b>	<b>6,774,422</b>
5.1.	Marketable securities		-	-	-	-	-	-
5.2.	Guarantee notes		36,482	23,602	60,084	22,138	19,949	42,087
5.3.	Commodities		1,646	-	1,646	-	-	-
5.4.	Warrants		-	-	-	-	-	-
5.5.	Properties		2,117,686	301,444	2,419,130	1,435,502	213,204	1,648,706
5.6.	Other pledged items		4,773,480	990,182	5,763,662	4,095,561	988,068	5,083,629
5.7.	Pledged items-depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>			<b>13,652,121</b>	<b>1,793,281</b>	<b>15,445,402</b>	<b>12,030,271</b>	<b>1,685,023</b>	<b>13,715,294</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ****BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011**

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

**III. STATEMENT OF INCOME**

	Note (Section Five)	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
<b>I. INTEREST INCOME</b>	<b>IV-1</b>	<b>263,797</b>	<b>170,718</b>
1.1 Interest on loans		229,596	142,520
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		389	411
1.4 Interest received from money market placements		3,633	1,197
1.5 Interest received from marketable securities portfolio		29,524	25,634
1.5.1 Held-for-trading financial assets		24	18
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		24,183	21,631
1.5.4 Investments held-to-maturity		5,317	3,985
1.6 Finance lease income		-	-
1.7 Other interest income		655	956
<b>II. INTEREST EXPENSE</b>	<b>IV-2</b>	<b>(153,728)</b>	<b>(100,508)</b>
2.1 Interest on deposits		(139,048)	(90,736)
2.2 Interest on funds borrowed		(7,726)	(6,053)
2.3 Interest on money market borrowings		(6,946)	(3,578)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(8)	(141)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>110,069</b>	<b>70,210</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>21,795</b>	<b>19,338</b>
4.1 Fees and commissions received		22,748	20,238
4.1.1 Non-cash loans		11,117	10,455
4.1.2 Other	IV-12	11,631	9,783
4.2 Fees and commissions paid		(953)	(900)
4.2.1 Non-cash loans		(51)	(41)
4.2.2 Other	IV-12	(902)	(859)
<b>V. DIVIDEND INCOME</b>	<b>IV-3</b>	<b>7</b>	<b>5</b>
<b>VI. NET TRADING INCOME</b>	<b>IV-4</b>	<b>3,672</b>	<b>4,902</b>
6.1 Securities trading gains/ (losses)		3,088	5,945
6.2 Gain/(losses) from derivative financial instruments		(1,498)	4
6.3 Foreign exchange gains/ (losses)		2,082	(1,047)
<b>VII. OTHER OPERATING INCOME</b>	<b>IV-5</b>	<b>9,679</b>	<b>11,375</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>145,222</b>	<b>105,830</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>IV-6</b>	<b>(30,227)</b>	<b>(13,414)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>IV-7</b>	<b>(97,136)</b>	<b>(86,798)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>17,859</b>	<b>5,618</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	<b>IV-8</b>	<b>17,859</b>	<b>5,618</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>IV-9</b>	<b>(5,150)</b>	<b>(2,057)</b>
16.1 Provision for current income taxes		(9,455)	-
16.2 Provision for deferred taxes		4,305	(2,057)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	<b>IV-10</b>	<b>12,709</b>	<b>3,561</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	<b>IV-11</b>	<b>12,709</b>	<b>3,561</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### STATEMENTS OF PROFIT LOSS ACCOUNTED FOR UNDER EQUITY FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011

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

#### IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
<b>I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR AVAILABLE FOR SALE FINANCIAL ASSETS</b>	<b>22,776</b>	<b>(13,599)</b>
<b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>	-	-
<b>IV. FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-
<b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	-	-
<b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>	-	-
<b>VII. THE EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>	-	-
<b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS</b>	-	-
<b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>	<b>(3,954)</b>	<b>3,684</b>
<b>X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)</b>	<b>18,822</b>	<b>(9,915)</b>
<b>XI. PROFIT/LOSS</b>	<b>9,700</b>	<b>(1,259)</b>
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(3,009)	(4,820)
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
1.4 Other	12,709	3,561
<b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)</b>	<b>28,522</b>	<b>(11,174)</b>

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

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

### STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011

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

#### V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note (Section Five)	Paid-in Capital	Inflation Accounting On Capital and Other Capital Reserves	Effect Of Share Cancellation Premium	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
		170,000	25,431	-	-	-	666	-	10,204	2,746	2,463	-	7,746	-	-	-	-	219,256	-	219,256
I.	Prior period balance -31.12.2010	170,000	25,431	-	-	-	666	-	10,204	2,746	2,463	-	7,746	-	-	-	-	219,256	-	219,256
II.	Changes in accounting policies according to IAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	The effect of corrections of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	The effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance (I+II)	170,000	25,431	-	-	-	666	-	10,204	2,746	2,463	-	7,746	-	-	-	-	219,256	-	219,256
IV.	Changes in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	-	(14,739)	-	-	-	-	(14,739)	-	(14,739)
VI.	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,000	-	130,000
14.1	Cash	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Period net income/(loss)	-	-	-	-	-	-	-	-	-	3,561	-	-	-	-	-	-	3,561	-	3,561
XX.	Profit distribution	-	-	-	-	-	123	-	2,340	-	(2,463)	-	-	-	-	-	-	-	-	-
20.1	Dividends distributed	-	-	-	-	-	123	-	2,340	-	(2,463)	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (III+IV+V+.....+XVIII+XIX+XX)	300,000	25,431	-	-	-	789	-	12,544	2,746	3,561	-	(6,989)	-	-	-	-	338,082	-	338,082

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

Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011**  
(Amounts expressed in thousands of Turkish Lira (TL), unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

Reviewed	(Note)	Note (Section Five)	Paid-in Capital	Share Premium	Share Cancellation	Share Certificate Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Increase	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Dif. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
<b>Current Period - 01.01-31.12.2012</b>																				
I.	Prior period balance - 31.12.2011		300,000	-	-	-	789	-	12,544	2,746	3,561	-	(6,989)	-	-	-	-	338,082	-	338,082
II.	Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	15,813	-	-	-	-	15,813	-	15,813
IV.	Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital increase	II-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Period net income/(loss)		-	-	-	-	-	-	-	-	12,709	-	-	-	-	-	-	-	-	-
XVIII.	Profit distribution		-	-	-	-	-	-	3,383	-	(3,561)	-	-	-	-	-	-	-	-	-
18.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves		-	-	-	-	178	-	3,383	-	(3,561)	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance (I+II+III+...+XVI+XVII+XVIII)</b>			<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>967</b>	<b>-</b>	<b>15,927</b>	<b>2,746</b>	<b>12,709</b>	<b>-</b>	<b>8,824</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>366,604</b>	<b>-</b>	<b>366,604</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ****STATEMENTS OF CASH FLOWS FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011**

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

**VI. STATEMENT OF CASH FLOWS**

	Note (Section Five)	Reviewed Current Period 01.01-31.12.2012	Reviewed Prior Period 01.01-31.12.2011
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>		<b>79,217</b>	<b>(19,168)</b>
<b>Operating profit before changes in operating assets and liabilities</b>			
1.1.1		280,286	133,355
1.1.2		(151,761)	(96,191)
1.1.3		7	5
1.1.4		22,910	21,105
1.1.5		14,382	(11,005)
1.1.6		8,655	5,981
1.1.7		(54,874)	(46,436)
1.1.8		(7,879)	(729)
1.1.9	VI-1	(32,509)	(25,253)
<b>1.2</b>		<b>41,647</b>	<b>33,180</b>
<b>Changes in operating assets and liabilities</b>			
1.2.1		(1)	223
1.2.2		-	-
1.2.3		(61,671)	(66,152)
1.2.4		(593,773)	(456,368)
1.2.5	VI-1	(23,505)	(5,395)
1.2.6		133,542	92,552
1.2.7		531,589	453,498
1.2.8		26,659	12,307
1.2.9		-	-
1.2.10	VI-1	28,807	2,515
<b>I.</b>		<b>120,864</b>	<b>14,012</b>
<b>Net cash provided from banking operations</b>			
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>2,012</b>	<b>(74,602)</b>
<b>Net cash provided from investing activities</b>			
2.1		-	-
2.2		-	-
2.3		(1,935)	(1,166)
2.4		1,418	1,018
2.5		(253,172)	(259,182)
2.6		273,850	191,448
2.7		(67,307)	(28,554)
2.8		49,623	22,992
2.9		(465)	(1,158)
<b>C.</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>-</b>	<b>129,991</b>
<b>Net cash provided from financing activities</b>			
3.1		-	-
3.2		-	-
3.3		-	130,000
3.4		-	-
3.5		-	(9)
3.6		-	-
<b>IV.</b>	VI-1	<b>(5,709)</b>	<b>18,389</b>
<b>Effect of change in foreign exchange rate on cash and cash equivalents</b>			
<b>V.</b>		<b>117,167</b>	<b>87,790</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
<b>VI.</b>		<b>241,771</b>	<b>153,981</b>
<b>Cash and cash equivalents at beginning of the period</b>			
<b>VII.</b>		<b>358,938</b>	<b>241,771</b>
<b>Cash and cash equivalents at end of the period</b>			

\* Represents capital increase amount during 2011.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2012**

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

**VII. PROFIT DISTRIBUTION TABLE**

	Audited Current Period 31.12.2012 (*)	Audited Prior Period 31.12.2011
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	<b>17,859</b>	<b>5,618</b>
1.2 TAXES AND DUTIES PAYABLE (-)	<b>(5,150)</b>	<b>(2,057)</b>
1.2.1 Corporate tax (Income tax)	(9,455)	-
1.2.2 Income withholding tax		
1.2.3 Other taxes and duties(**)	4,305	(2,057)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>12,709</b>	<b>3,561</b>
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(178)
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>-</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	(3,383)
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE (***)</b>		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES ( % )	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES ( % )	-	-
(*) Profit distribution is decided by the General Assembly. General Assembly is not held as of the date of this report.		
(**) Deferred Tax Credit / Expense amounts shown in other taxes and duties are not subject to profit distribution.		
(***) As the Bank is not publicly list the information on earnings per shares is not disclosed.		

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

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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The Bank prepares financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents (published in the Official Gazette numbered 26333 dated November 1, 2006), Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures (published in the Official Gazette numbered 28337 dated June 28, 2012), Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiques, circulars and pronouncements made by Banking Regulation and Supervision Agency (BRSA) in respect of accounting and financial reporting.

The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on 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 explained in the related notes and reflected to the income statement.

The accounting policies adopted in the preparation of the Bank's financial statements are consistent with the accounting policies adopted for financial statements dated December 31, 2011 and changes of TAS/IFRS that have come into effect as from January 1, 2012 (IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment), IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)) do not have any effect on the accounting policies, financial position and performance of the Bank. These accounting policies and valuation principles are explained in Notes II to XXII.

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of December 31, 2012 as follows.

IAS 1 Presentation of Financial Statements (Amended)- Presentation of Items of Other Comprehensive Income, IAS 27 Separate Financial Statements (Amended), IAS 28 Investments in Associates and Joint Ventures (Amended), IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended) , IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine, Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), Improvements to IFRSs, IFRS 10 Consolidated Financial Statements (Amendment) – Investment Company ( The bank will not have any impact on financial position or the performance of the company), IAS 19 Employee Benefits (Amended), IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended), IFRS 9 Financial Instruments – Classification and Measurement ( The bank is in the process of assessing the impact of the new standards on the financial position or performance). Except for trading and available for sale assets and derivatives that are shown at fair values, financial statements are prepared based on historical cost.

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 18.66 % of its resources in liquid assets, while the Bank also aims for the highest yield possible with effective maturity management.

Besides its principle activity, the main financial instruments of the Bank are money market placements, treasury bills and government bonds.

Marketable securities comprising 11.80% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 8.41% of the total assets and these assets provide liquidity with low risk and yield.

The Bank aims at creating an optimum maturity risk and working with a positive margin between cost of resource and product yield in the process of asset and liability management.

As a component of the risk management strategy of the Bank, the management of risk bearing short positions of currency, interest or price movements is performed only by the Treasury and using the limits defined by the Board of Directors.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **III. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank's derivative instruments consist of foreign currency swaps, forward foreign currency buy/sell transactions and options. Derivative instruments are accounted for at their fair values as of the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses on these instruments are reflected in the statement of income. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

#### **IV. Explanations on Interest Income and Expenses**

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette numbered 26333 dated November 1, 2006, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

#### **V. Explanations on Fees and Commission Income and Expenses**

All fees and commission income/expenses are recognized as income at the time of realization and during the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted using the effective interest method.

#### **VI. Explanations on Financial Assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all respects. Bank trades these instruments on behalf of its customers and on its own behalf.

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

All regular way purchases and sales of financial assets are recognized on the settlement date. The settlement date is the date that the asset is delivered to or by the Bank. Settlement date accounting requires (a) accounting of the asset when acquired by the institution and (b) disposing of the asset out of the balance sheet on the date settled by the institution; and accounting of gain or loss on disposal. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

The methods and assumptions used in the recognition and measurement of financial instruments are mentioned below.

#### **Cash, Banks, and Other Financial Institutions**

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **VI. Explanations on Financial Assets (continued)** **Cash, Banks, and Other Financial Institutions (continued)**

are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets approximate their fair values.

#### **Financial Assets at Fair Value Through Profit and Loss**

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Impairment Provision on Marketable Securities".

#### **Held to Maturity Investments**

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

Held to maturity investments are initially recorded at cost including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Held-to-maturity securities are carried at "amortized cost" using the "effective interest method" after their initial recognition. Interest income related with held-to-maturity securities is recorded in "Interest income" and impairment arising from a decrease in cost or revalued amounts is recorded in "Provision for impairment of loans and other receivables" accounts.

#### **Financial Assets Available for Sale**

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs (which represents the fair value at the time).

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in "Marketable Securities Value Increase Fund" under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair values of these securities are determined by using other valuation methods stated in TAS.

The Bank has an equity investment with participation rate of 0.0025% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is carried at cost.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

#### **Loans and receivables**

Loans are non-derivative financial assets which have fixed or determinable payments and are not traded.

The Bank initially records loans and receivables at fair value. In subsequent periods, in accordance with TAS, loans are measured at amortized cost using effective interest rate method.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **VI. Explanations on Financial Assets (continued)**

##### **Loans and receivables (continued)**

Foreign currency indexed loans are converted into TL from the foreign currency rate as of the opening date and followed in TL accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

#### **VII. Explanations on Impairment of Financial Assets**

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

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

Specific reserves are provided for non performing loans in accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette No. 26333 dated November 1, 2006 which was amended with communiqué published in the Official Gazette No. 27119 dated January 23, 2009. In this context, the management estimates are determined, on the basis of the Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture. These provisions are reflected in the income statement under "Provision and Impairment Expenses - Special Provision Expense".

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to "Collections Related to the Prior Period Expenses" under "Other Operating Income" account and related interest income is credited to the "Interest Received from Non-performing Loans" account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Together with the change in the same regulation made on February 6, 2008, the Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list. On January 23, 2009 the Article 7 of the regulation has been amended such that the specified rates are applied at one fourth for payment commitments for checks related to checkbooks extended five years ago or earlier.

In accordance with the change in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27947 dated May 28, 2011); general provision loans which are classified in the first group has to be set at least 5 folds of the general provision rate due to the change in the payment plans of those first group loans. General Provision for loans that are classified in the second group has to be set at least 2.5 folds of the general provision rate due to the change in the payment plans of those second group loans. Information related to standard and close monitoring loans which their payment plans have changed is disclosed under the note 5c under the "Explanations and Disclosures Related to the Assets" section.

In accordance with the changes in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27947 dated May 28, 2011 and Official Gazette numbered 27968 dated June 18, 2011); banks whose total letters of guarantees, bank acceptances, letters of credit commitments, endorsements, purchasing guarantee on security issuance, factoring guarantees, other guarantees and sureties, and unsecured pre-financing loans exceeds 10 folds of equities calculated within the scope of principles and procedures stated in the Regulation on Equities of Banks implement general provision ratio as 3/1000 for all standard non-cash loans.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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As of December 31, 2012 the provision rates determined for the non-cash loans are not exceeded and standard rates which are determined in the regulation have been used for the non-cash loans

In accordance with the change in "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside"(published in the Official Gazette numbered 27968 dated June 18, 2011), The banks whose total consumer loans to total loans more than 20% and the auto and housing loans, vehicle classed as non-performing loans consumer loans and consumer loans, housing loans, other than the banks that over 8% of the overall response rate observed in the first group auto and housing for maturities of loans for consumer loans other than loans at 4% in the second group followed the vehicle for consumer loans and mortgage loans, except for maturities of 8% applies" rulling is given.

As of December 31,2012 the rates determined above for consumer loans are not exceed, consumer loans is used for the standard rates specified in the regulations.

In accordance with the change in the "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" (published in the Official Gazette numbered 28158 dated December 30, 2011); Banks are not required to set specific provision for the amount that has to be paid for each cheque leaf of the chequebooks of the loan customers of whose related loans and other receivables are classified under third, fourth or fifth group with 100% specific provision if the Banks informs the chequebooks owners to return the chequebooks back to the Bank within 15 days through registered and reply-paid letter. This is valid for the chequebooks owners whose loans and other receivables are derecognized by the Banks.

In accordance with the change in the "Regulation and Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside"(published in the Official Gazette numbered 28418 dated September 21, 2012). The amount of general loan loss provisions calculated over the rates disclosed in the first paragraph of Article 7 of the Comminiqué recorded for standard loans as of the end of the month and for the cash loans, letter of guarantees, bills and sureties and the non-cash loans which are closely monitored; at minimum 40% should be booked until December 31, 2012, at minimum 60% until December 31, 2013, at minimum 80% until December 31, 2014 and 100% should be recorded until December 31, 2015.

#### **VIII. Explanations on Offsetting of Financial Assets and Liabilities**

Financial assets and liabilities are offset when the Bank has a legally enforceable right to set off, and the intention of collecting or paying the net amount of related assets and liabilities or the right to offset the assets and liabilities simultaneously. Otherwise, there is not any offsetting transaction about financial assets and liabilities.

#### **IX. Explanations on Sales and Repurchase Agreements and Lending of Securities**

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under securities held for trading, available for sale and held to maturity depending on the portfolio they are originally included in and are valued according to the valuation principles of the related portfolios. Funds obtained from repurchase agreements are classified as a separate sub-account under money markets borrowings account in the liabilities. These transactions are short-term and consist of domestic public sector debt securities.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **IX. Explanations on Sales and Repurchase Agreements and Lending of Securities (continued)**

Funds given against securities purchased under agreements to resell ("reverse repo") are accounted under "Receivables from reverse repurchase agreements" on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method.

The income and expenses from these transactions are reflected to the "Interest Income on Marketable Securities" and "Interest Expense on Money Market Borrowings" accounts in the income statement.

As of December 31, 2012, the Bank has TL 80,015 of reverse repo transactions.. (December 31, 2011: TL 80,043).

As of December 31, 2012, the Bank does not have any marketable securities lending transaction.(December 31, 2011: None).

#### **X. Explanations on Assets Held for Sale and Discontinued Operations**

Assets held for sale with high probability of sale, are those under a plan prepared by the management regarding the sale of the asset to be disposed (or else the group of assets), together with an active program for determination of buyers as well as for the completion of the plan. Also the asset (or else the group of assets) shall be actively marketed in conformity with its fair value. On the other hand, the sale is expected to be journalized as a completed sale within one year after the classification date; and the necessary transactions and procedures to complete the plan should demonstrate the fact that the possibility of making significant changes or canceling the plan is low.

The Bank does not have any assets held for sale as of December 31, 2012 (December 31, 2011: None).

A discontinued operation is a division of a bank that is either disposed or held for sale. Results of discontinued operations are included in the income statement separately. The Bank does not have any discontinued operations.

#### **XI. Explanations on Goodwill and Other Intangible Assets**

There is no goodwill regarding the investments in associates and subsidiaries.

Other intangible assets are accounted for at cost less accumulated amortization. Other intangible assets are amortized with straight-line method based on their economic lives. There is no change in the amortization method in the current period .

The intangible assets comprising purchased softwares are in the other intangible fixed assets. As of the balance sheet date, all softwares are purchased and there are no completed or continuing software development projects by the Bank.

#### **XII. Explanations on Tangible Fixed Assets**

Tangible fixed assets are accounted for at acquisition cost less accumulated depreciation. Tangible fixed assets are depreciated with straight-line method. While those acquired before January 1, 2004 are depreciated with the rates valid in prior periods, the fixed assets acquired after January 1, 2004 are depreciated with the rates determined by the MinisTL of Finance based on useful economic lives.

Depreciation of assets held less than one year as of the balance sheet date is accounted for proportionately. Depreciation method is not changed in the current period. The annual rates used, which approximate rates based on the estimated economic useful lives of the related assets, are as follows:

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### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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	%
Motor vehicles	20
Furniture, fixtures and office equipment and others	6 – 35

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Gain or loss resulting from disposals of the tangible fixed assets is reflected to the income statement as the difference between the net proceeds and net book value.

Normal maintenance and repair cost of the properties are expensed.

There is no pledge, mortgage, or any other lien on tangible fixed assets.

#### **XIII. Explanations on Leasing Transactions**

Tangible fixed assets acquired by financial leases are accounted for in accordance with TAS No:17. In accordance with this standard, the leasing transactions, which consist only foreign currency liabilities, are translated to Turkish Lira with the exchange rates prevailing at the transaction dates and they are recorded as an asset or a liability. The foreign currency liabilities are translated to Turkish Lira with the Bank's period end exchange rates. The increases/decreases resulting from the differences in the foreign exchange rates are recorded as expense/income in the relevant period. The financing cost resulting from leasing is distributed through the lease period to form a fixed interest rate.

In addition to the interest expense, the Bank records depreciation expense for the depreciable leased assets in each period.

Operating lease payments are recognized as expense in the income statement on a straight line basis over the lease term.

As of the balance sheet date, the Bank does not have authorization for any financial leasing transactions as lessor.

#### **XIV. Explanations on Provisions and Contingent Liabilities**

Provisions are recognized when there is a present obligation due to a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are determined by using the Bank's best expectation of expenses in fulfilling the obligation, and discounted to present value if material.

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 83. The total amount of those cases consists of TL 380, USD 1,604 Thousand and EURO 299 Thousand. There is a provision of TL 582 in the accompanying financial statements for these cases (December 31, 2011: TL 933).

#### **XV. Explanations on Liabilities Regarding Employee Benefits**

##### **Defined Benefit Plans**

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities over a 30 day salary to each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

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#### **XV. Explanations on Liabilities Regarding Employee Benefits (continued)**

##### **Defined Benefit Plans (continued)**

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

The Bank has no retirement fund or foundation that the employees are the member of.

##### **Defined Contribution Plans**

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

##### **Short-term Employee Benefits**

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

#### **XVI. Explanations on Taxation**

##### **Corporate tax:**

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offset against the final tax liability for the year.

Tax returns are required to be filed between the first and twenty-fifth day of the fourth month following the balance sheet date and paid in one installment until the end of the related month.

According to the Corporate Tax Law, tax losses can be carried forward for a maximum period of five years following the year in which the losses are incurred. Tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank has made corporate tax provision amounted to TL 9,455 in current period (December 31, 2011: None).

##### **Deferred Tax Liability / Asset:**

The Bank calculates and reflects deferred tax asset or liability on timing differences which will result in taxable or deductible amounts in determining taxable profit of future periods.

In accordance with TAS No: 12 "Turkish Accounting Standard on Income Taxes" and the circular of BRSA numbered BDDK. DZM.2/13/1-a-3 dated December 8, 2004, the Bank calculates deferred tax asset on carryforward tax losses and all deductible temporary differences except for general loan reserves, if sufficient taxable profit in future periods to recover such amounts is probable; as well as deferred tax liability on all taxable temporary differences. Deferred tax assets and liabilities are reflected in the accompanying financial statements on a net basis.

The deferred tax resulting from differences related to items that are debited or credited directly to equity is netted with these accounts.

Furthermore, as per the above circular of BRSA, deferred tax benefit balance resulting from netting of deferred tax assets and liabilities should not be used in dividend distribution and capital increase.

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The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge stated under the tax provision amounted to TL 4,305 in the income statement (December 31, 2011: TL 2,057 deferred tax charge).

#### **XVII. Additional Explanations on Borrowings**

The borrowing costs related to purchase, production, or construction of qualifying assets that require significant time to be prepared for use and sale are included in the cost of assets until the relevant assets become ready to be used or to be sold. Financial investment income obtained by temporary placement of undisbursed investment loan in financial investments is offset against borrowing costs qualified for capitalization.

All other borrowing costs are recorded to the income statement in the period they are incurred.

The Bank has not issued convertible bonds

#### **XVIII. Explanations on Issued Share Certificates**

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank.

#### **XIX. Explanations on Acceptances**

Acceptances are realized simultaneously with the payment dates of the customers and they are presented as probable commitments in off-balance sheet accounts.

#### **XX. Explanations on Government Incentives**

There are no government incentives utilized by the Bank

#### **XXI. Explanations on Segment Reporting**

Since the Bank is not listed, disclosure requirements of IFRS 8 are not applicable for the Bank.

#### **XXII. Explanations on Other Matters**

None, other than above explanations.

#### **Explanation for convenience translation to English**

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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## **SECTION FOUR INFORMATION ON FINANCIAL STRUCTURE**

### **I. Explanations Related to the Capital Adequacy Standard Ratio**

The method used for risk measurement in determining capital adequacy standard ratio : The capital adequacy ratio is calculated in accordance with the "Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio" (the "Regulation"), "Regulation Credit Risk Mitigation Techniques", "Regulation on calculation of Risk-Weighted Amounts of Securitizations" published in the Official Gazette No. 28337 dated June 28, 2012 ("Regulation") and "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 26333 as of November 1, 2006". The Bank's capital adequacy ratio in accordance with the related communiqué is 15.18%. (December 31, 2011: 17.55% calculated in accordance with "Regulation on Equity of Banks" published in the Official Gazette dated November 1, 2006 numbered).

The Bank manages its capital assessment under integrated and structured style. The Bank under internal capital assessments manages its maximum loss exposures that may arise from credit, operation, market and other risks taking into consideration the market developments with stress tests approach. Such stress test analysis are reviewed independently.

In the computation of capital adequacy standard ratio, the information prepared in accordance with statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

In the computation of credit risk amount, the bank classifies its loans in relevant risk weighted assets taking into considerations its risk class, ratings and the remaining risk mitigating items. In taking into consideration of risk mitigation items, comprehensive financial collateral method is used.

The values deducted from the capital base in the shareholders' equity computation are excluded while calculating credit risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans and transactions regarding with foreign currency and interest rates subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" is multiplied by the loan conversion rates presented in the Article 5, the Clause 3 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Counterparty credit risk calculations are calculated in accordance with Fair Value Valuation Method defined in the Article 5 of regulations.

In the calculation of the value at credit risk for the derivative financial instruments and credit derivatives, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the "Regulation on Credit Risk Mitigation Techniques" and then included in the relevant exposure category defined in Regulation.

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## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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#### I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

Information related to the capital adequacy ratio

	Risk Weight							
	0%	10%	20%	%50	75%	100%	150%	200%
<b>The amount subject to credit risk</b>								
<b>Risk Types</b>								
Contingent and Non-Contingent Receivables on Sovereigns	687,755	-	-	1,239	-	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	205	-	-	-	-	15,389	-	-
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary	12,266	-	50,201	152,503	-	1,656	-	-
Contingent and Non-Contingent Corporate Receivables	56,079	-	-	-	-	1,548,621	-	-
Contingent and Non-Contingent Retail Receivables	7,098	-	-	-	174,967	110,349	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	-	-	-	444,210	-	100,951	-	-
Past Due Receivables	1	-	-	4,025	-	21,647	7,403	-
Receivables defined in high risk category by BRSA	1,248	-	-	-	-	8	15,261	20,384
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-	-	-
Other Receivables	1,925,253	-	-	-	-	26,870	-	-

\* Exposures with physical security is stated at 0% risk weights as its fully collateralized, ( excluding central banks and Claims on Central Government) is shown in the relevant risk class; deposit of risk-weighted asset.

#### Summary information related to the capital adequacy ratio:

	December 31, 2012	December 31, 2011*
Required Capital Liabilities for Credit Risk (Main related with Credit Risk *0.08) (RCLCR)	187,401	143,446
Required Capital Liabilities for Market Risk (RCLMR)	80	3,293
Required Capital Liabilities for Operational (RCLOR)	12,789	11,485
Shareholders' Equity	380,128	347,022
Shareholders' Equity/((RCLCR +RCLMR+RCLOR)*12,5*100)	15.18	17.55

\* As of December 31, 2011 the capital adequacy calculations have been computed within the framework of "Regulations of Measurement and Assessment of Capital Adequacy of Banks" which was published in Official Gazette dated November 1, 2006 numbered 26333, and " Regulation Regarding Changes on Regulations of Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette dated October 10, 2007 numbered 26669.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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**I. Explanations Related to the Capital Adequacy Standard Ratio (continued)****Information related to the components of shareholders' equity:**

	December 31, 2012	December 31, 2011
<b>CORE CAPITAL</b>		
Paid up Capital	300,000	300,000
Nominal capital	300,000	300,000
Capital commitments (-)	-	-
Inflation adjustment to share capital	25,431	25,431
Share premium	-	-
Cancellation profits	-	-
Legal reserves, status reserves and extraordinary reserves	19,640	16,079
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-	-
Profit	12,709	3,561
Current period net profit	12,709	3,561
Prior years' profits	-	-
Provision for possible losses up to 25% of the Core Capital	-	-
Profit on disposal of associates, subsidiaries and immovables	-	-
Primary subordinated debts up to 15% of the Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Current period loss (net)	-	-
Prior years' losses	-	-
Leasehold improvements (-)	(2,523)	(4,204)
Intangible assets (-)	(1,037)	(1,244)
Deferred tax asset exceeding 10% of the Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
<b>Total Core Capital</b>	<b>354,220</b>	<b>339,623</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>25,965</b>	<b>7,399</b>
General loan loss reserves	21,994	14,388
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	-	-
45% value increase of available for sale financial assets and associates and subsidiaries	3,971	(6,989)
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	-	-
<b>Total Supplementary Capital</b>	<b>25,965</b>	<b>7,399</b>
<b>CAPITAL</b>	<b>380,185</b>	<b>347,022</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(57)</b>	<b>-</b>
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks	-	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and Debt Instruments That Have Primary Secondary Subordinated Loan Nature Purchased From Them	-	-
Investment in Financial Institutions (Domestic, Foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	-	-
Loans extended as contradictory to the articles 50 and 51 of the law	-	-
The net book value of Bank's Immovables that are 50% of shareholders' equity and immovables or commodities that are received on behalf of the receivables from customers and are to be disposed according to banking law article 57 as they have been held for more than five years from the acquisition date	3)	-
Other	(54)	-
<b>Total Shareholders' Equity</b>	<b>380,128</b>	<b>347,022</b>

**Explanations on Internal Capital Management**

Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market. Stress test and scenario analysis results are reported on a daily, weekly and monthly basis by Risk Management Group. Capital adequacy ratio is calculated by Risk Management Group on a monthly basis, when requested by Senior Management capital requirement according to strategic plans is explained and studies on internal capital management is conducted. Capital requirement internal assessment process is designed and conducted by Risk Management Group. Risk Management Group informs Senior Management about these issues directly or through High Level Risk Committee.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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## **II. Explanations Related to Credit Risk**

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and cause to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves". Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

<b>Risk Types(*)</b>	<b>Average Net Loan Amount After Provisions</b>
Contingent and Non-Contingent Receivables on Sovereigns	592,763
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	15,800
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-
Contingent and Non-Contingent Receivables on International Organizations	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary	226,339
Contingent and Non-Contingent Corporate Receivables	7,375,342
Contingent and Non-Contingent Retail Receivables	348,822
Contingent and Non-Contingent Receivables Secured by Mortgages	473,938
Past Due Receivables	34,248
Receivables defined in high risk category by BRSA	40,470
Collateralized Mortgage Marketable Securities	-
Securitisation positions	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-
Investment similar to collective investment funds	-
Other Receivables	1,934,388
<b>Total</b>	<b>11,042,110</b>

\* In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28/06/2012, from July 2012 on, Basel 2 has been applied in terms of capital adequacy. Up until July 2012, for capital adequacy calculations have been computed within the framework of "Regulations of Measurement and Assessment of Capital Adequacy of Banks" which was published in Official Gazette dated November 1, 2006 numbered 26333, and " Regulation Regarding Changes on Regulations of Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette dated October 10, 2007 numbered 26669.

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### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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#### **II. Explanations Related to Credit Risk (continued)**

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits.

The fulfillment of the benefits and acquirements related to forward transactions is normally realized at maturity. However, in order to minimize the risk, counter positions of existing risks are entered into in the market.

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

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### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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#### II. Explanations Related to Credit Risk (continued)

Financial institutions abroad and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TL 938,608 and TL 1,251,563 (December 31, 2011: 638,392 and 910,701), the share of total cash loans are % 45,73 and % 60,98 as of December 31, 2012. ( December 31, 2011: %46.23 and % 61.34.)

The share of non-cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TL 720,913 and TL 905,585 ( December 31, 2011: 646,275 and 822,613), the share of total non-cash loans are % 58,89 and %73,97 as of December 31,2012. ( December 31, 2011: %55.73 and % 70.94.)

The share of cash and non-cash receivables of the Bank from its top 100 and 200 customers respectively in the total balance sheet and non-cash risks are % 30.75 and %42.77. ( December 31, 2011: %29.95 and % 42.01).

As of December 31, 2012, the general loan loss provision related with the credit risk is TL 21,994 (December 31, 2011: TL 14,388).

Significant Risks that are significant on the profile of the regions

	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Contingent and Non-Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Short-Term Receivables from Banks, brokerage houses and Corporate	Investment similar to collective investment funds	DI/Other Receivables	Total
Domestic	688,994	-	15,594	-	-	210,193	1,604,590	292,400	545,161	33,076	36,823	-	-	-	1,952,123	<b>5,378,954</b>
European Union Countries	-	-	-	-	-	2,770	5	14	-	-	78	-	-	-	-	<b>2,867</b>
OECD Countries(*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>331</b>
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	3,238	105	-	-	-	-	-	-	-	-	<b>3,343</b>
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	<b>94</b>
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	688,994	-	15,594	-	-	216,626	1,604,700	292,414	545,161	33,076	36,901	-	-	-	1,952,123	<b>5,385,589</b>

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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## II. Explanations Related to Credit Risk (continued)

### Sector concentrations for cash loans:

Sectors/Counterparties	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary Institutions	Corporate Receivables	Retail Receivables	Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Securities	Securitized Positions	Short-Term Receivables from Banks, brokerage houses and	Other Receivables	TL	FC	Total
<b>1 Agriculture</b>	-	-	-	-	-	-	<b>36,004</b>	<b>5,201</b>	<b>7,609</b>	-	<b>424</b>	-	-	-	-	<b>33,601</b>	<b>15,636</b>	<b>49,237</b>
1.1 Farming and Raising Livestock	-	-	-	-	-	-	33,131	2,648	5,776	-	403	-	-	-	-	26,888	15,071	41,958
1.2 Forests, Wood and Paper	-	-	-	-	-	-	2,869	2,553	1,833	-	20	-	-	-	-	6,709	665	7,275
1.3 Fishery	-	-	-	-	-	-	4	-	-	-	1	-	-	-	-	4	-	4
<b>2 Manufacturing</b>	-	-	<b>121</b>	-	-	-	<b>855,092</b>	<b>151,762</b>	<b>209,706</b>	<b>27,228</b>	<b>4,572</b>	-	-	-	<b>21,259</b>	<b>837,339</b>	<b>432,400</b>	<b>1,269,739</b>
2.1 Mining and Quarry	-	-	121	-	-	-	107,400	28,432	34,043	206	2,546	-	-	-	-	153,798	18,949	172,747
2.2 Production	-	-	-	-	-	-	739,787	123,005	175,663	27,022	2,024	-	-	-	21,259	692,432	406,329	1,088,761
2.3 Electricity, Gas and Water	-	-	-	-	-	-	7,905	325	-	-	2	-	-	-	-	1,109	7,122	8,231
<b>3 Construction</b>	-	-	-	-	-	-	<b>286,212</b>	<b>53,074</b>	<b>122,611</b>	<b>2,755</b>	<b>1,184</b>	-	-	-	<b>3,620</b>	<b>371,428</b>	<b>98,029</b>	<b>469,456</b>
<b>4 Services</b>	-	-	<b>3</b>	-	-	-	<b>373,641</b>	<b>66,169</b>	<b>188,046</b>	<b>3,037</b>	<b>11,159</b>	-	-	-	<b>2,242</b>	<b>545,272</b>	<b>218,507</b>	<b>763,779</b>
4.1 Wholesale and Retail Trade	-	-	-	-	-	-	28,622	4,184	16,650	1,623	188	-	-	-	-	50,728	537	51,265
Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	38,704	879	72,268	370	128	-	-	-	-	40,118	72,232	112,349
Transportation and Communication	-	-	-	-	-	-	109,312	10,202	31,047	656	143	-	-	-	-	117,330	34,029	151,359
Financial Institutions	-	-	-	-	-	-	119,483	126,501	49,945	388	10,608	-	-	-	2,242	276,824	72,430	349,254
Real Estate and Renting Services:	-	-	-	-	-	-	43,087	3,780	3,468	-	14	-	-	-	-	13,601	36,747	50,348
4.6 Self-Employment Services	-	-	-	-	-	-	27	-	450	-	-	-	-	-	-	477	-	477
4.7 Education Services	-	-	-	-	-	-	2,857	53	-	-	31	-	-	-	-	2,941	-	2,941
4.8 Health and Social Services	-	-	3	-	-	-	24,531	6,988	14,218	-	47	-	-	-	-	43,253	2,632	45,786
<b>5 Other</b>	<b>688,994</b>	-	<b>15,470</b>	-	-	-	<b>97,143</b>	<b>53,751</b>	<b>16,208</b>	<b>17,189</b>	<b>56</b>	<b>19,562</b>	-	-	<b>1,925,002</b>	<b>2,526,567</b>	<b>306,809</b>	<b>2,833,378</b>
<b>6 Total</b>	<b>688,994</b>	-	<b>15,594</b>	-	-	-	<b>216,626</b>	<b>1,604,700</b>	<b>545,161</b>	<b>33,076</b>	<b>36,901</b>	-	-	-	<b>1,952,123</b>	<b>4,314,207</b>	<b>1,071,381</b>	<b>5,385,589</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

## II. Explanations Related to Credit Risk (continued)

### Maturity Distribution of Remaining Maturities of time exposures:

Risk Types	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Due from central governments or central banks	339,050	41,409	12,771	24,130	271,635
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	30	-	-	15,564
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	147,939	10,159	3,487	6,904	48,136
Corporate Receivables	279,146	106,596	161,271	450,176	607,512
Retail Receivables	12,149	18,158	42,180	121,214	98,714
Receivables Secured by Mortgages	21,794	45,048	77,107	171,009	230,202
Past Due Receivables	-	-	-	-	33,076
Receivables defined in high risk category by BRSA	-	-	-	-	36,899
Collateralized Mortgage Marketable Securities	-	-	-	-	-
Securitisation positions	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-
Other Receivables	1,925,123	-	-	-	-
<b>Total</b>	<b>2,752,201</b>	<b>221,400</b>	<b>296,816</b>	<b>773,430</b>	<b>1,341,739</b>

### Risk by Risk Weights Balances:

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	1250%
Amount before the credit risk mitigation	2,613,010	-	59,078	161,779	234,592	2,272,833	22,866	21,431	-
Amount after the credit risk mitigation	2,689,905	-	50,201	601,977	174,967	1,825,491	22,664	20,384	-

\*Amounts of the financial collateral are shown as 0% weight.

Fitch ratings are used in computation of risk weighted assets for central government and foreign banks. The equivalence of Fitch ratings to credit quality are as follows;

Credit Quality
1 AAA & AA-
2 A+ & A-
3 BBB+ & BBB-
4 BB+ & BB-
5 B+ & B-
6 CCC+

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**II. Explanations Related to Credit Risk (continued)****Important sectors or type of information according to counterparty**

Sectors/ Counterparties	Loans			
	Impaired(*)	Non-Performing	Value Adjustments	Provisions
1 Agricultural	250	88	12	88
1.1 Farming and Raising Livestock	250	87	12	87
1.2 Forestry, Wood and Paper	-	1	-	1
1.3 Fishery	-	-	-	-
2 Manufacturing	23,375	45,455	1,139	18,227
2.1 Mining and Quarry	3,792	1,054	183	848
2.2 Production	19,540	44,392	955	17,370
2.3 Electricity, Gas and Water	43	9	2	9
3 Construction	4,435	11,057	207	8,301
4 Services	19,770	9,937	985	6,900
4.1 Wholesale and Retail Trade	1,571	4,036	79	2,415
4.2 Hotel, Tourism, Food and Beverage Services	7,469	504	359	134
4.3 Transportation and Communication	308	1,605	15	949
4.4 Financial Institutions	9,467	3,743	488	3,353
4.5 Real Estate and Renting Services	-	-	-	-
4.6 Self-Employment Services	-	-	-	-
4.7 Education Services	-	10	-	10
4.8 Health and Social Services	956	39	45	39
5 Other	231	2,007	11	1,952
<b>Total</b>	<b>48,060</b>	<b>68,544</b>	<b>2,354</b>	<b>35,468</b>

\*Rescheduled loans

**Information on Credit Value Adjustments and Change in loan loss provisions**

	Opening Balance	The amount of provision in the period	Reversal of Provision	Other Provisions*	Closing Balance
1 Specific Provisions	15,991	21,071	(1,594)	-	35,468
2 General Provisions	14,388	7,606	-	-	21,994

\*Exchange rate differences, business combinations, acquisitions transactions, and those set by the disposal of subsidiaries.

The table below shows the maximum exposure to credit risk for the components of the financial statements:

<b>Gross Maximum Exposure</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Central Banks	266,804	184,542
Due from banks	97,526	80,370
Due from Money market transactions	152,025	80,043
Financial assets held for trading	182	177
Derivative financial instruments	5	66
Financial assets available-for-sale	278,875	283,262
Held to maturity investment	70,959	53,738
Loans	2,016,910	1,468,718
<b>Total</b>	<b>2,883,286</b>	<b>2,150,916</b>
Contingent liabilities	1,078,909	1,030,628
Irrevocable commitments	186,396	170,329
<b>Total</b>	<b>1,265,305</b>	<b>1,200,957</b>
<b>Total credit risk exposure</b>	<b>4,148,591</b>	<b>3,351,873</b>

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**II. Explanations Related to Credit Risk (continued)**

Credit quality per class of financial assets as of December 31, 2012 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	97,526	-	97,526
Financial assets designated at fair value through profit or loss	187	-	187
Loans to customers			
<i>Corporate lending</i>	1,411,240	94,749	1,505,989
<i>Small business lending</i>	452,265	45,698	497,963
<i>Retail loans</i>	10,853	2,105	12,958
<i>Other</i>	-	-	-
<b>Total</b>	<b>1,972,071</b>	<b>142,552</b>	<b>2,114,623</b>
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	349,834	-	349,834
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>349,834</b>	<b>-</b>	<b>349,834</b>
<b>Total</b>	<b>2,321,905</b>	<b>142,552</b>	<b>2,464,457</b>

The above distribution has been made based on the management information systems and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

Credit quality per class of financial assets as of December 31, 2011 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	80,370	-	80,370
Financial assets designated at fair value through profit or loss	243	-	243
Loans to customers			
<i>Corporate lending</i>	984,254	35,648	1,019,902
<i>Small business lending</i>	407,162	22,915	430,077
<i>Retail loans</i>	18,068	671	18,739
<i>Other</i>	-	-	-
<b>Total</b>	<b>1,490,097</b>	<b>59,234</b>	<b>1,549,331</b>
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	337,000	-	337,000
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>337,000</b>	<b>-</b>	<b>337,000</b>
<b>Total</b>	<b>1,827,097</b>	<b>59,234</b>	<b>1,886,331</b>

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**II. Explanations Related to Credit Risk (continued)**

The above distribution has been made based on the management information systems and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

	Internal Rating Grade	December 31, 2012	(%)	December 31, 2011	(%)
<b>High</b>					
Risk rating class 1	A+ Excellent	10,501	0.53	1,989	0.14
Risk rating class 2	A- Excellent	107,026	5.39	78,437	5.43
<b>Good</b>					
Risk rating class 3	B+ Very Good	225,864	11.39	182,285	12.61
Risk rating class 4	B- Very Good	260,625	13.14	194,910	13.49
<b>Standard</b>					
Risk rating class 5	C+ Good	316,798	15.97	272,114	18.83
Risk rating class 6	C- Good	483,323	24.36	265,302	18.36
<b>Substandard</b>					
Risk rating class 7	D+ Ordinary	321,414	16.20	246,218	17.03
Risk rating class 8	D- Ordinary	150,591	7.59	145,255	10.05
Risk rating class 9	E Bad	59,699	3.01	41,403	2.86
Risk rating class 10	F Very Bad	21,554	1.09	204	0.01
Unrated		26,439	1.33	17,259	1.19
<b>Total</b>		<b>1,983,834</b>	<b>100.00</b>	<b>1,445,376</b>	<b>100.00</b>

The Bank uses 3 main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D- rating is shown below.

“F” rating;

Number of clients with “F” rating is 13 with an outstanding risk of TL 21,554 (December 31,2011: TL 204; 1 client). 4 of these clients are granted against mortgage with outstanding risk of TL 6.185 and covers 29% of total risk, 3 of these clients are granted against customer check with outstanding risk of TL 5.697 and covers 26% of total risk. 1 of these clients is granted against credit letter of guarantee with outstanding risk of TL 579 and covers 3% of total risk. (December 31,2011: 1 client, 90%). Moreover, parent company of two clients, which have risk of TL 2,270 , have ratings of C+ and above ( ratio is 11%).

“E” rating;

Number of clients with “E” rating is 47 and total outstanding risk is TL 59.699 (December 31,2011: TL 41.403; 21 client).16 of these clients are granted against mortgage with outstanding risk of TL 24.744 and covers 41% of total “E” Rating Risk.(December 31,2011: TL 25,832; 62%) 17 of these clients are granted against Customer Check/Note with outstanding risk of TL 9.394 and covers 16% of total “E” Rating Risk(December 31,2011: TL 6,236; 15%). Moreover, parent company of four clients, which have risk of TL 6,745 , have ratings of C- and above (ratio is 11%).

“D-” rating;

Number of clients with D- rating is 123 and total outstanding risk is TL 150.591 (December 31, 2011: TL 145.255; 139 client). Clients granted against mortgage have outstanding risk of TL 39.988 and covers 27% of total “D-” Rating Risk (December 31,2011: TL 41,155; 28%).

56 of these clients are granted against Customer check/note with outstanding risk of TL 56.496 and covers 38% of total “D-” Rating Risk. (December 31,2011: TL 35,221; 74 client, %24). 4 of these clients are granted against vehicle pledge with outstanding risk of TL 10.008 and covers 7% of “D-” rating risk. (December 31,2011: TL 9,265; 2 client, 6%)

There is no financial assets at fair value through profit or loss whose terms have been renegotiated .

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **III. Explanations Related to Market Risk**

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” which was published in the Official Gazette on June 28, 2012 numbered 28337 and “Regulation Regarding Banks’ Shareholders’ Equity”.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Beside the standard method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are Monte Carlo, historic simulation and parametric method, and these results are also reported daily to the management.

The bank measures its value at risk of its portfolio using forecasted volatility and yield curve model supported by stress tests and scenario analysis. The purpose of VAR is to define the maximum risk the bank is exposed to. The Bank uses parametric, historical simulation and Monte Carlo methods by considering maximum loss which the bank suffers for predictions. The bank calculates the risk on the portfolio held by the Bank for the amount of loss resulting from excessive fluctuations in the market with stress test and scenario analysis. The ways of self-protection is determined by the Bank taking the portfolio into the consideration in case the volatility is repeated and various different crisis takes place. For market risk, analysis is performed by comparing the standard method with VAR.

The risks of on-balance sheet and off-balance sheet accounts positions depending on fluctuations in the financial markets are measured by the bank. Information regarding market risk which has taken into account in the calculation of the regulatory capital is presented below:

#### **Information Related to Market Risk**

	<b>Amount</b>
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	2
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
Standard Method For Specific Risk of Necessary Capital Requirement on Securitization Positions	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	61
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Capital Requirement to be Employed For Counterparty Risk - Standard Method	17
(VIII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed For Market Risk (+II+III+IV+V+VI)	80
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)</b>	<b>1,000</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### III. Explanations Related to Market Risk (continued)

##### Dönem içerisinde ay sonları itibarıyla hesaplanan piyasa riskine ilişkin ortalama piyasa riski tablosu

	December 31, 2012(*)		
	Average	Maximum	Minimum
Interest Rate Risk	1,103	2,998	1
Common Stock Risk	-	-	-
Currency Risk	88	160	44
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	8	17	2
<b>Total Value Subject to Risk **</b>	<b>14,988</b>	<b>39,688</b>	<b>588</b>

\* In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28/06/2012, from July 2012 on, Basel 2 has been applied in terms of capital adequacy. Up until July 2012, for capital adequacy ratio calculation, "Regulation on Procedures and Principles for Determination of Quantification of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette No.26333 dated 01/11/2006 was applied.

	December 31, 2011		
	Average	Maximum	Minimum
Interest Rate Risk	3,116	3,271	2,733
Common Stock Risk	-	-	-
Currency Risk	92	165	40
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
<b>Total Value Subject to Risk</b>	<b>40,100</b>	<b>42,950</b>	<b>34,663</b>

#### Quantitative Counterparty Risk Information

	Tutar
Interest Rate Based Contracts	-
Exchange Rate Based Contracts*	43,669
Commodity Based Contracts	-
Common Stock Based Contracts	-
Gross Profit Fair Value**	16
Benefits to Clarify	-
Net Amount of Current Risk	-
Guarantees Held	-
The Net Position of Derivatives***	452
Other	-

\* Principal

\*\* Positive Replacement Cost

\*\*\* Calculated Counterparty Credit Risk

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **III. Explanations Related to Market Risk (continued)**

For counterparty credit risks, limits are set by Board of Directors. Counterparty credit risk is managed by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes with the Bank. Within the scope Regulation on the Internal Systems of Banks and Regulation on Measurement and Assetment of Capital Adequacy of Bank's, published in the Official Gazette No. 28337 dated 28/06/2012, "Counterparty Credit Risk Management Policy" is formed, then approved by the Board of Directors and published in the Bank.

#### **Other price risks:**

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

#### **IV. Explanations Related to Operational Risk**

##### **Basic indicators approach:**

	2 PY Amount	1 PY Amount	CY Amount	Total/Postive gi number of years	Rate (%)	Total
Gross income	80,573	82,282	92,917	85,257	15	12,789
The amount subject to operational risk (Total*12,5)						159,857

The Operational risk is calculated on an annual basis in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks"

Operational risk is the risk of a loss resulting from inadequate or failed internal processes, employee faults or system errors or external factors. The Bank's units manage this risk through clearly defined policies, procedures and internal controls. At T-Bank, operational processes are planned by the Central Operations Department located at Head Office. Branch operations managers are responsible for all operations done and work under Central Operations Department independent of branch managers.

Risk Management Group calculates operational risk according to Basel II basic indicator method. The Bank's final objective is, by using advanced measurement methods, to detect quantitative and qualitative risks on process and transaction basis and to make the Bank's Senior Management aware of operational risks, controls and residual risks by submitting reports. For this purpose, in 2010, a new analysis tool was bought from an international firm and in 2011 studies were completed and an informative presentation was made to Senior Management and Audit Committee.

By using this independent analysis tool, independent of execution and integrated with daily risk management processes, Risk Management Group maintains recording operational risks and losses regularly.

Parallel to Procurement of Support Services, operational risk of support service firms are assessed. With departments related with support service firms, risk analysis studies are conducted by Risk Management Group. For support service firms, annual risk management program is formed and then approved by the Board of Directors on December 2012.

By Risk Management Group, within IT Risk Management framework, risks related to IT processes are assessed. Enhancement activities for critical IT processes are coordinated. In order to take actions against findings detected by independent audit firm, enhancement activities are coordinated with related departments. Within enhancement process, actions to be taken are assessed at Committee of IT risk and Sub-Committee of IT risk and then decided. As a result of studies conducted under enhancement activities, procedures are formed or existing procedures are updated, applications steps of processes are revised, if required actions for enhancement are suggested and whether these actions are implemented by related departments are followed up.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **IV. Explanations Related to Operational Risk (continued)**

Sub- Committee of IT risk chaired by Risk Management Group, calculates impacts and frequencies of IT risks by doing required updates ever year. By presenting risk assessment results for IT risks above threshold to Committee of IT risk which decides on mitigating, accepting, avoiding or transferring risk, Sub- Committee of IT risk maintains that actions are taken and then follows up actions.

Within IT Risk Management framework, business continuity plan and related IT continuity plan were updated in 2012 in coordination with related departments. Within business continuity plan scope, by negotiating the Bank's all departments, critical business processes are assessed , the Bank's Contingency Plan, Crisis Management Plan, Business Recovery Plan and teams are updated. Also, Business Continuity Procedure is formed. In 2012, business continuity and related IT continuity tests for critical processes are conducted.

#### **V. Explanations Related to Currency Risk**

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standard method.

The Board of Directors sets limits for the positions and stop losses which are followed up daily and weekly. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

The announced current foreign exchange buying rates of the Bank at December 31, 2012 and the previous five working days in full TL are as follows (Bank's FC evaluation rates):

	<b>December 24, 2012</b>	<b>December 25, 2012</b>	<b>December 26, 2012</b>	<b>December 27, 2012</b>	<b>December 28, 2012</b>	<b>December 31, 2012</b>
<b>USD</b>	1,7951	1,7915	1,7901	1,7873	1,7846	1,7833
<b>CHF</b>	1,9636	1,9593	1,9629	1,9621	1,9550	1,9529
<b>GBP</b>	2,9003	2,8625	2,8914	2,8882	2,8793	2,8981
<b>100 JPY</b>	2,1194	2,1127	2,0975	2,0768	2,0752	2,0647
<b>EURO</b>	2,3721	2,3628	2,3705	2,3712	2,3605	2,3576

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2012 are as follows:

	<b>Monthly Average Foreign Exchange Rate</b>
<b>USD</b>	1,7851
<b>CHF</b>	1,9371
<b>GBP</b>	2,8789
<b>100 JPY</b>	2,1311
<b>EURO</b>	2,3404

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**V. Explanations Related to Currency Risk (continued)**

<b>December 31, 2012</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	71,770	126,962	-	615	199,347
Banks	768	95,972	182	591	97,513
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	2	-	-	2
Loans (*)	229,754	363,844	-	-	593,598
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	2	242	-	-	244
<b>Total Assets</b>	<b>302,294</b>	<b>587,022</b>	<b>182</b>	<b>1,206</b>	<b>890,704</b>
<b>Liabilities</b>					
Bank Deposits	13	14,426	-	326	14,765
Foreign Currency Deposits	204,379	563,847	-	300	768,526
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	69,607	38,184	-	-	107,791
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	697	555	-	-	1,252
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	439	1,954	1	6	2,400
<b>Total Liabilities</b>	<b>275,135</b>	<b>618,966</b>	<b>1</b>	<b>632</b>	<b>894,734</b>
<b>Net Balance Sheet Position</b>	<b>27,159</b>	<b>(31,944)</b>	<b>181</b>	<b>574</b>	<b>(4,030)</b>
<b>Net Off-Balance Sheet Position</b>	<b>-27,584</b>	<b>31,924</b>	<b>-</b>	<b>-</b>	<b>4,340</b>
Financial Derivative Assets (**)	4,715	37,793	-	-	42,508
Financial Derivative Liabilities (***)	(32,299)	(5,869)	-	-	(38,168)
Non-Cash Loans (**)	75,832	219,703	-	3,548	299,083
<b>December 31, 2011</b>					
Total Assets(*) (****)	275,965	484,785	113	1,099	761,962
Total Liabilities	277,489	485,725	1	538	763,753
Net Balance Sheet Position	(1,524)	(940)	112	561	(1,791)
Net Off-Balance Sheet Position	413	2,143	-	(293)	2,263
Financial Derivative Assets (***)	4,935	13,781	-	-	18,716
Financial Derivative Liabilities (****)	(4,522)	(11,638)	-	(293)	(16,453)
Non-Cash Loans (**)	82,553	270,847	-	1,477	354,877

(\*) Foreign currency indexed loans amounting to TL 327,555 (December 31, 2011: TL 276,116) are included in the loan portfolio.

(\*\*) There are no effects on the net off-balance sheet position.

(\*\*\*) It includes also TL 19,366 and TL 14,828 forward asset purchase & sale commitments (December 31, 2011: TL 15,565 and TL 13,308, respectively).

(\*\*\*\*) TL 5 asset from derivative financial instruments and TL 203 liability from derivative financial instruments are not included (December 31, 2011: 57 asset from derivative financial instruments and TL 39 liability from derivative financial instruments are not included).

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### V. Explanations Related to Currency Risk (continued)

##### Foreign currency sensitivity:

The Bank holds EUR and USD currencies positions mainly.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/(Negative) number indicates a change in profit or loss and other equity where USD and EUR increase 10% against TL.

Change in currency rate in %	Effect on profit or loss		Effect on equity	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
USD %10 increase	(2)	120	-	(206)
USD %10 decrease	2	(120)	-	206
EURO %10 increase	(42)	(111)	-	-
EURO %10 decrease	42	111	-	-

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**VI. Explanations Related to Interest Rate Risk**

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reported to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non- interest bearing	Total
<b>December 31, 2012</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	290,596	290,596
Banks	95,051	-	-	-	-	2,475	97,526
Financial Assets at Fair Value Through Profit and Loss	5	93	59	-	30	-	187
Money Market Placements	152,025	-	-	-	-	-	152,025
Available-For-Sale Financial Assets	67,611	33,292	137,982	39,986	4	75	278,950
Loans (*)	1,493,242	78,495	187,858	221,809	2,324	106	1,983,834
Held-To-Maturity Investments	-	32,491	23,055	15,413	-	-	70,959
Other Assets (**)	-	-	-	-	-	92,173	92,173
<b>Total Assets</b>	<b>1,807,934</b>	<b>144,371</b>	<b>348,954</b>	<b>277,208</b>	<b>2,358</b>	<b>385,425</b>	<b>2,966,250</b>
<b>Liabilities</b>							
Bank Deposits	21,331	-	-	-	-	824	22,155
Other Deposits	1,090,992	748,520	120,186	-	-	167,460	2,127,158
Money Market Borrowings	209,986	-	-	-	-	-	209,986
Sundry Creditors	-	-	-	-	-	12,042	12,042
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	19,322	42,625	52,569	17,924	-	55	132,495
Other Liabilities (***)	699	309	-	-	-	461,406	462,414
<b>Total Liabilities</b>	<b>1,342,330</b>	<b>791,454</b>	<b>172,755</b>	<b>17,924</b>	<b>-</b>	<b>641,787</b>	<b>2,966,250</b>
Balance Sheet Long Position	465,604	-	176,199	259,284	2,358	-	903,445
Balance Sheet Short Position	-	(647,083)	-	-	-	(256,362)	(903,445)
Off-Balance Sheet Long Position	-	-	-	-	-	43,669	43,669
Off-Balance Sheet Short Position	-	-	-	-	-	(43,886)	(43,886)
<b>Total Position</b>	<b>465,604</b>	<b>(647,083)</b>	<b>176,199</b>	<b>259,284</b>	<b>2,358</b>	<b>(256,579)</b>	<b>(217)</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TL 11,379, intangible assets amounting to TL 1,037, tax asset amounting to TL 2,758, net non performing loans amounting to TL 33,076, clearing account amounting to TL 24,691, prepaid expenses amounting to TL 2,169, system improvement investments amounting to TL 14,899 and other assets amounting to TL 2,164.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TL 366,604, TL 7,866 tax liabilities, TL 36,935 provisions, and TL 2,905 other liabilities.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**VI. Explanations Related to Interest Rate Risk (continued)****Average interest rates applied to monetary financial instruments:**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>December 31, 2012</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0,13	0,25	-	7,18
Financial Assets At Fair Value Through Profit And Loss	-	-	-	8,80
Money Market Placements	-	-	-	9,72
Available-For-Sale Financial Assets	-	5,08	-	5,07
Loans	7,54	6,96	-	15,48
Held-To-Maturity Investments	-	-	-	8,48
<b>Liabilities</b>				
Bank Deposits	-	2,55	-	6,68
Other Deposits	4,43	4,37	-	10,52
Money Market Borrowings	-	-	-	5,90
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	4,43	3,86	-	8,19

**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	<b>Up to 1</b>	<b>1-3</b>	<b>3-12</b>	<b>1-5</b>	<b>Over</b>	<b>Non-</b>	<b>Total</b>
	<b>Month</b>	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>5 Years</b>	<b>interest</b>	
						<b>bearing</b>	
<b>December 31, 2011</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	200,915	200,915
Banks	77,193	-	-	-	-	3,177	80,370
Financial Assets at Fair Value Through Profit and Loss	45	114	-	58	26	-	243
Money Market Placements	80,043	-	-	-	-	-	80,043
Available-For-Sale Financial Assets	33,432	55,572	129,907	12,280	52,071	75	283,337
Loans (*)	1,058,515	80,611	156,624	147,600	1,940	23,428	1,468,718
Held-To-Maturity Investments	-	-	53,738	-	-	-	53,738
Other Assets (**)	-	-	-	-	-	35,969	35,969
<b>Total Assets</b>	<b>1,249,228</b>	<b>136,297</b>	<b>340,269</b>	<b>159,938</b>	<b>54,037</b>	<b>263,564</b>	<b>2,203,333</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	668	668
Other Deposits	919,894	523,487	48,850	-	-	102,681	1,594,912
Money Market Borrowings	97,725	-	-	-	-	-	97,725
Sundry Creditors	-	-	-	-	-	12,571	12,571
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	10,010	30,551	64,116	-	-	54	104,731
Other Liabilities (***)	340	246	-	-	-	392,140	392,726
<b>Total Liabilities</b>	<b>1,027,969</b>	<b>554,284</b>	<b>112,966</b>	<b>-</b>	<b>-</b>	<b>508,114</b>	<b>2,203,333</b>
Balance Sheet Long Position	221,259	-	227,303	159,938	54,037	-	662,537
Balance Sheet Short Position	-	(417,987)	-	-	-	(244,550)	(662,537)
Off-Balance Sheet Long Position	-	-	-	-	-	25,748	25,748
Off-Balance Sheet Short Position	-	-	-	-	-	(25,684)	(25,684)
<b>Total Position</b>	<b>221,259</b>	<b>(417,987)</b>	<b>227,303</b>	<b>159,938</b>	<b>54,037</b>	<b>(244,486)</b>	<b>64</b>

(\*) Up to 1 month column consist of revolving loans and corporate FC indexed loans.

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TL 11,720, intangible assets amounting to TL 1,244, tax asset amounting to TL 2,579, clearing account amounting to TL 10,777, prepaid expenses amounting to TL 1,777, system improvement investments amounting to 6,486 and other assets amounting to TL 1,386.

(\*\*\*) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TL 338,082, tax liability amounting to TL 5,557, provisions amounting to TL 26,622 and other liabilities amounting to 21,879.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**VI. Explanations Related to Interest Rate Risk (continued)****Average interest rates applied to monetary financial instruments:**

	<b>EURO</b>	<b>USD</b>	<b>YEN</b>	<b>TL</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
<b>December 31, 2011</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,52	0,25	-	7,39
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,02
Money Market Placements	-	-	-	11,87
Available-For-Sale Financial Assets	-	5,04	-	5,73
Loans	7,09	6,31	-	14,49
Held-To-Maturity Investments	-	-	-	8,02
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	4,41	4,36	-	9,53
Money Market Borrowings	-	-	-	6,32
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3,74	2,21	-	8,42

Nature of interest rate risk resulted from banking book, major assumptions includes also assumption on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk.

With the exception of items included under on trading accounts, and items which are other than subordinated debts considered on equity accounts in accordance with "Regulation on Equity of Banks" which have been published on the Official Gazette dated November 1, 2006 numbered 26333, the interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Schock Method.

<b>Unit of Currency</b>	<b>Applicable Shock (+ / -base point)*</b>	<b>Profit/ Loss</b>	<b>Profit / Equity Capital – Loss / Equity Capital</b>
TL	500	(18,763)	(%5)
	(400)	17,092	%4
EURO	200	(1,335)	%0
	(200)	1,474	%0
USD	200	(1,118)	%0
	(200)	1,231	%0
<b>Total (For Negative Shock)</b>		<b>19,797</b>	<b>%5</b>
<b>Total (For Positive Shock)</b>		<b>(21,216)</b>	<b>(%6)</b>

\* The intensity and direction of a currency different rows are entered separately for each shock.

**Interest rate sensitivity:**

If interest rates had been increased by 0.5% in TL and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would change by TL 1,457. The change in profit mainly is related to loans and deposits (December 31, 2011: TL 448).

- Possible changes in the interest rates effects the equity as a result of the revaluation of the available-for-sale assets decreases equity by TL 1121.

**VII. Explanations Related to Equity Position Risk**

The bank has no outstanding stock position.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**VIII. Explanations Related to Liquidity Risk**

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

*The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.*

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the balance sheet and their costs. In this sense, various crisis scenarios which are prepared by risk management group are presented to management and audit committee.

*When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing and syndication products to generate additional sources.*

**Presentation of assets and liabilities according to their remaining maturities:**

<b>December 31, 2012</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	109,413	104,440	57,382	14,982	4,379	-	-	290,596
Banks	2,475	95,051	-	-	-	-	-	97,526
Financial Assets at Fair Value Through Profit and Loss	-	5	-	59	93	30	-	187
Money Market Placements	-	152,025	-	-	-	-	-	152,025
Available-For-Sale Financial Assets	-	-	8,919	15,190	138,420	116,346	75	278,950
Loans (***)	-	1,493,348	78,495	187,858	221,809	2,324	-	1,983,834
Held-To-Maturity Investments	-	-	32,491	21,710	15,413	1,345	-	70,959
Other Assets	-	24,698	-	-	-	-	67,475	92,173
<b>Total Assets</b>	<b>111,888</b>	<b>1,869,567</b>	<b>177,287</b>	<b>239,799</b>	<b>380,114</b>	<b>120,045</b>	<b>67,550</b>	<b>2,966,250</b>
<b>Liabilities</b>								
Bank Deposits	824	21,331	-	-	-	-	-	22,155
Other Deposits	167,460	1,090,992	748,520	120,186	-	-	-	2,127,158
Funds Provided From Other Financial Institutions	-	19,377	42,625	52,569	17,924	-	-	132,495
Money Market Borrowings	-	209,986	-	-	-	-	-	209,986
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	12,042	-	-	-	-	-	12,042
Other Liabilities (**)	-	55,664	309	-	-	-	406,441	462,414
<b>Total Liabilities</b>	<b>168,284</b>	<b>1,409,392</b>	<b>791,454</b>	<b>172,755</b>	<b>17,924</b>	<b>-</b>	<b>406,441</b>	<b>2,966,250</b>
<b>Liquidity Gap</b>	<b>(56,396)</b>	<b>460,175</b>	<b>(614,167)</b>	<b>67,044</b>	<b>362,190</b>	<b>120,045</b>	<b>(338,891)</b>	<b>-</b>
<b>December 31, 2011</b>								
<b>Total Assets</b>	<b>84,580</b>	<b>1,300,257</b>	<b>120,468</b>	<b>290,492</b>	<b>267,314</b>	<b>91,625</b>	<b>48,597</b>	<b>2,203,333</b>
<b>Total Liabilities</b>	<b>103,349</b>	<b>1,064,904</b>	<b>554,284</b>	<b>112,966</b>	<b>-</b>	<b>-</b>	<b>367,830</b>	<b>2,203,333</b>
<b>Liquidity Gap</b>	<b>(18,769)</b>	<b>235,353</b>	<b>(433,816)</b>	<b>177,526</b>	<b>267,314</b>	<b>91,625</b>	<b>(319,233)</b>	<b>-</b>

(\*) The assets which are necessary to provide banking services and can not be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(\*\*) Shareholders' equity is shown under other liabilities in undistributed column.

(\*\*\*) Rotative loans are classified in up to 1 month column.

(\*\*\*\*) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

Translated into English from the original Turkish report and financial statements

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

### VIII. Explanations Related to Liquidity Risk (continued)

#### Analysis of financial liabilities by remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
<b>As of December 31, 2012</b>							
Bank Deposits	22,178	-	-	-	-	(23)	22,155
Other deposits	1,261,500	755,738	125,460	-	-	(15,540)	2,127,158
Funds provided from other financial institutions	210,050	-	-	-	-	(64)	209,986
Money market borrowings	19,429	43,111	53,897	18,896	-	(2,838)	132,495
<b>Total</b>	<b>1,513,157</b>	<b>798,849</b>	<b>179,357</b>	<b>18,896</b>	<b>-</b>	<b>(18,465)</b>	<b>2,491,794</b>
<b>As of December 31, 2011</b>							
Bank Deposits	668	-	-	-	-	-	668
Other deposits	1,025,803	531,576	51,783	-	-	(14,250)	1,594,912
Funds provided from other financial institutions	97,757	-	-	-	-	(32)	97,725
Money market borrowings	10,162	30,945	65,975	-	-	(2,351)	104,731
<b>Total</b>	<b>1,134,390</b>	<b>562,521</b>	<b>117,758</b>	<b>-</b>	<b>-</b>	<b>(16,633)</b>	<b>1,798,036</b>

(\*) Interest to be paid until the maturity date of the balance sheet.

#### Analysis of contractual expiry by maturity of the Bank's derivative financial instruments:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2012</b>						
Gross settled						
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	18,656	4,486	-	-	-	23,142
<b>Total</b>	<b>18,656</b>	<b>4,486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,142</b>
<b>As of December 31, 2011</b>						
Gross settled						
Foreign exchange forward contracts	-	5,072	-	-	-	5,072
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072</b>

### IX. Explanations on Securitization Positions

None.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**X. Explanations on Credit Risk Mitigation Techniques**

All available financial collaterals, which have been used in comprehensive financial collateral method, are used by the Bank according to the credit risk mitigation technique. As the Bank has only cash blockage, treasury bills and government bonds, as collateral only those types of collaterals are included in the calculation.

**Collateral on the basis of risk classes**

<b>Risk Types</b>	<b>Amount</b>	<b>Financial Collateral</b>	<b>Other / Physical Collateral</b>	<b>Guaranties and Credit Derivatives</b>
Contingent and Non-Contingent Receivables on Sovereigns	688,994	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	15,594	205	-	-
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-	-	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary	216,626	12,266	-	-
Contingent and Non-Contingent Corporate Receivables	1,604,700	63,861	-	-
Contingent and Non-Contingent Retail Receivables	292,414	8,634	-	-
Contingent and Non-Contingent Receivables Secured by Property	545,161	-	-	-
Past Due Receivables	33,076	1	-	-
Receivables defined in high risk category by BRSA	36,900	1,436	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization positions	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-
Investment similar to collective investment funds	-	-	-	-
Other Receivables	1,952,123	-	-	-
<b>Total</b>	<b>5,385,588</b>	<b>86,403</b>	<b>-</b>	<b>-</b>

**Risk Management Objectives and Policies**

Risk management strategies and practices are defined as follows: The Bank's Risk Management Group was established in 2001 as an independent unit which reports to the Member of Audit Committee have been responsible for the Audit, Internal Control and Risk Management and those policies and strategies have been reviewed and monitored in accordance with "Regulation on Internal Systems of Banks (published in the Official Gazette dated June 28, 2012 numbered 28337)".

Risk management is committed to control processes in order to determine the limits and measurement of operational risks, including the risks comprising of credit, market, interest rate, concentration, counterparty, liquidity, banking accounts and IT risks.

Objective of risk policies: In line with "Regulation on Internal Systems of Banks (published in the Official Gazette dated June 28, 2012 numbered 28337)", sustaining the Bank's operations in accordance with the Banks's strategic plans, mission, targets, profitability and productivity principles by determining Bank's risk strategy and maximum risk level in line with the volume, qualification and complexity of the Bank's operations by taking into consideration the Bank's past experience and performance. Moreover, ensuring to conserve the interests of depositors and the Bank's shareholder's interest at a maximum level.

Risk management regularly reports to Senior Management and the Audit Committee all the risks the bank is exposed to and concentrations, and the Bank's own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of VAR analysis, market risk limits, stress testing and scenario analysis, liquidity and interest rate, economic capital and capital adequacy analysis. These reports (daily value at risk (VAR) analysis, weekly interest rate risk, market risk limits and contains the calculation of economic capital) are also presented to Asset-Liability Management Committee on a weekly basis. Volatility and closing values of a large number of market risk instruments are closely monitored and reported on a daily basis. In order to extensively analyze instruments, subject to market risk, and measure their risk in detail, in 2012, updates and improvements of the market risk software were made.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **X. Explanations on Credit Risk Mitigation Techniques (continued)**

Quarterly stress tests and scenario analyzes on economic capital, capital adequacy, liquidity and profitability scenarios and credit risk on Bank's loan portfolio including benchmark of similar banks are presented to the Audit Committee. Management follows the Bank's performance and the limits by using these detailed reports.

Risk Management Group calculates Basel II capital adequacy calculation systematically, namely Credit Risk, Market Risk and Operational Risk, in accordance with "Regulation on Measurement and Assetment of Capital Adequacy of Bank's" published in the Official Gazette dated June 28,2012, numbered 28337."

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 28337 dated 28/06/2012, banking processes and policies were revised. Consequently, related procedures/policies are updated/formed and then approved by the Board of Directors at December 2012.

In order to manage operational risks that the Bank is exposed to more effectively and form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated, Data Management Procedure was formed.

In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

Liquidity Risk is the risk that the Bank cannot fulfill its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows. In order to define, measure, follow, report the liquidity risk the Bank is exposed to and take necessary actions for the results, Liquidity Risk Policy is formed. When Liquidity Risk Policy is formed, to manage the net liquidity position and liquidity requirement on an ongoing and forward-looking basis is aimed at.

Concentration risk is the risk within credit risk that is exposed according to individual debtor and debtor groups, to debtor groups that indicate similar characteristics in terms of economic and regional sector qualities, on the basis of the assets subject to the collateral securities that show similar price pattern behaviour; the risk that is to be considered also within the scope of the market risk and operational risk. In order to define, measure, follow and manage the concentration risk the Bank is exposed to, Concentration Risk Policy is formed. Concentration limits are monitored in compliance with the credit, deposit and related policies.

Counterparty credit risk refers to the default risk of the counterparty of the transaction before the last payment in the cash flow of this transaction of which brings an obligation to both sides. In order to define, measure, follow and manage the counterparty credit risk the Bank is exposed to Counterparty Credit Risk Policy is formed. Counterparty credit risk management is conducted by the Financial Institutions Department of the Bank by taking into account the counterparty's financial reports, general overview, rating, current and expected transaction volumes with T-Bank. The limits for counterparties are determined by the Board of Directors.

"Banking Book" includes all Assets and Liabilities (including credit) except trading securities portfolio. In order to define, measure, follow, report the interest rate risk related to banking book risk the Bank is exposed to and take necessary actions for the results, interest rate risk policy related to banking book is formed. Interest rate risk is managed by senior management in order to avoid losses from adverse interest rate movements.

Regarding internal assessment process which aims at the Bank has capital requirement according to its risk profile, Internal Capital Management Procedure is formed. Within internal capital management scope, the Bank has established a stress test based management by taking into account the estimated maximum loss amount that may occur in credit, operational, market and other risks as well as the changes in the market.

In order to ensure that the Bank's term deposit structure is in line with the Bank's strategies and budget targets and is in a robust and sustainable structure, Deposit Policy is formed. Policies and systems in order to define, measure and follow the concentration risk of the Bank's deposit is also explained in Deposit Policy.

Risk Management Procedure is also updated in such a way that it includes all the definitions above.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### XI. Explanations on Structure and Organization of the Risk Management System

Risk Reporting and Scope and Nature of Measurement Systems: Limits and market risk reports are presented daily basis by the Risk Management Group, value at Risk report (APKO), ECAP stress test, scenario analysis, Duration Gap primary shock, the market data and limit reports are presented a weekly basis to Assets- Liability Committee. On a quarterly basis, the rest of the reports and other works are reported to Audit Committee and Board of Directors.

Hedging Risk and Process of Risk Mitigation Policies and Process Related to Control Their Effectiveness Continuously: Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies. Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect the limits are allocated by the Board of Directors. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

#### XII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value

	Book Value		Fair Value	
	December 31,2012	December 31,2011	December 31,2012	December 31,2011
<b>Financial Assets</b>	<b>2,616,370</b>	<b>1,966,206</b>	<b>2,612,841</b>	<b>1,958,559</b>
Money Market Placements	152,025	80,043	152,025	80,043
Banks	97,526	80,370	97,526	80,370
Available-For-Sale Financial Assets (*)	278,950	283,337	278,950	283,337
Held-To-Maturity Investments	70,959	53,738	71,755	52,838
Loans	2,016,910	1,468,718	2,012,585	1,461,971
<b>Financial Liabilities</b>	<b>2,293,850</b>	<b>1,712,882</b>	<b>2,294,587</b>	<b>1,713,570</b>
Bank Deposits	22,155	668	22,155	668
Other Deposits	2,127,158	1,594,912	2,127,555	1,595,060
Funds Borrowed From Other Financial Institutions	132,495	104,731	132,835	105,271
Marketable Securities Issued	-	-	-	-
Sundry Creditors	12,042	12,571	12,042	12,571

(\*) Unquoted stocks amounting to TL 75 have not been considered in fair value calculation.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

##### i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2012 is the market rates available for the loan and security types.

##### ii. Financial liabilities:

The fair value of bank deposits and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2012 is the market rates available for the borrowing and deposits types.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**XII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)**

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is recorded on quoted market prices, those involving valuation techniques where all model inputs are observable in the market, and those where the valuation techniques involves the use of non observable inputs.

<b>December 31,2012</b>	<b>Level 1 (Quoted)</b>	<b>Level 2 (Valuation techniques – market observable)</b>	<b>Level 3 (Valuation techniques – non market observable)</b>	<b>Fair value not available</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	182	5	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	278,875	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
<b>Derivative financial liabilities held for trading</b>	-	(203)	-	-

<b>December 31, 2011</b>	<b>Level 1 (Quoted)</b>	<b>Level 2 (Valuation techniques – market observable)</b>	<b>Level 3 (Valuation techniques – non market observable)</b>	<b>Fair value not available</b>
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	177	66	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	283,262	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
<b>Derivative financial liabilities held for trading</b>	-	(39)	-	-

**XIII. Explanations Related To Transactions Made on Behalf of Others and Fiduciary Transactions**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**SECTION FIVE****EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS****I. Explanations and Disclosures Related to the Assets****1. a) Information on Cash and Balances with the Central Bank of Turkey:**

	December, 31 2012		December, 31 2011	
	TL	FC	TL	FC
Cash in Vault/Foreign Currency	6,628	16,928	5,561	10,812
Balances with the Central Bank of Turkey	84,621	182,419	63,937	120,605
Other	-	-	-	-
<b>Total</b>	<b>91,249</b>	<b>199,347</b>	<b>69,498</b>	<b>131,417</b>

**b) Information related to the account of the Central Bank of Turkey:**

	December, 31 2012		December, 31 2011	
	TL	FC	TL	FC
Unrestricted demand deposits	84,621	1,236	63,937	1,093
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve deposits	-	181,183	-	119,512
<b>Total</b>	<b>84,621</b>	<b>182,419</b>	<b>63,937</b>	<b>120,605</b>

**c) Explanations related to reserve deposits:**

According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey numbered 2011/11 and 2011/13 reserve deposit rates applied to TL and FC liabilities has changed. The current required reserve rates as of the date of approval of the financial statements are as follows:

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%11,5	%9	Ratios for corresponding maturities	%11,5	%9,5	%6

TL reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/ participation accounts up to 1-month maturity (including 1-month)	Deposits/ participation accounts up to 3-month maturity (including 3-month)	Deposits/ participation accounts up to 6-month maturity (including 6-month)	Deposits/ participation accounts up to 1-year maturity	Deposits/ participation accounts with 1-year and longer maturity and cumulative deposits/ participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
%11	%11	%11	%8	%6	%5	%11	%8	%5

Effective from October 1, 2010, interest received from FX reserve deposits has been abolished.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

#### 2. Information on financial assets at fair value through profit and loss (net):

a.1) Information on financial assets at fair value through profit and loss given as collateral or blocked: None

a. 2) Financial assets at fair value through profit and loss subject to repurchase agreements: None

Net book value of unrestricted financial assets at fair value through profit and loss is TL 182 (December 31, 2011: TL 177).

b) Positive differences related to derivative financial assets held-for-trading:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Forward Transactions	-	-	9	57
Swap Transactions	-	5	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5</b>	<b>9</b>	<b>57</b>

#### 3. a) Information on banks:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Banks				
Domestic	13	95,097	17	77,232
Foreign	-	2,415	-	3,121
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>13</b>	<b>97,513</b>	<b>17</b>	<b>80,353</b>

#### b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
European Union Countries	1,053	1,409	-	-
USA and Canada	882	1,328	-	-
OECD Countries (*)	422	311	-	-
Off-shore banking regions	-	-	-	-
Other	59	73	-	-
<b>Total</b>	<b>2,416</b>	<b>3,121</b>	<b>-</b>	<b>-</b>

(\*) OECD countries other than European Union countries, USA and Canada

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**I. Explanations and Disclosures Related to the Assets (continued)****4. Information on financial assets available-for-sale:**

a.1) Information on financial assets available-for-sale given as collateral or blocked:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	34,242	-	37,485	-
Other	-	-	-	-
<b>Total</b>	<b>34,242</b>	<b>-</b>	<b>37,485</b>	<b>-</b>

Available-for-sale securities given as collateral for Interbank money market and open market transactions are TL 968 and TL 33,274, respectively. (December 31, 2011: Available-for-sale securities given as collateral for Stock Exchange and Foreign Exchange Markets are TL 18,268 and TL 19,217 respectively.)

a.2) Information on financial assets available for sale subject to repurchase agreements:

	December 31, 2012		December, 31 2011	
	TL	FC	TL	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	170,139	-	78,596	-
Other	-	-	-	-
<b>Total</b>	<b>170,139</b>	<b>-</b>	<b>78,596</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TL 74,569 (December 31, 2011: TL 167,256) and included in this amount there are unquoted stocks amounting TL 75 (December 31, 2011: TL 75).

b) Information on financial assets available for sale portfolio:

	December 31, 2012		December, 31 2011	
	TL	FC	TL	FC
Debt securities		278,875		283,262
Quoted on a stock exchange		278,875		283,262
Not quoted		-		-
Share certificates		75		75
Quoted on a stock exchange		-		-
Not quoted		75		75
Impairment provision (-)		-		-
<b>Total</b>		<b>278,950</b>		<b>283,337</b>

In line with the accounting policies of the Bank, all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TL 75 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2011: TL 75).

**5. Information on loans:**

a) Information on all types of loans or advances given to shareholders and employees of the Bank:

	December 31, 2012		December, 31 2011	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	59	71	73	620
Corporate shareholders	59	71	73	620
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	3,124	118	6,902
Loans granted to employees	845	1,175	878	1,124
<b>Total</b>	<b>904</b>	<b>4,370</b>	<b>1,069</b>	<b>8,646</b>

**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

**I. Explanations and Disclosures Related to the Assets (continued)****5. Information on loans: (continued)**

b) Information on the first and second group loans and other receivables including restructured or rescheduled loans:

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	1,872,040	2,317	-	63,734	45,743	-
Discount notes	1,467,324	2,317	-	51,659	39,876	-
Export loans	289,353	-	-	151	5,835	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	45,067	-	-	-	-	-
Foreign loans	144	-	-	-	-	-
Consumer loans	26,949	-	-	10,457	32	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	43,203	-	-	1,467	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>1,872,040</b>	<b>2,317</b>	<b>-</b>	<b>63,734</b>	<b>45,743</b>	<b>-</b>

c) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	1,560,582	1,354	24,760	19,980
Non-specialized loans	1,560,582	1,354	24,760	19,980
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	311,459	963	38,973	25,763
Non-specialized loans	311,459	963	38,973	25,763
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
<b>Total</b>	<b>1,872,041</b>	<b>2,317</b>	<b>63,733</b>	<b>45,743</b>

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables	Watching Loans and Other Receivables
1 or 2 times extended	2,317	40,097
3, 4 or 5 times extended	-	3,653
5 Over the extended	-	1,993
<b>Total</b>	<b>2,317</b>	<b>45,743</b>

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	4	4,319
6 – 12 Month	1,246	15,328
1 – 2 Year	202	13,188
2 – 5 Year	865	12,908
5 Years and Over	-	-
<b>Total</b>	<b>2,317</b>	<b>45,743</b>

As of December 31, 2012, in accordance with "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside" (published in the Official Gazette on May 28, 2011, numbered 27947) the bank calculated general loan loss provision for standard loan, which the payments are rescheduled, amounting to TL 2,240 and for watchlist-loans, which the payments are rescheduled, amounting to TL 116.

**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

**I. Explanations and Disclosures Related to the Assets (continued)****5. Information on loans: (continued)**

d) Information on consumer loans, individual credit cards, personnel loans and credit cards given to personnel:

	Short Term	Medium and Long Term	Total
<b>Consumer Loans-TL</b>	<b>4,618</b>	<b>31,220</b>	<b>35,838</b>
Housing Loans	2,913	3,611	6,524
Car Loans	178	521	699
General Purpose Loans	1,275	18,172	19,447
Other	252	8,916	9,168
<b>Consumer Loans -Indexed to FC</b>	<b>-</b>	<b>83</b>	<b>83</b>
Housing Loans	-	50	50
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	33	33
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TL</b>	<b>332</b>	<b>232</b>	<b>564</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	332	232	564
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TL (Real Persons) (*)</b>	<b>953</b>	<b>-</b>	<b>953</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>5,903</b>	<b>31,535</b>	<b>37,438</b>

(\*) Overdraft Accounts includes TL 240 personnel loans.

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

### I. Explanations and Disclosures Related to the Assets (continued)

#### 5. Information on loans: (continued)

e) Information on commercial loans with installments and corporate credit cards:

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TL</b>	<b>30,215</b>	<b>206,519</b>	<b>236,734</b>
Business Loans	-	73	73
Car Loans	44	3,073	3,117
General Purpose Loans	-	8,253	8,253
Other	30,171	195,120	225,291
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>4,823</b>	<b>128,394</b>	<b>133,217</b>
Business Loans	-	-	-
Car Loans	2,526	33,647	36,173
General Purpose Loans	-	1,101	1,101
Other	2,297	93,646	95,943
<b>Commercial loans with installment facility -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TL (Legal Entities)</b>	<b>14,340</b>	<b>-</b>	<b>14,340</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Toplam</b>	<b>49,378</b>	<b>334,913</b>	<b>384,291</b>

f) Domestic and foreign loans:

	December 31, 2012	December 31, 2011
Domestic loans	1,983,627	1,425,003
Foreign loans	207	20,373
<b>Total</b>	<b>1,983,834</b>	<b>1,445,376</b>

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2012	December 31, 2011
Specific provisions		
Loans and receivables with limited collectability	-	81
Loans and receivables with doubtful collectability	4,002	-
Uncollectible loans and receivables	31,466	15,910
<b>Total</b>	<b>35,468</b>	<b>15,991</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

j) Information on non-performing loans (Net):

j.1) Information on loans and other receivables included in non-performing loans which are restructured or rescheduled:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>December 31, 2012</b>			
(Gross amount before specific provision) (*)	-	-	1,000
Restructured Loans and Other Receivables	-	-	1,000
Rescheduled Loans and Other Receivables	-	-	-
<b>December 31, 2011</b>			
(Gross amount before specific provision)	-	-	124
Restructured Loans and Other Receivables	-	-	124
Rescheduled Loans and Other Receivables	-	-	-

(\*) As of December 31, 2012 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TL 770 (December 31, 2011: TL 31).

j.2) The movement of 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
<b>December 31, 2011 balance</b>	781	874	37,678
Additions (+)	35,973	1,185	709
Transfers from other categories of non-performing loans (+)	-	25,566	19,884
Transfers to other categories of non-performing loans (-)	(34,690)	(10,761)	-
Collections (-)	(2,064)	(743)	(5,848)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
<b>December 31, 2012 balance</b>	-	16,121	52,423
Specific provision (-)	-	(4,002)	(31,466)
<b>Net Balances on Balance Sheet</b>	-	<b>12,119</b>	<b>20,957</b>

j.3) Information on foreign currency non-performing loans and other receivables:

None.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>December 31, 2012 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	-	16,121	52.423
Specific provision (-)	-	(4,002)	(31.466)
Loans to Real Persons and Legal Entities (Net)	-	<b>12,119</b>	<b>20.957</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>December 31, 2011 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	781	874	37,678
Specific provision (-)	(81)	-	(15,910)
Loans to Real Persons and Legal Entities (Net)	<b>700</b>	<b>874</b>	<b>21,768</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

k) Main principles of liquidation policies of nonperforming loans and receivables:

According to the "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

l) Explanations on write-off policy:

Upon the request of internal legal counsel and credit department for those doubtful loans that have no proven change of recovery, write off is evaluated according to the authority delegated by the Board of Directors. For the year ended December 31, 2012 there is no write-off amount evaluated according to the Board of Directors decision (December 31, 2011: None).

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets: (continued)

m) Other explanations and disclosures:

December 31, 2012	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	1,411,240	452,265	10,852	-	1,874,357
Past due not impaired	68,070	39,382	2,025	-	109,477
Restructured loans (*)	-	-	-	-	-
Individually impaired	51,650	16,462	432	-	68,544
Total gross	1,530,960	508,109	13,309	-	2,052,378
Less: allowance for individually impaired loans	(24,971)	(10,146)	(351)	-	(35,468)
Total net	1,505,989	497,963	12,958	-	2,016,910

December 31, 2011	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	984,254	407,162	18,068	-	1,409,484
Past due not impaired	17,403	17,850	639	-	35,892
Restructured loans (*)	-	-	-	-	-
Individually impaired	30,752	8,449	132	-	39,333
Total gross	1,032,409	433,461	18,839	-	1,484,709
Less: allowance for individually impaired loans	(12,507)	(3,384)	(100)	-	(15,991)
Total net	1,019,902	430,077	18,739	-	1,468,718

\*The description of restructured loans is determined by the Article No:11 of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside.

A reconciliation of the allowance for impairment loss is as follows;

	Total
At January 1, 2012	15,991
Additions in the period	21,071
Non-performing loan sales	-
The effect of collections in the period	(1,594)
Write off	-
At December 31, 2011	<b>35,468</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2012 is TL 56,848. (December 31, 2011: TL 51,662).

TL 3,318 amount of properties are transferred to the ownership of the Bank in 2012 period and in the same period TL 282 amount of it has been sold. There are no other credit enhancements obtained during the period (December 31, 2011: None). Moreover, TL 853 amount of properties transferred to the ownership of the Bank before 2012 year have been sold.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**I. Explanations and Disclosures Related to the Assets: (continued)**

Aging analysis of past due but not impaired loans per class of financial instruments is as follows:

<b>December 31, 2012</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>More than 91 Days</b>	<b>Total</b>
Loans and advances to customers					
Corporate Lending	55,801	5,872	6,398	-	68,071
Small Business Lending	35,407	3,893	82	-	39,382
Consumer Lending	1,239	785	-	-	2,024
Other	-	-	-	-	-
<b>Total</b>	<b>92,447</b>	<b>10,550</b>	<b>6,480</b>	<b>-</b>	<b>109,477</b>
<b>December 31, 2011</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>More than 91 Days</b>	<b>Total</b>
Loans and advances to customers					
Corporate Lending	17,091	312	-	-	17,403
Small Business Lending	15,265	2,535	50	-	17,850
Consumer Lending	340	200	98	-	638
Other	-	-	-	-	-
<b>Total</b>	<b>32,696</b>	<b>3,047</b>	<b>148</b>	<b>-</b>	<b>35,891</b>

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as of December 31, 2012 is TL 172,020 (December 31, 2011: TL 59,938) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TL 1,171,490 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2011: TL 954,002) and the remaining TL 806,344 have fixed interest rates. (December 31, 2011: TL 491,374).

**6. Information on held-to-maturity investments:**

a.1) Information on held-to-maturity investments given as collateral or blocked:

	<b>December 31, 2012</b>		<b>December 31, 2011</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	26,542	-	21,473	-
Other	-	-	-	-
<b>Total</b>	<b>26,542</b>	<b>-</b>	<b>21,473</b>	<b>-</b>

Held-to-maturity investments given as collateral for open market transactions in Central Bank and Interbank Markets are TL 6,057 and TL 3,845, respectively and TL 16,640 is kept as collateral in Takasbank for to make transaction in Stock Exchange as of December 31, 2012.

a.2) Held-to-maturity investments subject to repurchase agreements:

	<b>December 31, 2012</b>		<b>December 31, 2011</b>	
	<b>TP</b>	<b>YP</b>	<b>TP</b>	<b>YP</b>
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	39,665	-	18,525	-
Other	-	-	-	-
<b>Total</b>	<b>39,665</b>	<b>-</b>	<b>18,525</b>	<b>-</b>

Book value of held to maturity investments classified as unrestricted financial assets is TL 4,752 (December 31, 2011: TL 13,740).

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

b) Information on public sector debt investments held-to-maturity:

	December 31, 2012	December 31, 2011
Government bonds	70,959	53,738
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>70,959</b>	<b>53,738</b>

c) Information on held-to-maturity investments:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Debt securities				
Quoted on a stock exchange	70,959	-	53,738	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
<b>Total</b>	<b>70,959</b>	<b>-</b>	<b>53,738</b>	<b>-</b>

d) Movement of held-to-maturity investments:

	December 31, 2012	December 31, 2011
Beginning balance	53,738	47,882
Foreign currency differences on monetary assets(*)	(463)	294
Purchases during year	67,307	28,554
Disposal through sales and redemptions	(49,623)	(22,992)
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>70,959</b>	<b>53,738</b>

(\*) Accruals of Held-to maturity investments are reflected in foreign currency differences on monetary assets line.

#### 7. Information on associates (Net):

The Bank has no associates in the current period

#### 8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

#### 9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period.

#### 10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

#### 11. Information on derivative financial assets for hedging purposes:

The Bank has no financial assets for hedging purposes in the current period.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

##### 12. Information on tangible assets (Net) :

	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,976	-	(2)	-	-	5,974
Vehicles	-	-	-	-	-	-
Other	27,281	5,254	(1,416)	-	-	31,119
<b>Total Cost</b>	<b>33,257</b>	<b>5,254</b>	<b>(1,418)</b>	<b>-</b>	<b>-</b>	<b>37,093</b>

	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(5,327)	(415)	-	-	-	(5,742)
Vehicles	-	-	-	-	-	-
Other	(16,210)	(3,974)	212	-	-	(19,972)
<b>Total Accumulated Depreciation</b>	<b>(21,537)</b>	<b>(4,389)</b>	<b>212</b>	<b>-</b>	<b>-</b>	<b>(25,714)</b>
<b>Net Book Value</b>	<b>11,720</b>	<b>865</b>	<b>(1,206)</b>	<b>-</b>	<b>-</b>	<b>11,379</b>

##### 13. Information on intangible assets:

	Closing Balance December 31, 2012	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Software cost	9,074	466	-	-	-	9,540
Other intangible assets	-	-	-	-	-	-
<b>Total Cost</b>	<b>9,074</b>	<b>466</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,540</b>
	Closing Balance December 31, 2012	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Accumulated Depreciation:						
Software cost	(7,830)	(673)	-	-	-	(8,503)
Other intangible assets	-	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(7,830)</b>	<b>(673)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,503)</b>
<b>Net Book Value</b>	<b>1,244</b>	<b>(207)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,037</b>

- Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None.
- Information on revalued intangible assets according to their types: None.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### I. Explanations and Disclosures Related to the Assets (continued)

##### 13. Information on intangible assets: (continued)

- g) Amount of total research and development expenses recorded in income statement
- h) within the period if any: None.
- i) Positive or negative consolidation goodwill on entity basis: None.
- j) Information on goodwill: None
- h) Movements on goodwill in the current period: None

##### 14. Investment Property (Net):

None.

##### 15. Explanations on deferred tax assets:

- a) As of December 31, 2012, deferred tax asset calculated on tax losses and tax deductions or exemptions have been no balance. (December 31, 2011: TL 320 deferred tax asset). Deferred tax asset calculated on the other temporary differences is TL 2,758 (December 31, 2011: TL 2,087 deferred tax asset).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	December 31, 2012	December 31, 2011
<b>At January 1</b>	<b>2,407</b>	<b>780</b>
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	4,305	(2,057)
<b>Deferred tax (charge)/ benefit (Net)</b>	<b>4,305</b>	<b>(2,057)</b>
Deferred tax accounted for under Shareholders' Equity	(3,954)	3,684
<b>Deferred Tax Asset</b>	<b>2,758</b>	<b>2,407</b>

	December 31, 2012		December 31, 2011	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	7,051	1,410	4,901	980
Provisions	880	176	1,452	290
Diğer serbest karşılıklar	5,198	1,039	3,302	661
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	14	3	173	35
Deferred Commission	1,510	303	1,350	270
Financial Assets	994	199	2,390	478
Tax Losses	-	-	1,599	320
<b>Deferred Tax Assets</b>		<b>3,130</b>		<b>3,034</b>
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	1,844	369	2,158	432
Financial Assets	-	-	901	180
Other	14	3	77	15
<b>Deferred tax liability (-)</b>		<b>372</b>		<b>627</b>
<b>Deferred tax Asset (Net)</b>		<b>2,758</b>		<b>2,407</b>

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **I. Explanations and Disclosures Related to the Assets (continued)**

#### **16. Information on assets held for sale and discontinued operations:**

None.

#### **17. Information on other assets:**

a) Breakdown of other assets:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Settlement Accounts	24,691	10,777
System Investments	14,899	6,486
Prepaid Expenses	2,169	1,777
Advances Given	243	244
Other	1,921	1,142
<b>Toplam</b>	<b>43,923</b>	<b>20,426</b>

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**II. Explanations and Disclosures Related to the Liabilities****1. Information on maturity structure of deposits:****a.1) December 31, 2012 :**

	<b>7 Day Call</b>	<b>Up to</b>	<b>1-3</b>	<b>3-6</b>	<b>6 Month-</b>	<b>1 Year</b>	<b>Accumulating</b>	<b>Total</b>
	<b>Demand</b>	<b>Accounts</b>	<b>Months</b>	<b>Months</b>	<b>1 Year</b>	<b>And over</b>	<b>Deposits</b>	
Saving deposits	13,746	-	15,183	716,652	113,849	592	401	- 860,423
Foreign currency deposits	62,152	-	11,509	592,331	90,645	11,871	18	- 768,526
Residents in Turkey	50,880	-	9,536	525,706	85,666	5,407	18	- 677,213
Residents abroad	11,272	-	1,973	66,625	4,979	6,464	-	- 91,313
Public sector deposits	5,031	-	-	-	-	-	-	- 5,031
Commercial deposits	86,392	-	21,590	247,659	54,665	52,754	8,142	- 471,202
Other institutions deposits	139	-	358	21,472	-	-	7	- 21,976
Precious metals deposits	-	-	-	-	-	-	-	-
Interbank deposits	824	-	7,001	-	14,330	-	-	- 22,155
Central Bank of Turkey	-	-	-	-	-	-	-	-
Domestic Banks	34	-	7,001	-	-	-	-	- 7,035
Foreign Banks	790	-	-	-	14,330	-	-	- 15,120
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>168,284</b>	<b>-</b>	<b>55,641</b>	<b>1,578,114</b>	<b>273,489</b>	<b>65,217</b>	<b>8,568</b>	<b>- 2,149,313</b>

**a.2) December 31, 2011:**

	<b>7 DayCall</b>	<b>Up to 1</b>	<b>1-3</b>	<b>3-6</b>	<b>6 Month-</b>	<b>1 Year</b>	<b>Accumulating</b>	<b>Total</b>
	<b>Demand</b>	<b>Month</b>	<b>Month</b>	<b>Month</b>	<b>1 Year</b>	<b>And over</b>	<b>Deposits</b>	
Saving deposits	8,381	-	20,309	447,335	137,514	1,611	644	- 615,794
Foreign currency deposits	53,305	-	29,208	495,472	85,043	11,604	297	- 674,929
Residents in Turkey	52,032	-	29,181	425,311	65,681	10,684	18	- 582,907
Residents abroad	1,273	-	27	70,161	19,362	920	279	- 92,022
Public sector deposits	1,106	-	-	-	-	-	-	- 1,106
Commercial deposits	39,679	-	57,337	153,196	17,703	24,085	3,016	- 295,016
Other institutions deposits	209	-	41	6,471	1,339	1	6	- 8,067
Precious metals deposits	-	-	-	-	-	-	-	-
Interbank deposits	668	-	-	-	-	-	-	- 668
Central Bank of Turkey	-	-	-	-	-	-	-	-
Domestic Banks	10	-	-	-	-	-	-	- 10
Foreign Banks	658	-	-	-	-	-	-	- 658
Participation Banks	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>103,348</b>	<b>-</b>	<b>106,895</b>	<b>1,102,474</b>	<b>241,599</b>	<b>37,301</b>	<b>3,963</b>	<b>- 1,595,580</b>

**b.1) Information on saving deposits under the guarantee of saving deposits insurance:****i. Information on saving deposits:**

<b>Saving Deposits (*)</b>	<b>Under the Guarantee of Insurance</b>		<b>Exceeding the Limit of Insurance</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Saving deposits	114,937	113,927	739,755	497,578
Foreign currency saving deposits	31,459	29,427	416,526	301,642
Other deposits in the form of saving deposits	122	176	5,115	4,287
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>149,518</b>	<b>143,530</b>	<b>1,161,396</b>	<b>803,507</b>

(\*) According to the BRSA's circular no 1584 dated February 23, 2005, accruals are included in the saving deposit amount.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### II. Explanations and Disclosures Related to the Liabilities (continued)

ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

	December 31, 2012	December 31, 2011
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	1,625	1,517
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

#### 2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Forward Transactions	-	-	-	39
Swap Transactions	-	203	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>203</b>	<b>-</b>	<b>39</b>

#### 3. a) Information on banks and other financial institutions:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
From Domestic Banks and Institutions	11,151	23,765	14,691	24,496
From Foreign Banks, Institutions and Funds	13,553	84,026	1,235	64,309
<b>Total</b>	<b>24,704</b>	<b>107,791</b>	<b>15,926</b>	<b>88,805</b>

b) Maturity analysis of borrowings:

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Short-term	24,704	61,958	15,926	72,532
Medium and long-term	-	45,833	-	16,273
<b>Total</b>	<b>24,704</b>	<b>107,791</b>	<b>15,926</b>	<b>88,805</b>

c) Additional explanations related to the concentrations of the Bank's major liabilities:

Bank diversifies its funding resources by customer deposits and foreign borrowings. 67% of bank deposits and 36% of other deposits are composed of foreign currency deposits.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

## II. Explanations and Disclosures Related to the Liabilities (continued)

### 4. Information on funds provided from repurchase agreement transactions :

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
<b>From domestic transactions</b>	<b>209,986</b>	-	<b>97,725</b>	-
Financial institutions and organizations	209,983	-	97,710	-
Other institutions and organizations	-	-	-	-
Real persons	3	-	15	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>209,986</b>	-	<b>97,725</b>	-

Funds provided under repurchase agreements carried by the assets of the Bank's balance sheet are described in the table below:

	December 31, 2012		December 31, 2011	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	138,316	169,910	71,088	79,350
Held to Maturity Investments	39,389	40,073	19,000	18,360
Financial assets held for trading	-	-	-	-
<b>Total</b>	<b>177,705</b>	<b>209,983</b>	<b>90,088</b>	<b>97,710</b>

5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total: None.

### 6. Explanations on lease obligations (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

- b) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

- c) Explanation on finance lease payables: None (December 31, 2011: None.)

- d) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In the first nine months of 2012, operational lease expenses amounting to TL 8,976 have been recorded in the profit and loss accounts (December 31, 2011: TL 8,084). The lease periods vary between 5 and 10 years.

Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

## II. Explanations and Disclosures Related to the Liabilities (continued)

### 7. Information on derivative financial liabilities for hedging purposes:

None.

### 8. Information on provisions:

a) Information on general provisions:

	December 31, 2012	December 31, 2011
General Provisions		
Provisions for First Group Loans and Receivables	16,506	11,766
- Additional provision for extentioned loans	116	-
Provisions for Second Group Loans and Receivables	1,215	813
- Additional provision for extentioned loans	2,240	-
Provisions for Non-cash Loans	1,917	1,809
<b>Total</b>	<b>21,994</b>	<b>14,388</b>

General provision movement for first, second group of loans and receivables and non-cash loans is as follows:

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
<b>January 1, 2012</b>	11,766	813	1,809
Additions	4,856	2,642	108
Disposals	-	-	-
<b>December 31, 2012</b>	<b>16,622</b>	<b>3,455</b>	<b>1,917</b>

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TL 3,874 (December 31, 2011: TL 351) on the foreign currency indexed loans are netted off from loans on the balance sheet.

c) The specific provisions of TL 1,813 (December 31, 2011: TL 2,578) were provided for unindemnified non cash loans.

d) Information on employee termination benefits and unused vacation accrual:

The Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No:19 and reflected this in the financial statements.

d.1) Movement of employee termination benefits:

	December 31, 2012	December 31, 2011
As of January 1	2,969	2,173
Service cost	682	508
Interest cost	283	203
Actuarial gain / (loss)	1,349	314
Benefits paid	(385)	(229)
Additional indemnities or expenses/ (income)	-	-
<b>End of period</b>	<b>4,898</b>	<b>2,969</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### II. Explanations and Disclosures Related to the Liabilities: (continued)

d.2) Information on employee termination benefits and unused vacation accrual:

Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No: 19 and reflected this in the financial statements.

	December 31, 2012	December 31, 2011
Employee termination benefit provision	4,898	2,969
Unused vacation provision	2,153	1,932
<b>Total of provision for employee benefits</b>	<b>7,051</b>	<b>4,901</b>

In accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits"; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

Actuarial calculations are based on **retirement pay liability rights that are defined in the Labour Law No. 1475, and** based on employees' details as of valuation date. Within the framework of the assumptions used in the actuarial calculation TMS19 is determined as follows:

	Assumptions
Discount rate	7,00%
Inflation rate	4,80%

e) Information on other provisions:

e.1) Provisions for possible losses: None.

e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:

	December 31, 2012	December 31, 2011
Specific provisions provided for unindemnified non cash loans	1,813	2,578
Other provisions (*)	6,078	4,755
<b>Total</b>	<b>7,891</b>	<b>7,333</b>

Provision movement for unindemnified non cash loans and other provisions is as follows:

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
<b>December 31, 2011</b>	2,578	4,755
Additions	982	4,980
Disposals	(1,748)	(3,657)
<b>December 31, 2012</b>	<b>1,812</b>	<b>6,078</b>

(\*) Other provisions include TL 4,750 of bonus provisions, TL 145 of the remaining provision from 2011, TL 302 of provisions for other assets, TL 582 of litigation provision, TL 299 of other provisions. (December 31, 2011: TL 3,000 bonus provision, TL 751 of loan related provision, TL 1,004 of legal claim provision).

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **II. Explanations and Disclosures Related to the Liabilities: (continued)**

f) Liabilities on pension rights: None.

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

#### **9. Explanations on taxes payable:**

a) Information on current tax liability:

a.1) As of December 31, 2012, remaining tax liability after prepaid taxes are netted off;

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Current Period Tax Payable	9,455	-
Prepaid Tax	(8,052)	-
<b>Total</b>	<b>1,403</b>	<b>-</b>

#### **II. Explanations and Disclosures Related to the Liabilities (continued)**

a.2) Explanations on taxes payable:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Corporate Tax Payable	2,319	1,535
BSMV	1,952	1,923
Taxation on Securities	1,403	-
Payroll Tax	868	753
Property Tax	219	210
Value Added Tax Payable	173	266
Stamp Tax	30	20
Other	42	136
<b>Total</b>	<b>7,006</b>	<b>4,843</b>

a.3) Information on premiums:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Social Security Premiums-Employee	472	392
Social Security Premiums-Employer	322	267
Bank Social Aid Pension Fund Premium-Employee	44	37
Bank Social Aid Pension Fund Premium-Employer	22	18
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
<b>Total</b>	<b>860</b>	<b>714</b>

b) Explanations on deferred tax liabilities, if any: None

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **II. Explanations and Disclosures Related to the Liabilities (continued)**

##### **10. Information on liabilities regarding assets held for sale and discounted operations:**

None.

##### **11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:**

The bank does not have subordinated loans.

##### **12. Information on Shareholders' Equity:**

###### a) Presentation of Paid-in capital:

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TL 170,000 to TL 300,000, and it was registered in the Turkish Trade RegisTL Gazette dated June 20, 2011 numbered 7840. According to the BRSA Approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TL 65,000 have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA Decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

As of September 31, 2012 the nominal value of the Bank's paid-in-capital is amounting to TL 300,000 and consists of 3,000 million shares.

<b>000 TL</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Common stock(*)	300,000	300,000
Preferred stock	-	-

(\*) Nominal Capital

- b) The Bank does not apply registered share capital system.
- c) Information on share capital increases and their sources; other information on increased capital shares in the current period: None
- d) Information on share capital increases from revaluation funds in the current period: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **II. Explanations and Disclosures Related to the Liabilities (continued)**

- g) Information on preferred shares: None.
- h) Information on marketable securities value increase fund:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
From Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)	-	-
Valuation Difference	8,824	(6,989)
Foreign Exchange Difference	-	-
<b>Total</b>	<b>8,824</b>	<b>(6,989)</b>

#### **13. Information on legal reserves :**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
First Legal reserves	967	789
Second Legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>967</b>	<b>789</b>

#### **14. Information on extraordinary reserves:**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Reserves appropriated by the General Assembly	-	-
Retained earnings	15,927	12,544
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>15,927</b>	<b>12,544</b>

#### **15. Information on minority shares: None.**

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

### III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments

#### 1. Information on off-balance sheet liabilities:

##### a) Nature and amount of irrevocable loan commitments:

	December 31, 2012	December 31, 2011
Loan granting commitments	32,554	38,849
Payment commitments for checks	81,885	67,900
Forward asset purchase and sales commitments	41,073	41,315
Other irrevocable commitments	30,884	22,265
<b>Total</b>	<b>186,396</b>	<b>170,329</b>

##### b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

##### b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

	December 31, 2012	December 31, 2011
Bank acceptance loans	5,372	11,597
Letters of credit	52,105	92,948
Other guarantees and collaterals	82,941	84,979
<b>Total</b>	<b>140,418</b>	<b>189,524</b>

##### b.2) Guarantees, suretyships, and similar transactions:

	December 31, 2012	December 31, 2011
Definite letter of guarantess	681,630	613,527
Temporary letter of guarantees	137,318	110,483
Other letter of guarantees Diğer	119,543	117,094
<b>Total</b>	<b>938,491</b>	<b>841,104</b>

##### c) c.1) Total amount of non-cash loans:

	December 31, 2012	December 31, 2011
Non-cash loans given against achieving cash loans	61,095	72,176
With maturity of 1 year or less than 1 year	17,733	14,108
With maturity of more than 1 year	43,362	58,068
Other non-cash loans	1,017,814	958,452
<b>Total</b>	<b>1,078,909</b>	<b>1,030,628</b>

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)**

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2012				December 31, 2011			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	5,757	0.64	6,273	1.91	4,924	1.11	2,316	0.64
Farming and raising livestock	4,080	0.46	6,269	1.91	4,071	0.97	2,316	0.64
ForesTL	1,581	0.18	4	0.00	795	0.13	-	0.00
Fishery	96	0.01	-	0.00	58	0.01	-	0.00
Manufacturing	164,574	18.36	175,482	53.48	175,666	28.93	178,914	49.36
Mining	30,763	3.43	2,790	0.85	50,264	9.38	22,715	6.27
Production	132,791	14.82	158,509	48.31	125,193	19.52	156,186	43.09
Electric, gas and water	1,020	0.11	14,183	4.32	209	0.02	13	0.00
Construction	346,291	38.64	63,988	19.50	292,703	35.57	95,928	26.47
Services	332,761	37.13	77,760	23.70	226,690	28.48	80,934	22.33
Wholesale and retail trade	170,730	19.05	26,260	8.00	111,961	12.88	36,347	10.03
Hotel, food and beverage services	7,760	0.87	4,119	1.26	6,152	0.81	484	0.13
Transportation and telecommunication	25,629	2.86	15,177	4.63	9,386	2.60	8,560	2.36
Financial institutions	92,346	10.30	10,591	3.23	49,022	6.97	20,546	5.67
Real estate and renting services	3,837	0.43	10	0.00	5,019	0.42	5,494	1.52
Self-employment services	11,208	1.25	21,523	6.56	18,445	2.83	9,503	2.62
Education services	184	0.02	-	0.00	274	0.02	-	0.00
Health and social services	21,067	2.35	80	0.02	26,431	1.95	-	0.00
Other	46,752	5.22	4,594	1.40	84,932	5.90	4,354	1.20
<b>Total</b>	<b>896,135</b>	<b>100.00</b>	<b>328,097</b>	<b>100.00</b>	<b>784,915</b>	<b>100.00</b>	<b>362,446</b>	<b>100.00</b>

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group (*)		II nd Group	
	TL	FC	TL	FC
Letters of guarantee	760,797	157,719	18,867	1,108
Bank acceptances	-	5,372	-	-
Letters of credit	-	52,105	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	162	82,779	-	-
<b>Total</b>	<b>760,959</b>	<b>297,975</b>	<b>18,867</b>	<b>1,108</b>

(\*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TL 6,804 for non-cash loans not yet indemnified amounting to TL 1,812.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)****2. Information related to derivative financial instruments:**

	Derivative transactions according to purposes			
	Trading		Hedging	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):				
Forward transactions	-	10,117	-	-
Swap transactions	46,482	-	-	-
Futures transactions	-	-	-	-
Option transactions	-	-	-	-
Interest related derivative transactions (II) :				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	-	-	-	-
A. Total trading derivative transactions (I+II+III)	46,482	10,117	-	-
<b>Types of hedging transactions</b>	-	-	-	-
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>46,482</b>	<b>10,117</b>	<b>-</b>	<b>-</b>

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to TAS, they do not qualify as hedging instruments but trading and are remeasured at fair value.

As of December 31, 2012 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TL equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2012								
TL	-	-	-	-	-	-	-	-
USD	-	-	23,142	-	-	-	-	-
EURO	-	-	-	23,340	-	-	-	-
Diğer	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>23,142</b>	<b>23,340</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
December 31, 2011								
TL	1,921	1,900	-	-	-	-	-	-
USD	2,540	2,534	-	-	-	-	-	-
EURO	611	611	-	-	-	-	-	-
Diğer	-	-	-	-	-	-	-	-
<b>Total</b>	<b>5,072</b>	<b>5,045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)**

##### **3. Explanations on contingent liabilities and assets:**

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
  - b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2012 and 2011 there are no contingent assets that need to be explained.
  - b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: Contingent liabilities as of December 31, 2012 and 2011 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

##### **4. Custodian and intermediary services:**

The Bank provides security purchase-sell and safe keeping services in the name of real persons and legal entities. Details of investment securities held in custody are given in the Statement of Off Balance Sheet Contingencies and Commitments.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**IV. Explanations and Disclosures Related to the Statement of Income****1. a) Information on interest on loans:**

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Interest on loans (*)				
Short term loans	171,370	16,488	97,088	13,176
Medium and long term loans	40,079	1,131	28,786	2,781
Interest on non-performing loans	528	-	689	-
<b>Total</b>	<b>211,977</b>	<b>17,619</b>	<b>126,563</b>	<b>15,957</b>

(\*) Includes fees and commissions obtained from cash loans.

**b) Information on interest received from banks:**

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	179	205	212	193
Foreign banks	-	5	-	6
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>179</b>	<b>210</b>	<b>212</b>	<b>199</b>

**c) Interest received from marketable securities portfolio:**

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Trading securities	24	-	18	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	23,396	788	19,398	2,233
Held-to-maturity securities	5,316	-	3,985	-
<b>Total</b>	<b>28,736</b>	<b>788</b>	<b>23,401</b>	<b>2,233</b>

**d) Information on interest income received from associates and subsidiaries:** None**2. a) Information on interest on funds borrowed:**

	December 31, 2012		December 31, 2011	
	TL	FC	TL	FC
Interest on funds borrowed (*)				
Banks	2,921	4,805	2,745	3,308
The Central Bank of Turkey	-	-	-	-
Domestic banks	1,139	683	1,092	608
Foreign banks	1,782	4,122	1,653	2,700
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>2,921</b>	<b>4,805</b>	<b>2,745</b>	<b>3,308</b>

(\*) Includes fees and commission expenses for borrowings.

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**IV. Explanations and Disclosures Related to the Statement of Income (continued)****b. Information on interest expense to associates and subsidiaries:** None.**c. Information on interest expense to marketable securities issued:** None.**d. Distribution of interest expense on deposits based on maturity of deposits:**

<b>December 31, 2012</b>								
<b>Time Deposits</b>								
<b>Account Name</b>	<b>Demand Deposits</b>	<b>Up to 1 Month</b>	<b>Up to 3 Months</b>	<b>Up to 6 Months</b>	<b>Up to 1 Year</b>	<b>More than 1 Year</b>	<b>Accumulating Deposits</b>	<b>Total</b>
<b>TL</b>								
Bank deposits	-	2	-	-	-	-	-	2
Saving deposits	-	4,224	60,082	16,784	827	85	-	82,002
Public sector deposits	-	6	-	-	-	-	-	6
Commercial deposits	-	3,368	17,250	1,506	2,737	493	-	25,354
Other deposits	-	50	1,712	48	-	-	-	1810
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>7,650</b>	<b>79,044</b>	<b>18,338</b>	<b>3,564</b>	<b>578</b>	-	<b>109,174</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	1,797	24,218	2,586	1,034	8	-	29,643
Bank deposits	-	231	-	-	-	-	-	231
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2,028</b>	<b>24,218</b>	<b>2,586</b>	<b>1,034</b>	<b>8</b>	-	<b>29,874</b>
<b>Grand Total</b>	-	<b>9,678</b>	<b>103,262</b>	<b>20,924</b>	<b>4,598</b>	<b>586</b>	-	<b>139,048</b>
<b>December 31, 2011</b>								
<b>Time Deposits</b>								
<b>Account Name</b>	<b>Demand Deposits</b>	<b>Up to 1 Month</b>	<b>Up to 3 Months</b>	<b>Up to 6 Months</b>	<b>Up to 1 Year</b>	<b>More than 1 Year</b>	<b>Accumulating Deposits</b>	<b>Total</b>
<b>TL</b>								
Bank deposits	-	28	-	-	-	-	-	28
Saving deposits	-	1,562	37,584	5,422	82	14	-	44,664
Public sector deposits	-	5	-	-	-	-	-	5
Commercial deposits	-	3,522	15,151	1,212	474	16	-	20,375
Other deposits	-	9	986	10	-	-	-	1,005
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>5,126</b>	<b>53,721</b>	<b>6,644</b>	<b>556</b>	<b>30</b>	-	<b>66,077</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	2,660	19,605	2,049	341	4	-	24,659
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	-	<b>2,660</b>	<b>19,605</b>	<b>2,049</b>	<b>341</b>	<b>4</b>	-	<b>24,659</b>
<b>Grand Total</b>	-	<b>7,786</b>	<b>73,326</b>	<b>8,693</b>	<b>897</b>	<b>34</b>	-	<b>90,736</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

##### 3. Information on Dividend Income:

	December 31, 2012	December 31, 2011
Trading Securities	-	-
Financial Assets at fair value through profit and loss	-	-
Available for sale securities	7	5
Other	-	-
<b>Total</b>	<b>7</b>	<b>5</b>

##### 4. Information on net trading income:

	December 31, 2012	December 31, 2011
<b>Income</b>	<b>1,042,944</b>	<b>1,465,199</b>
Gains on capital market operations	3,176	5,953
Gains on derivative financial instruments	1,379	14,248
Foreign exchange gains	1,038,389	1,444,998
<b>Losses (-)</b>	<b>(1,039,272)</b>	<b>(1,460,297)</b>
Losses on capital market operations	(88)	(8)
Losses on derivative financial instruments	(2,877)	(14,244)
Foreign exchange losses	(1,036,307)	(1,446,045)

##### 5. Information on other operating income:

	December 31, 2012	December 31, 2011
Reversal of free provisions	3,624	610
Reversal of specific provisions (cash)	3,342	8,371
Reversal of undeminified non-cash loan provision	1,748	358
Income from sales of assets written off	451	775
Income of previous year	137	210
Provisions for communication expense collected from customers	76	92
Provisions for expenditure collected from customers	84	50
Reversal of general loan loss provisions	-	214
Other	217	695
<b>Total</b>	<b>9,679</b>	<b>11,375</b>

**TURKLAND BANK ANONİM ŞİRKETİ****NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

**IV. Explanations and Disclosures Related to the Statement of Income (continued)****6. Provision for impairment of loans and other receivables:**

	December 31, 2012	December 31, 2011
Specific provisions for loans and other receivables	21,071	7,216
III. Group Loans and Receivables	4,605	1,174
IV. Group Loans and Receivables	4,954	1,551
V. Group Loans and Receivables	11,512	4,491
General loan loss provision expenses	7,606	4,889
Provision expenses for possible losses	-	300
Marketable securities impairment losses	553	155
Financial assets at fair value through profit and loss	-	2
Investment securities available for sale	553	153
Impairment provision expense on investments	14	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	14	-
Other	983	854
<b>Total</b>	<b>30,227</b>	<b>13,414</b>

**7. Information on other operating expenses:**

	December 31, 2012	December 31, 2011
Personnel expenses	51,357	43,132
Reserve for employee termination benefits	1,928	796
Taxes and duties	2,454	2,146
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,326	4,363
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	673	778
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	62	24
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	30,165	24,812
Rent expenses	8,975	8,084
Maintenance expenses	1,290	1,167
Advertisement expenses	449	365
Other expenses(*)	19,451	15,196
Loss on sales of assets (***)	2	7,229
Other(**)	6,169	3,518
<b>Total</b>	<b>97,136</b>	<b>86,798</b>

(\*) Included in other operating expenses; vehicle expenses are TL 3,518, communication expenses are TL 2,155, cleaning expenses are TL 1,747, non-deductible expenses TL 522, heating- lightening expenses are TL 1,046, stationery expenses are TL 542, computer usage expenses TL 1,874, insurance expenses TL 380, TL 4,890 other provisions, TL 825 expertise expense, TL 832 representation expenses and other expenses are TL 1,030 (December 31, 2011: TL 3,304 vehicle; TL 1,839 communication, TL 1,432 cleaning, TL 238 non-deductible expenses, TL 947 heating- lightening; TL 510 stationery, TL 1,190 computer usage expenses and TL 273 insurance expense, TL 3,362 other provisions and TL 2,101 other expenses).

(\*\*) Included in other; the premiums paid to Saving Deposit Insurance Fund is TL 1,132, assurance and financial services expenses are TL 1,526, unused vacation expenses are TL 221 and other expenses are TL 3,290. (December 31, 2012: TL 1,013 premiums paid to Saving Deposit Insurance Fund; TL 1,525 assurance and financial consultancy expenses, unused vacation expenses are TL 511 and TL 469 other expenses).

(\*\*\*) According to the Board of Directors decision numbered 495/B and dated October 26, 2011, non-performing loans with a principal amount of TL 7,223 are sold to an asset management company as of December 31, 2012.

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **IV. Explanations and Disclosures Related to the Statement of Income (continued)**

##### **8. Information on profit/(loss) from continued and discontinued operations before taxes:**

##### **9. Information on tax provision for continued and discontinued operations:**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Profit before tax</b>	<b>17,859</b>	<b>5,618</b>
Tax at the domestic income tax rate of 20% (2011: 20%)	(3,572)	(1,124)
Disallowables and other, net	(1,578)	(933)
<b>Tax Calculated</b>	<b>(5,150)</b>	<b>(2,057)</b>

##### **10. Information on net profit/(loss) from continued and discontinued operations:**

The Bank has TL 3,561 net profit as of December 2011 and TL 12,709 net profit as of December 2012.

##### **11. The explanations on net income / loss for the period:**

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### IV. Explanations and Disclosures Related to the Statement of Income (continued)

##### 12. 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:

	December 31, 2012	December 31, 2011
<b>Other fees and commissions received</b>		
Expertise fees collected from customers	844	570
Transfer commissions	424	457
Letters of credit commissions	28	102
Insurance commissions	109	110
Bills for collection commissions	113	128
Credit cards commissions and fees	6	6
Other banking operations income.	10,107	8,410
<b>Total</b>	<b>11,631</b>	<b>9,783</b>
<b>Other fees and commissions given</b>		
Commissions given to banks	99	89
EFT commissions	-	-
Bond exchange transaction fee	30	27
Money transfer commission	87	62
Credit card commissions	460	482
Clearing reserve commission	10	14
ATM commissions	121	87
Other	95	98
<b>Total</b>	<b>902</b>	<b>859</b>

#### V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity

- Increase resulting from revaluation of financial assets available for sale : TL 15,813 (December 31, 2011: TL 14,735 increase )
- Increase in cash flow risk hedging items: None.
  - Reconciliation of beginning and ending balances: None.
  - Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.
- Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.
- Amounts transferred to legal reserves: TL 178 (December 31,2011:TL 123)
- Information on shares issued:

The Bank does not have any issued debt securities. As of the date of approval of these financial statements, there is no subsequent dividend announcement of the Bank after the balance sheet date.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### VI. Explanations and Disclosures Related To Statement Of Cash Flows

##### 1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TL 32,509 in “Operating profit before changes in operating assets and liabilities” in essence consist of fees and commissions paid, gain/losses from derivative financial instruments and other operating expenses except for personnel expenses, leasing expenses, reserve for employee termination benefits, depreciation expenses and taxes paid.

“Net increase/decrease in other liabilities” amounting to TL 28,807 in “Changes in operating assets and liabilities” in essence consists of changes in sundry creditors, other liabilities and tax liability.

“Net increase/decrease in other assets” amounting to TL 23,505 in “Changes in operating assets and liabilities” in essence consists of changes in sundry debtors and other assets.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is calculated as approximately 5,709 TL and it represents the effect of the change in the foreign exchange rates over the foreign currency cash and cash equivalents

##### 2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

Beginning of the period	December 31, 2011	December 31, 2010
<b>Cash</b>		
Cash in TL/Foreign Currency	16,373	15,300
Central Bank	65,030	44,750
Other	-	-
<b>Cash equivalents</b>		
Banks	80,368	79,931
Money market placements	80,000	14,000
<b>Total cash and cash equivalents</b>	<b>241,771</b>	<b>153,981</b>
End of the period	December 31, 2012	December 31, 2011
<b>Cash</b>		
Cash in TL/Foreign Currency	23,556	16,373
Central Bank	85,857	65,030
Other	-	-
<b>Cash equivalents</b>		
Banks	97,525	80,368
Money market placements	152,000	80,000
<b>Total cash and cash equivalents</b>	<b>358,938</b>	<b>241,771</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### VII. Explanations on the Risk Group of the Bank

##### 1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) December 31, 2012:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at beginning of period	-	-	192	7,522	-	2,346
Balance at end of period	-	-	59	3,194	6,954	4,376
<b>Interest and commission income</b>	-	-	-	20	701	33

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contain foreign bank accounts amounting to TL 59.

b) December 31, 2011

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at beginning of period	-	-	10	1,024	42	7,254
Balance at end of period	-	-	192	7,522	-	2,346
<b>Interest and commission income</b>	-	-	1	30	-	38

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TL 123.

c) c.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<b>Deposits</b>						
Balance at beginning of period	-	-	488	93	16,852	10,841
Balance at end of period	-	-	1,223	488	289	16,852
<b>Interest on deposits</b>	-	-	-	-	1,066	255

In addition, the Bank has "Funds Borrowed" at an amount of TL 42,226 used from risk group of the Bank (December 31, 2011: TL 19,833 ) and TL 2.710 (December 31, 2011: TL 2,966 ) interest expense was incurred from funds borrowed in 2012.

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.

d) As of December 31, 2012, the total amount of remuneration and benefits provided to the senior management of the Bank is TL 6,162 (December 31, 2011: TL 5,193)

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

#### **VII. Explanations on the Risk Group of the Bank (continued)**

##### **2. Disclosures for related parties:**

- a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various commercial transactions with related parties.

- b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	<b>Amount</b>	<b>% Compared to the Amounts in the Financial Statements</b>
Cash loans	6,954	0,34
Banks and other receivables	59	0,06
Non-cash loans	7,570	0,62
Deposits	1,512	0,07
Borrowings	42,266	31,90

These transactions are priced in accordance with the general pricing policies of the Bank.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.35%. Details of these loans are explained in 1a above.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

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

#### VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches

##### 1. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches:

	Number	Employees			
Domestic branches	27	524			
			CounTL		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

##### 2. Explanations on Branch and Agency Openings or Closings of the Bank::

None.

#### IX. Explanations and disclosures related to subsequent events

According to the official gazette dated January 26, 2013 and numbered 28540 based on the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey, the new reserve deposit rates are disclosed below:

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%12,0	%9	Ratios for corresponding maturities	%12,0	%10	%6

TL reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/ participation accounts up to 1-month maturity (including 1-month)	Deposits/ participation accounts up to 3-month maturity (including 3-month)	Deposits/ participation accounts up to 6-month maturity (including 6-month)	Deposits/ participation accounts up to 1-year maturity	Deposits/ participation accounts with 1-year and longer maturity and cumulative deposits/ participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
%11,25	%11,25	%11,25	%8,25	%6,25	%5	%11,25	%8,0	%5,0

## **TURKLAND BANK ANONİM ŞİRKETİ**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012**

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

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#### **SECTION SIX OTHER EXPLANATIONS**

##### **I. Other Explanations on the Operations of the Bank:**

The Bank is not required to prepare consolidated financial statements as per the decree of "Preparation of financial statements of the Bank" published in the official gazette dated November 8, 2006 and mubered 26340.

#### **SECTION SEVEN INDEPENDENT AUDITOR'S REPORT**

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

The unconsolidated financial statements of the Bank as of and for the year ended December 31, 2012 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's report dated February 22, 2013 is presented preceding the financial statements.

##### **II. Other Footnotes and Explanations Prepared by Independent Auditors:**

None.

**TURKLAND BANK A.Ş.  
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2012**

## **Independent auditor's report**

To the Board of Directors and Shareholders of  
Turkland Bank A.Ş.

We have audited the accompanying financial statements of Turkland Bank A.Ş. (the Bank), which comprise the statement of financial position as at December 31, 2012 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul / February 22, 2013

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# TURKLAND BANK ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2012

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

	Notes	December 31, 2012	December 31, 2011
<b>ASSETS</b>			
Cash and due from banks	3	121,082	96,743
Money market placements and funds rent under resale agreements		152,025	80,043
Balances with Central Bank	4	267,040	184,542
Financial assets at fair value through profit or loss	5	182	177
Derivative financial instruments	14	5	66
Loans and advances	6	2,004,926	1,456,425
Investment securities:	5	140,110	239,958
- Available-for-sale		108,816	204,745
- Held-to-maturity		31,294	35,213
Securities pledged under repurchase agreements	5	209,804	97,121
- Available-for-sale	5	170,139	78,596
- Held-to-maturity	5	39,665	18,525
Premises and equipment	7	11,380	11,721
Intangible assets	8	1,037	1,244
Deferred tax asset	13	5,374	4,986
Other assets	9	43,322	20,227
<b>Total assets</b>		<b>2,956,287</b>	<b>2,193,253</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Customers' deposits	10	2,127,158	1,594,912
Deposits from other banks	10	22,155	668
Obligations under repurchase agreements	5	209,986	97,725
Derivative financial instruments	14	203	39
Funds borrowed	11	132,495	104,731
Other liabilities	12	71,464	42,485
Provisions	12	13,281	10,535
Income taxes payable	13	1,403	-
<b>Total liabilities</b>		<b>2,578,145</b>	<b>1,851,095</b>
<b>EQUITY</b>			
Share capital issued	15	333,398	333,398
Unrealized gains/(losses) on available-for-sale investments, net of tax		8,824	(6,989)
Reserves	16	3,713	3,535
Retained earnings	16	32,207	12,214
<b>Total equity</b>		<b>378,142</b>	<b>342,158</b>
<b>Total liabilities and equity</b>		<b>2,956,287</b>	<b>2,193,253</b>

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

# TURKLAND BANK ANONİM ŞİRKETİ

## INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

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

	Notes	January 1 – December 31, 2012	January 1 – December 31, 2011
Interest income	18	263,230	170,562
Interest expenses	19	(153,728)	(100,508)
<b>Net interest income</b>		<b>109,502</b>	<b>70,054</b>
<b>Fees and commissions and other operating income</b>			
Fees and commissions income	21	22,748	20,238
Fees and commissions expenses	21	(953)	(900)
<b>Net fees and commissions income</b>		<b>21,795</b>	<b>19,338</b>
Trading gain/(loss), net	22	1,590	5,949
Provisions for impairment of loans and receivables	6-12	(18,442)	(11,604)
Foreign exchange gain / (loss), net		2,081	(1,047)
Other income	20	3,034	1,761
Operating expenses	23	(94,282)	(79,571)
<b>Operating profit</b>		<b>25,278</b>	<b>4,880</b>
Dividend income		7	5
<b>Profit/ (loss) before income tax</b>		<b>25,285</b>	<b>4,885</b>
Income tax – current	13	(9,454)	-
Income tax – deferred	13	4,340	(975)
<b>Net profit from continuing operations</b>		<b>20,171</b>	<b>3,910</b>

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

## TURKLAND BANK ANONİM ŞİRKETİ

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2012

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

	January 1- December 31, 2012	January 1- December 31, 2011
<b>Net profit for the year</b>	<b>20,171</b>	<b>3,910</b>
<b>Other comprehensive income</b>		
Fair value gains on available-for-sale financial assets, net of tax		
Net change in fair values	22,776	(13,597)
Net amount transferred to income	(3,011)	(4,820)
Deferred tax on valuation differences	(3,952)	3,683
<b>Other comprehensive income for the year, net of tax</b>	<b>15,813</b>	<b>(14,734)</b>
<b>Total comprehensive income for the year</b>	<b>35,984</b>	<b>(10,824)</b>

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

## TURKLAND BANK ANONİM ŞİRKETİ

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2012

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

	Notes	Share capital issued	Adjustment to share capital	Legal reserves, statutory reserves, extraordinary reserves (*)	Unrealized gains/(losses) on available-for-sale investments, net of tax	Accumulated losses/(Retained earnings)	Total
<b>At January 1, 2011</b>		170,000	148,164	7,603	7,745	(110,530)	222,982
Reclassification due to the netoff of the adjustment to share capital, accumulated losses and reserves		-	(114,766)	(6,531)	-	121,297	-
Total comprehensive income for the year		-	-	-	(14,734)	3,910	(10,824)
Transfer to legal reserves, statutory reserves and extraordinary reserves		-	-	2,463	-	(2,463)	-
Share Capital Increase		130,000	-	-	-	-	130,000
<b>At December 31, 2011</b>	<b>16</b>	<b>300,000</b>	<b>33,398</b>	<b>3,535</b>	<b>(6,989)</b>	<b>12,214</b>	<b>342,158</b>
<b>At January 1, 2012</b>		<b>300,000</b>	<b>33,398</b>	<b>3,535</b>	<b>(6,989)</b>	<b>12,214</b>	<b>342,158</b>
Total comprehensive income for the year		-	-	-	15,813	20,171	35,984
Transfer to legal reserves, statutory reserves and extraordinary reserves		-	-	178	-	(178)	-
<b>At December 31, 2012</b>	<b>16</b>	<b>300,000</b>	<b>33,398</b>	<b>3,713</b>	<b>8,824</b>	<b>32,207</b>	<b>378,142</b>

(\*) As of December 31, 2012 the Bank's legal reserves amount to TL 967 and other reserves amount to TL 2,746.

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

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

	Notes	January 1 – December 31, 2012	January 1 – December 31, 2011
<b>Cash flow from operating activities</b>			
Net profit for the year		20,171	3,910
<b>Adjustments for:</b>			
Depreciation and amortization	7-8-23	5,057	5,161
Provision for impairment of loans and advances	6-12	18,442	11,604
Provision for employment termination benefits	12	2,535	1,025
Other provision expenses	12	5,148	3,750
Foreign exchange gain /(loss)		5,709	(18,386)
Taxation	13	5,114	975
Accrued interest, net		20,258	(32,034)
<b>Operating profit before changes in operating assets/liabilities</b>		<b>82,434</b>	<b>(23,995)</b>
<b>Changes in operating assets and liabilities:</b>			
Reserve deposits with Central Bank		(61,671)	(66,152)
Other assets		(23,274)	(5,349)
Trading securities		(1)	223
Loans and advances		(585,118)	(450,592)
Deposits		665,131	546,050
Other creditors, taxes & liabilities		25,175	2,446
Income taxes paid		(7,879)	(729)
Employment termination benefits paid	12	(385)	(229)
<b>Net cash provided by operating activities</b>		<b>94,412</b>	<b>1,673</b>
<b>Cash flows from investing activities</b>			
(Additions) to premises and equipment		(1,935)	(1,166)
(Additions) to intangible assets	8	(465)	(1,155)
Cash paid for purchase of financial assets available-for-sale		(253,172)	(259,182)
Proceeds from sale of financial assets available-for-sale		273,850	191,448
Net book value of disposed premises and equipment		1,210	1,040
Cash paid for purchase of held-to-maturity investment securities		(67,307)	(28,553)
Proceeds from redemption of held-to-maturity investment securities		49,623	22,992
<b>Net cash used in investing activities</b>		<b>1,804</b>	<b>(74,576)</b>
<b>Cash flows from financing activities</b>			
Issue of share capital		-	130,000
Repayments of funds borrowed		(104,731)	(485,105)
Proceeds from funds borrowed		131,391	497,412
<b>Net cash provided by financing activities</b>		<b>26,660</b>	<b>142,307</b>
<b>Effect of change in foreign exchange rates on cash and cash equivalents</b>		<b>(5,709)</b>	<b>18,386</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>117,167</b>	<b>87,790</b>
Cash and cash equivalents at the beginning of the year		241,771	153,981
<b>Cash and cash equivalents at the end of the year</b>		<b>358,938</b>	<b>241,771</b>

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

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 1. CORPORATE INFORMATION

Turkland Bank Anonim Şirketi ("the Bank") was established in 1991 in Istanbul under the name of "Bahreyn ve Kuveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğu Group in 1992. After the change in the name of the Bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) acquired the Bank in 1997 and the name of the Bank was changed as "MNG Bank Anonim Şirketi".

An agreement was made with Arab Bank PLC and BankMed SAL relating to the sale of 91% of MNG Bank shares in mid-2006 and this agreement was approved by the Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. In this regard, while Arab Bank and BankMed purchased 50% and 41% of MNG Bank shares respectively, Mehmet Nazif Günel retained 9% of the shares. The transfer of the Bank shares was realized on January 29, 2007. The title of the Bank was changed as "Turkland Bank Anonim Şirketi" with the amendment to the Articles of Association by the decision of the Extraordinary General Assembly at the meeting on March 22, 2007.

On April 3, 2007, the title of the Bank was registered as "Turkland Bank Anonim Şirketi".

According to the Share Sale and Purchase Agreement and Board of Directors' Decision dated February 26, 2011 and July 15, 2011 respectively, Mehmet Nazif Günel's 153 million shares with TL 15,300 thousand nominal value were purchased by BankMed SAL. As of July 22, 2011 the share transfer was realized.

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TL 170,000 thousand to TL 300,000 thousand, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2012 numbered 7840. According to the BRSA Approval dated September 15, 2012 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TL 65,000 thousand have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments which are amounting to TL 130,000 thousand have been paid by shareholders and according to the BRSA decision dated October 20, 2012 numbered 22244 it has been transferred to the capital accounts.

As of December 31, 2012, the Bank has 27 branches in Turkey and its head office is at 19 Mayıs Mah. 19 Mayıs Cad. Şişli Plaza A Blok No: 7 Şişli-İstanbul. The parent and ultimate parent of the Bank is BankMed, SAL.

The financial statements of the Bank were authorized for issue by the management on February 22, 2013. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including International Accounting Standards ("IAS"). The principal accounting policies adopted in the preparation of these financial statements are set out below.

The Bank maintains its books of account and prepares its financial statements in Turkish Lira, which is the currency of the primary economic environment in which the Bank operates, in accordance with the Banking Act, based on accounting principles regulated by the "BRSA", the other relevant rules and regulations regulated by the Turkish Commercial Code and Turkish Tax Legislation.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention, except for trading securities, derivatives and available-for-sale securities which are measured at fair value, with adjustments and reclassifications for the purposes of fair presentation in accordance with IFRS. These financial statements are presented in Turkish Lira since that is the currency in which the majority of the Bank's transactions are denominated.

The accompanying IFRS financial statements adopt the accounting principles and policies applied by the BRSA in the Bank's statutory financial statements wherever those do not conflict with IFRS.

#### 2.2 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

##### Going concern

The Bank's management has made an assessment of the Bank's ability to continue as a going concern and is satisfied that the Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

##### Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification. The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for specific circumstances - for example selling an insignificant amount close to maturity - it will be required to classify the entire class as available-for-sale. The investments would therefore be measured at fair value; not amortized cost.

##### Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio, concentrations of risks and economic data.

#### Impairment of available-for-sale investments

The Bank reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

#### Deferred tax assets

Deferred tax assets are recognized in respect of tax losses if any, to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

#### Employee termination benefits

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

### 2.3 Functional and Presentation Currency

Functional and presentation currency of the Bank is the Turkish Lira (TL).

Financial statements for the year ended December 31, 2005 were the last set of financial statements that were restated for the changes in the general purchasing power of the functional currency based on International Accounting Standard No. 29 ("IAS 29") "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and that corresponding figures for previous periods be restated in the same terms.

As hyperinflationary conditions in Turkey no longer existed starting from January 1, 2006, Turkish Lira ("TL") has been treated as a more stable currency since that time and the financial statements of the Bank prepared in accordance with IFRSs are not required to be adjusted further for hyperinflationary accounting.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement.

Foreign currency translation rates used by the Bank as of respective year-ends are as follows:

	EUR / TL	USD / TL
December 31, 2010	2.0687	1.5442
December 31, 2011	2.4442	1.8836
December 31, 2012	2.3576	1.7833

#### 2.5 Premises and Equipment

Premises and equipment are carried at cost less accumulated depreciation and impairment as at the reporting date. Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates which write off the assets over their expected useful lives:

Safes	2%-10%
Vehicles, Furniture and Fittings	6%-35%
Leasehold Improvements	6.6%-20%

Leasehold improvements are depreciated based on the shorter of the rental period or useful life of the assets.

The costs of a major inspection or overhaul that are accounted as a separate asset component are capitalized. Subsequent expenditures incurred on the premises and equipment, are added to the carrying amount of the asset when it is probable that the future economic benefits in excess of the originally assessed standard of performance of the asset will flow to the entity. All other subsequent expenditures and major inspection or overhaul costs that are embodied in the item of property and equipment are recognized as an expense when it is incurred.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

#### 2.6 Intangible Assets

Computer Software Development Costs:

The Bank generally recognizes computer software development costs as expenses in the period in which they are incurred. However, if it is probable that future economic benefits will flow to the Bank, to the extent that assets created can be identified and create future economic benefit and expenditures can reliably be measured and attributable to the asset, development costs incurred are incorporated into the initial cost of computer software. All other subsequent expenditure associated with the maintenance of the existing computer software is recognized as expense in the period in which it is incurred.

Computer software development costs capitalized as assets are amortized on a straight line basis over their expected useful lives, which is generally three years.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.7 Investments and Other Financial Assets

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale financial assets. When financial assets are recognized initially, they are measured at fair value (net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value). The Bank determines the classification of its financial assets at initial recognition.

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date that the asset is delivered to or by the Bank. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Changes in fair value of assets to be received during the period between the trade date and the settlement date are accounted for in the same way as the acquired assets i.e. for assets carried at cost or amortized cost; change in value is not recognized.

##### **a) Financial assets at fair value through profit or loss**

Financial assets classified as held-for-trading are included in this category. Trading securities are securities, which are either acquired for generating a profit from short term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short term profit taking exist. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held-for-trading are recognized in income and include any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 25.

##### **b) Held-to-maturity investments**

Non-derivative financial assets with fixed or determinable payments and fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. For investments carried at amortized cost, gains and losses are recognized in income when the investments are derecognized or impaired, as well as through the amortization process.

Interest earned whilst holding held-to- maturity securities is reported as interest income.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### c) Loans and receivables

Loans and advances to customers, include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Bank intends to sell immediately or in the near term and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- Those that the Bank, upon initial recognition, designates as available-for-sale; or
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, loans and advances to customers are subsequently measured at amortized cost using the effective interest rate, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in interest income in the income statement. The losses arising from impairment are recognized in the income statement in provisions for impairment of loans and receivables.

### d) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses on remeasurement to fair value are recognized as a separate component of equity until the investment is derecognized, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. However, interest calculated on available-for-sale financial assets using effective interest method is reported as interest income.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Bank's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortized cost of the asset is recognized in profit or loss, and other changes are recognized in equity.

For investments that are traded in an active market, fair value is determined by reference to stock exchange or current market bid prices, at the close of business on the balance sheet date. For investments where there is no market price or market price is not indicative of the fair value of the instrument, fair value is determined by reference to the current market value of another instrument which is substantially the same, recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

The following equity investment which is shown under securities available-for-sale has been accounted for at cost:

Entity	Sector	The Bank's Ownership %
İMKB Takas ve Saklama Bankası A.Ş.	Settlement and Custody Bank	0.025

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### e) *Repurchase and Resale Transactions*

Purchases or sales of investments under agreements of resale or repurchase are short term and entirely involve debt (primarily government) securities. Sales of investments under agreements of repurchase ("Repos") are retained in the balance sheet and corresponding counterparty commitment is included separately under liabilities. The income and expenses on repo transactions are separately recognized as interest income accrued in accordance with its classification as financial assets at fair value through profit or loss, investments held-to-maturity or investments available-for-sale, and interest expense is accounted for on an accrual basis over the period of the transactions.

Purchases of securities under agreements of resale ("reverse repos") are separately disclosed under assets as "funds lent under securities resale agreements" and interest income on such transactions is accounted for on an accrual basis over the period of transactions.

### 2.8 Impairment of Financial assets

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The collections made related to loans for which provision is made in the current period are reversed from the "Provision for Loans and Other Receivables" account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded under "Other Income" and related interest income is credited to the "Interest Received from Non-performing Loans" account.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

Loans together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### (ii) Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

#### (iii) Financial assets classified as available for sale

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of "interest income".

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a "significant" or "prolonged" decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statements. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

#### 2.9 Derecognition of Financial Assets and Financial Liabilities

##### (i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - the Bank has transferred substantially all the risks and rewards of the asset,
  - or the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

##### (ii) Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

#### 2.10 Financial Guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the income statement in "Provisions for impairment of loans and receivables". The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.11 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in the statement of financial position.

#### 2.12 Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash and balances with Central Bank (excluding obligatory reserve deposits), deposits with banks and other financial institutions, other money market placements and funds lent under resale agreements with an original maturity of three months or less.

#### 2.13 Impairment of Non-financial Assets

At each financial statement of position, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

#### 2.14 Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.15 Employee Benefits

##### *Defined Benefit Plans:*

In accordance with existing social legislation in Turkey, the Bank is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Bank and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Such defined benefit plan is unfunded since there is no funding requirement in Turkey. The cost of providing benefits under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Bank uses independent actuaries and also makes assumptions and estimations relating to the discount rate to be used, turnover of employees, future change in salaries/limits, etc. These estimations which are disclosed in Note 12 are reviewed regularly. The carrying value of employee termination benefit provisions as of December 31, 2012 is TL 4,898 (December 31, 2011: TL 2,969).

The Bank is also required to make a payment for the period of notice calculated over each service year of the employee whose employment is terminated for reasons other than resignation or misconduct. Total benefit is calculated in accordance with TAS No:19 "Turkish Accounting Standard on Employee Benefits".

The Bank has no retirement fund or foundation that the employees are the member of.

##### *Defined Contribution Plans:*

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

#### 2.16 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 2.17 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### *The Bank as Lessee*

Assets held under finance leases are recognized as assets of the Bank at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Bank's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### 2.18 Income and Expense Recognition

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, throughout the period to the next repricing date. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. The Bank earns fee and commission income from a diverse range of services it provides to its customers. All fees and commission income/expenses are recognized as income at the time of realization and during the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted using the effective interest method.

#### 2.19 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Bank intends to settle its current tax assets and liabilities on a net basis.

#### 2.20 Derivative Financial Instruments

The Bank's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. In the normal course of business, the Bank enters into a variety of derivative transactions principally in the foreign exchange markets. These are used to provide financial services to customers and to actively take, hedge and modify positions as part of trading activities. Derivatives are also used to hedge or modify risk exposures arising on the balance sheet from a variety of activities including placements, lending and securities investment. The majority of the counterparties in the Bank's derivative transactions are banks and other financial institutions.

The Bank uses derivative financial instruments (primarily foreign currency forward and swap contracts) to hedge its risks associated with foreign currency fluctuations.

The use of financial derivatives is governed by the Bank's policies approved by the Board of Directors, on the use of financial derivatives consistent with the Bank's risk management strategy.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates, as estimated based on the observable market data prevailing at the reporting date. All unrealized gains and losses on these instruments are included in the income statement. Unrealized gains and losses on these instruments are not deductible for current tax purposes.

#### 2.21 Fiduciary Assets

Assets held by the Bank in a fiduciary, agency or custodian capacity for its customers are not included in the statement of financial position, since such items are not treated as assets of the Bank.

#### 2.22 Adoption of New and Revised Standards

The accounting policies adopted in preparation of the financial statements as at December 31, 2012 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2012. The effects of these standards and interpretations on the Bank's financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations which are effective as at 1 January 2012 are as follows:

##### IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Bank.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. Disclosures required by this amendment are provided in Note 5.

### Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Bank will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

### IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Bank.

### IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, recognizing actuarial gain/loss on defined benefit plans under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Bank is in the process of assessing the impact of the amended standard on the financial position or performance of the Bank.

### IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any impact on the financial position or performance of the Bank.

### IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11.

This amendment will not have any impact on the financial position or performance of the Bank.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Bank does not expect that these amendments will have significant impact on the financial position or performance of the Bank.

### **IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)**

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Bank.

### **IFRS 9 Financial Instruments – Classification and Measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Bank is in the process of assessing the impact of the new standard on the financial position or performance of the Bank.

### **IFRS 10 Consolidated Financial Statements**

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The amendment affects disclosures only and will have no impact on the financial position or performance of the Bank.

### **IFRS 11 Joint Arrangements**

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The amendment affects disclosures only and will have no impact on the financial position or performance of the Bank.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

The amendment affects disclosures only and will have no impact on the financial position or performance of the Bank.

#### IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required.

The Bank does not expect that this standard will have an impact on the financial position or performance of the Bank.

#### IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Bank and will not have any impact on the financial position or performance of the Bank.

#### Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU. The amendment affects disclosures only and will have no impact on the financial position or performance of the Bank.

#### Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU. The Bank does not expect that the project will have a significant impact on the financial position or performance of the Bank.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (i) **IAS 1 Financial Statement Presentation:**

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

### (ii) **IAS 16 Property, Plant and Equipment:**

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

### (iii) **IAS 32 Financial Instruments: Presentation:**

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

### **IAS 34 Interim Financial Reporting:**

Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

### **IFRS 10 Consolidated Financial Statements (Amendment)**

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. The amendment has not yet been endorsed by the EU. The amendment is not applicable for the Bank and will not have any impact on the financial position or performance of the Bank

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 3. CASH AND DUE FROM BANKS

	December 31, 2012	December 31, 2011
Cash on hand	23,556	16,373
Due from banks	97,526	80,370
<b>Cash and due from banks</b>	<b>121,082</b>	<b>96,743</b>

	December 31, 2012	December 31, 2011
Demand deposits-Turkish Lira	13	17
Demand deposits- Foreign Currency	2,463	3,160
Time bank deposits-Turkish Lira	-	-
Time bank deposits- Foreign Currency	95,050	77,193
<b>Due from banks</b>	<b>97,526</b>	<b>80,370</b>

The effective interest rates on time bank deposits are as follows:

	December 31, 2012		December 31, 2011	
	Effective interest rate		Effective interest rate	
	Turkish Lira	Foreign Currency	Turkish Lira	Foreign Currency
Time bank deposits	-	0.2%-0.7%	-	0.25%-0.7%

Cash and cash equivalents included in the statements of cash flows for the years ended December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
Cash and cash equivalents	273,107	176,786
Balances with Central Bank (Note 4)	85,857	65,030
Less: income accruals	(26)	(45)
<b>Cash and cash equivalents</b>	<b>358,938</b>	<b>241,771</b>

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 4. BALANCES WITH CENTRAL BANK

	December 31, 2012	December 31, 2011
Balances with Central Bank	85,857	65,030
Reserve deposits	181,183	119,512
<b>Balances with Central Bank</b>	<b>267,040</b>	<b>184,542</b>

Under the regulations of the Central Bank of the Turkish Republic ("Central Bank"), banks are required to deposit with the Central Bank a proportion of all liabilities. These reserves are not available to finance the operations of the Bank. Balances with the Central Bank earn interest at the interest rates determined by the Central Bank. These balances are not earning any interest since October 1, 2010.

According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey numbered 2011/11 and 2011/13 reserve deposit rates applied to TL and FC liabilities has changed. The current required reserve rates as of the date of approval of the financial statements are as follows:

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%11,5	%9	Ratios for corresponding maturities	%11,5	%9,5	%6

TL reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/ participation accounts up to 1-month maturity (including 1-month)	Deposits/ participation accounts up to 3-month maturity (including 3-month)	Deposits/ participation accounts up to 6-month maturity (including 6-month)	Deposits/ participation accounts up to 1-year maturity	Deposits/ participation accounts with 1-year and longer maturity and cumulative deposits/ participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
%11	%11	%11	%8	%6	%5	%11	%8	%5

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 5. INVESTMENTS IN FINANCIAL INSTRUMENTS

#### 5.1 Financial assets at fair value through profit and loss:

	December 31, 2012	December 31, 2011
Debt instruments		
Turkish treasury bills	182	177
<b>Total financial assets at fair value through profit and loss</b>	<b>182</b>	<b>177</b>

#### 5.2 Investment securities:

	December 31, 2012	December 31, 2011
Available- for-sale securities-Quoted		
Turkish treasury bills	108,734	160,215
Eurobonds issued by the Turkish government	3	44,451
<b>Total available for sale securities-Quoted</b>	<b>108,737</b>	<b>204,666</b>
<b>Available- for-sale securities-Unquoted</b>		
Equity instruments	79	79
<b>Total available for sale securities-Unquoted</b>	<b>79</b>	<b>79</b>
<b>Total available for sale securities</b>	<b>108,816</b>	<b>204,745</b>
<b>Held-to-maturity securities-Quoted</b>		
Turkish government bonds	31,294	35,213
<b>Total held-to-maturity securities</b>	<b>31,294</b>	<b>35,213</b>
<b>Total investment securities</b>	<b>140,110</b>	<b>239,958</b>

In line with the accounting policy of the Bank, the Bank's investment of TL 79 is recorded at cost since its fair value cannot be reliably estimated (December 31, 2011: TL 79).

#### 5.3 Securities pledged under repurchase agreements:

Carrying value of debt instruments given as collateral under repurchase agreements which are classified as loaned securities and related liabilities are:

	December 31, 2012		December 31, 2011	
	Assets	Related Liability	Assets	Related Liability
Available –for- sale securities (treasury bills)	170,139	169,910	78,596	79,365
Held –to- maturity securities (government bond)	39,665	40,076	18,525	18,360
<b>Carrying value of securities under repurchase agreements</b>	<b>209,804</b>	<b>209,986</b>	<b>97,121</b>	<b>97,725</b>

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 5. INVESTMENTS IN FINANCIAL INSTRUMENTS (continued)

Repurchase agreements mature within one month.

Available-for-sale securities given as collateral for Interbank money market and open market transactions are TL 968 and TL 33,274, respectively. (December 31, 2011: Available-for-sale securities given as collateral for Stock Exchange and Foreign Exchange Markets are TL 18,268 and TL 19,217 respectively.)

Held-to-maturity investments given as collateral for open market transactions in Central Bank and Interbank Markets are TL 6,057 and TL 3,845, respectively and TL 16,640 is kept as collateral in Takasbank for making transactions in Stock Exchange as of December 31, 2012. (December 31, 2011: Held-to-maturity investments with carrying values of TL 2,392, TL 17,819 and TL 1,262 are provided as collateral for İstanbul Stock Exchange, Interbank Money Market and other; respectively)

TL 132,125 (December 31, 2011: TL 144,964) of debt securities have floating interest rates, whereas the rest of the debt securities have fixed interest rates.

The interest rates for floating TL investment securities are between 1.25% and 4.96%. The interest rates for fixed rate TL currency investment securities are between 2.00% and 5.25% and foreign currency investment securities is 3.69%. (December 31, 2011: The interest rates for floating TL investment securities are between 1.25% and 5.3%. The interest rates for fixed rate TL and foreign currency investment securities are between 2.5% and 5.25% and between 2.81% and 5.94%, respectively.)

### 6. LOANS AND ADVANCES

	December 31, 2012			December 31, 2011		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira (*)	Foreign Currency		Turkish Lira (*)	Foreign Currency
Corporate loans	1,479,310	5.40%-63%	2.82%-10.08%	1,001,657	3.12%-63%	1.97%-10.08%
Small business loans	491,647	5.40%-63%	2.82%-10.08%	425,012	3.12%-63%	2.22%-10.80%
Consumer loans	12,877	1.32%-63%	-	18,707	1.92%-63%	-
<b>Total performing loans</b>	<b>1,983,834</b>			<b>1,445,376</b>		
Non-performing loans	68,544			39,333		
Less: Specific reserve for impairment	(23,315)			(11,296)		
Less: Portfolio reserve for impairment	(24,137)			(16,988)		
<b>Total</b>	<b>2,004,926</b>			<b>1,456,425</b>		

\* Effective interest rates of overdraft loans are included.

The above distribution has been made based on the business lines.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

## 6. LOANS AND ADVANCES (continued)

	December 31, 2012	December 31, 2011
Corporate, commercial and small business loans	1,946,396	1,421,741
- Export loans	295,339	256,019
- Loans given to financial sector	45,067	28,699
- Foreign loans	144	20,107
- Discount notes	-	266
- Other	1,605,846	1,116,650
Consumer loans	37,438	23,635
Credit cards	-	-
<b>Performing loans</b>	<b>1,983,834</b>	<b>1,445,376</b>
Non-performing loans	68,544	39,333
<b>Total loans and advances to customers</b>	<b>2,052,378</b>	<b>1,484,709</b>
Provision for impairment	(47,452)	(28,284)
- Specific allowance for impairment	(23,315)	(11,296)
- Collective allowance for impairment	(24,137)	(16,988)
<b>Net loans and advances to customers</b>	<b>2,004,926</b>	<b>1,456,425</b>

The above distribution has been made based on the account codes.

Non-performing loans represent impaired loans and receivables on which interest is not being accrued and loans overdue generally for more than 90 days for which interest is suspended.

December 31, 2012	Corporate	Small Business	Consumer	Total
Neither past due nor impaired	1,411,240	452,265	10,852	1,874,357
Past due not impaired	68,071	39,382	2,024	109,477
Individually impaired	51,650	16,462	432	68,544
Total gross	1,530,961	508,109	13,308	2,052,378
Less: allowance for individually impaired loans	(15,694)	(7,271)	(350)	(23,315)
Less: allowance for collectively impaired loans	(17,998)	(5,982)	(157)	(24,137)
Total Allowance for impairment	(33,692)	(13,253)	(507)	(47,452)
<b>Total net</b>	<b>1,497,269</b>	<b>494,856</b>	<b>12,801</b>	<b>2,004,926</b>
December 31, 2011	Corporate	Small Business	Consumer	Total
Neither past due nor impaired	984,254	407,162	18,069	1,409,485
Past due not impaired	17,403	17,850	638	35,891
Individually impaired	30,752	8,449	132	39,333
Total Gross	1,032,409	433,461	18,839	1,484,709
Less: allowance for individually impaired loans	(8,878)	(2,287)	(131)	(11,296)
Less: allowance for collectively impaired loans	(11,801)	(4,971)	(216)	(16,988)
Total Allowance for impairment	(20,679)	(7,258)	(347)	(28,284)
<b>Total net</b>	<b>1,011,730</b>	<b>426,203</b>	<b>18,492</b>	<b>1,456,425</b>

The above distribution has been made based on the business lines.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 6. LOANS AND RECEIVABLES (continued)

A reconciliation of the allowance for individually impaired loans is as follows:

December 31, 2012	Total	December 31, 2011	Total
At January 1	<b>11,296</b>	At January 1	<b>12,503</b>
Charge for the year	17,775	Charge for the year	9,640
Sales of non-performing loans (NPL)	-	Sales of non-performing loans (NPL)(*)	(7,123)
Recoveries	(5,756)	Recoveries	(3,724)
Amounts written off	-	Amounts written off	-
Reclassification from other liabilities and provisions, net of recoveries	-	Reclassification from other liabilities and provisions, net of recoveries	-
<b>At December 31</b>	<b>23,315</b>	<b>At December 31</b>	<b>11,296</b>

\* Based on the Board of Directors decision numbered 495-B and dated October 26, 2011 non performing loan portfolio amounting to TL 7,123 are sold to an asset management company in December 31, 2011.

Movements in the allowance for impaired loans:

	December 31, 2012	December 31, 2011
At January 1	28,284	24,585
Reclassification from other liabilities and provisions, net of recoveries	-	-
Provision for impairment	24,924	14,546
Recoveries	(5,756)	(3,724)
Provision net recoveries	19,168	10,822
Loans sold and written off during the year	-	(7,123)
<b>At December 31</b>	<b>47,452</b>	<b>28,284</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2012 is TL 56,848. (December 31, 2011: TL 51,662).

TL 3,318 amount of properties are transferred to the ownership of the Bank in 2012 period and in the same period TL 282 amount of it has been sold. There are no other credit enhancements obtained during the period (December 31, 2011: None). Moreover, TL 853 amount of properties transferred to the ownership of the Bank before 2012 year have been sold.

Aging analysis of past due but not impaired loans per class of financial statements:

December 31, 2012	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
<i>Corporate lending</i>	55,801	5,872	6,398	-	68,071
<i>Small business lending</i>	35,407	3,893	82	-	39,382
<i>Consumer lending</i>	1,239	785	-	-	2,024
<b>Total</b>	<b>92,447</b>	<b>10,550</b>	<b>6,480</b>	<b>-</b>	<b>109,477</b>

December 31, 2011	Less than 30 days	31-60 days	61-90 days	More than 91 days	Total
Loans and receivables					
<i>Corporate lending</i>	17,091	312	-	-	17,403
<i>Small business lending</i>	15,265	2,535	50	-	17,850
<i>Consumer lending</i>	340	200	98	-	638
<b>Total</b>	<b>32,696</b>	<b>3,047</b>	<b>148</b>	<b>-</b>	<b>35,891</b>

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 6. LOANS AND RECEIVABLES (continued)

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as of December 31, 2012 is TL 172,020 (December 31, 2011: TL 59,938) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TL 1,177,490 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2011: TL 954,002) and the remaining TL 806,344 have fixed interest rates. (December 31, 2011: TL 491,374).

#### 7. PREMISES AND EQUIPMENT

	Machinery and Equipment	Furniture and Fixture	Leasehold Improvements	Others	Total
<b>Acquisition Cost</b>					
At January 1, 2011	4,063	2,090	11,642	14,068	31,863
Additions	1,013	53	39	1,939	3,044
Disposals	(168)	(12)	-	(1,161)	(1,341)
At December 31, 2011	4,908	2,131	11,681	14,846	33,566
<b>Accumulated Depreciation</b>					
At January 1, 2011	2,866	1,027	5,217	8,672	17,782
Charge for the year	639	359	2,267	1,121	4,386
Disposals	(167)	(11)	-	(145)	(323)
Write-off	-	-	-	-	-
At December 31, 2011	3,338	1,375	7,484	9,648	21,845
<b>At December 31, 2011</b>	<b>1,570</b>	<b>756</b>	<b>4,197</b>	<b>5,198</b>	<b>11,721</b>
<b>Acquisition Cost</b>					
At January 1, 2012	4,908	2,131	11,681	14,846	33,566
Additions	611	197	659	3,786	5,253
Disposals	(44)	(66)	(58)	(1,250)	(1,418)
At December 31, 2012	5,475	2,262	12,282	17,382	37,401
<b>Accumulated Depreciation</b>					
At January 1, 2012	3,338	1,375	7,484	9,648	21,845
Charge for the year	667	389	2,345	988	4,389
Disposals	(29)	(69)	(63)	(52)	(213)
Write-off	-	-	-	-	-
At December 31, 2012	3,976	1,695	9,766	10,584	26,021
<b>At December 31, 2012</b>	<b>1,499</b>	<b>567</b>	<b>2,516</b>	<b>6,798</b>	<b>11,380</b>

The net book value of the premises and equipment purchased under finance lease as of December 31, 2012 and 2011 are TL 649 and TL 232, respectively.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 7. PREMISES AND EQUIPMENT (continued)

	Asset held for sale	Total
<b>Acquisition Cost</b>		
At January 1, 2012	2,339	2,339
Additions	3,318	3,318
Disposals	(1,135)	(1,135)
At December 31, 2012	4,522	4,522
<b>Accumulated Depreciation</b>		
At January 1, 2012	29	29
Additions	62	62
Disposals	(12)	(12)
At December 31, 2012	79	79
<b>At December 31, 2012</b>	<b>4,443</b>	<b>4,443</b>

The reason for classification of asset held for sale in premises and equipment account is that this classification does not meet with IFRS 5 criteria.

### 8. INTANGIBLE ASSETS

	Software	Total
<b>Acquisition Cost</b>		
At January 1, 2011	8,085	8,085
Additions	1,155	1,155
At December 31, 2011	9,240	9,240
<b>Accumulated Amortization</b>		
At January 1, 2011	7,221	7,221
Charge for the year	775	775
At December 31, 2011	7,996	7,996
<b>At December 31, 2011</b>	<b>1,244</b>	<b>1,244</b>
<b>Acquisition Cost</b>		
At January 1, 2012	9,240	9,240
Additions	465	465
At December 31, 2012	9,705	9,705
<b>Accumulated Amortization</b>		
At January 1, 2012	7,996	7,996
Charge for the year	672	672
At December 31, 2012	8,668	8,668
<b>At December 31, 2012</b>	<b>1,037</b>	<b>1,037</b>

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 9. OTHER ASSETS

	December 31, 2012	December 31, 2011
Settlements account	24,691	10,777
Advances for system investments (*)	14,899	6,486
Prepaid expenses	2,169	1,777
Other advances	243	244
Other	1,320	943
<b>Total</b>	<b>43,322</b>	<b>20,227</b>

(\*) System investments balance is the amount paid for the new banking system according to the agreement for the continuing system integration.

### 10. DEPOSITS

Deposits from banks	December 31, 2012			December 31, 2011		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
Demand	825	-	-	668	-	-
Time	21,330	5.45%	2.35%	-	-	-
<b>Total</b>	<b>22,155</b>			<b>668</b>		

Customers' deposits	December 31, 2012			December 31, 2011		
	Amount	Effective interest rate		Amount	Effective interest rate	
		Turkish Lira	Foreign Currency		Turkish Lira	Foreign Currency
<b>Saving</b>						
Demand	24,640	-	-	20,088	-	-
Time	1,285,330	2.00%-12.25%	0.6%-4,6%	927,804	2.00%-13.25%	0.75%-5.95%
	<b>1,309,970</b>			<b>947,892</b>		
<b>Commercial and other</b>						
Demand	142,821	-	-	82,593	-	-
Time	674,367	5.00%-10.85%	0.6%-4%	564,427	5.00%-13%	0.75%-5.95%
	<b>817,188</b>			<b>647,020</b>		
<b>Total</b>	<b>2,127,158</b>			<b>1,594,912</b>		

All deposits have fixed interest for the years ended December 31, 2012 and 2011.

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 11. FUNDS BORROWED

	December 31, 2012	December 31, 2011
Borrowings	132,495	104,731
<b>Total</b>	<b>132,495</b>	<b>104,731</b>

	Amount	December 31, 2012	
		Effective interest rate	
		Turkish Lira	Foreign Currency
Short-term			
Fixed interest	86,662	5.5%	2%-4.73%
Floating interest	-	-	-
Medium/long-term			
Fixed interest	45,833	-	2.69%-6.1%
Floating interest	-	-	-
<b>Total</b>	<b>132,495</b>		

	Amount	December 31, 2011	
		Effective interest rate	
		Turkish Lira	Foreign Currency
Short-term			
Fixed interest	88,458	5.75%-9.5%	1.47%-5.92%
Floating interest	-	-	-
Medium/long-term			
Fixed interest	16,273	-	3.94%-5.8%
Floating interest	-	-	-
<b>Total</b>	<b>104,731</b>		

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 12. OTHER LIABILITIES AND PROVISIONS

	December 31, 2012	December 31, 2011
<b>Other liabilities</b>		
Cheques clearance account	47,096	18,750
Blocked money	7,643	9,831
Taxes and duties payable	6,463	5,557
Blocked cheques and notes	3,817	1,862
Unused vacation liability	2,153	1,932
Deferred revenue	1,889	2,196
Payables to government funds	74	315
Other	2,329	2,042
<b>Total</b>	<b>71,464</b>	<b>42,485</b>
<b>Provisions</b>		
Employee termination benefits	4,898	2,969
Provision for bonus payments	4,895	3,000
Specific provisions provided for unindemnified non -cash loans	1,813	2,579
Provision for non-cash loans	1,093	1,053
Provision on lawsuits	582	803
Other	-	131
<b>Total</b>	<b>13,281</b>	<b>10,535</b>
<b>Total</b>	<b>84,745</b>	<b>53,020</b>

	Specific provisions provided for unindemnified non cash loans	Provision for non- cash loans	Other Provisions
<b>December 31, 2011</b>	<b>2,579</b>	<b>1,053</b>	<b>3,934</b>
Charge for the year	982	40	5,148
Recoveries	(1,748)	-	-
Release from provision/2011 bonus payment	-	-	(2,855)
<b>December 31, 2012</b>	<b>1,813</b>	<b>1,093</b>	<b>6,227</b>

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 12. OTHER LIABILITIES AND PROVISIONS (continued)

#### Employee Termination Benefits

Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the IAS 19 and reflected this in the financial statements.

In accordance with IAS 19 “Employee Benefits”; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement.

Actuarial calculations are based on retirement pay liability rights that are defined in the Labour Law No. 1475, and based on employees’ details as of valuation date. The assumptions used in the actuarial calculation are as follows:

	December 31, 2012	December 31, 2011
Discount rate for pension plan liabilities	7,0%	10.0%
Inflation	4,8%	5.1%

Movements in the defined benefit obligations in the current period were as follows:

	December 31, 2012	December 31, 2011
Opening	2,969	2,173
Current service cost	682	508
Interest cost	283	203
Actuarial (gains)/ losses	1,349	314
Benefits paid	(385)	(229)
<b>Closing balance at period end</b>	<b>4,898</b>	<b>2,969</b>

### 13. INCOME TAXES

The Bank is subject to corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Bank’s results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rates of tax are as follows: 20% in 2012 and 2011.

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was 20% for 2012 (2011: 20%).

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profits of the following years. However, losses incurred cannot be deducted from the profits incurred in the prior years retrospectively. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between the 1st to 25th of the fourth month following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 13. INCOME TAXES (continued)

##### Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax was 10% starting from April 24, 2003. This rate was changed to 15% with the Decree of the Council of Ministers of the Republic (Decree No. 2006/10731) commencing from July 23, 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

In the accompanying financial statements corporate tax and deferred tax asset/liability are comprised of the following:

##### Statement of Financial Position:

	December 31, 2012	December 31, 2011
Corporate taxes and funds	1,403	-
Deferred tax asset / (liability) (net)	5,374	4,986

##### Income Statement:

	December 31, 2012	December 31, 2011
Current income tax from continuing operations	(9,454)	-
Deferred tax benefit/(charge) from continuing operations	4,340	(975)
	<b>5,114</b>	<b>(975)</b>

	December 31, 2012	December 31, 2011
Current period tax payable	9,454	-
Prepaid tax	(8,051)	(172)
<b>Total</b>	<b>1,403</b>	<b>(172)</b>

Temporary differences and corresponding deferred taxes are as follows:

	December 31, 2012 Temporary Differences	December 31, 2012 Deferred Tax Asset/ (Liability)
Useful life difference on premises and equipment and intangible assets	(1,844)	(368)
Retirement pay and unused vacation provision	7,051	1,411
Loan impairment provision	13,076	2,616
Provisions (free provision)	6,078	1,216
Other	2,495	499
<b>Total</b>	<b>26,856</b>	<b>5,374</b>

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 13. INCOME TAXES (continued)

	December 31, 2011 Temporary Differences	December 31, 2011 Deferred Tax Asset/(Liability)
Useful life difference on premises and equipment and intangible assets	(1,985)	(397)
Retirement pay and unused vacation provision	4,901	980
Loan impairment provision	12,900	2,580
Provisions	4,754	951
Tax Losses	1,599	320
Other	2,762	552
<b>Total</b>	<b>24,931</b>	<b>4,986</b>

Movement of deferred tax (asset) / liability:

	December 31, 2012	December 31, 2011
Opening balance at 1 January	(4,986)	(2,278)
Current year charge / (benefit)	(4,340)	975
Subtotal	(9,326)	(1,303)
Deferred tax change/benefit under equity	3,952	(3,683)
<b>Closing balance at period end</b>	<b>(5,374)</b>	<b>(4,986)</b>

Income tax can be reconciled to the profit per income statement as follows:

	December 31, 2012	December 31, 2011
<b>Profit before income tax</b>	<b>25,285</b>	<b>4,885</b>
Tax at the domestic income tax rate of 20% (2011: 20%)	(5,057)	(977)
Tax effect of non-deductible expenses, income that is deductible in determining taxable income and other adjustments, net	(57)	2
<b>Tax charge per income statement</b>	<b>(5,114)</b>	<b>(975)</b>

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 14. DERIVATIVES

In the ordinary course of business, the Bank enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	December 31, 2012			December 31, 2011		
	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent (*)	Fair value assets	Fair value liabilities	Notional amount in Turkish Lira equivalent (*)
<b>Derivatives held-for-trading</b>						
Currency swap contracts	5	203	46,482	-	-	-
Forwards	-	-	-	66	39	10,117
<b>Total</b>			<b>46,482</b>	<b>66</b>	<b>39</b>	<b>10,117</b>

(\*) Represents the total of buy and sell notional amounts of foreign currency swap and forward transactions.

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to IAS 39, they do not qualify as hedging instruments but are classified as trading and remeasured at fair value.

### 15. SHARE CAPITAL

	December 31, 2012	December 31, 2011
Total number of shares, TL 0.1 par value	3,000 Million	3,000 Million
<b>Total number of shares</b>	<b>3,000 Million</b>	<b>3,000 Million</b>

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 15. SHARE CAPITAL (continued)

As of December 31, 2012 and 2011, the composition of shareholders and their respective % of ownership are summarized as follows:

	December 31, 2012	
	Amount	%
Arab Bank PLC	84,999	28.3%
ARAB BANK (Switzerland)	65,000	21.7%
Bankmed, SAL	149,999	50.0%
Others	<1	0%
	300,000	
Restatement effect	33,398	
<b>Total</b>	<b>333,398</b>	
	December 31, 2011	
	Amount	%
Arab Bank PLC	84,999	28.3%
ARAB BANK (Switzerland)	65,000	21.7%
Bankmed, SAL	149,999	50.0%
Others	<1	0%
	300,000	
Restatement effect	33,398	
<b>Total</b>	<b>333,398</b>	

### 16. RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED

Movement in legal reserves and retained earnings are as follows:

	Restatement to Share Capital	Extraordinary Reserves	Other Reserves	Legal Reserves	Retained Earnings / (Accumulated Deficit)	Total
<b>At January 1, 2011</b>	<b>148,164</b>	<b>10,203</b>	<b>(3,266)</b>	<b>666</b>	<b>(110,530)</b>	<b>45,237</b>
Net profit for the year	-	-	-	-	3,910	3,910
Transfer to reserves (*)	(114,766)	(10,203)	6,012	123	118,834	-
<b>At December 31, 2011</b>	<b>33,398</b>	<b>-</b>	<b>2,746</b>	<b>789</b>	<b>12,214</b>	<b>49,147</b>
Net profit for the year	-	-	-	-	20,171	20,171
Transfer to reserves	-	-	-	178	(178)	-
<b>At December 31, 2012</b>	<b>33,398</b>	<b>-</b>	<b>2,746</b>	<b>967</b>	<b>32,207</b>	<b>69,318</b>

(\*) The Bank has netted off its accumulated deficit and extraordinary reserves with the adjustment to share capital amounting to TL 114,766.

#### Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 16. RESERVES, RETAINED EARNINGS AND DIVIDENDS PAID AND PROPOSED (continued)

#### Dividends Paid and Proposed

The Bank did not propose dividends subsequent to the reporting date. Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.

### 17. RELATED PARTIES

A party is related to an entity if: the party controls, is controlled by, or is under common control with, the entity (this includes parents, directly and indirectly owned subsidiaries; has an interest in the entity that gives it significant influence over the entity or has joint control over the entity. Related parties also include individuals that are principal owners, management and members of the Bank's Board of Directors and their families and also post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

#### Transactions with key management personnel:

Key management personnel comprise of the Bank's directors and key management executive officers.

The executive and non-executive members of Board of Directors and management received remuneration and fees are:

	December 31, 2012	December 31, 2011
Salaries and short-term benefits	6,162	5,193

December 31, 2012	Cash loans	Non-cash loans	Customers' deposits	Deposit with banks	Deposit from banks	Borrowings	Interest and commission income	Interest and commission expense
Direct and indirect shareholders of the Bank	-	3,194	-	59	1,223	42,266	20	2,721
Other entities included in the risk group	6,954	4,376	-	-	289	-	734	1,102
<b>TOTAL</b>	<b>6,954</b>	<b>7,570</b>	<b>-</b>	<b>59</b>	<b>1,512</b>	<b>42,266</b>	<b>754</b>	<b>3,823</b>

December 31, 2011	Cash loans	Non-cash loans	Customers' deposits	Deposit with banks	Deposit from banks	Borrowings	Interest and commission income	Interest and commission expense
Direct and indirect shareholders of the Bank	69	7,522	-	123	488	19,833	31	2,782
Other entities included in the risk group	-	2,346	-	-	16,852	-	33	267
<b>TOTAL</b>	<b>69</b>	<b>9,868</b>	<b>-</b>	<b>123</b>	<b>17,340</b>	<b>19,833</b>	<b>64</b>	<b>3,049</b>

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 18. INTEREST INCOME

	December 31, 2012	December 31, 2011
Loans and receivables	229,596	142,520
Securities	28,956	25,479
Deposits with banks and other financial institutions	388	411
Other interest income	4,290	2,152
<b>Total</b>	<b>263,230</b>	<b>170,562</b>

### 19. INTEREST EXPENSES

	December 31, 2012	December 31, 2011
Customer deposits	(139,048)	(90,736)
Funds borrowed and deposits from other banks	(7,726)	(6,053)
Other interest expenses	(6,954)	(3,719)
<b>Total</b>	<b>(153,728)</b>	<b>(100,508)</b>

### 20. OTHER INCOME

	December 31, 2012	December 31, 2011
Gain on non-performing loan sales	-	200
Other, including release from provisions	3,034	1,561
<b>Total</b>	<b>3,034</b>	<b>1,761</b>

### 21. FEES AND COMMISSIONS

	December 31, 2012	December 31, 2011
<b>Fees and commission income</b>		
Fees and commissions from non-cash loans	11,117	10,455
Other	11,631	9,783
<b>Fees and commission expense</b>		
Fees and commission expense on non-cash loans	(51)	(40)
Fees and commission expense on banks	(460)	(421)
Other	(442)	(439)
<b>Net Fees and Commissions</b>	<b>21,795</b>	<b>19,338</b>

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 22. TRADING INCOME

	December 31, 2012	December 31, 2011
<b>Income</b>		
Gains on capital market operations	3,176	5,953
Gains on derivative financial instruments	1,379	14,248
<b>Losses (-)</b>		
Losses on capital market operations	(88)	(8)
Losses on derivative financial instruments	(2,877)	(14,244)
<b>Total</b>	<b>1,590</b>	<b>5,949</b>

### 23. OPERATING EXPENSES

	December 31, 2012	December 31, 2011
Staff costs	(48,117)	(42,903)
Rent expenses	(8,975)	(8,084)
Depreciation and amortization	(5,061)	(5,161)
Other provisions	(4,980)	(3,362)
Vehicle expenses	(3,518)	(3,304)
Taxes and duties	(2,454)	(2,146)
Communication expenses	(2,155)	(1,839)
Provision for severance pay	(2,150)	(1,308)
Computer usage expenses	(1,874)	(1,190)
Cleaning expenses	(1,747)	(1,432)
Assurance and financial services expenses	(1,526)	(1,525)
Maintenance expenses	(1,290)	(1,167)
Premiums paid to saving deposit insurance fund	(1,134)	(1,013)
Heating lightening expenses	(1,046)	(947)
Cost of entertainment	(832)	(573)
Expertise expenses	(825)	(598)
Stationery expenses	(542)	(510)
Non-deductible expenses	(522)	(238)
Advertising expenses	(449)	(365)
Unused vacation payments	(221)	(511)
Others	(4,864)	(1,395)
<b>Total</b>	<b>(94,282)</b>	<b>(79,571)</b>

#### Staff Costs

	December 31, 2012	December 31, 2011
Wages and salaries	(44,222)	(37,393)
Other	(3,895)	(5,510)
<b>Total</b>	<b>(48,117)</b>	<b>(42,903)</b>

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 24. COMMITMENTS AND CONTINGENCIES

In the normal course of business activities, the Bank undertakes various commitments and incurs certain contingent liabilities that are not presented in the financial statements including:

	December 31, 2012	December 31, 2011
Letters of guarantee issued	938,491	841,104
Letters of credit	52,105	92,948
Acceptance credits	5,372	11,597
Other	82,941	84,979
Total non-cash loans	1,078,909	1,030,628
Other irrevocable commitments	186,396	170,329
<b>Total</b>	<b>1,265,305</b>	<b>1,200,957</b>

As of December 31, 2012, forward marketable security purchase and sale commitments (included in other irrevocable commitments) amount to TL 41,073 (December 31, 2011: TL 41,315).

#### Letters of Guarantee Given to Istanbul Stock Exchange (ISE)

As of December 31, 2012, according to general requirements of the ISE, letters of guarantee amounting to USD 1 million (December 31, 2011: USD 1 million) had been obtained from various local banks and were provided to ISE for bond and stock market transactions.

#### Litigation

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 83. The total amount of those cases consists of TL 380, USD 1,604 Thousand and EURO 299 Thousand. There is a provision of TL 582 in the accompanying financial statements for these cases (December 31, 2011: TL 933).

### 25. FINANCIAL RISK MANAGEMENT

#### Organization of the Risk Management Function

The Bank's activities involve some degree of risk or combination of risks. Therefore, procedures and operations throughout the Bank are designed towards contributing to effective addressing of this matter reflecting the disciplined and prudent risk management culture of the Bank. The Bank Risk Management function supervises the risk management process of the Bank.

The mission of Bank Risk Management function is to ensure together with executive management that risks taken by the Bank align with its policies and are compatible with its profitability and credit-rating objectives.

The risk management process consists of the stages of defining and measuring the risks; establishing the risk policies and procedures and their implementation; and the analysis, review, reporting, research, recognition and assessment of risks within the framework of the basis set by the Board of Directors and the Audit Committee.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 25. FINANCIAL RISK MANAGEMENT (continued)

Limits for Credit Risk, Market Risk, Economic Capital, VAR and stop-loss limits for treasury positions are set by the Board of Directors. Economic capital calculations cover all types of risk classes; credit, market and operational risk. All limits are calculated and monitored by Risk Management Group and reported to senior management and Audit Committee.

#### Operational Risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. As of December 31, 2012 amount subject to Operational Risk is TL 159,857 by using the year end gross revenue of prior 3 years 2008, 2009 and 2011. (December 31, 2011: TL 116,047)

#### Credit Risk

Credit risk is the risk that the Bank is a party in a contract whereby the counterparty fails to meet its obligation and causes to incur a financial loss.

The credit allocation is performed on a debtor and a debtor group basis within the limits and updated on a defined frequency based on market developments. In the credit allocation process, many financial and non-financial criteria are taken into account within the framework of the internal rating procedures of the Bank. These criteria include geographical and sector concentrations. The sector concentrations for loans are monitored closely. In accordance with the Bank's loan policy, the rating of the companies, credit limits and guarantees are considered together, and credit risks incurred are monitored.

Risks and limits related to treasury activities and customer based commercial activities are monitored daily. Moreover, the limits of the correspondent banks that are determined by their ratings and the control of the maximum acceptable risk level in relation to the equity of the Bank are monitored daily. Risk limits are determined in connection with these daily transactions, and risk concentration is monitored systematically concerning off-balance sheet operations.

The credit worthiness of the debtors of the loans and other receivables is monitored regularly as prescribed in the Communiqué on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" issued by the Banking Regulation and Supervision Agency of Turkey (BRSA). Most of the statement of accounts for the loans has been tried to derive from audited financial statements. The unaudited documents result from the timing differences between the loan allocation and the audit dates of the financial statements of the companies and subsequently the audited financial statements are obtained from the companies when the companies are audited. Credit limits are determined according to the audited statement of accounts, and guarantee factors are developed in accordance with the decision of the credit committee considering the characteristics of the transactions and the financial structures of the companies.

Derivatives:

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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## 25. FINANCIAL RISK MANAGEMENT (continued)

Credit-related commitments:

Credit-related commitments include commitments to extend credit, letters of credit, guarantees and acceptances, other irrevocable commitments which are designed to meet the requirements of the Bank's customers.

Letters of credit, guarantees and acceptances commit the Bank to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

The Bank monitors the maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

The Bank sets out the following practices so as to minimize risk in credit-related commitments like in cash credits by

- (i) establishing an appropriate credit risk environment;
- (ii) operating under a sound credit-granting process;
- (iii) maintaining an appropriate credit administration, measurement and monitoring process; and ensuring adequate controls over credit risk.

Fitch ratings are used in computation of risk weighted assets for central government and foreign banks. The equivalence of Fitch ratings to credit quality are as follows;

	Credit Quality
1	AAA & AA-
2	A+ & A-
3	BBB+ & BBB-
4	BB+ & BB-
5	B+ & B-
6	CCC+

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## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 25. FINANCIAL RISK MANAGEMENT (continued)

The table below shows the maximum exposure to credit risk for the components of the financial statements:

Gross Maximum Exposure	December 31, 2012	December 31, 2011
Central Bank	267,040	184,542
Due from banks	97,526	80,370
Due from Money market transactions	152,025	80,043
Financial assets held for trading	182	177
Derivative financial instruments	5	66
Financial assets available-for-sale	278,875	283,262
Held to maturity investment	70,959	53,738
Loans	2,004,926	1,456,425
<b>Total</b>	<b>2,871,538</b>	<b>2,138,623</b>
Contingent liabilities	1,078,909	1,030,628
Irrevocable commitments	186,396	170,329
<b>Total</b>	<b>1,265,305</b>	<b>1,200,957</b>
<b>Total credit risk exposure</b>	<b>4,136,843</b>	<b>3,339,580</b>

Credit quality per class of financial assets as of December 31, 2012 and 2011 are as follows;

December 31, 2012	Neither past due nor impaired	Past due or individually impaired	Total
Central Bank	267.040	-	267.040
Due from banks	97.526	-	97.526
Money market placements	152.025	-	152.025
Financial assets designated at fair value through profit or loss and derivative financial instruments	187	-	187
Loans and receivables			
<i>Corporate lending</i>	1.394.070	103.198	1.464.448
<i>Small business lending</i>	446.762	48.095	486.467
<i>Consumer lending</i>	10.721	2.080	54.011
Total loans and receivables	1.851.553	153.373	
Financial investments			
<i>Quoted – Government debt securities</i>	349.834	-	349.834
<i>Quoted – Other debt securities</i>	-	-	-
<i>Unquoted – Debt securities</i>	-	-	-
Total financial investments	349.834	-	349.834
<b>Grand Total</b>	<b>2.718.165</b>	<b>153.373</b>	<b>2.871.538</b>

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

## 25. FINANCIAL RISK MANAGEMENT (continued)

December 31, 2011	Neither past due nor impaired	Past due or individually impaired	Total
Central bank	184,542	-	184,542
Due from banks	80,370	-	80,370
Money market placements	80,043	-	80,043
Financial assets designated at fair value through profit or loss and derivative financial instruments	243	-	243
Loans and receivables			
<i>Corporate lending</i>	972,658	39,072	1,011,730
<i>Small business lending</i>	402,400	23,803	426,203
<i>Consumer lending</i>	17,859	633	18,492
Total loans and receivables	1,577,459	63,508	1,640,967
Financial investments			
<i>Quoted – Government debt securities</i>	337,000	-	337,000
<i>Quoted – Other debt securities</i>	-	-	-
<i>Unquoted – Debt securities</i>	-	-	-
Total financial investments	337,000	-	337,000
<b>Grand Total</b>	<b>2,259,657</b>	<b>63,508</b>	<b>2,323,165</b>

### Performing Loans:

	Internal/External Grades	Share of exposure %	December 31, 2012	Share of exposure %	December 31, 2011
High Grade					
<i>Risk rating class 1</i>	A+ Excellent	0.53%	10,501	0.14%	1,989
<i>Risk rating class 2</i>	A- Excellent	5.39%	107,026	5.43%	78,437
<i>Risk rating class 3</i>	B+ Very Good	11.39%	225,864	12.61%	182,285
<i>Risk rating class 4</i>	B- Very Good	13.14%	260,625	13.49%	194,910
Standard Grade					
<i>Risk rating class 5</i>	C+ Good	15.97%	316,798	18.83%	272,114
<i>Risk rating class 6</i>	C- Good	24.36%	483,323	18.36%	265,302
Sub Standard Grade					
<i>Risk rating class 7</i>	D+ Ordinary	16.20%	321,414	17.03%	246,218
<i>Risk rating class 8</i>	D- Ordinary	7.59%	150,591	10.05%	145,255
<i>Risk rating class 9</i>	E Poor	3.01%	59,699	2.86%	41,403
<i>Risk rating class 10</i>	F Very Poor	1.09%	21,554	0.01%	204
Unrated		1.33%	26,439	1.19%	17,259
<b>Total</b>			<b>1,983,834</b>		<b>1,445,376</b>

The Bank uses 3 main factors for internal credit rating system. These are financial data, non-financial data and specialist decisions. Financial data consist of liquidity, financial structure, profitability, growth ratios and turnover rate. Non financial data consist of loan client business, relation with finance sector and sector analysis. The Bank measures the credit rating of companies by making comparisons regarding the financial data and non financial-data.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Credit Risk (continued)

In the existing rating system, the collateral assigned to loans are not taken into account in the rating. The information about customers with F, E and D- rating is shown below.

#### “F” rating;

Number of loans with “F” rating is 13 with an outstanding risk of TL 21,554 (December 31,2011: TL 204; 1 loan). 4 of these loans with outstanding risk of TL 6.185 (comprising 29% of total risk) are collateralized with mortgage on, 3 of these loans with outstanding risk of TL 5.697 (comprising 26% of total risk) are collateralized with customer cheques and 1 of these loans with outstanding risk of TL 579 (comprising 3% of total risk ) is granted against credit letter of guarantee. (December 31,2011: loan, 90%). Moreover, parent company of two loans, which have risk of TL 2,270, have ratings of C+ and above ( ratio is 11%).

#### “E” rating;

Number of loans with “E” rating is 47 and total outstanding risk is TL 59.699 (December 31,2011: TL 41.403; 21 laon).16 of these loans with outstanding risk of TL 24.744 (comprising 41% of total risk) are collateralized with mortgage (December 31,2011 : TL 25,832; 62%). 17 of these loans are granted against customer cheques with outstanding risk of TL 9.394 and (comprising 16% of total Risk) (December 31,2011 : TL 6,236; 15%). Moreover, parent company of four loans, which have risk of TL 6,745, have ratings of C- and above (ratio is 11%).

#### “D-” rating;

Number of loans with D- rating is 123 and total outstanding risk is TL 150.591 (December 31, 2011 : TL 145.255; 139 client). Loans with outstanding risk of TL 39.988 (comprising 27% of total risk) are collateralized with mortgage (December 31,2011 : TL 41,155; 28%). 56 of these loans are granted against customer cheques with outstanding risk of TL 56.496 (comprising 38% of total risk) (December 31,2011 : TL 35,221; 74 loan, %24). 4 of these loans are granted against vehicle pledge with outstanding risk of TL 10.008 (comprising 7% of total risk) (December 31,2011 : TL 9,265; 2 loan, 6%).

#### *Impairment assessment*

For accounting purposes, the Bank uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed.

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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## 25. FINANCIAL RISK MANAGEMENT (continued)

### Credit Risk (continued)

#### *Individually assessed allowances*

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

#### *Collectively assessed allowances*

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately at each reporting date.

### Liquidity Risk

Liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows completely and timely.

Liquidity risk may also occur when the market penetration is not adequate, when the open positions cannot be closed quickly at suitable prices and sufficient amounts due to barriers and break-ups at the markets.

The Bank's policy is to establish an asset structure that can meet all kinds of liabilities by liquid sources at all times. In this context, liquidity problem has not been faced in any period. In order to maintain this, the Board of Directors of the Bank continuously determines standards for the liquidity ratios, and monitors them.

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of TL and foreign currency assets and liabilities on the statement of financial position and their costs. In this sense, various crisis scenarios which are prepared by risk management group are presented to management and audit committee.

When the funding and liquidity sources are considered, the Bank covers majority of its liquidity need by deposits, and in addition to this source, it makes use of pre-financing to generate additional sources.

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
<b>As of December 31, 2012</b>							
Bank Deposits	22,178	-	-	-	-	(23)	22,155
Other deposits	1,261,500	755,738	125,460	-	-	(15,540)	2,127,158
Obligations under repurchase agreements	210,050	-	-	-	-	(64)	209,986
Funds borrowed	19,429	43,111	53,897	18,896	-	(2,838)	132,495
<b>Total</b>	<b>1,513,157</b>	<b>798,849</b>	<b>179,357</b>	<b>18,896</b>	<b>-</b>	<b>(18,465)</b>	<b>2,491,794</b>
<b>As of December 31, 2011</b>							
Bank Deposits	668	-	-	-	-	-	668
Other deposits	1,025,803	531,576	51,783	-	-	(14,250)	1,594,912
Obligations under repurchase agreements	97,757	-	-	-	-	(32)	97,725
Funds borrowed	10,162	30,945	65,975	-	-	(2,351)	104,731
<b>Total</b>	<b>1,134,390</b>	<b>562,521</b>	<b>117,758</b>	<b>-</b>	<b>-</b>	<b>(16,633)</b>	<b>1,798,036</b>

\*Interest to be paid until maturity.

Analysis of contractual expiry by maturity of the Bank's derivative financial instruments;

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>As of December 31, 2012</b>						
Gross settled						
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	18,656	4,486	-	-	-	23,142
<b>Total</b>	<b>18,656</b>	<b>4,486</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,142</b>
<b>As of December 31, 2011</b>						
Gross settled						
Foreign exchange forward contracts	-	5,072	-	-	-	5,072
Currency swaps	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>5,072</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,072</b>

(\*) Presents forward and swap foreign currency transactions-buy notional amounts.

As of December 31, 2012 there are no forward marketable securities purchase commitments due within one month. (December 31, 2011: TL 38,845).

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Liquidity Risk (continued)

Net liquidity gap:

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates. Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

#### Presentation of assets and liabilities according to their remaining maturity:

	Demand	Up to 1 Month	1 to 3 months	3 months to 1 year	Over 1 year	Unallocated	Total
As at December 31, 2012							
Assets:							
Cash and cash equivalents	26,031	247,076	-	-	-	-	273,107
Balances with Central Bank(***)	85,857	104,440	57,382	14,982	4,379	-	267,040
Financial assets at fair value through profit or loss	-	-	-	59	123	-	182
Derivative financial instruments	-	5	-	-	-	-	5
Loans and receivables (*)(**)	-	1,475,179	77,540	185,572	221,406	-	1,959,697
Investment securities	-	-	41,415	36,900	271,524	75	349,914
Premises and equipment	-	-	-	-	-	11,380	11,380
Intangible assets	-	-	-	-	-	1,037	1,037
Deferred tax asset	-	-	-	-	-	5,374	5,374
Other assets	-	24,698	-	-	-	63,853	88,551
<b>Total Assets</b>	<b>111,888</b>	<b>1,851,398</b>	<b>176,337</b>	<b>237,513</b>	<b>497,432</b>	<b>81,719</b>	<b>2,956,287</b>
Liabilities:							
Customers' deposits	167,460	1,090,992	748,520	120,186	-	-	2,127,158
Deposits from banks	824	21,331	-	-	-	-	22,155
Obligations under repurchase agreements	-	209,986	-	-	-	-	209,986
Derivative financial instruments	-	203	-	-	-	-	203
Funds borrowed	-	19,377	42,625	52,569	17,924	-	132,495
Other liabilities and provisions	-	61,261	309	-	-	402,720	464,290
<b>Total Liabilities</b>	<b>168,284</b>	<b>1,403,150</b>	<b>791,454</b>	<b>172,755</b>	<b>17,924</b>	<b>402,720</b>	<b>2,956,287</b>
<b>Net liquidity gap</b>	<b>(56,396)</b>	<b>448,248</b>	<b>(615,117)</b>	<b>64,758</b>	<b>479,508</b>	<b>(321,001)</b>	<b>-</b>
As at December 31, 2011							
Total assets	84,580	1,287,815	119,521	288,651	357,181	55,505	2,193,253
Total liabilities	103,349	1,064,904	554,284	112,966	-	357,750	2,193,253
<b>Net liquidity gap</b>	<b>(18,769)</b>	<b>222,911</b>	<b>(434,763)</b>	<b>175,685</b>	<b>357,181</b>	<b>(302,245)</b>	<b>-</b>

(\*) Revolving loans are presented in up to 1 month column.

(\*\*) Collective allowances are proportionally distributed according to the maturity distribution of loans and receivables

(\*\*\*) Reserve requirement distribution is based on maturity distribution of liabilities on which the reserve is calculated.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market Risk

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” which was published in the Official Gazette on June 28, 2012 numbered 28337 and “Regulation Regarding Banks’ Shareholders’ Equity”.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standardized method (summarized below) is taken into consideration. Beside the standardized method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated weekly by two different methods which are historic simulation, parametric method, and these results are also reported daily to the management.

### VaR Analysis

The VaR risk measure estimates the potential loss in pre-tax profit over a given holding period for a specified confidence level. The VaR methodology is a statistically defined, probability-based approach that takes into account market volatilities as well as risk diversification by recognizing offsetting positions and correlations between products and markets. Risks can be measured consistently across all markets and products, and risk measures can be aggregated to arrive at a single risk number. The one-day 99% VaR number used by the Bank reflects the 99% probability that the daily loss will not exceed the reported VaR.

VaR methodologies employed to calculate daily risk numbers include the historical and variance covariance approaches.

While VaR captures the Bank’s exposure under normal market conditions, sensitivity and scenario analysis, and in particular stress testing, is used to add insight to the possible outcomes under abnormal market conditions. The Bank assesses various stress scenarios to measure the impact on portfolio values of extreme moves in markets, based on historical experience as well as hypothetical scenarios. The stress-testing methodology assumes that all market factors move adversely at the same time and that no actions are taken during the stress events to mitigate risk, and consequently reflects the decline in liquidity that frequently accompanies market shocks.

VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Currency Risk

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration and value at risk is calculated by using the standardized method.

The Board of Directors sets limits for the positions, which are followed up daily. Any possible changes in the foreign currency transactions in the Bank's positions are also monitored.

As an element of the Bank's risk management strategies, foreign currency liabilities are economically hedged against exchange rate risk by derivative instruments.

The carrying amount of the Bank's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	EURO	USD	Other FC	Total
<b>As of December 31, 2012</b>				
Assets				
Cash and cash equivalents	8,027	105,026	1,388	114,440
Balances with Central Bank	64,511	117,908	-	182,419
Loans and receivables (*)	229,754	363,844	-	593,598
Investment securities	-	2	-	2
Other assets	2	242	-	244
<b>Total assets</b>	<b>302,294</b>	<b>587,022</b>	<b>1,388</b>	<b>890,703</b>
Liabilities:				
Customers' deposits	13	14,426	326	14,765
Deposits from banks	204,379	563,847	300	768,526
Funds borrowed	69,607	38,184	-	107,791
Other liabilities and provisions	1,136	2,509	7	3,652
<b>Total Liabilities</b>	<b>275,135</b>	<b>618,966</b>	<b>633</b>	<b>894,734</b>
Net position on statement of financial position	27,159	(31,944)	755	(4,031)
Net position off statement of financial position	(27,584)	31,924	-	4,34
Derivative financial assets and forward marketable security and spot currency purchase agreements	4,715	37,793	-	42,508
Derivative financial liabilities and forward marketable security and spot currency sale agreements	(32,299)	(5,869)	-	(38,168)
<b>As of December 31, 2011</b>				
Total assets	275,965	484,785	1,212	761,962
Total liabilities	277,489	485,725	539	763,753
Net position on statement of financial position	(1,524)	(940)	673	(1,791)
Net position off statement of financial position	413	2,143	(293)	2,263
Derivative financial assets and forward marketable security purchase agreement	4,935	13,781	-	18,716
Derivative financial liabilities and forward marketable security sale agreement	(4,522)	(11,638)	(293)	(16,453)

(\*) Foreign currency indexed loans amounting to TL 276,117 (December 31, 2011: TL 174,776) are included in the loan portfolio.

## TURKLAND BANK ANONİM ŞİRKETİ

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

#### 25. FINANCIAL RISK MANAGEMENT (continued)

##### Foreign currency sensitivity

The Bank holds EUR and USD currencies positions mainly.

The following table details the Bank's sensitivity to a 10% increase or decrease in the TL against USD and EUR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. Positive/ (negative) number indicates a change in profit or loss and other equity where USD and EUR increase/ decrease 10% against TL.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
USD	10	(2)	120	-	(206)
EUR	10	(42)	(111)	-	-

##### Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and it is managed by the Asset-Liability Committee. The interest rate sensitivity of assets, liabilities and off-balance sheet items related to this risk are measured by using the standard method and included in the market risk for capital adequacy.

Risk Management Department performs duration, maturity and sensitivity analysis to protect the effect of interest rate volatility and reports to the Asset-Liability Committee.

Simulations on interest income are performed in connection with the forecasted economic indicators used in the budget of the Bank. The negative effects of the fluctuations in the market interest rates on the financial position and the cash flows are minimized by revising budgeted targets.

The Bank management follows the market interest rates daily and revises the interest rates of the Bank whenever necessary.

Since the Bank does not permit maturity mismatches or imposes limits on mismatch, a significant interest rate risk exposure is not expected.

# TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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## 25. FINANCIAL RISK MANAGEMENT (continued)

### Information related to the interest rate sensitivity of assets, and liabilities:

	Up to 1 Month	1 to 3 months	3 months to 1 year	Over 1 year	Non-interest bearing	Total
<b>As at December 31, 2012</b>						
Assets:						
Cash and cash equivalents	247,076	-	-	-	26,031	273,107
Balances with Central Bank	-	-	-	-	267,040	267,040
Financial assets at fair value through profit or loss	-	-	59	123	-	182
Derivative financial instruments	5	-	-	-	-	5
Loans and receivables (*)(**)	1,475,074	77,540	185,572	221,406	105	1,959,697
Investment securities	67,611	65,783	161,037	55,403	80	349,914
Premises and equipment	-	-	-	-	11,380	11,380
Intangible assets	-	-	-	-	1,037	1,037
Deferred tax asset	-	-	-	-	5,374	5,374
Other assets	-	-	-	-	88,551	88,551
<b>Total Assets</b>	<b>1,789,766</b>	<b>143,323</b>	<b>346,668</b>	<b>276,932</b>	<b>399,598</b>	<b>2,956,287</b>
Liabilities:						
Customers' deposits	1,090,992	748,520	120,186	-	167,460	2,127,158
Deposits from banks	21,331	-	-	-	824	22,155
Obligations under repurchase agreements	209,986	-	-	-	-	209,986
Derivative financial instruments	203	-	-	-	-	203
Funds borrowed	19,322	42,625	52,569	17,924	55	132,495
Other liabilities and provisions	699	309	-	-	463,282	464,290
<b>Total Liabilities and equity</b>	<b>1,342,533</b>	<b>791,454</b>	<b>172,755</b>	<b>17,924</b>	<b>631,621</b>	<b>2,956,287</b>
<b>Total interest sensitivity gap</b>	<b>447,233</b>	<b>(648,131)</b>	<b>173,913</b>	<b>259,008</b>	<b>(232,023)</b>	<b>-</b>
<b>Total Assets December 31, 2011</b>	1,236,787	135,350	338,428	212,217	270,471	2,193,253
<b>Total Liabilities and equity December 31, 2011</b>	1,027,969	554,284	112,966	-	498,034	2,193,253
<b>Total interest sensitivity gap</b>	208,818	(418,934)	225,462	212,217	(227,563)	-

(\*) Revolving loans are presented in up to 1 month column.

(\*\*) Collective allowances are proportionally distributed according to the maturity distribution of loans and receivables

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Interest Rate Risk (continued)

##### Interest Rate Sensitivity

If interest rates had been increased by 0.5% in TL and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would decrease by TL 448. The main reason of this is the change in TL and FC deposits (December 31, 2011: TL 703).
- There is no effect on the Bank's equity.

#### Capital Adequacy

To monitor the adequacy of its capital, the Bank uses ratios established by Banking Regulation and Supervision Agency (BRSA). The minimum ratio is 8% (12% if a bank operates in offshore markets). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk. As of December 31, 2012, the regulatory capital adequacy ratio of the Bank on an unconsolidated basis is above 12%.

	December 31, 2012	December 31, 2011
Tier I capital	354,220	339,623
Tier II capital	25,965	7,399
Deductions	(57)	-
Total regulatory capital	380,128	347,022
Risk-weighted assets (including market and operational risk)	2,503,375	1,977,802
Capital adequacy ratio (%)	15,18	17,55

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Fair Values

Set out below is a comparison by category of carrying amounts and fair values of the Bank's major financial instruments that are carried in the financial statements at other than fair values.

	Carrying value		Fair value	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
<b>Financial assets</b>	<b>2,325,515</b>	<b>1,670,655</b>	<b>2,314,463</b>	<b>1,662,929</b>
Money market placements and funds lent under resale agreements	152,025	80,043	152,025	80,043
Deposits with banks	97,526	80,370	97,526	80,370
Available-for-sale financial assets (**)	108,737	204,666	(*)	(*)
Loans and receivables	2,004,926	1,456,425	1,993,157	1,449,678
Held-to-maturity investments	70,959	53,738	71,755	52,838
<b>Financial liabilities</b>	<b>2,491,794</b>	<b>1,798,036</b>	<b>2,492,531</b>	<b>1,798,724</b>
Customers' deposits	2,127,158	1,594,912	2,127,555	1,595,060
Deposits from banks	22,155	668	22,155	668
Obligations under repurchase agreements	209,986	97,725	209,986	97,725
Funds borrowed	132,495	104,731	132,835	105,271

(\*) Fair value cannot be determined reliably.

(\*\*) Equity instruments amounted to TL 79 are excluded from the line.

#### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of the financial instruments:

##### i. Financial assets:

Money market placements and banks are carried at amortized cost values on the face of the financial statements and due to their short term nature, their fair values are considered to approximate their respective carrying values at amortized cost. The discount rate used to calculate the fair value of held- to- maturity investments and loans and receivables as of December 31, 2012 is the market rates available for the related loan and security types.

##### ii. Financial liabilities:

The fair value of bank deposits are considered to approximate their respective carrying values at amortized cost due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2012 is the market rates available for the related borrowing and deposits types.

The fair values of financial assets and financial liabilities carried at fair value are determined as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data. The fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, estimate is made based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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### 25. FINANCIAL RISK MANAGEMENT (continued)

#### Fair Value of Financial Instruments (continued)

December 31, 2012	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	182	5	-	187
<i>Debt instruments</i>	182	5	-	187
Derivative financial instruments	-	-	-	-
Available-for-sale financial assets	278,875	-	-	278,875
<i>Debt instruments</i>	278,875	-	-	278,875
<b>Financial Liabilities</b>	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(203)	-	(203)

December 31, 2011	Level 1	Level 2	Level 3	Total
<b>Financial Assets</b>				
Financial assets at fair value through profit and loss	177	-	-	177
<i>Debt instruments</i>	177	-	-	177
Derivative financial instruments	-	66	-	66
Available-for-sale financial assets	283,262	-	-	283,262
<i>Debt instruments</i>	283,262	-	-	283,262
<b>Financial Liabilities</b>	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(39)	-	(39)

# TURKLAND BANK ANONİM ŞİRKETİ

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2012 (CONTINUED)

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

### 26. SUBSEQUENT EVENTS

According to the official gazette dated January 26, 2013 and numbered 28540 based on the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey, the new reserve deposit rates are disclosed below:

#### FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%12,0	%9	Ratios for corresponding maturities	%12,0	%10	%6

#### TL reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/ participation accounts up to 1-month maturity (including 1-month)	Deposits/ participation accounts up to 3-month maturity (including 3-month)	Deposits/ participation accounts up to 6-month maturity (including 6-month)	Deposits/ participation accounts up to 1-year maturity	Deposits/ participation accounts with 1-year and longer maturity and cumulative deposits/ participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
%11,25	%11,25	%11,25	%8,25	%6,25	%5	%11,25	%8,0	%5,0

# Assessment of Financial Position

## Financial Assessment

Compared to 2011 year-end results, T-Bank's assets increased by 35% to reach TL 2,966 Million, cash loans increased by 37% to reach TL 2,017 Million, warranties and bails increased by 5% to reach TL 1,079 Million.

Deposits volume increased by 34.7% compared to December 2011, reaching TL 2,149 Million in December 2012.

Compared to a profit of TL 3.6 Million in 2011, the Bank concluded 2012 with a net profit of TL 12.7 Million. Relative to the previous year, the Bank's net interest income increased by 57% and commission income (net) increased by 13%.

## Credit Risks and Capital Adequacy

While the legal limit of Capital Adequacy Ratio is 8%, the Bank's Capital Adequacy Ratio by December 2012 is 15,18%.

Non-performing credits have a share of 3.34% in total credits, while the correspondence rate for non-performing credits is 51.74%.

## Five-Year Summary Financial Statistics

thousand TL	31 December 2012	2011	2010	2009	2008
Total assets	2.966.250	2.203.333	1.509.774	1.144.511	1.020.632
Loans	2.016.910	1.468.718	1.003.222	722.218	594.796
Securities Portfolio	350.091	337.252	268.428	178.729	101.862
Total deposit	2.149.313	1.595.580	1.143.081	841.950	577.887
Loans received	132.495	104.731	92.264	48.878	203.737
Equity	366.604	338.082	219.257	215.284	207.302
Warranties and bails	1.078.909	1.030.628	975.901	709.505	651.951
Net interest income	110.069	70.210	52.742	64.537	51.508
Net commission income	21.795	19.338	16.472	12.729	9.544
Profit before tax	17.859	5.618	4.466	3.074	621
Net Profit	12.709	3.561	2.463	2.354	836

%	31 December 2012	2011	2010	2009	2008
Capital Adequacy Ratio	15,18	17,6	14,0	19,3	21,9
Asset Proceeds	0,5	0,2	0,2	0,2	0,1
Equity Proceeds	3,5	1,5	1,1	1,1	0,4
Loans/Deposits	93,8	92,0	87,8	85,8	102,9
Loans/Total assets	68,0	66,7	66,4	63,1	58,3
Liquid assets/Total assets (*)	18,7	20,9	21,9	26,7	29,6
Non-performing loans (net) / Total loans (net)	1,6	1,6	2,3	0,8	0,6
Non-performing loans (net) / Total assets (net)	1,1	1,1	1,5	0,5	0,3

(\*) Fair value difference, financial assets reflected to profit/loss and Marketable Financial Assets are included.

# T-Bank Credit Ratings

## **Foreign Currency**

Long Term/Short Term/Outlook  
BBB-/F3/Stable

## **Local Currency**

Long Term/Short Term/Outlook  
BBB-/F3/Stable

## **National**

Long Term/Outlook/Financial Capacity/Support  
AAA(tur)/Stable/B+/2

## **Country Risk**

Long Term Foreign Currency/Long Term Local Currency/Outlook  
BB+/BB+/Positive

T-Bank's credit ratings are identified by Fitch Ratings.

# Directory

## Head Office

Address: 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İstanbul  
Tel: (212) 368 34 34  
Fax: (212) 368 35 35

## Main Branch

Address: 19 Mayıs Mah. 19 Mayıs Cad.  
Şişli Plaza A Blok No: 7 Şişli 34360 İstanbul  
Tel: (212) 368 35 60  
Fax: (212) 368 35 88

## Adana

Address: Kurtuluş Mah. Atatürk Bulvarı  
Mehmet Sümer Apt. No: 167 Seyhan Adana  
Tel: (322) 459 35 00  
Fax: (322) 459 89 59

## Ankara Ostim

Address: 100. Yıl Bulvarı No: 29 Yenimahalle  
Ostim Ankara  
Tel: (312) 386 24 20  
Fax: (312) 386 24 34

## Antalya

Address: Ali Çetinkaya Cad. No: 12 07000  
Antalya  
Tel: (242) 243 51 50  
Fax: (242) 243 51 54

## AHL

Address: Atatürk Hava Limanı Serbest  
Bölge 2. Kısım A Blok No: 48 Yeşilköy  
34149 İstanbul  
Tel: (212) 465 01 56  
Fax: (212) 465 01 62

## Avcılar

Address: Cihangir Mahallesi, E-5 Güney Yan  
Yol No: 245 Avcılar  
Tel: (212) 695 59 00  
Fax: (212) 695 52 85

## Bakanlıklar

Address: Atatürk Bulvarı No: 185 Bakanlıklar  
06680 Ankara  
Tel: (312) 419 67 14  
Fax: (312) 419 67 10

## Bayrampaşa

Address: Orta Mahalle Abdi İpekçi Cad. No:  
18/1 Bayrampaşa İstanbul  
Tel: (212) 480 06 80  
Fax: (212) 480 04 91

## Beylikdüzü

Address: Cumhuriyet Mah. Gürpınar Yolu  
No: 11 Beykent -Büyükçekmece İstanbul  
Tel: (212) 871 47 80  
Fax: (212) 871 47 85

## Bursa

Address: Fevzi Çakmak Cad. Berk Plaza  
No: 52/A Bursa  
Tel: (224) 222 57 57  
Fax: (224) 221 55 90

## Caddebostan

Address: Bağdat Cad. No: 271 Kadıköy  
İstanbul  
Tel: (216) 386 81 81  
Fax: (216) 386 81 61

## Denizli

Address: 2. Ticari Yol 464 Sok. Köşe Apt.  
No: 31 Denizli  
Tel: (258) 261 33 60  
Fax: (258) 263 86 60

## Dolayoba

Address : Kaynarca Yan Yol E-5 Üzeri Orta  
Mah. Barış İş Merk. No: 34/1 Dolayoba  
34896 Pendik İstanbul  
Tel: (216) 598 37 47  
Fax: (216) 598 37 45

## Dudullu

Address: S.S. İstanbul Anadolu Yakası  
Kereste ve Küçük Sanayiciler Toplu İşyeri  
Yapı Koop. Keyap Çarşı No: 22 Dudullu  
Ümraniye İstanbul  
Tel: (216) 527 44 74  
Fax: (216) 527 41 43

## Etiler

Address: Bebek Mah. Nispetiye Cad. No:  
18 Etiler 34342 İstanbul  
Tel: (212) 257 40 31  
Fax: (212) 263 52 29

## Gaziantep

Address: İncilipınar Mah. Muammer Aksoy  
Bulvarı Sever İş Merk. No: 43 Gaziantep  
Tel: (342) 232 29 00  
Fax: (342) 232 82 40

## Gebze

Address : Osman Yılmaz Mah. İstanbul  
Cad. Fulya Apt. No: 29 Gebze Kocaeli  
Tel: (262) 643 26 00  
Fax: (262) 643 18 32

## Güneşli

Address: Evren Mah. Koçman Cad. Ziyal  
Plaza B Blok K: 2 No: 38 Güneşli/Bağcılar  
34560 İstanbul  
Tel: (212) 656 55 15  
Fax: (212) 657 11 57

## İkitelli

Address: İkitelli Organize Sanayi Bölgesi  
Atatürk Bulvarı Haseyad 1. Kısım No: 109 C  
Blok Göksu Plaza İkitelli-İstanbul  
Tel: (212) 671 55 54  
Fax: (212) 549 79 62

## Izmir

Address: Cumhuriyet Bulvarı No: 82 Erboy  
İşhanı Alsancak/Izmir  
Tel: (232) 489 11 33  
Fax: (232) 489 94 21

## Izmit

Address: Kemal Paşa Mahallesi Hürriyet  
Caddesi No: 24 Izmit  
Tel: (262) 322 99 98  
Fax: (262) 322 66 48

## Kadıköy

Address: Kurbağalıdere Cad. No: 25/2-3  
Hasanpaşa/Kadıköy 34722 İstanbul  
Tel: (216) 414 18 10  
Fax: (216) 414 18 55

## Kayseri

Address: Cumhuriyet Mah. Vatan Cad. No:  
28 A-B Kayseri  
Tel: (352) 232 46 44  
Fax: (352) 232 41 07

## Konya

Address: Mussallabağları Mah. Nalçacı Cad.  
No: 88/A Konya  
Tel: (332) 233 63 30  
Fax: (332) 233 68 77

## Kozyatağı

Address: Bayar Cad. Gülbahar Sok.  
Perdemsac Plaza No: 17 Kozyatağı 34742  
İstanbul  
Tel: (216) 362 06 66  
Fax: (216) 362 58 70

## Levent

Address: Oto Sanayi Sitesi Fatih Cad. No: 1  
4. Levent 34416 İstanbul  
Tel: (212) 282 44 00  
Fax: (212) 282 40 20

## Manavgat

Address: Eski Hisar Mahallesi Demokrasi  
Bulvarı No: 71/A Manavgat Antalya  
Tel: (242) 743 36 46  
Fax: (242) 743 36 51

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