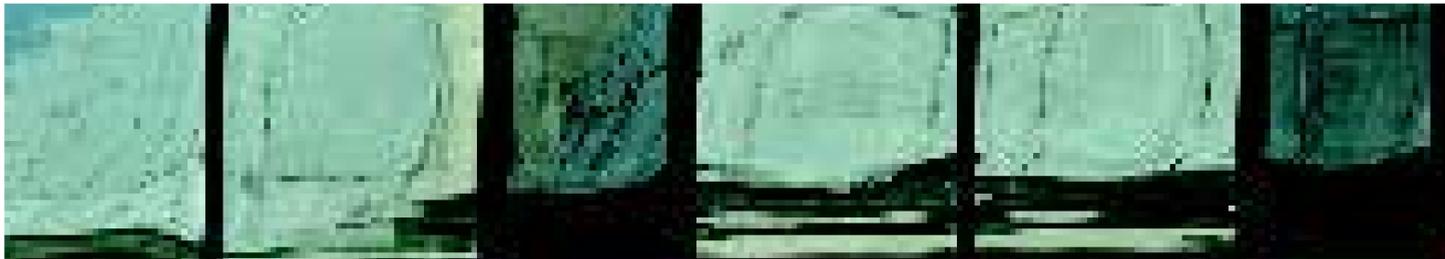




T-BANK 2014 ANNUAL REPORT



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2014  
ANNUAL REPORT**

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## PART I

### Corporate Profile

The positive developments witnessed by T-Bank are evident in its financial results that are reflective of its prudent risk management approach. T-Bank is **well positioned to grow further**, supported by strong risk management and compliance frameworks which are the essence of the Bank's culture.

## Financial Highlights and Key Ratios

### Summarized Financial Highlights (TL thousand, US Dollars thousand)

	31 December, 2014		31 December, 2013		Change %
	TL	US Dollars	TL	US Dollars	
Total Assets	5,088,560	2,183,838	4,111,263	1,911,149	24%
Loan Portfolio (Gross)	3,409,795	1,463,369	2,704,664	1,257,282	26%
Loan Portfolio (Net)	3,365,142	1,444,205	2,668,288	1,240,372	26%
Securities Portfolio (Net)	875,988	375,944	604,824	281,157	45%
Banks/Money Market Placements	273,092	117,202	356,412	165,681	-23%
Total Deposits	3,588,525	1,540,073	2,837,137	1,318,862	26%
Borrowings	138,252	59,333	216,995	100,872	-36%
Shareholders' Equity	753,738	323,479	539,805	250,932	40%
Guarantees and Collaterals	2,043,323	876,925	1,681,382	781,602	22%

	31 December, 2014	31 December, 2013	Change %
Net Interest Income	181,307	86,393	110%
Net Commission Income	28,080	16,627	69%
Profit Before Tax	40,242	18,066	123%
Net Profit	31,931	13,284	140%

### Key Financial Ratios

	31 December, 2014	31 December, 2013
Capital Adequacy Ratio	18.52%	15.85%
Loans (net)/Deposits	93.78%	94.05%
Loans (net)/Total Assets	66.13%	64.90%
Liquid Assets/Total Assets (*)	21.37%	22.59%
Non-Performing Loans (Net)/Total Loans (net)	1.51%	1.26%
Non-Performing Loans (Gross)/Total Loans (Gross)	2.80%	2.58%
Non-Performing Loans (Net)/Total Assets	1.00%	0.81%
Specific Loans Provisions/Non-Performing Loans	46.72%	52.06%

(\*) Includes financial assets at fair value through profit and loss and financial assets available for sale.

### Loans (net)/Total Assets



### Capital Adequacy Ratio



### Loans (net)/Deposits



T-Bank's financial results are reflective of its sound strategy and prudent risk management approach. Capitalizing on the banking experience and deep-rooted history of its shareholders, **Arab Bank** and **Bankmed**, T-Bank is well positioned to grow further and become its customers' preferred financial partner.

## Brief History

Established in 1985 as the Istanbul Branch of Bank of Bahrain and Kuwait, T-Bank became an independent institution under the name Bahreyn ve Kuveyt Bankası A.Ş. in 1991. The Bank was later acquired by Doğuş Group in 1992, and its name was changed to Garanti Yatırım ve Ticaret Bankası A.Ş. In 1997, the Bank was acquired by Mehmet Nazif Günel, and its name was changed to MNG Bank A.Ş.

In 2006, following a mutual agreement with Mehmet Nazif Günel, Arab Bank and Bankmed acquired 91% of the shares of MNG Bank A.Ş. The transaction was approved by the Banking Regulation and Supervision Agency (BRSA) on December 29, 2006. The transfer of the Bank's shares was completed in January 2007, and Arab Bank and Bankmed owned 50% and 41% of shares respectively. On April 3, 2007, the Bank's name was changed to Turkland Bank A.Ş. better known as (T-Bank). In July 2010, Bankmed acquired the remaining 9% shares held by Mehmet Nazif Günel, increasing its shares from 41% to 50%.

The following year, in November 2011, T-Bank's capital was increased from 170 million TRL to 300 million TRL with a partial contribution from an Arab Bank Group shareholder, Arab Bank Switzerland. This contribution had no effect on the overall partnership structure, which remained at 50% for Bankmed and 50% for Arab Bank Group.

In April 15, 2014, T-Bank's capital was further increased from TL 500 million to TL 650 million. The current partnership structure of T-Bank was as follows: Bankmed 50% and Arab Bank Group 50%.

T-Bank capitalizes on the vast banking experience of its shareholders, Arab Bank and Bankmed, which dates back to the 1930s. This synergy strengthens T-Bank's position, allowing it to enhance its activities and become its customers' preferred financial partner.

Today, with the addition of Small and Medium Enterprises (SMEs), T-Bank continues to expand its banking operations and to focus on its areas of expertise, namely enterprise and business banking.

In 2014, T-Bank continued to expand the scope of its operations while remaining focused on its core businesses, corporate and commercial banking. The Bank continued to leverage its Small and Medium Enterprises (SMEs) portfolio by providing financial solutions to a growing client base, following the expansion of its branch network by six branches into new commercial centers in Turkey.

## Amendments to the Articles of Association

Article 7 "Capital" of the Articles of Association has been amended. The amended Article is as follows:

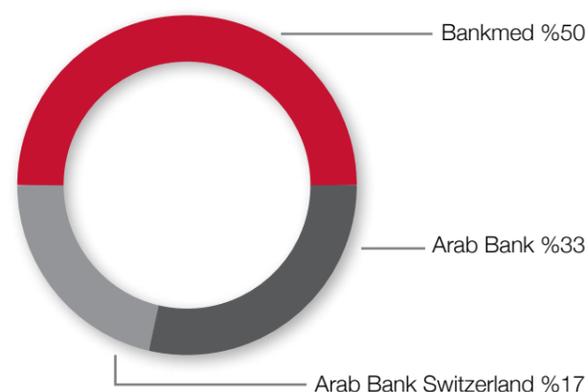
### Capital

#### ARTICLE 7

- a) The Capital of the Bank is TL 650,000,000 (six hundred and fifty million). This capital is divided into TL 6,500,000,000 (six billion five hundred million) registered shares each with a nominal value of 10 (ten) Kurus.
- b) The TL 500,000,000 (five hundred million) portion of this capital is fully paid up. TL 150,000,000 (one hundred and fifty million) portion that corresponds to the recent increase is fully undertaken and free of collusion. The entire amount of the increased capital in cash will be paid up by 30.04.2014.
- c) The Board of Directors is authorized to communicate the invitations and notices regarding the date, on which the increased amount of capital will be fully paid up within the periods determined, and notices will be served by way of a registered letter with return receipt.
- d) The dividend coupons of shares are bearer coupons, which will be paid to the submitter. Dividends of the holders of registered share certificates, which are given to shareholders without issuing shares, will be paid in exchange of receipt and also by writing on the back side of the certificates.
- e) The shares are issued by printing coupons that represent one or more shares upon the Decision of the Board of Directors.

## Shareholders and Capital Structure

As of April 18, 2014, T-Bank's paid in capital is TL 650 million.



The Bank increased its capital from TL 500 million to TL 650 million based on the decision of the Ordinary General Assembly held on April 15, 2014. The abovementioned amount, which is fully paid up, is transferred to capital accounts following the letter and permission of the BRSA, dated August 28, 2014 under number 20637.

### Bankmed

Established in 1944 and headquartered in Beirut, Bankmed is one of the top tier banks in Lebanon. Bankmed played a dynamic role in the resurgence of the Lebanese economy and in funding the reconstruction of the country in the nineties. The bank actively participated in financing commercial, industrial, and contracting sectors, hence promoting their growth and earning Bankmed a prime position as a market leader in Corporate Banking.

Capitalizing on this success in Corporate Banking, the bank has actively expanded its banking services to include Retail Banking, Private Banking, Commercial, Investment, and Brokerage services. Bankmed has also geared its efforts towards Small and Medium Enterprises (SMEs) businesses, an increasingly important segment of the economy.

With 61 branches in Lebanon, one in Cyprus and three in Iraq, Bankmed offers a broad range of financial solutions to individuals and corporations. Its staff of more than 2,400 services more than 170,000 customers. Bankmed's operations extend to Switzerland, through its fully owned subsidiary (BankMed Suisse), to Turkey through a commercial bank (T-Bank), and to Saudi Arabia through its investment banking arm, SaudiMed Investment Company (SaudiMed). Most recently, as part of its prudent expansion strategy, the Bank received a Category I license from the Dubai International Financial Center (DIFC) to operate a corporate business in addition to a Category III license to operate brokerage activities through its fully owned subsidiary, MedSecurities Investment. With Category 1 license, Bankmed becomes the first bank in the MENA region to enter the DIFC.

Bankmed's financial statements continued to exhibit strong growth where total assets reached USD 15.4 billion by end of 2014, while its net profit was reported at USD 133.5 million. Loans grew by 6% to reach USD 4.6 billion, and customer deposits increased by almost 10% to reach USD 12 billion. Loans to deposits ratio stood at 39% and provisions coverage ratio exceeded 150%.

Bankmed has been able to grow its business and to expand and strengthen its regional and international presence. The growth witnessed in recent years coupled with solid financial results have served as an indication to the robust performance of the Bank's activities.

### Arab Bank

Established in 1930, Arab Bank headquartered in Amman, Jordan is the largest global Arab banking network with over 600 branches in 30 countries and spanning five continents. Arab Bank's extensive network covers key financial markets and centers such as London, Dubai, Singapore, Geneva, Paris, Frankfurt, Sydney and Bahrain.

Across its global network, the bank provides a wide range of financial solutions through its main business lines which entail Consumer Banking, Corporate and Institutional Banking and Treasury, serving individuals, corporations, and other financial institutions.

As one of the leading banks in the MENA region, Arab Bank plays an integral role in financing vital infrastructure projects and strategic industries throughout the region. True to its founding vision of enabling the Arab world to reach preeminence, Arab Bank continues to be an engine of economic growth and an enabler of social and community development.

The Bank succeeded in strengthening its financial position in 2014 by maintaining key financial indicators on par with the highest local and global standards. Arab Bank Group

reported net profit after tax and provisions of USD 577.2 million in 2014, a growth of 15% compared to 2013. Assets also grew in 2014 to reach USD 48.2 billion and owners' equity equaled USD 7.9 billion.

Arab bank received many international awards and recognitions from prestigious organizations, including Best Bank in the Middle East and Best Trade Finance Bank in the Middle East in 2014 from Global Finance Magazine. Other regional recognitions include Best Cash Manager in the Middle East from Global Investor/ISF which is published by Euromoney and Best Trade Finance Provider in the Middle East from EMEA Finance. During 2014, Arab Bank was also recognized as the Best Bank in Jordan by Global Finance, Euromoney, EMEA Finance, The Banker (published by the Financial Times), The Banker Middle East, and Corporate Finance International magazines.

### Arab Bank Switzerland

Founded in 1962, Arab Bank Switzerland is a Swiss bank operating under all banking laws and regulations of Switzerland and under supervision of Swiss Financial Market Supervisory Authority (FINMA).

With an outstanding reputation in the field of asset management, the bank has been providing private banking services for more than 50 years. Arab Bank Switzerland also operates in many business banking fields with a portfolio of customers that originate from or mainly reside in Arab countries. Being a member of Arab Bank Group and an independent sister company of Arab Bank PLC, Arab Bank Switzerland makes use of a wide network of branches in the Arab world and global main financial centers.

Arab Bank Switzerland has a total number of around 22,000 shareholders that mainly reside in Middle East. The strong capital structure of the bank has resulted in an equity rate that far exceeds the standards specified by Swiss and international monetary supervisory bodies.

	Capital	Percentage	Number of Shares in TL
BANKMED	324,999,997.71	50.0%	3,249,999,977
ARAB BANK PLC	216,666,665.59	33.3%	2,166,666,656
ARAB BANK (Switzerland)	108,333,333.33	16.7%	1,083,333,333
OTHER SHAREHOLDERS	3.37	0%	34
<b>PAID IN CAPITAL</b>	<b>6,500,000,000</b>	<b>100%</b>	<b>6,500,000,000</b>

## Chairman's Message



The global economy's most positive development in 2014 was the significant decline in oil prices, which began in the middle of the year, instigating major macroeconomic and financial policy implications. If sustained throughout 2015, this decline is expected to support global growth and reduce inflationary, external and fiscal pressures in oil-importing countries, such as Turkey.

The year 2014 started off with some challenging headlines to the Turkish economy: a slowdown in GDP growth that was reported at around 3% and the risk of higher US interest-rate which could put pressure on the Turkish current account as well as on the Turkish Lira. However, the decreasing trend in oil prices introduced some positive impacts on the current account deficit, which contracted from USD 65 billion in 2013 to USD 45 billion at the end of 2014.

The Turkish banking sector continued to exhibit notable resilience and a clear ability to weather economic challenges, proving yet again to be one of the solid pillars of the Turkish economy. The capital adequacy ratio of the sector was reported at 16.4% as of December 2014, surpassing Basel requirements. Net profit of the sector was reported at TL 24.6 billion representing 4% increase compared to December 2013.

In 2014, T-Bank capitalized on the steady growth it witnessed during the previous years. The Bank added seven new branches to its network, drawing closer to its customers across the country. Furthermore, our expansion strategy enabled us to enhance our financing of the Small and Medium Enterprises (SME) sector as we continued to provide this segment with new opportunities to grow and

flourish. Moreover, capitalizing on the strong synergy of our shareholders, we were able to extend our financial services beyond the Turkish borders and take the lead in financing projects in countries within the MENA region.

The positive developments witnessed by T-Bank are reflected in its financial results. With the capital increase in 2014, T-Bank's shareholder equity has reached over TL 750 million, indicating an increase of around 40% from the previous year. The Bank's goal is to maintain its growth in the coming years as well as to expand its services through a wider branch network. Our growth will continue to be supported by strong risk management and compliance frameworks which are the essence of the Bank's culture.

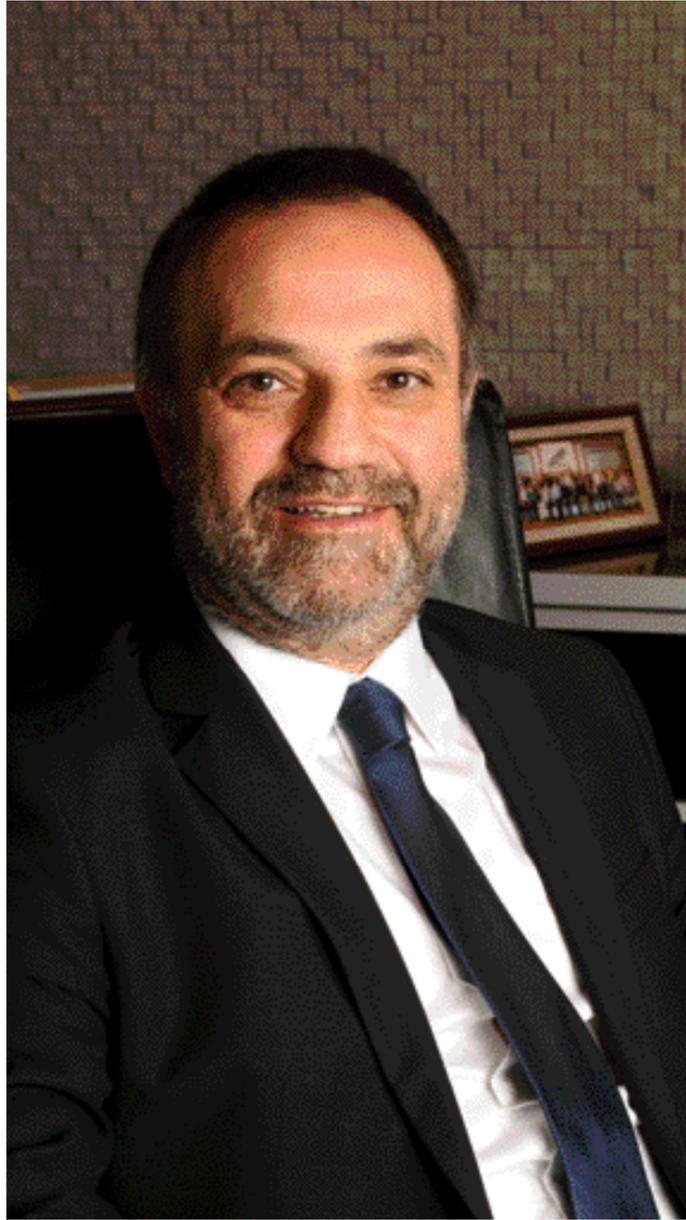
T-Bank remains proud of its dedicated staff, who attend carefully to our clients' needs. I thank them all for their hard work. I extend my sincere appreciation to our customers, whose ongoing trust has been the cornerstone of our growth. I also thank our shareholders for their extensive guidance and continuous support, which enabled us to recognize significant achievements throughout 2014. Looking ahead, T-Bank will continue to pursue the strategy that has been serving it well for the past years.

**Nemeh Sabbagh**

The Bank's goal is to maintain its growth in the coming years as well as to expand its services through a wider branch network. Our growth will continue to be supported by **strong risk management** and compliance frameworks which are the essence of the Bank's culture.

The positive developments witnessed by T-Bank are reflected in its financial results. With the capital increase in 2014, **T-Bank's shareholder equity has reached over TL 750 million**, indicating an increase of around 40% from the previous year.

## CEO's Message



In 2014, the Turkish banking industry succeeded in maintaining a positive growth. The industry's total assets reached TL 1.9 trillion recording a 15.5% year-on-year growth, and its net profit recorded a modest year-on-year growth of 4% to reach TL 24.6 billion. The Turkish banking industry, which has benefited over the last ten years from a robust regulatory framework that made it attractive for regional and international financial institutions, witnessed the introduction of key regulations in 2014 and included placing a cap on interest rates as well as fees on retail loans and credit cards.

T-Bank witnessed a successful year meeting all its set targets. T-Bank's assets recorded a year-on-year growth of 24% to reach TL 5.1 billion as of December 2014. Through our 34 branches covering Turkey's major industrial and financial centers, T-Bank's total loan portfolio and total deposits grew by 32% and 27% respectively to reach TL 2.3 billion and TL 3.5 billion by the end of 2014. Net profit recorded a year-on-year growth of 122% and reached TL 31.9 million by December 2014. Furthermore, the non-performing loans to total loans ratio stood at 2.8% as of December 2014 - a solid indicator of the Bank's prudent risk management strategy. T-Bank's capital adequacy ratio stood at 19% by the end of 2014, surpassing that of the banking sector which stood at 16.4%.

The Bank continued to strengthen its position in financing SMEs and attracting a larger number of SME customers. Loans provided to SMEs in Turkish Lira grew by 22% in 2014, exceeding the year's target. In addition, on the trade finance side, T-Bank's volumes increased to USD 412 million by the end of 2014.

Furthermore, T-Bank continued to capitalize on opportunities in the MENA region, relying on the synergy of its shareholders as well as their long-standing experience in corporate and commercial banking activities. Throughout, the Bank continued to strengthen its compliance function, ensuring proper implementation of global and local regulatory guidelines and standards.

In line with its well-planned long-term strategy, T-Bank is well positioned to strengthen and maintain its relationships with its existing customers. In addition, the Bank will seek further expansionary plans in strategic and promising markets. I thank our valued customers for their continued trust and loyalty, our Board of Directors and Shareholders for their continuous support and contributions, and our hardworking employees for their unwavering dedication.

**Dinçer Alpman**

T-Bank continued to capitalize on **opportunities in the MENA region**, relying on the synergy of its shareholders as well as their long-standing experience in corporate and commercial banking activities.

Throughout, the Bank **continued to strengthen its compliance function**, ensuring proper implementation of global and local regulatory guidelines and standards.



## PART II

### Operations

To optimize its services, T-Bank **continues to draw closer to its clients** by widening its branch network and establishing presence in Turkey's industrial business hubs.

## Turkey's Boutique Bank

With a sustainable growth strategy, T-Bank provides its customers with solutions that meet their needs by adopting a “boutique service” approach at its 33 branches located within the leading industrial and commercial centers in Turkey.

T-Bank plays an active role within the Turkish banking sector, thanks to its expertise in treasury and cash management as well as in investment services and commercial financing. The Bank is constantly improving the quality of its products and services, strengthening customer satisfaction and loyalty, as well as broadening its experience. Capitalizing on the wide network of correspondent banks of its principal shareholders in the MENA region, T-Bank continues to develop long-term relations with banks that enhance its financial structure and add value to its services in terms of scope and quality.

### Review of 2014 Operations

#### Dynamic Organizational Structure

T-Bank focuses on timely delivery and strives to create customized solutions that meet the evolving needs of its customers. Within this framework, the Bank provides its customers with high value added products and services while boosting its position in the business. T-Bank effectively uses a “boutique service” approach, developed in line with its middle-sized bank position. This approach increases the Bank's profitability and efficiency in conducting business while enhancing its permanent relations with its customers.

T-Bank constantly aims at improving its operations according to its customers' feedback. The Bank broadened its range of products and services through innovative solutions that were implemented in 2014. Customized solutions offered to customers from different industries have helped improve customer satisfaction and portfolio. Today, T-Bank continues to carry out its activities through effective customer management and proactive marketing strategies.

Operating on the basis of this approach, the Bank plans to expand its market share and customer portfolio in the future.

#### An Effective Network of Branches

In line with its prudent expansion strategy, T-Bank opened six new branches in 2014, expanding its network to a total of 33 branches. The Bank plans to further expand the scope of its services by opening additional branches in industrially developed regions, especially in city centers. Operating

according to “boutique services” approach, the Bank continues to offer products that carefully meet the needs of the different segments of its existing customer portfolio while widening its client base.

#### Valuable Synergy of Experienced Shareholders

T-Bank capitalizes on the international experience of its main shareholders: Arab Bank, Bankmed, and Arab Bank Switzerland. This valuable synergy further supports the Bank to conduct commercial activities in the MENA Region. This fundamentally strong network makes the Bank the one of the preferred institutions to Turkish investors, who plan to carry out their commercial activities in this region.

#### Segmental Expertise

With the aim of improving the quality of its services, T-Bank divides its customer portfolio into two segments: Corporate Banking and Small and Medium Enterprises (SMEs).

The Corporate Banking portfolio of the Bank is aimed toward companies with high turnovers mainly in the fields of manufacturing, tourism, construction, energy and logistics. T-Bank had set a goal to improve the Corporate Banking portfolio share in the Banks' total loan amount.

Customers in the SMEs' segment benefit from enterprise and business banking services that are targeted at suppliers and manufacturers. Customers in this segment are mostly provided with the financial support that they need for their day-to-day operations.

#### Detailed Credit Facility Process

T-Bank's credit facility process consists of two phases. The first phase involves a detailed analysis of the customers' financial data using measurements such as risk rating, cash flow, investment projection, feasibility and capacity report. The measurements and evaluations focus on the detailed analysis of a company's product-service diversity, market share, morality, current position of business in addition to other criteria. T-Bank's credit facility process depends mainly on criteria such as financial data, market intelligence, as well as past and expected performance of the company.

In the second phase, credit applications are submitted for approval. T-Bank develops solutions that meet the needs of the company applying for credit. Proposed solutions include investment financing, working capital, and any other industrial requirements of the company requesting the loan.

Maintaining an objective outlook towards the various sectors, T-Bank offers equal financing opportunities to all customers during the credit review process. T-Bank creates working criteria for industries with a share of 5% or more in total loans according to “Risk Acceptance Criteria.”

#### High Asset Quality

T-Bank' customer portfolio consists of companies that enjoy a strong financial structure in terms of profitability and credibility within their respective industries. Moreover, in its aim to maintain and support its existing portfolio structure, T-Bank selects its customers through a meticulous process, carried out during marketing activities. This approach enables the Bank to fulfill all its obligations with due diligence in order to maintain the quality of its existing assets. Following its prudent expansion strategy, which it has adopted during the past years, T-Bank will continue to expand its customer portfolio to include successful companies in different industries in 2015.

#### Effective Cash Management

T-Bank's ability to attract new customers and retain existing ones is underpinned by its effective cash management services. The growing customer base from the various diversified sectors of the economy allows the Bank to

sustain its profitability and support the growth of its corporate and commercial banking activities.

#### Corporate and Commercial Banking

Within the scope of its Corporate and Commercial Banking activities, T-Bank provides services to companies with a turnover of TL 15 million and above. In addition to financial institutions, the customer portfolio consists of companies in the fields of trade and industry, service, transportation, construction-contractual works. T-Bank also provides services to leading industrial companies in Turkey that carry out activities in the fields of iron-steel, textile and food and which have a high export potential.

The Corporate and Commercial Banking staff of T-Bank offer customized solutions that meet specific financial needs of customers in all branches. The qualified team members meticulously assess customer requirements and produce tailor-made solutions that focus on the customers' existing and any future needs. The active involvement of T-Bank staff and managers is the pillar for the long-term relations that the Bank creates with its clients.

With a strong financial structure, steady growth, and risk mitigants, T-Bank continues to stand as one of the

#### Loan Portfolio Distributed by Sector (31 December 2014 - TL thousand)

Sector	Cash Credits		Non-Cash Credits	
	Total	%	Total	%
<b>Agriculture</b>	<b>118.713</b>	<b>3.48%</b>	<b>64.311</b>	<b>2.91%</b>
Farming and Breeding	108.318	3.18%	61.482	2.78%
Forestry	9.921	0.29%	2.763	0.13%
Fishing	474	0.01%	66	0.00%
<b>Industry</b>	<b>1,158,816</b>	<b>33.98%</b>	<b>718,518</b>	<b>32.53%</b>
Mining	139.885	4.10%	101.386	4.59%
Manufacturing	1,005,799	29.50%	596.494	27.01%
Electricity, Gas and Water	13.132	0.39%	20.638	0.93%
<b>Construction</b>	<b>794.238</b>	<b>23.29%</b>	<b>599.792</b>	<b>27.15%</b>
<b>Service</b>	<b>1,067,511</b>	<b>31.31%</b>	<b>679.406</b>	<b>30.76%</b>
Wholesale and Retail Trade	301.031	8.83%	211.051	9.56%
Hotel and Restaurant Services	198.573	5.82%	15.941	0.72%
Transportation and Communication	244.020	7.16%	77.563	3.51%
Financial Institutions	122.830	3.60%	177.694	8.04%
Real Estate and Rental Services	87.902	2.58%	3.440	0.16%
Self-Employment Services	83.262	2.44%	166.588	7.54%
Training Services	467	0.01%	231	0.01%
Health and Social Services	29.426	0.86%	26.898	1.22%
<b>Other</b>	<b>270.517</b>	<b>7.93%</b>	<b>146.766</b>	<b>6.64%</b>
<b>TOTAL</b>	<b>3,409,795</b>	<b>100.00%</b>	<b>2,208,793</b>	<b>100.00%</b>

most trustworthy banks in Turkey. In addition to a healthy profitability, the Bank is keen to maintain a balanced risk-reward approach. Foreign trade products are just as important as credits, cash management, project finance and insurance products offered by the Corporate and Commercial Banking Departments. International experience, corporate structure and fast decision-making mechanisms of its shareholders enable T-Bank to successfully provide financial services in Middle East and North Africa.

The size of total loan and deposits has increased by 950% since 2007, the year the partnership structure was changed. T-Bank plans to open 6 new branches in 2015 in line with the expansion plans in an aim to draw closer to its customers and attend carefully to their needs.

#### SME Banking

Over the past few years, SMEs have grown to become the lifeblood of the Turkish economy and consequently one of the prioritized customer base for the banking industry. As SMEs become more important in the national economy, their finance requirements and the ability to benefit from banking products and services increases accordingly. In this context, SMEs are considered an important segment within T-Bank's expansion policies. The Bank aims in this regard to capture a large segment of this market by offering tailored financial solutions to its growing client base.

The specialized SME Banking staff ensures that products and services reach businesses by adopting an onsite service approach in all branches.

In 2014, T-Bank increased the number of service locations and opened new branches in important centers of Turkey.

This step aligns with the Bank's goal to expand its customer base and enable a growing number of clients to benefit from its products and services. Moving forward, the Bank will continue to expand its operations to industrialized regions, tourism regions, commercially active locations, organized industrial zones, and other similar industrial locations where manufacturing is the prevailing business.

The newly developed approach in customer relations management enables T-Bank to attend to its customers' needs at their locations, ensuring that the requirements of SMEs are correctly and timely addressed. The Bank acts as a solution partner by providing its customers with the opportunity to reach all products and services aimed at their financial needs in an effective manner.

T-Bank SME Banking operates under the principle of generating the highest level of customer satisfaction by means of product diversity, service quality, and fast and effective processes that suit customers' needs. For this reason, the Bank carefully selects portfolio managers among highly qualified and experienced individuals. The young, dynamic and professional staff of T-Bank closely monitor the industries of the Bank's customers and link developments in global and national economy with micro economies and SMEs. The Bank continues to offer efficient banking solutions, supported by a responsive IT infrastructure. In addition, the Bank maintained its close relations with the SME's customers and further enhanced the staff's visits to the SME sites.

With the long-term goal of making SME loans correspond to half of the Bank's total loans, T-Bank develops many

products to cater for the SME's requirements, expanding its services particularly through loans in Turkish Lira. In addition, the Bank continues to support the SMEs in their active needs such as cash in foreign exchange, loans denominated in foreign currencies, foreign trade payments, performance bonds, term deposits, investment products and project and investment financing.

In addition to direct support mechanisms, T-Bank continues to act as a broker for financial instruments offered by Credit Guarantee Fund, Kredi Garanti Fonu (KGF), the SME Development Organization, Turkey (KOSGEB), and EXIMBANK, as well as a diverse range of products that SMEs may benefit from. The wide range of services include tax and Social Security payments, check books, wage and invoice payments, treasury bills and cash management products. Two years ago, T-Bank strengthened its technology infrastructure, making its operational work flows effective and ensuring its customers benefit from these capabilities within the shortest possible time in line with the goal to improve the quality of products and services offered to SMEs.

In 2014, T-Bank grew its loan portfolio, the flagship product offered to SMEs, by 33%. Furthermore, the total balance sheet size of SME Banking grew by 22%, exceeding the 2014 target. Loans products remain the largest facility offered to SME, constituting above 80% of the total balance sheet of SME Banking.

Moving forward, T-Bank will continue operating in accordance with the goal of increasing the share of SME customers in its portfolio and will be ready to meet the needs of SMEs in all branches in 2015. The top priority goals

include: acting as a facilitator for long-term loans for SMEs; providing project and investment finance; being effective in business place acquisitions; supplying equipment and raw materials; and supporting exports and imports.

#### Credit Allocation-Monitoring

T-Bank Credit Allocation and Risk Monitoring Department determines credit-related strategies and policies, one of the core businesses of the Bank. The Department also carries out credit allocation monitoring, as well as controlling and reporting current and future risks. The Credit Allocation and Risk Monitoring Department provides services in four specialized fields on the basis of the requirements of customer segments in different industries:

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

Offering innovative solutions to credit customers, T-Bank constantly innovates the products and technologies used to provide easier access to information during the credit allocation processes. This process is attributed to the Bank's aim of utilizing the most advanced tools in terms of organization, technology and presentation techniques. With a credit allocation staff specialized in contractual works segment, T-Bank also makes use of work flow systems, a segmentation-based rating system, a credit archiving system, a trade registry recording system, and the Credit Bureau of Turkey (KKB).

#### Customer-Oriented System

T-Bank offers "boutique services" without compromising its



As one of Turkey's boutique banks, T-Bank boasts of its specialized and **tailor-made financial solutions** that are offered to its growing client base.

risk-oriented management criteria offered to its customers. In this context, the sectors which the Bank focuses on include tailor-made products such as gas station financing, fast discounting of customer checks and supporting medium-size housing construction projects. Focusing on financial needs of companies that operate in the MENA Region, T-Bank continues to become specialized in financing Turkish contractors abroad.

To fulfill an important aspect of customer relations, the Credit Allocation Department, in cooperation with the Marketing Division, performs visits to customers. The positive communication network has resulted in a competitive edge in terms of fast decision-making and the fast implementation of decisions. T-Bank creates a comfortable working environment for its customers by evaluating their needs onsite and offering affordable limits and loan terms. This enables T-Bank to successfully implement innovative products. The customer portfolio of the Bank consists of companies that create added value, are prone to a healthy and sustainable cooperation, enjoy a repayment power, and operate under ethical values.

Products and services used in Credit Allocation and Monitoring activities are classified under "Technology Structure", "Early Warning System" and "Scoring and Rating Models".

**Technology Structure**

In 2013, T-Bank introduced a new banking system that is founded on the state-of-the-art technology. With the advantage of being a fast and scalable infrastructure, the System supports short and long-term growth strategies and provides the opportunity to fast product development

and diversification due to its parametric infrastructure. The System has many useful features that improve the quality of service including: integration between credit utilization differentiation control and work flow system, automation of legal reporting, creation of new security, limit, customer and account relations, new monitoring system as well as automatic monitoring mechanism.

**Early Warning System**

The Early Warning System enables T-Bank to limit credit risks by ensuring that risks are identified early on and that necessary actions are taken before risk occurs. T-Bank conducts a proactive monitoring, thanks to customer visits and portfolio screening operations. T-Bank is able to detect problems at early stages thanks to credit management for screening operations in close cooperation with the customers. Information about companies gathered from the market, Credit Registration Bureau, TBB/Risk Center and various sources of information are consolidated and used as an early warning signal in both allocation and monitoring processes. In case the evaluations carried out during the process show an increase in the risk level of the borrower, credit limits are updated or additional security is obtained.

Credit Monitoring specialists monitor all phases of the credit process in close cooperation with Credit Allocation team. Credit Allocation teams and branches are informed and credit-related reports are issued whenever necessary.

**Scoring and Rating Models**

The scoring and rating model used by T-Bank in SME and Corporate/Commercial Business Banking segments complies with BASEL II criteria. This model enables important functions such as better credit analysis and higher

value-added during the credit-related decision-making processes.

**Treasury**

T-Bank's Treasury Department manages liquidity, foreign exchange, and securities' portfolios. The profit of the Department that is generated from the securities portfolio exceeds the profit that comes from other provision lines. The Treasury Department operates in accordance with the Bank's needs, market risk limits determined by the Board of Directors, and correspondent banks' transaction limits. The share of the securities portfolio of the Treasury Department is much smaller than the loans in the total balance sheet due to T-Bank's customer-oriented culture as well as its farsighted and prudential management approach. The share of securities portfolio in the assets is limited to 20% pursuant to a decision of the Board of Directors.

Treasury products are offered through the Bank's branches in accordance with customer needs. The Treasury Department briefs the Bank's senior management on current market conditions as well as the related balance sheet management at the Asset-Liability Committee meetings.

**Financial Institutions**

The Financial Institutions Department is responsible for developing and maintaining relations with local and foreign correspondent banks and financial institutions, diversifying the Bank's fund sources and financing foreign trade. T-Bank meets its financial needs and those of its customers by means of credit limits obtained from international banks and export credit agencies. T-Bank develops custom solutions to meet its customers' needs through a strong network that includes more than 150 correspondent banks in 50

countries. The Bank successfully expands its network of correspondent banks in existing and new markets.

T-Bank has mediated foreign trade transactions totaling to USD 400 million in 2014. In addition to non-cash services such as letters of credit, letters of guarantee, and performance bonds, the Bank also created cash sources by mediating credits for foreign trade finance, working capital loans and term loans from correspondent banks in order to meet the cash needs of its clients.

T-Bank's principal shareholders, Arab Bank and Bankmed, carry out their activities through 650 branches in 30 countries, predominantly in the Middle East and North Africa. The diversity of regions and countries, in which the principal shareholders operate in, helps T-Bank gain competitive edge over its competitors and offer foreign trade products with competitive prices to its customers that operate in the field of international trade.

**Information Technology**

The Information Technology (IT) Department makes the latest technology advancements available to employees and customers in order to render business processes that are more effective, faster, and in line with the strategies and policies of T-Bank.

**Effective System Architecture**

The Core Banking System located at T-Bank headquarters runs on three application servers, using two database servers with IBM P6 processors that offer high performance and extension capability, and EMC Symmetrix storage device. The multi-tier system provides a secure infrastructure at the application phase. The main operating system server



T-Bank's ability to attract new customers and retain existing ones is attributed to its customized services.

of the Bank runs on a Unix-based system while other servers and personal computers run on Windows and Linux platforms. The Core Banking System uses Oracle Server 11g and other systems use SQL Server as the database. For emergencies, an additional database server, which is synchronized instantly with active servers, and backups of other mission critical services are located at the Emergency Center outside of Istanbul.

Computer system infrastructure of T-Bank is based on Microsoft Active Directory. In this context, the Headquarters and the branches use Cisco systems for network connection and IBM servers for the server side. Lotus Notes systems are used for e-mail and work flow system infrastructures. These systems, together with the Bank's internal and external electronic communications, form the infrastructure for auxiliary work flow software and office automation work flow software in conjunction with the Core Banking System.

Another important function of the Information Technology Department is the transaction security. For this purpose, Checkpoint is used as firewall; Websense is used for content filtering and web security; Trend Micro and Cisco IRONPORT are used for virus protection and e-mail security. The agreements related to security mandate utilization of the latest technologies are in order to ensure IT data security. IT infrastructure is renewed every year in accordance with this approach.

#### Applications Used in 2014

T-Bank Banking System consists of applications that are built around and integrated with the Core Banking System. In 2014, the Bank continued to make developments in order to ensure secure, fast and integrated operation of the Core Banking System and other systems built around it. Applications were enhanced with new products and functions.

Reporting efforts continued in order to meet reporting needs of users. The Legal Reporting Project was completed in 2014.

Integrations with the Credit Bureau, Land Registry Agency and other institutions helped in accessing new sources of information for use in business processes, and Inquiry Services were combined in a single platform.

Additionally, new application projects were launched in 2014. These new projects include Budgeting, 360-Degree CRM, and Fixed Assets. These projects are set to be completed in 2015. Overall, the IT infrastructure was enhanced significantly through various efforts such as improvement of network and security infrastructures, establishment of a secure and controlled wireless network infrastructure in the Headquarters, as well as the expansion of the level of virtualization.

## Human Resources

#### Human Resources Structure

T-Bank considers its qualified and experienced staff as its most important asset. T-Bank Human Resources, which plays a strategic role in the Bank's operations, performs its practices in accordance with the Bank's strategies and goals. In 2014, T-Bank extended its service network to include 6 new branches at the end of 2014. Presently, 641 employees service customers through a network encompassing the Head Office and 33 branches.

#### Recruitment Process

T-Bank's Human Resources practices are based on openness, effective communication and equality. Candidates are carefully selected according to each position's requirements. The Bank's main priority is choosing the right person for the right job.

Written or online assessments are held in mass recruitment programs. Successful candidates are invited to group and personal interviews with the related business line units. The "Human Resources Recruitment Team" and the managers of the related business lines are involved in the selection process. Following the one-on-one interviews, pre-employment evaluations for potential candidates are conducted, offers are made, and the recruitment process is completed. The selection process entails a set of evaluation tools such as foreign language tests and professional personality assessments matching the vacant position. Moreover, the online interview facilitates the recruitment process for branches outside the cities.

The "Suggest a Friend" project enables employees to recommend candidates for any vacancy and encourages them to apply via the Bank's website. The evaluation of candidates is carried out according to the existing Recruitments and Placement Procedure. If a suggested candidate is recruited by T-Bank, the endorsing employee is awarded within this scope of the project.

In 2014, the project was extended to include the participation of the Bank's employees with matching qualities for open positions; hence, the employee satisfaction was improved and recruitment processes ran efficiently. In 2014, T-Bank welcomed 196 new recruits including 156 people with prior banking experience and 29 trainees at the Head Office, Branch Operations and Marketing Departments.

Approximately 15,000 applications were submitted for the recruitment postings. Candidates who succeeded in the assessments and interviews were included in the training program. T-Bank continued to place emphasis on training in 2014. As part of its continuous training and development, T-Bank offered training opportunities to 39 students as interns, providing them with practical training.

#### Performance Management

"Performance evaluation" is carried out by measuring employees' contribution to business results, and it is conducted in accordance with the goals and strategies of the Bank. "Competency assessments" are used for structuring employees' career and training plans. In order to improve the quality of service, T-Bank periodically holds surveys such as "Employee Loyalty" and "Internal Customer Satisfaction" and emphasizes simulations, inventory and coaching practices for supporting the personal development of employees.

Since research within the scope of measurement-assessment studies has been going on for six years, changes can be tracked against time.

Employees, who are successful at their tasks and have maintained performance viability, are promoted to higher positions based on the approval of the Promotion Committee.

Number of Employee and Branches	2014	2013	2012	2011	2010
Head Office Employees	269	241	228	215	226
Branch Employee	372	294	296	281	284
Total Number of Employees	641	535	524	496	510
Number of Branches	33	27	27	27	27

Demographics	2014	2013	2012	2011	2010
Male (%)	47	48	51	52	53
Female (%)	53	52	49	48	47
Average Age of Employees	36	36.7	36	36	35

### Bonus and Incentive System

Bonus payments are made to managers and higher level executives once a year according to achieved annual targets. Awarded incentives are based on criteria such as the accomplishment of branch/department goals and the effective utilization of personal skills. For managers and higher level executives employed at the Head Office, an evaluation is performed by the manager, who is one level senior to them. The incentive amount is determined by considering the yearly performance and its effect in helping the Bank reach its targets. For Branch Managers, the premium amount is determined according to the goals they have accomplished. Within this context, in April 2014, a gross total of TL 4,117,746 incentive payment has been paid.

As of 2014, it has been decided that if the Bank accomplishes its financial goals, branch employees will also be paid incentives according to a criteria based on the size of the branch the accomplishment rates of its goals.

### Training

At T-Bank comprehensive training and development activities are offered. The Training Department conducts training programs in order to develop personnel skills of employees and establish a common culture. As such, employees are given the opportunity to develop their knowledge and skills.

These activities encompass: Initiation Programs that allow quick adaptation for new employees; Trainee Programs that provide basic banking information for employees with no banking experience; Technical-Personal Development Courses for experienced bankers; Manager Development Trainings and Coaching Applications for employees at the management level; and e-Learning Programs provided via the e-Learning Platform. In addition, Development Seminars, carried out by experts, enrich the training-development activities.

T-Bank continued the "Personal Leadership and Development" project it initiated in 2012 in order to support the current and future development of experienced directors. Directors participate in the three-module long Drucker Management Path training within the scope of the Sage Project. These modules are titled "Managing Yourself," "Managing Relationships-The Team," and "Managing Opportunities". These trainings are also supported by forum messages, presentations and various developmental tools. The last phase of the project is the "Graduation Project", where directors work on developing projects that believe will benefit T-Bank; these projects are presented to the Upper

Committee, where actions for approved projects are taken. In 2014, the training program of the Second SAGE Group was completed. The second group of SAGES will prepare their Graduation Projects in the first months of 2015 and deliver their presentations. The scope of the SAGE Project was improved and revised in 2014. The third group of SAGES will start their interactive training studies in 2015.

The Head Office and Istanbul branch employees participated in several of the Banks' Association in Turkey trainings. In addition, many employees at the Head Office and T-Bank branches participated in the training and were given the opportunity to develop themselves. Private training companies provided a number of certificate programs. SME and Corporate Banking Portfolio Directors had the opportunity to develop their skills in Loan Simulation and Foreign Trade as part of the new training programs that were introduced in 2014.

Training courses provided on the T-Bank e-learning platform, which holds an exclusive account for each employee, continued in 2014. The platform provides employees 24/7 access to assigned e-learning courses from the office or their homes.

### Corporate Social Responsibility

T-Bank recognizes the importance of paying back to the larger Turkish community to which it belongs. Guided by its shareholders vision and their active participation in civic, social, and environmental initiatives, T-Bank is increasingly focusing on Corporate Social Responsibility (CSR).

T-Bank held its first national photography contest in 2014 titled, *Our Animal Friends Who Share Our Lives and Cities*. Around 500 people with more than 2000 photographs participated in this contest that was held in cooperation with Istanbul Photography and Movie Amateurs Association (IFSAK). Photographs sent to the contest were assessed by a jury of seven people consisting of photography artists. At the end of the assessments, a total of 40 photographs including the works awarded the first, second, third place and honorable mentions were exhibited. Owners of photographs in the first three places and those who earned honorable mentions were awarded at the ceremony held in December 2014. All awarded and chosen works were exhibited in Istanbul Metrocity Shopping Center for three weeks. 44 works were chosen and a photography book compiling the distinctive photographs was printed.

The national photography contest has become part of T-Bank's annual programs that are carried within its CSR initiatives.

## In-house Communications and T-Club

### In-House Communication

In order to enhance in-house communication among employees and increase their motivation, the following periodical activities are conducted at T-Bank:

- The Intranet portal of the Bank, "Birlik-T", is managed as an active information sharing portal. Up-to-date information such as birthdays, promotions and reassignments of employees and press releases posted through "Birlik-T";
- Specials discounts for T-Bank employees offered at various stores such as restaurants, hair dressers and health centers are also announced through the Portal;
- T-Bank stands by its employees on their special occasions. They are sent celebration e-mails on birthdays, recruitment anniversaries and when they have children;
- T-Bank continues its tradition of sending gifts in the name of newborn children of employees;
- Newcomers to the Bank are introduced to T-Bank staff with "New Teammates" e-mails including photographs.

### T-Club

T-Bank offers employees a privileged social worklife in addition to professional career management practices.

T-Bank holds a series of activities that add value to the personal lives of employees and their families through T-Club, which all employees are members of. In 2014, painting contests titled, "My Dream Playground," were held for the children of the Bank's employees for ages 2-6 and "My World in Four Seasons" for ages 7-12. Winning participants were awarded and their works were exhibited in the Head Office building.

T-Bank Drama Club was founded in the beginning of 2014 and supported by the social projects developed by T-Bank for its employees. The first play, *Dear Doctor*, directed by the prominent drama actor Celal Kadri Kınoğlu was staged four times during the year. A good number of the Bank's active members participated in this play.

Other social activities held within T-Club in 2014 were as follows:

- Traditional April 23 Children's Festival;
- Bi-annual bowling tournament;
- Free pass to T-Bank Drama Club plays;
- Zumba fitness and Latin dance lessons.



### PART III

#### T-Bank Management and Corporate Governance Implementations

**A transparent approach to business** coupled with a clear and comprehensive disclosure of information and strong shareholder relations form the solid foundation for T-Bank's corporate governance.

## Board of Directors

Nemeh Sabbagh  
 Mohamed Ali Beyhum  
 Henri Jacquand  
 Mustafa Selçuk Tamer  
 Riad Burhan Taher Kamal  
 M.Behçet Perim  
 Nadya Nabil Tawfik Talhouni  
 Faten Matar  
 Haitham Helmi Mohammed Foudeh  
 Dinçer Alpman

Chairman  
 Vice Chairman  
 Board Member  
 Board Member / CEO

### **Nemeh Sabbagh**

#### **Chairman**

Nemeh Sabbagh assumed the position of CEO of Arab Bank in January 2010. He has an MBA in Finance from the University of Chicago, an MA in International Economics from the Johns Hopkins University and completed his undergraduate studies (BA) in Economics and French at Austin College in Texas and at L' Institut d'Etudes Politiques in Paris. He is also an alumnus of Stanford University where he completed the Senior Executive Program at the Graduate School of Business. 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.

### **Mohamed Ali Beyhum**

#### **Vice Chairman**

Mohamed Ali Beyhum is the Executive General Manager of Bankmed since 2010 and a Board Member of the Banking Group holding company. He serves on the board of all the Bank's major banking and finance subsidiaries. Mr. Beyhum is also the Chairman of the Board of Directors of MedSecurities Investment Company and Emkan Finance. Prior to joining Bankmed in December 2005, he was working with Irving Trust and the Bank of New York in the United States and served as Vice President Senior Representative in Lebanon. Mr. Beyhum holds a Master's degree in Industrial Management from Colombia University in N.Y., and a B.E. degree in Mechanical Engineering from the American University of Beirut.

### **Dinçer Alpman**

#### **Board Member and CEO**

Dinçer Alpman is a graduate of Management Engineering of Istanbul Technical University. He started his banking career at Pamukbank in 1988 and later held the same positions in Marmara Bank, Tekfen İnşaat and Alternatif Bank. Before joining Turkland Bank A.Ş., he spent 10 years at DenizBank as Executive Vice President in charge of Retail Banking.

### **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 Turkland Bank A.Ş., he served as Assistant General Manager and finally Vice Chairman at Yapı ve Kredi Bankası A.Ş., for 18 years.

### **Haitham Helmi Mohammed Foudeh**

#### **Board Member**

Haitham Foudeh is a graduate of Civil Engineering from the University of Jordan and holds an MS in International Construction and Engineering from Leeds University. He served as a planning engineer in Saudi B.L. Construction Group, Planning Director in Taylor Woodrow International, Project Manager in Abdul Latif Jameel Group Real Estate Investments and Project Portfolio Manager in Islamic Development Bank. Foudeh is the Project and Structured Funding President in Arab Bank, Jordan.

### **Henri Marie Rene Jacquand**

#### **Board Member**

Henri Jacquand is a graduate of Ecole des Hautes Etudes Commerciales and holds an MBA in Business Management from the University of Chicago. 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 the Founder and former CEO of Arabtec Holding, one of the largest general contractors in the Middle East. He founded Arabtec in 1974, led its growth and development for almost 40 years. Arabtec became a listed company in 2004. Mr. Kamal is a graduate of the Imperial College at London University and holds a B.Sc. in Civil Engineering and a Master's degree in Structural Engineering. Mr. Kamal serves on the boards of Arab National Bank (KSA), Arabia Insurance (Lebanon), Oman Arab Bank (Oman), Gulf Capital (Abu Dhabi), Rotana Hotels (Abu Dhabi) and is a member of the Board Of Trustees of The American University of Beirut.

### **Nadya Nabil Tawfik Talhouni**

#### **Member of Inspection Committee**

Nadya N. 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 within the Financial Institutions Group and also held a position of 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.

### **Faten Matar**

#### **Board Member**

Faten Matar holds an MBA from the American University of Beirut. He worked for more than 15 years at the MENA and European Divisions of Citibank in both the Institutional and Consumer business segments. He occupied the position of Vice General Manager of Byblos Bank, prior to joining Bankmed Group, where he served as General Manager of Banque de la Mediterranée sal and Allied Bank sal. He is currently Advisor to the Executive General Manager of Bankmed and a member of the Board of Directors of BankMed (Suisse), Emkan Finance SAL and GroupMed Insurance Brokers SAL.

### **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. After three years of experience in Interbank, he served in significant roles at Bank Ekspres. Before joining T-Bank as a Board member, he worked in Denizbank for 10 years with important titles including Executive Vice President in charge of Risk Management and Internal Control.

## Executive Management

The Executive Management Team is as follows:

Ali Has	Head of Internal Audit
Doruk Parman	Executive Vice President, Marketing and Sales
Emre Demircan	Executive Vice President, Strategic Planning
Hakkı Yıldırım	Executive Vice President, Human Resources
İlhan Zeki Köroğlu	Executive Vice President, Operation and Information Technologies
Mehmet Özgüner	Executive Vice President, Financial Affairs
Münevver Eröz	Executive Vice President, Treasury and Financial Institutions
Yurdakul Özdoğan	Executive Vice President, Credit Allocation and Follow-up

### Ali Has

#### Head of Internal Audit

Ali Has is a graduate of the Faculty of Management at Istanbul University and has an Executive MBA from Boğaziçi University. He started his business career at the Foreign Transactions Department of Yapı Kredi Bankası in 1994 and continued at İş Factoring Finansal Hizmetler AŞ. He worked in TEB A.Ş. for 10 years as the Vice President of the Inspection board before his current position as the Head of T-Bank Internal Audit Department. Has is also a Certified Internal Auditor (CIA).

### Doruk Parman, PhD

#### Executive Vice President, Marketing and Sales

Doruk Parman is a graduate of Middle East Technical University with a degree in Mechanical Engineering and holds an MBA degree from Bilkent University as well as a Doctorate in Banking from Marmara University. 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, prior to his current position as Executive Vice President at T-Bank.

### Emre Demircan

#### Executive Vice President, Strategic Planning

Emre Demircan is a graduate of Boğaziçi University, Electrical and Electronical Engineering Department. He earned an MS from the George Washington University in Engineering and an MBA from Yale School of Management in Business Administration. Demircan started his career in 2001 in Castle Rock Consultants as a Senior Consultant and continued his career in Credit Suisse New York as an Investment Banker and served as an Assistant Partner in McKinsey&Company. Demircan is currently serving as the Executive Vice President for Strategic Planning at T-Bank.

### Hakkı Yıldırım, PhD

#### 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 later assumed senior 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 at the Banking School of Ziraat Bankası. He 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 Audit Department and was appointed Head of Internal Audit in 2003. Since 2004, Özgüner has been serving as the Executive Vice President-Financial Affairs at T-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 and later worked in 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.

## Credit Committee and Other Committees

The Credit Committee and Other Committees are as follows:

### Credit Committee

Henri Jacquand, Chairman  
A. Dinçer Alpman  
M. Selçuk Tamer

### Executive Committee

A. Dinçer Alpman, Chairman  
M. Selçuk Tamer  
M. Behçet Perim  
Doruk Parman  
Hakkı Yıldırım  
İlhan Zeki Köroğlu  
Mehmet Özgüner  
Münevver Eröz  
Yurdakul Özdoğan  
Emre Demircan  
Ali Has

### Asset/Liabilities Committee (ALCO)

A. Dinçer Alpman, Chairman  
M. Behçet Perim  
Doruk Parman  
İlhan Zeki Köroğlu  
Mehmet Özgüner  
Münevver Eröz  
Yurdakul Özdoğan  
Emre Demircan  
Elif Ertemel  
Serhan Yazıcı  
Cengizhan Cengiz  
Alper Üstündağ  
Elida Stupljanin  
Gülgün F. Öztaş  
İsmail Dokur  
Veyis Fertekligil

### Audit Committee

Mohamed Ali Beyhum, Chairman  
Nadya Nabil Talhouni  
Mehmet Behçet Perim

### Corporate Governance Committee

Mohamed Ali Beyhum, Chairman  
Nadya Nabil Talhouni  
Mehmet Behçet Perim

### Compensation Committee

Mohammed Ali Beyhum, Chairman  
Faten Matar  
M. Selçuk Tamer

### Risk Management Committees

**Executive Risk Committee**  
A. Dinçer Alpman, Chairman  
M. Behçet Perim  
Doruk Parman  
Hakkı Yıldırım  
İlhan Zeki Köroğlu  
Mehmet Özgüner  
Münevver Eröz  
Yurdakul Özdoğan  
Emre Demircan  
Ali Has  
Gülgün F. Öztaş

### Operational Risk Committee

A. Dinçer Alpman, Chairman  
M. Behçet Perim  
Doruk Parman  
İlhan Zeki Köroğlu  
Ali Has  
Murat Oltulular  
Gülgün F. Öztaş

### Information Technology Risk Committee

A. Dinçer Alpman, Chairman  
M. Behçet Perim  
İlhan Zeki Köroğlu  
Ali Has  
Murat Oltulular  
Gülgün F. Öztaş

## Risk Management, Internal Control and Internal Audit Managers

### M. Behçet Perim

#### Board Member in Charge of Internal Systems

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. After three years of experience in Interbank, he served in significant roles at Bank Ekspres. Before joining T-Bank as a Board member, he worked in Denizbank for 10 years with important titles including Executive Vice President in charge of Risk Management and Internal Control.

### Ali Has

#### Head of Internal Audit

Ali Has is a graduate of the Faculty of Management at Istanbul University and has an Executive MBA from Boğaziçi University. He started his business career at the Foreign Transactions Department of Yapı Kredi Bankası in 1994 and continued at İş Factoring Finansal Hizmetler AŞ. He worked in TEB A.Ş. for 10 years as the Vice President of the Inspection board before his current position as the Head of T-Bank Internal Audit Department. Has is also a Certified Internal Auditor (CIA).

### Gülgün Figen Öztaş

#### Group Head, Risk Management Department

Gülgün Figen Öztaş is a graduate of Business Administration at Marmara University, Faculty of Economics. She 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 Türkiye Sınai Kalkınma Bankası and later joined the Risk Management Group of T-Bank in 2005. Öztaş is a Certified Financial Risk Manager (FRM).

### Murat Oltulular

#### Head of Internal Control

Murat Oltulular is a graduate of Business Administration at Near East University and has an MBA from İstanbul Bilgi University. He started his business career at the Turkish Trade Bank in 1996 and continued at FortisBank as Director of Internal Control and Operational Risk Group. Working as the Head of Risk Management, Internal Control and Compliance in Groupama, he was also a Board Member and Trainee Director of ACFE. He joined T-Bank in 2014.

### Attendance at the Board of Directors, Auditing Committee and Other Committees

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

## Summary Report of the Board of Directors to the General Assembly

The global economy in 2014 was primarily shaped by the significant decline in oil prices, which brought in a tangible change in oil-importing countries like Turkey.

The Turkish economy realized some positive changes after it had faced challenging conditions in the first half of 2014. Turkey's economic growth moderated to 3% in 2014, namely due to the sharp tightening of its monetary policy that was set to control volatile financial flows and high inflation earlier that year. However, the declining trend in oil prices prompted growth, reduced inflation, and reduced the fiscal and current account deficits. If this drop is sustained, it is expected to instigate further positive changes within the economy in 2015.

In the light of these developments, the Turkish banking industry continued to exhibit notable resilience to economic challenges, maintaining a positive growth. The industry's total assets reached TL 1.9 trillion recording a 15.5% year-on-year growth momentum, and its net profit recorded a modest year-on-year growth of 4% to reach TL 24.6 billion.

Capitalizing on the strong synergy of its shareholders and their guidance, T-Bank continued to witness solid growth in 2014. T-Bank's assets recorded a year-on-year growth of 24% to reach TL 5.1 billion as of December 2014. The Bank's total loan portfolio and total deposits grew by 32% and 27% respectively to reach TL 2.3 billion and TL 3.5 billion by the end of 2014. Net profit recorded a year-on-year growth of 122% and reached TL 31.9 million by December 2014. Furthermore, the non-performing loans to total loans ratio stood at 2.8% as of December 2014 -a solid indicator of the Bank's prudent risk management strategy. T-Bank's capital adequacy ratio stood at 19% by the end of 2014, surpassing that of the banking sector which stood at 16.4%.

Moreover, the Bank continued to strengthen its position in financing SMEs. Loans provided to SMEs in Turkish Lira grew by 22% in 2014, exceeding the year's target. In addition, on the trade finance side, T-Bank's volumes increased to USD 412 million by the end of 2014. T-bank also continued to strengthen its compliance function, ensuring proper implementation of global and local regulatory guidelines and standards.

We would like to thank our customers for their continued confidence in us and in our Bank. T-Bank is well positioned to grow in 2015, backed by its shareholders, management and employees.

**Nemeh Sabbagh**

**Dinçer Alpman**

## Related Party Transactions

T-Bank Group Risks by Sector (thousand TL)						
	Cash Loans	Risk Share (%)	Non-cash Loans	Risk Share (%)	Total Loans	Risk Share (%)
Financial Institutions	99	0.00%	2.595	0.12%	2.694	0.05%
Communication	-	0.00%	6.678	0.30%	6.678	0.11%
Information Technology	-	0.00%	6.653	0.30%	6.653	0.11%
Other	-	0.00%	72	0.00%	72	0.00%
<b>Total</b>	<b>99</b>	<b>0.00%</b>	<b>15.998</b>	<b>0.72%</b>	<b>16.097</b>	<b>0.27%</b>

## Persons and Companies that Provide Support Service

As required by "The Regulations on Banks Receiving Support Services and the Authorization of the Support Service Institutions," T-Bank receives support services for its basic banking activities. In accordance with its business needs, T-Bank purchased software applications from various prime domestic and foreign companies. The Bank receives support from Securverdi for cash transfers and Provus Bilişim A.Ş. for card operations.



In accordance with its business needs, T-Bank purchased **software applications** from various domestic and foreign companies.



## PART IV

### Financial Information and Risk Management

Risk Management is an integral part of the banking process. T-Bank ensures that **risk awareness is spread at all levels** of its organizational structure.

## Risk Management Policies

T-Bank's Risk Management Department is an independent department that reports to the members of the Audit Committee in charge of Internal Audit, Internal Control, Risk Management, and Compliance. Risk Management carries out its activities under the supervision of the Audit Committee, within the framework of the provisions of the "Regulation on Banks' Internal Systems and Internal Capital Adequacy Evaluation Process" published by the BRSA. As a basic principle, Risk Management evaluates credit, the market, interest, concentration, liquidity risks and operational risks and determines limits and control processes.

Since Risk Management is an integral part of the banking process, T-Bank employs full effort to ensure risk awareness at all levels of the Bank's organizational structure. The Risk Management Group submits reports regularly to the Top Management and the Audit Committee, on daily, weekly, monthly and quarterly basis. These reports assist in monitoring all risks the Bank is faced with, concentrations, legal limits, and the Bank's internal limits. This monitoring includes Value at Risk (VAR) analyses, market risk limits, stress tests and scenario analyses, liquidity and interest rate risk reports, and economic capital and capital adequacy analyses. Furthermore, these reports, which are also submitted to the weekly Assets and Liabilities Management Committee, include daily VAR analyses, weekly interest rate risk, economic capital calculations, and market risk limits. In addition, the volatility and closing values of many market instruments are closely monitored and reported daily.

Quarterly reports, submitted to the Audit Committee, include stress tests and economic capital scenario analyses, capital adequacy, liquidity and profitability scenarios, T-Bank credit portfolio's status as well as credit risk results related to portfolio development. The Bank's performance and limits are monitored periodically by using these reports prepared for the Executive Management.

T-Bank's assets-liabilities management policy focuses on the procurement of funds sufficient to meet the credit demands of clients and the legal requirements of the Bank. During its weekly meetings, the Assets and Liabilities Management Committee discusses and decides on credit maturities and financial rates in addition to assets and liabilities.

In parallel with the dynamic reports, a presentation on the Bank's basic risks is made on quarterly basis to the Audit Committee and the Board of Directors. This presentation also includes economic capital calculations covering credit, market, and operational risks. Additionally, the Audit Committee and the Executive Management are also informed about risk limit excesses. The Risk Management Committee reviews periodically the limits and informs the Executive Management of any update. The Board of Directors caps the economic capital to 50% of the equity, market risk VAR value to 2.5% of the equity, and the securities' portfolio to 20% of the Bank's assets. Volume and portfolio limits have also been determined for the securities portfolio. These limits are also monitored and reported. New risk limits, prepared by the Risk Management and Executive Management in December 2013, have been approved by the Board of Directors. The Risk Management Department makes Basel-II capital adequacy calculations systematically for Credit Risk, Market Risk and Operational Risk, within the framework of the "Regulation on the Measurement and Assessment of Capital Adequacy for Banks."

### Credit Risk

Credit risk is the risk of the inability of the counterparties to fulfill their obligations under contracts which the Bank is party to (or in accordance with agreed terms). Credit risk management is of crucial for T-Bank's sustainable development policy. The Board of Directors determines the credit limits used by various sectors, companies and groups, by delegating credit approval responsibilities.

Many criteria such as financial strength, commercial capacity, sectors, geographic regions, capital structure and morality of customers are taken into consideration when credit limits are determined. The customers' financial structure is assessed according to the financial tables and other information received, according to the relevant legislation. As a result of the assessment of general economic developments and changes in the customers' financial data and activities, previously determined credit limits are continuously and regularly revised. Regarding credit limits, various commitments and amounts are provided. For credit facility transactions, limits determined at product and customer-based levels are predicated upon, and risk limit and guarantee information are constantly controlled.

The Credit Monitoring Department is primarily responsible for monitoring credit risks and determining early signals related to possible default. Capital requirements due to the Bank's credit-related practices are calculated in accordance with the Banking Law and the "Regulation on the Measurement and Assessment of Banks' Capital Adequacy." In an aim to bring T-Bank's rating system in conformity with Basel-II standards, the Bank established a committee responsible for creating a new internal rating system. Furthermore, a contract has been signed with Finar (Dun & Bradstreet's representative in Turkey) which has been providing consultancy services in this field since January 2009. An "expert opinion based" rating system has been established with works carried out by T-Bank's expert managers and the Consultancy Firm.

The rating system, whose validation was completed by Finar in June 2011, was transferred to the banking system in October 2011, following the suggestions prepared by the firm and the Executive Management's approval. The system has been applied since 2012.

The Risk Management Department monitors the correspondent bank credit risk limits determined by the Board of Directors daily and sends updates to the Committee, the Executive Management, and related departments in case of excess. Repurchase agreements, derivative transactions and money market transactions concluded by T-Bank Treasury Department are also closely monitored due to the other parties' risk of defaulting.

### Market Risk

Market risk refers to value fluctuations occurring in the Bank's positions as a result of price fluctuations. At T-Bank, two aspects of the market risk are examined, namely purchase and sale risk as well as assets-liabilities incompatibility risk. Since November 2004, the Risk Management Department has been making its VAR calculations on a daily/weekly basis with one day lock-up period and 99% reliability level. Accordingly, VAR results calculated by using parametric, historical simulation, and Monte Carlo VAR calculation methods are used with the aim of calculating capital requirement for purchase and sale risk. Furthermore, VARs are calculated by using market risk systems and advanced simulations recently obtained as at the end of 2014 and through non-linear movements that may arise in the market in addition to more detailed scenario analyses that are performed and monitored on a daily basis. The efficiency of the VAR method is controlled by the "back-testing" method and the number of days when actual losses are higher than the calculated VAR.

T-Bank has determined the market risk management activities within the scope of the "Regulation on Measurement and Assessment of Banks' Capital Adequacy" and the "Regulation on Measurement of Banks' Equities," with the aim of ensuring protection against market risk for the purpose of financial risk management and has taken the necessary measures.



Risk culture is part of T-Bank's daily operations. Its **prudent risk management and strong corporate governance** are the main pillars of the Bank's corporate structure.

### Interest Rate Risk

T-Bank's policy requires the sustainment of the risk level within the specified prudent limits and within values that are in compliance with its internal policies. The Bank continued to adhere to this policy in 2014. The Risk Management Group regularly prepares weekly interest rate GAP and Duration GAP analyses covering the whole balance sheet for follow-up on interest rate risk in the most appropriate way.

### Interest Rate Risk Related To Banking Book

The interest rate risk arising from accounts at T-Bank is closely monitored and managed. Excluding items other than those monitored in purchase and sale accounts and subordinated debts taken into consideration in the calculation of equity, by virtue of the "Regulation on Banks' Equity", the interest rate risk arising from all interest-sensitive in-balance sheet and off-balance sheet items and the interest rate risk arising from banking accounts are calculated on weekly basis.

### Liquidity Risk

Liquidity risk is the risk arising from the failure by banks to pay their debts in full and on time. This fact arises from insufficient cash flow and inadequate nature of the actual cash flow as well as the gap between internal and external cash flows. Liquidity risk can also arise from the inability of closing positions swiftly at convenient prices and sufficient amounts and leaving positions as a result of not being able to enter the market as required, obstacles and segmentations in markets.

T-Bank maintains a sufficient liquidity, in parallel with its prudent banking approach. As per the Bank's general policies, the conformity of maturity structures of assets and liabilities with interest rates is always provided within the scope of Assets and Liabilities Management strategies, and the difference arising from the revenue and costs of Turkish Lira and foreign currency assets and liabilities in the balance sheet is always managed so as to be positive. The rate calculated within the framework of the "Regulation on the Calculation of Banks' Liquidity Coverage Ratio" prepared by the BRSA and Liquidity Coverage Ratios in the scope of Basel-III (LCR), are calculated on foreign currency and total basis and reported weekly to the BRSA. Furthermore, the "Liquidity Risk Analysis" form is also prepared on a weekly basis and reported to the BRSA.

In line with this strategy, various crises' scenarios prepared by the Risk Management Group are submitted to the Executive Management and the Audit Committee. When funding and liquidity resources are taken into consideration, a great part of the Bank's liquidity requirement is met by deposits. In addition to this source, T-Bank procures other resources by using syndication and pre-financing products.

### Operational Risk

Operational risk is the risk of loss that may arise from inappropriate or defective internal processes, personal or system errors as well as external factors. The Bank's departments in charge manage this risk through clearly-defined policies, procedures, and internal controls.

Operational processes are planned by the Central Operations Department at the T-Bank's Head Office. Operations' managers serving in branches are responsible for performing all operations independently from branch managers, and they directly report to the Operations Department in the Head Office.

The Risk Management Department calculates operational risk according to the Basel II Basic Indicator Method. The ultimate goal of the Bank is to detect quantifiable and non-quantifiable risks subject to operational risk on a process and transaction basis by using Advanced Measurement Methods. With the reporting submitted to the Executive Management, the Risk Management Department creates awareness on operational risks, auditing and residual risks. An application is used for centrally managing operational risks. This application allows the centralization and continuous monitoring of all operational and IT risks of the bank. With the independent system it uses, the Risk Management Department ensures that operational risks and losses incurred are periodically recorded, independently from the execution, and are integrated with the daily risk management processes.

Operational risks of support services companies are assessed within the scope of the compliance with the Regulation on Support Services. Risk analyses are carried out by the Risk Management Department, together with the related departments, for support providers. An annual risk management program is set up and submitted to the Board of Directors, regarding support services.

Risks related to IT processes within the scope of IT Risk Management are handled by the Risk Management Department, within the framework of the operational risk system. Improvement activities related to critical IT processes are coordinated. Improvement activities aimed at removing risk findings related to IT processes, detected by an independent auditing firm, are determined in cooperation with the related departments. Actions to be taken during the improvement process are evaluated and decisions are made by the IT Risk Committee and the IT Risk Sub-Committee. Procedures set up within the scope of improvement activities are developed in coordination with the related departments and updated whenever required.

During the updating process, application steps related to processes are reviewed and actions proposed for their improvement if required and the implementation or not of these actions by the related departments are continuously monitored.

The IT Risk Management Sub-Committee convening under the chairmanship of the Risk Management Department makes the required updates every year and determines the impact and likelihood calculations of IT risks. The related committee submits the risk assessment results above the critical threshold to the Information Technologies Risk Committee, which will assess risk reduction, acceptance, avoidance, investment and transfer decisions, for actions to be taken and follow-up of the actions taken.

In 2014, the Business Continuity Plan and related IT Sustainability Plan considered within the framework of the IT Risk Management have been updated in coordination with the related departments. Within the scope of the Business Continuity Plan, discussions have been held with all the departments of the Bank and critical business processes have been assessed, and Emergency Action, Crisis Management, Business Recovery Plans and teams have been updated. Additionally, last year, Business Continuity and IT Sustainability Plan tests related to critical processes have been performed.

### Internal Capital Management

The Internal Capital Adequacy Assessment Process (ICAAP) is a process that allows the determination of the capital size needed by the Bank within a certain period of time, by

evaluating and measuring all risks incurred by the Bank, with the most efficient methods.

With this approach, the "First Structural Block" only includes Credit Risk, Market Risk and Operational Risk, whereas the "Second Structural Block" (ICAAP) covers types of risks that are not covered or partially covered by the First Structural Block and/or all risks to which the Bank may be exposed. Within the scope of its activities, the Bank is exposed to Credit Risk, Operational Risk, Market Risk, Liquidity Risk, Concentration Risk and IT Risk. By estimating the maximum loss amount that may arise within the Credit, Operational, Market risks and other risks and taking market changes into account, within the scope of internal capital management, T-Bank's Risk culture requires regular stress testing. Stress test and scenario analysis results are reported by the Risk Management Department on a daily, weekly and quarterly basis. Capital Adequacy Ratio is calculated by the Risk Management Group on a monthly basis, and information is provided regarding capital requirement, in accordance with the strategic plans, whenever required by the Top Management. Operations related to internal capital management are also performed upon demand. The design and implementation of the capital requirement internal assessment process are performed by the Risk Management Group. The Risk Management Group informs the Top Management on these points, either directly or via the Top 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, Compliance and Risk Management Systems), on behalf of the Board of Directors. Furthermore, the Audit Committee is also responsible for ensuring the operation of these systems and the accounting and reporting systems in compliance with the law and the related regulations, as well as the integrity of the information produced. At T-Bank, Internal Systems are collectively implemented by the Internal Audit, Internal Control, the Compliance Department and the Risk Management Department.

Together with the Internal Systems, Information Technology Risk Committee, the Support Services Guidance Committee, the IT Risk Management Sub-Committee and the Basel-II CRD 48 Harmonization Committee, for a more efficient definition, assessment and management of operational risks, an Operational Risk Committee has been set up. All these committees carried out their activities successfully in 2014.

Within the scope of the Operational Risk Committee, committees regularly convene, with the participation of the General Manager and the members of the Internal Systems Group. During these meetings, operational risks to which T-Bank is exposed are assessed in detail and action plans aimed at minimizing risks are put into application.

### Internal Audit

The aim of the Internal Audit reporting to the Internal Systems Group is to provide assurance to the Executive Management on the execution of the Bank's activities in compliance with the law and related regulations and in line with the Bank's internal strategies, policies, principles and targets, as well as the efficiency and adequacy of internal control and risk management systems. The final goal is to add value to business processes and develop T-Bank's activities in line with the targets set. Accordingly, every effort is spent for the efficient and appropriate use of instruments accelerating the functioning of the internal control and risk management within the Bank. The recommendations of the auditors and the results reached are communicated to T-Bank's Executive Management and the Audit Committee and transformed into a manual covering all decision-taking processes. Actions based on the results of the audit process are carefully implemented and systematically monitored.

The main criteria guiding the activities of the Internal Audit Department is the compliance of T-Bank's internal audit activities with international professional audit standards. All audits included in the 2014 audit plan prepared with a risk-based approach and approved by the Bank's Board of Directors were completed in 2014. Furthermore, all the Bank's processes had been reviewed during the audits performed in the scope of the Management Declaration. In departments where the audit is completed, audit performance is measured by analytical audit grades. Departments with grades below the average audit grade are further inspected at the preparatory stage of annual audit plans. Appropriate use will be made of information systems for audit reports, so as to ensure the increase of efficiency and productivity.

T-Bank places great importance to the career development of its internal auditors working in the Internal Audit. As a result of this concern, the achievement by the Internal Auditors of important certificates aimed at increasing the quality of the audit and reinforcing the compliance with international audit standards is encouraged. Within this context, among the personnel of the Internal Audit composed of eight members, two internal auditors hold a Certified Internal Auditor (CIA) certificate, two are Certified Information Systems Auditor who hold (CISA) certificate, one internal auditor holds a Certified Fraud Examiner (CFE) certificate, one inspector holds a Certified Financial Services Auditor (CFSA) certificate, one internal auditor holds a Certified Ethical Hacker (CEH) and one inspector holds a Certified Information Systems Manager (CISM) certificate, i.e. they hold eight internationally recognized certificates.

The Bank also employs at the Internal Audit an auditor holding an Advanced Level License related to Capital Market Activities. With an Internal Audit comprised of qualified auditing experts, T-Bank holds a privileged position among other banks in the sector. The Internal Control Department carries out its operations in order to ensure the compliance of T-Bank's activities with legal regulations and the bank's own rules. The department also carries out its works aimed at ensuring the integrity and reliability of the accounting and reporting systems, defining internal control systems related to activities and processes.

### Internal Control Department

Within the framework of its operations, the Internal Control Department aims at contributing to the realization of the Bank's targets on the following subjects:

- Reliability and integrity of financial and administrative information
- Operational efficiency
- Correct and efficient use of resources
- Compliance with laws and regulations.

The Internal Control Department carried out its control activities up to January 4, 2013, through the Branches Internal Control Unit, the Head Office Internal Control Unit and the Compliance Unit. After January 4, 2013, the Compliance Unit was separated from the Internal Control Department and started carrying out its activities as an independent department. In terms of period, scope, and methodology, the internal control function is performed in a quick, contemporary and efficient manner in compliance with the Bank's targets. During these activities, technological facilities are extensively used. The computer-assisted audit techniques, the Audit Command Language (ACL) in particular, used by the Internal Control Department, ensure the continuous control of operations realized throughout the Bank.

### Head Office Internal Control Unit

During the central controls performed by the Head Office Internal Control Unit in 2014, the consistency, reliability of the branch operations with information technologies applications, and the Bank's accounting processes were controlled, areas likely to create operational risk were determined and the required control activities were performed.

### Branches Audit Unit

All branches were subject to on-site controls by the Branches Internal Control Unit, within the framework of the audit plan determined for 2014. During this year, controls have been realized on "Credits", "Physical Count, General Appearance and Safety", "Current Accounts, Pay-Desk and Check Transactions", "Know-Your-Customer and Customer Risk Policy" issues.

Findings identified within the scope of the assessment and control activities carried out by the Internal Control Department have been reported to the Executive

Management and the activity reports prepared on a quarterly basis have been submitted to the Audit Committee.

### Compliance Department

Having been separated from the Internal Control Department on April 1, 2013, the Compliance Department carries out its activities as a separate department. As of December 2014, the Compliance Department consists of Customer Acceptance and Transaction Monitoring Unit as well as Regulatory Compliance Unit. In accordance with the Regulation on the Banks' Internal Systems published by the BRSA, the department controls the compliance of all activities, new transactions, products and services performed or planned to be performed by the Bank, with the laws and regulations, the Articles of Association, internal regulations, banking ethical principles and other banking policies.

This department also ensures the coordination of internal and external operations with the aim of managing the Bank's reputational risk, the prevention of illegal proceeds and financing of terrorism. In this respect, the Compliance Department conducts extensive monitoring and investigation on account activities, account openings, foreign transactions, support services and other services with the risk based approach. In order to implement the risk based approach properly, the Compliance Department developed risk defining, rating, classifying and assessing methods based on customer risk, service risk and country risk.

The department carries out required developmental works through pursuing recommendations, principles, standards and guidelines established by national legislation and international organizations related to issues under the scope of risk, and reports risk monitoring and assessing results regularly to the executive board.

The Compliance Department aims to maintain the Bank's awareness on Anti-Money Laundering and Countering the Financing of Terrorism risks at the highest level, by providing continuous training and publishing announcements.

Aspects and main fields involving potential risk factors are reviewed and assessed by the Operational Risk Committee, under the supervision of the CEO. Each issue is handled with care and is monitored until it reaches the solution phase.



**ERNST & YOUNG**

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### STATEMENT OF COMPLIANCE

To The Directors Of T-Bank A.Ş.

We have audited the financial statements of Turkland Bank A.Ş. (the Bank) as at December 31.2014. Our audit is conducted in accordance with the prevailing accounting principles, bookkeeping regulations and auditing standards set out as per the Banking Act No: 5411. Our audit opinion for these financial statements is expressed in our independent audit report dated February 28, 2015.

In accordance with Article 402 no:6102 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted us the necessary explanations and provided required documents within the context of audit. No significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1-December 31, 2014 is not in compliance with the code and Bank's articles of association related to financial reporting.

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



Yaşar Bivas  
Partner, SMMM

February 12, 2015  
İstanbul, Turkey

**TURKLAND BANK ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR’S REPORT,  
UNCONSOLIDATED FINANCIAL STATEMENTS  
AND NOTES FOR THE YEAR ENDED  
DECEMBER 31, 2014**

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

*“Convenience Translation of the Independent Auditor’s Report Originally Issued in Turkish”*



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To the Board of Directors of  
Turkland Bank Anonim Şirketi  
Istanbul

**Turkland Bank Anonim Şirketi**  
**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR JANUARY 1- DECEMBER 31,2014**

We have audited the accompanying balance sheet of Turkland Bank A.Ş. ("Bank") as at December 31, 2014, and the related statement of income, statement of income and expense items accounted under shareholders' equity, statement of 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 "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of 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 and selecting and applying appropriate accounting policies.

**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 "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published in the Official Gazette dated November 1, 2006 and numbered 26333 and with the Independent Auditing Standards which is a part of the Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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, 2014 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.

**Reports on independent auditor's responsibilities arising from other regulatory requirements**

- 1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") no 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period January 1 – December 31, 2014 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

**Additional Paragraph for convenience translation to English**

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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



Yaşar Bivas  
Partner, SMMM

February 12, 2015  
İstanbul, Turkey

## Translated into English from the original Turkish audit report and financial statements

**THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF TURKLANDBANK A.Ş.  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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The unconsolidated financial report for the year end which is prepared in accordance with "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as regulated by the Banking Regulation and Supervision Agency includes the following sections:

- 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 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 30, 2015

**Nehme SABBAGH**  
Chairman of the Board of  
Directors

**A. Dinçer ALPMAN**  
General Manager

**Mehmet ÖZGÜNER**  
Executive Vice President

**Gülçin SU**  
Manager  
Financial Affairs

**Mehmet Behçet PERİM**  
Member of Audit Committee

**Mohamed Ali BEYHUM**  
Member of Audit Committee

**Nadya Nabil Tawfik  
TALHOUNI**  
Member of Audit Committee

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

**Name-Surname / Title** : Sevgi Üstün / Assistant Manager  
**Telephone Number** : (0212) 368 37 24  
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## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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 TRY 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 TRY 170,000 to TRY 300,000, and it was registered in the Turkish Trade Registry 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 TRY 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.

According to the Ordinary General Assembly decree dated April 18, 2013, it has been decided to increase the Bank's paid in capital from TRY 300 million to TRY 500 million. The capital increase is committed to be paid in two equal installments, each one amounting to TRY 100 million, respectively by April 30, 2013 and October 30, 2013. Bankmed SAL, shareholder of the Bank by 50%, has paid in cash TRY 50.0 million corresponding to its share for the capital increase; Arab Bank PLC, shareholder of the Bank by 28.3%, has paid in cash TRY 28.3 million corresponding to its share for the capital increase; Arab Bank (Switzerland), shareholder of the Company by 21.7%, has paid in cash TRY 21.7 million corresponding to its share for the capital increase. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated May 28, 2013 and numbered 13388.

For the second installment of the capital increase; Bankmed SAL, shareholder of the Bank by 50%, has paid in cash TRY 50 million corresponding to its share for the capital increase in October 4, 2013, Arab Bank PLC, shareholder of the Bank by 28.3%, has paid in cash TRY 28.3 million corresponding to its share for the capital increase and Arab Bank (Switzerland), shareholder of the Bank by 21.7%, has paid in cash TRY 21.7 million corresponding to its share for the capital increase in October 21, 2013. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated November 11, 2013 and numbered 28000.

According to the Ordinary General Assembly decree dated April 15, 2014, it has been decided to increase the Bank's paid in capital from TRY 500 million to TRY 650 million. In April, 2014, TRY 150 million has been paid in cash. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated August 28, 2013 and numbered 20637.

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## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

##### 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, 2014, the shareholders' structure and their ownerships are summarized as follows:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	216,666.67	%33,3	216,666.67	-
ARAB BANK (Switzerland)	108,333.33	%16,7	108,333.33	-
BANKMED, SAL	324,999.99	%50,0	324,999.99	-
Others	<1	%0,0	<1	-
<b>Total</b>	<b>650,000.00</b>	<b>%100,0</b>	<b>650,000.00</b>	<b>-</b>

As of December 31, 2014 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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	Member of Audit Committee	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	HENRI MARIE RENE JACQUAND	Member	Master Degree
	MUSTAFA SELÇUK TAMER	Member	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	HAITHAM HELMI MOHAMMAD FOUDEH(**)	Member	Master Degree
	FATEN MATAR	Member	Master Degree
General Manager and Member of Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Managers	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
	MÜNEVVER ERÖZ	Treasury and Financial Institutions	Master Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree

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

(\*\*) HAITHAM HELMI MOHAMMAD FOUDEH has been appointed as a member of Board of Directors with the decision numbered 521, dated 1 March, 2014.

**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, 2014:

Name of Shareholders	Share Amount	Share Ratios	Paid up Shares	Unpaid Shares
ARAB BANK PLC	216,666.67	%33,3	216,666.67	-
ARAB BANK (Switzerland)	108,333.33	%16,7	108,333.33	-
BANKMED, SAL	324,999.99	%50,0	324,999.99	-

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

The Bank has 33 branches and 641 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2013: 27 branches, 535 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:

- Acceptance of Deposit
- Corporate and Retail Banking
- Foreign Trade
- Capital Market Transactions
- 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.

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

- I. Balance Sheet (Statement of Financial Position)
- 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

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	Note Ref (Section Five)	Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	I-1	<b>52,568</b>	<b>424,576</b>	<b>477,144</b>	<b>43,247</b>	<b>347,163</b>	<b>390,410</b>
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	I-2	<b>934</b>	<b>19</b>	<b>953</b>	<b>116</b>	<b>149</b>	<b>265</b>
2.1 Financial assets held for trading		934	19	953	116	149	265
2.1.1 Public sector debt securities		27	-	27	116	-	116
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		907	19	926	-	149	149
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>64,037</b>	<b>209,055</b>	<b>273,092</b>	<b>80,045</b>	<b>206,352</b>	<b>286,397</b>
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	<b>70,015</b>	-	<b>70,015</b>
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	70,015	-	70,015
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	I-4	<b>775,537</b>	<b>3</b>	<b>775,540</b>	<b>505,811</b>	<b>2</b>	<b>505,813</b>
5.1 Share certificates		137	-	137	75	-	75
5.2 Public sector debt securities		775,400	3	775,403	505,736	2	505,738
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	I-5	<b>2,842,700</b>	<b>522,442</b>	<b>3,365,142</b>	<b>2,205,853</b>	<b>462,435</b>	<b>2,668,288</b>
6.1 Loans and receivables		2,791,783	522,442	3,314,225	2,172,355	462,435	2,634,790
6.1.1 Loans to risk group of the Bank		-	-	-	23	-	23
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2,791,783	522,442	3,314,225	2,172,332	462,435	2,634,767
6.2 Non-performing loans		95,570	-	95,570	69,874	-	69,874
6.3 Specific provisions (-)		(44,653)	-	(44,653)	(36,376)	-	(36,376)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	I-6	<b>100,420</b>	-	<b>100,420</b>	<b>98,895</b>	-	<b>98,895</b>
8.1 Public sector debt securities		100,420	-	100,420	98,895	-	98,895
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-7	-	-	-	-	-	-
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	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	I-9	-	-	-	-	-	-
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	-	-	-	-	-	-
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	-	-	-	-	-	-
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>48,020</b>	-	<b>48,020</b>	<b>36,013</b>	-	<b>36,013</b>
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-13	<b>18,231</b>	-	<b>18,231</b>	<b>20,674</b>	-	<b>20,674</b>
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		18,231	-	18,231	20,674	-	20,674
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-14	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	I-15	<b>3,972</b>	-	<b>3,972</b>	<b>9,708</b>	-	<b>9,708</b>
17.1 Current tax asset		-	-	-	2,234	-	2,234
17.2 Deferred tax asset		3,972	-	3,972	7,474	-	7,474
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	I-17	<b>25,510</b>	<b>536</b>	<b>26,046</b>	<b>24,750</b>	<b>35</b>	<b>24,785</b>
<b>TOTAL ASSETS</b>		<b>3,931,929</b>	<b>1,156,631</b>	<b>5,088,560</b>	<b>3,095,127</b>	<b>1,016,136</b>	<b>4,111,263</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**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013		
		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	II-1	<b>2,157,865</b>	<b>1,430,660</b>	<b>3,588,525</b>	<b>1,649,482</b>	<b>1,187,655</b>	<b>2,837,137</b>
1.1 Deposits from risk group of the Bank		86,815	3,608	90,423	33,772	742	34,514
1.2 Other		2,071,050	1,427,052	3,498,102	1,615,710	1,186,913	2,802,623
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING FUNDS BORROWED</b>	II-2	<b>9</b>	<b>59</b>	<b>68</b>	<b>727</b>	-	<b>727</b>
<b>III. MONEY MARKET BALANCES</b>	II-3	<b>13,812</b>	<b>124,440</b>	<b>138,252</b>	<b>27,199</b>	<b>189,796</b>	<b>216,995</b>
4.1 Interbank money market takings		430,464	-	430,464	370,580	-	370,580
4.2 Istanbul Stock Exchange money market takings		-	-	-	24,505	-	24,505
4.3 Funds provided under repurchase agreements	II-4	-	-	-	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		<b>52,464</b>	<b>9,282</b>	<b>61,746</b>	<b>19,168</b>	<b>6,383</b>	<b>25,551</b>
<b>VIII. OTHER LIABILITIES</b>	II-5	<b>38,957</b>	<b>1,491</b>	<b>40,448</b>	<b>36,544</b>	<b>1,483</b>	<b>38,027</b>
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	II-6	-	-	-	-	-	-
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	-	-	-	-	-	-
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>60,731</b>	<b>730</b>	<b>61,461</b>	<b>48,625</b>	<b>674</b>	<b>49,299</b>
12.1 General loan loss provisions		32,370	-	32,370	30,368	-	30,368
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		10,529	-	10,529	7,743	-	7,743
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		17,832	730	18,562	10,514	674	11,188
<b>XIII. TAX LIABILITY</b>	II-9	<b>13,859</b>	-	<b>13,859</b>	<b>8,637</b>	-	<b>8,637</b>
13.1 Current tax liability		13,859	-	13,859	8,637	-	8,637
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>	II-10	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	II-11	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-12	<b>753,737</b>	-	<b>753,737</b>	<b>539,805</b>	-	<b>539,805</b>
16.1 Paid-in capital		650,000	-	650,000	500,000	-	500,000
16.2 Supplementary capital		25,056	-	25,056	(6,945)	-	(6,945)
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		(265)	-	(265)	(32,944)	-	(32,944)
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.)		45	-	45	-	-	-
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		25,276	-	25,276	25,999	-	25,999
16.3 Profit reserves		46,750	-	46,750	32,349	-	32,349
16.3.1 Legal reserves		2,322	-	2,322	1,602	-	1,602
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		37,377	-	37,377	23,696	-	23,696
16.3.4 Other profit reserves		7,051	-	7,051	7,051	-	7,051
16.4 Profit or loss		31,931	-	31,931	14,401	-	14,401
16.4.1 Prior years' income/ (losses)		-	-	-	-	-	-
16.4.2 Current year income/ (loss)		31,931	-	31,931	14,401	-	14,401
16.5 Minority shares	II-13	-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,521,898</b>	<b>1,566,662</b>	<b>5,088,560</b>	<b>2,725,272</b>	<b>1,385,991</b>	<b>4,111,263</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**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2014			Audited Prior Period 31.12.2013		
		TRY	FC	Total	TRY	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I+II+III)</b>		<b>1,609,294</b>	<b>834,550</b>	<b>2,443,844</b>	<b>7,613,981</b>	<b>729,283</b>	<b>8,343,264</b>
<b>I. GUARANTEES</b>	III-1	<b>1,361,040</b>	<b>682,283</b>	<b>2,043,323</b>	<b>1,064,803</b>	<b>616,579</b>	<b>1,681,382</b>
1.1 Letters of guarantee		1,360,112	397,604	1,757,716	1,064,644	302,261	1,366,905
1.1.1 Guarantees subject to State Tender Law		14,141	9,108	23,249	11,430	7,993	19,423
1.1.2 Guarantees given for foreign trade operations		81,279	54,894	136,173	67,012	20,040	87,052
1.1.3 Other letters of guarantee		1,264,692	333,602	1,598,294	986,202	274,228	1,260,430
1.2 Bank loans		-	2,532	2,532	-	7,824	7,824
1.2.1 Import letter of acceptance		-	2,532	2,532	-	7,824	7,824
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		78	164,633	164,711	84	160,613	160,697
1.3.1 Documentary letters of credit		78	164,633	164,711	84	160,613	160,697
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		850	117,514	118,364	75	145,881	145,956
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	III-1	<b>159,176</b>	<b>15,928</b>	<b>175,104</b>	<b>6,520,876</b>	<b>26,580</b>	<b>6,547,456</b>
2.1 Irrevocable commitments		159,176	15,928	175,104	254,054	26,580	280,634
2.1.1 Forward asset purchase and sales commitments		3,260	6,374	9,634	3,087	12,597	15,684
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		48,896	-	48,896	157,758	-	157,758
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		105,800	-	105,800	85,587	-	85,587
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		1,220	9,554	10,774	7,622	13,983	21,605
2.2 Revocable commitments		-	-	-	6,266,822	-	6,266,822
2.2.1 Revocable loan granting commitments		-	-	-	6,266,822	-	6,266,822
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	III-2	<b>89,078</b>	<b>136,339</b>	<b>225,417</b>	<b>28,302</b>	<b>86,124</b>	<b>114,426</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		89,078	136,339	225,417	28,302	86,124	114,426
3.2.1 Forward foreign currency buy/sell transactions		5,024	5,022	10,046	1,324	1,382	2,706
3.2.1.1 Forward foreign currency transactions-buy		2,513	2,511	5,024	658	696	1,354
3.2.1.2 Forward foreign currency transactions-sell		2,511	2,511	5,022	666	686	1,352
3.2.2 Swap transactions related to foreign currency, and interest rates		-	48,075	48,075	-	56,996	56,996
3.2.2.1 Foreign currency swaps-buy		-	24,011	24,011	-	28,552	28,552
3.2.2.2 Foreign currency swaps-sell		-	24,064	24,064	-	28,444	28,444
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		538	546	1,084	1,772	1,850	3,622
3.2.3.1 Foreign currency options-buy		269	273	542	886	925	1,811
3.2.3.2 Foreign currency options-sell		269	273	542	886	925	1,811
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		83,516	82,696	166,212	25,206	25,896	51,102
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>73,622,569</b>	<b>6,565,254</b>	<b>80,187,823</b>	<b>29,792,397</b>	<b>2,928,497</b>	<b>32,720,894</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>597,396</b>	<b>66,013</b>	<b>663,409</b>	<b>470,300</b>	<b>57,737</b>	<b>528,037</b>
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		11,090	4,744	15,834	12,061	3,454	15,515
4.3 Checks received for collection		571,465	56,503	627,968	455,499	49,517	505,016
4.4 Commercial notes received for collection		14,841	2,910	17,751	2,740	4,112	6,852
4.5 Other assets received for collection		-	1,838	1,838	-	637	637
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	18	18	-	17	17
4.8 Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>73,025,173</b>	<b>6,499,241</b>	<b>79,524,414</b>	<b>29,322,097</b>	<b>2,870,760</b>	<b>32,192,857</b>
5.1 Marketable securities		661	-				

Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

**III. STATEMENT OF INCOME**

	Note (Section Five)	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
<b>I. INTEREST INCOME</b>	IV-1	<b>441,218</b>	<b>280,614</b>
1.1 Interest on loans		368,099	236,396
1.2 Interest received from reserve deposits		195	-
1.3 Interest received from banks		494	532
1.4 Interest received from money market placements		62	205
1.5 Interest received from marketable securities portfolio		71,096	41,737
1.5.1 Held-for-trading financial assets		5	4
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		62,831	36,614
1.5.4 Investments held-to-maturity		8,260	5,119
1.6 Finance lease income		-	-
1.7 Other interest income		1,272	1,744
<b>II. INTEREST EXPENSE</b>	IV-2	<b>(259,911)</b>	<b>(160,159)</b>
2.1 Interest on deposits		(218,618)	(136,593)
2.2 Interest on funds borrowed		(4,631)	(6,790)
2.3 Interest on money market borrowings		(34,784)	(16,305)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(1,878)	(471)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>181,307</b>	<b>120,455</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>28,080</b>	<b>22,280</b>
4.1 Fees and commissions received		29,710	23,648
4.1.1 Non-cash loans		16,123	11,970
4.1.2 Other	IV-12	13,587	11,678
4.2 Fees and commissions paid		(1,630)	(1,368)
4.2.1 Non-cash loans		(83)	(53)
4.2.2 Other	IV-12	(1,547)	(1,315)
<b>V. DIVIDEND INCOME</b>	IV-3	<b>17</b>	<b>-</b>
<b>VI. NET TRADING INCOME</b>	IV-4	<b>1,126</b>	<b>6,862</b>
6.1 Securities trading gains/ (losses)		12	7,411
6.2 Gain/(losses) from derivative financial instruments		(19,817)	854
6.3 Foreign exchange gains/ (losses)		20,931	(1,403)
<b>VII. OTHER OPERATING INCOME</b>	IV-5	<b>37,882</b>	<b>24,003</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>248,412</b>	<b>173,600</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	IV-6	<b>(44,826)</b>	<b>(27,277)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	IV-7	<b>(163,344)</b>	<b>(126,196)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>40,242</b>	<b>20,127</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	IV-8	<b>40,242</b>	<b>20,127</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	IV-9	<b>(8,311)</b>	<b>(5,726)</b>
16.1 Provision for current income taxes		(12,979)	-
16.2 Provision for deferred taxes		4,668	(5,726)
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	IV-10	<b>31,931</b>	<b>14,401</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>XXIII. NET PROFIT/(LOSS) (XVII+XXII)</b>	IV-11	<b>31,931</b>	<b>14,401</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**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	Audited Current Period 01.01- 31.12.2014	Audited Prior Period 01.01- 31.12.2013
<b>I. Additions to marketable securities revaluation differences for available for sale financial assets</b>	<b>40,849</b>	<b>(44,804)</b>
<b>II. Tangible assets revaluation differences</b>	<b>-</b>	<b>-</b>
<b>III. Intangible assets revaluation differences</b>	<b>-</b>	<b>-</b>
<b>IV. Foreign currency translation differences for foreign currency transactions</b>	<b>-</b>	<b>-</b>
<b>V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)</b>	<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>VII. The effect of corrections of errors and changes in accounting policies</b>	<b>-</b>	<b>-</b>
<b>VIII. Other profit loss items accounted for under equity due to TAS</b>	<b>(678)</b>	<b>568</b>
<b>IX. Deferred tax of valuation differences</b>	<b>(8,170)</b>	<b>10,442</b>
<b>X. Total Net Profit/Loss accounted under equity (I+II+...+IX)</b>	<b>32,001</b>	<b>(33,794)</b>
<b>XI. Profit/Loss</b>	<b>31,931</b>	<b>6,996</b>
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-	(7,405)
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	<b>31,931</b>	<b>14,401</b>
<b>XII. Total Profit/Loss accounted for in the period (X±XI)</b>	<b>63,932</b>	<b>(26,798)</b>

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

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Audited	Note (Section Five)	Paid-in Capital	Effect Of Inflation Accounting On Capital and Other Reserves	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 Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Sale and Assets Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I.	Prior opening balance	300,000	25,431	-	-	967	-	15,927	2,746	12,709	-	8,824	-	-	-	-	366,604	-	366,604
II.	Changes in accounting policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I-II)	300,000	25,431	-	-	967	-	15,927	2,746	12,709	-	8,824	-	-	-	-	366,604	-	366,604
IV.	Changes in the period	-	-	-	-	-	-	-	-	(12,709)	-	-	-	-	-	-	-	-	-
V.	Increase/Decrease related to merger differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	(41,768)	-	-	-	-	(41,768)	-	(41,768)
VI.1	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	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000	-	200,000
14.1	Cash	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000	-	200,000
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)	-	-	-	-	-	-	-	-	14,401	-	-	-	-	-	-	568	-	568
XX.	Profit distribution	-	-	-	-	-	-	-	-	(12,709)	-	-	-	-	-	-	14,401	-	14,401
20.1	Dividends distributed	-	-	-	-	635	-	7,769	4,305	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	7,769	4,305	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	635	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I-II-III-...-XVI-XVII-XVIII)	500,000	25,999	-	-	1,602	-	23,696	7,051	14,401	-	(32,944)	-	-	-	-	539,805	-	539,805

(\*) Represents actuarial gains and losses amount after January 1, 2013 are accounted under equity in accordance with revised Turkish Accounting Standard No:19 published in the Official Gazette on 12 March 2013 (Communiqué No:28585)

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Audited	Note (Section Five)	Paid-in Capital	Effect Of Inflation Accounting On Capital and Other Reserves	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 Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Sale and Assets Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I.	Prior opening balance	500,000	25,999	-	-	1,602	-	23,696	7,051	14,401	-	(32,944)	-	-	-	-	539,805	-	539,805
II.	Changes in the period	-	-	-	-	-	-	-	-	(14,401)	14,401	-	-	-	-	-	-	-	-
III.	Increase/Decrease related to merger differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	32,679	-	-	-	-	32,679	-	32,679
IV.1	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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	45	-	45
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	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
12.1	Cash	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000	-	150,000
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)	-	-	-	-	-	-	-	-	31,931	-	-	-	-	-	-	(723)	-	(723)
XVIII.	Profit distribution	-	-	-	-	-	-	-	-	(14,401)	-	-	-	-	-	-	31,931	-	31,931
18.1	Dividends distributed	-	-	-	-	720	-	13,681	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other	-	-	-	-	720	-	13,681	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I-II-III-...-XVI-XVII-XVIII)	650,000	25,276	-	-	2,322	-	37,377	7,051	31,931	-	(269)	-	45	-	-	753,737	-	753,737

(\*) Represents actuarial gains and losses amount after January 1, 2013 are accounted under equity in accordance with revised Turkish Accounting Standard No:19 published in the Official Gazette on 12 March 2013 (Communiqué No:28585)

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

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**VI. STATEMENT OF CASH FLOWS**

	Note (Section Five)	Audited Current Period 01.01-31.12.2014	Audited Prior Period 01.01-31.12.2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>70,373</b>	<b>(37,923)</b>
1.1.1 Interest received		403,136	207,060
1.1.2 Interest paid		(247,550)	(157,785)
1.1.3 Dividend received		17	-
1.1.4 Fees and commissions received		31,312	24,873
1.1.5 Other income		5,121	363
1.1.6 Collections from previously written off loans		24,819	22,393
1.1.7 Payments to personnel and service suppliers		(76,255)	(65,327)
1.1.8 Taxes paid		(2,193)	(1,403)
1.1.9 Others	VI-1	(68,034)	(68,097)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(109,462)</b>	<b>179,774</b>
1.2.1 Net (increase) decrease in financial assets held for trading		90	59
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(62,913)	(149,265)
1.2.4 Net (increase) decrease in loans		(774,655)	(644,800)
1.2.5 Net (increase) decrease in other assets	VI-1	(7,111)	16,924
1.2.6 Net increase (decrease) in bank deposits		19,118	207,142
1.2.7 Net increase (decrease) in other deposits		754,290	663,433
1.2.8 Net increase (decrease) in funds borrowed		(77,744)	84,474
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	39,463	1,807
<b>I. Net cash provided from banking operations</b>		<b>(39,089)</b>	<b>141,851</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(189,057)</b>	<b>(315,453)</b>
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-	-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(10,588)	(2,521)
2.4 Fixed assets sales		10,228	1,703
2.5 Cash paid for purchase of financial assets available for sale		(242,818)	(387,728)
2.6 Cash obtained from sale of financial assets available for sale		58,545	127,216
2.7 Cash paid for purchase of investment securities		(20,016)	(82,678)
2.8 Cash obtained from sale of investment securities		20,443	53,129
2.9 Others		(4,851)	(24,574)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>150,045</b>	<b>200,000</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		150,045	200,000
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>	VI-1	<b>18,499</b>	<b>31,007</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(59,602)</b>	<b>57,405</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>	VI-2	<b>416,343</b>	<b>358,938</b>
<b>VII. Cash and cash equivalents at end of the period</b>	VI-2	<b>356,741</b>	<b>416,343</b>

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

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**VII. PROFIT DISTRIBUTION TABLE**

	Audited Current Period 31.12.2014 (*)	Audited Prior Period 31.12.2013
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	<b>40,242</b>	<b>20,127</b>
1.2 TAXES AND DUTIES PAYABLE (-)	<b>(8,311)</b>	<b>(5,726)</b>
1.2.1 Corporate tax (Income tax)	(12,979)	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties(**)	4,668	(5,726)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>31,931</b>	<b>14,401</b>
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	720
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</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	-	13,681
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 Income amounts shown in Other Taxes and Duties are not subject to profit distribution.

(\*\*\*) As the Bank is not publicly listed the information on earnings per shares is not disclosed.

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### SECTION THREE

#### ACCOUNTING PRINCIPLES

##### I. Basis of Presentation

The financial statements are prepared in accordance with the "Regulation on the Principles and Procedures Regarding Banks' Accounting Applications and Safeguarding of Documents" published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency ("BRSA") which refers to "Turkish Accounting Standards" ("TAS") and "Turkish Financial Reporting Standards" ("TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority and other decrees, notes and explanations related to the accounting and financial reporting principles (all "Turkish Accounting Standards" or "TAS") published by the BRSA. The format and the details of the publicly announced unconsolidated financial statements and related disclosures to these statements have been prepared in accordance with the "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" and changes and notes to this communiqué published in the Official Gazette No. 28337 dated September 28, 2012. The Bank's accounting books are prepared in accordance with Banking Law, Turkish Commercial Code and Turkish Tax Legislations in Turkish Lira.

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, 2013 and changes of TAS/TFRS that is effective from January 1, 2014 have an immaterial 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. Changes in TAS and TFRS are issued but not yet effective as the date of the financial statements with the exception of TFRS 9 Financial Instruments Standards do not have any effect on the accounting policies, financial position and performance of the Bank. The bank is assessing the impact of TFRS 9 Financial Instruments Standard.

Except for trading and available for sale assets and derivatives that are shown at fair values, financial statements are prepared based on historical cost.

Additional paragraph for convenience translation:

The effects of differences between accounting principles and standards set out by regulations in conformity with Articles 37 of the Banking Act No: 5411 and the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified in the accompanying financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

##### II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions

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 21.37% 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 17.21% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 5.37% of the total assets and these assets provide liquidity with low risk and yield.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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##### II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions(continued)

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.

##### 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.

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

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 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.

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

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.

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY 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

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### VII. Explanations on Impairment of Financial Assets (continued)

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.

As of December 31, 2014 the provision rates determined for the non-cash loans do not exceed the required ratios therefore 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 31,2014 the rates determined above for consumer loans do 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 Communiqué 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.

As of December 2014, the Bank has been recorded all provisions which have should be recorded in according with the comminque.

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 28789 dated October 08, 2013), banks may apply 0% for standard qualified cash and non-cash export credits, 0.5% for SME cash loans,and 0.1% for non cash loans. Hence, the Bank applied the amendment as of December 31, 2014.

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 28789 dated October 8, 2013), Banks shall provide, in the general provision calculated by the end of the most recent month before the date of entry into force of this Regulation for the standard loans and closely monitored loans except mortgage loans, at least twenty-five percent (25%) as of December 31, 2013, at least fifty percent (50%) as of December 31, 2014 and at least hundred percent (100%) as of December 31, 2015 of the increases arising from the implementation of this regulation on the date this Regulation enters into force.

### 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.

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### 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.

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, 2014, the Bank has not any reverse repo transactions.. (December 31, 2013: TRY 70,015).

As of December 31, 2014, the Bank does not have any marketable securities lending transaction.(December 31, 2013: 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, 2014 (December 31, 2013: 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.

	%
Intangible Assets	7-33

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### 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 Ministry 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:

	%
Financial Lease	2-50
Furniture, fixtures and office equipment and others	6 – 35

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 52. The total amount of those cases consists of TRY 657, USD 1,604 Thousand and EUR 193 Thousand. There is a provision of TRY 1,761 in the accompanying financial statements for these cases (December 31, 2013: TRY 1,046).

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### 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".

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. As per the Official Gazette No. 28585 dated 12 March 2013 which came into effect on 1 January 2013 published the revised IAS 19 required actuarial gains/losses recognized shareholder equity. As of December 31, 2014, the actuarial losses recognized in equity amounts to TRY (155). (December 31, 2013: TRY 568 actuarial gain)

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.

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### XVI. Explanations on Taxation (continued)

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank has TRY 12,979 tax provision in current period (December 31, 2013: 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.

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 income recorded under the tax provision expenses amounts to TRY 4,668 in the accompanying income statement (December 31, 2013: TRY 5,726 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.

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### 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.

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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") published in the Official Gazette No. 29111 as of September 6, 2014 and "Regulation Credit Risk Mitigation Techniques" and "Regulation on calculation of Risk-Weighted Amounts of Securitizations" and also "Regulation Regarding Banks' Shareholders' Equity" published in the Official Gazette No. 28756 dated September 5, 2013 . The Bank's capital adequacy ratio in accordance with the related communiqué is 18.52% as of December 31, 2014 (December 31, 2013: 15.85%).

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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**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%	250%
<b>The amount subject to credit risk</b>									
Risk Types									
Contingent and Non-Contingent Receivables on Sovereigns	1,320,942	-	-	1,457	-	-	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	58	-	-	-	-	169	-	-	-
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	939	-	229,539	275,432	-	1,312	-	-	-
Contingent and Non-Contingent Corporate Receivables	84,866	-	-	-	-	2,514,124	-	-	-
Contingent and Non-Contingent Retail Receivables	20,049	-	-	-	262,568	698	-	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	-	-	-	919,391	-	343,858	-	-	-
Past Due Receivables	2	-	-	13,204	-	37,656	55	-	-
Receivables defined in high risk category by BRSA	975	-	-	-	-	-	10,039	15,931	-
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-	-	-	-
Other Receivables	2,395,469	-	-	-	-	49,897	-	-	-
<b>Weighted amount subject to credit risk</b>	<b>-</b>	<b>-</b>	<b>45,908</b>	<b>604,742</b>	<b>196,926</b>	<b>2,947,714</b>	<b>15,141</b>	<b>31,862</b>	<b>-</b>

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, 2014(*)	December 31, 2013
Required Capital Liabilities for Credit Risk (Main related with Credit Risk *0.08) (RCLCR)	307,383	260,323
Required Capital Liabilities for Market Risk (RCLMR)	244	305
Required Capital Liabilities for Operational (RCLOR)	20,012	15,845
Shareholders' Equity	758,632	547,829
Shareholders' Equity/((CRCR+MRCR+ORCR)*12.5*100)	18.52	15.85
Tier1 Capital/((CRCR+MRCR+ORCR)*12.5*100)	17.73	-
Core Capital/((CRCR+MRCR+ORCR)*12.5*100)	18.19	-

(\*) In accordance with "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as published by Official Gazette in April 26, 2014.

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

	December 31,2014
<b>Common Equity Core Capital (CET 1)</b>	
Paid-in capital	650,000
Share premium	-
Share repeal	-
Legal reserves	46,750
Accumulated other comprehensive income in accordance with TAS	25,276
Profit	31,931
Net current period profit	31,931
Prior period profit	-
Provisions for possible losses up to 25% of core capital	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	-
<b>Common Equity Core capital before regulatory adjustments</b>	<b>753,957</b>
<b>Common Equity Core capital: regulatory adjustments</b>	
Loss (in excess of Reserves) and other comprehensive expenses (-)	(265)
Leasehold Improvements on Operational Leases (-)	(5,223)
Goodwill and Intangible assets and related deferred tax liabilities (-)	(3,646)
Net Deferred tax assets / liabilities (-)	268
Excess amount expressed in the Law (Article 56, 4rd paragraph) (-)	-
Investments in own common equity (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued share capital (amount above 10% threshold) (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) (-)	-
Amount exceeding the 15% threshold (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued share capital (amount above 10% threshold) (-)	-
Mortgage servicing rights (amount above 10% threshold) (-)	-
Deferred tax assets arising from temporary differences (-)	-
National specific regulatory adjustments (-)	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions (-)	-
<b>Total regulatory adjustments to Common equity Core Capital</b>	<b>(8,867)</b>
<b>Common Equity Core capital (CET1)</b>	<b>745,091</b>

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

	December 31, 2014
<b>Additional Tier 1 capital: instruments</b>	-
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (before 1.1.2014)	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	-
<b>Additional Tier 1 capital: regulatory adjustments</b>	-
Investments in own Additional Tier 1 instruments (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
National specific regulatory adjustments (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions (-)	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-
<b>Additional Tier 1 capital (AT1)</b>	-
<b>Regulatory adjustments to Common Equity</b>	
Amount of goodwill and Intangible assets and related deferred tax liabilities that are not covered as regulatory adjustment in Common Equity in accordance with the temporary article 2 of the Own Fund Regulation (-)	14,585
Amount of net deferred tax assets / liabilities that are not covered as regulatory adjustment in Common Equity in accordance with the temporary article 2 of the Own Fund Regulation (-)	4,240
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>726,266</b>
<b>Tier 2 capital: instruments and provisions</b>	
Directly issued qualifying Tier 2 instruments (that are approved by the regulatör) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulatör) plus related stock surplus (before 1.1.2014)	-
Pledged sources on behalf of the Bank for the use of committed share capital increase by shareholders**	-
Generic Provisions	32,370
<b>Tier 2 capital before regulatory adjustments</b>	<b>32,370</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
National specific regulatory adjustments (-)	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-
<b>Tier 2 capital (T2)</b>	<b>32,370</b>
<b>Total capital (TC = T1 + T2)</b>	<b>758,636</b>

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

	<b>December 31, 2014</b>
<b>Deductions from the capital</b>	
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	(4)
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Deductions in accordance with the article number 20 of the Regulation Regarding the Measurement and Evaluation of Banks' Capital Adequacy Ratio (-)	-
Other (-)	-
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the temporary paragraph 1 of the article numbered 2 of Own Fund Regulation (-)	-
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
Un-adjusted total amount from Common Equity,(in accordance with the paragraph 1 and 2 of temporary article numbered 2 of the Own Fund Regulation) due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
<b>Own Fund</b>	<b>758,632</b>
<b>Amounts below the thresholds for deduction</b>	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity	-
Mortgage servicing rights	-
Deferred tax assets arising from temporary differences	-

(\*) In accordance with "Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements" as published by Official Gazette in April 26, 2014.

Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	<b>December 31, 2013</b>
<b>CORE CAPITAL</b>	
Paid up Capital	500,000
Nominal capital	500,000
Capital commitments (-)	-
Inflation adjustment to share capital	25,431
Share premium	-
Cancellation profits	-
Legal reserves, status reserves and extraordinary reserves	32,349
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-
Profit	14,401
Current period net profit	14,401
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 (-)	(1,666)
Intangible assets (-)	(20,674)
Deferred tax asset exceeding 10% of the Core Capital (-)	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-
<b>Other</b>	568
<b>Total Core Capital</b>	<b>550,409</b>
<b>SUPPLEMENTARY CAPITAL</b>	<b>(2,576)</b>
General loan loss reserves	30,368
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	(32,944)
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>(2,576)</b>
<b>CAPITAL</b>	<b>547,833</b>
<b>DEDUCTIONS FROM THE CAPITAL</b>	<b>(4)</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	(4)
Other	-
<b>Total Shareholders' Equity</b>	<b>547,829</b>

**Information related to the management of internal capital**

Internal Capital Adequacy Assessment Process (ISEDES/ ICAAP) is a process or the processes as a whole which allows senior management to;

- to identify, measure, consolidate and monitor the correct and adequate levels of risks,
- to calculate and gain the necessary internal capital which will be determined according to the Bank's risk profile, strategies and operational plan
- to have strong risk management systems to be used, and their continuous development facility

The Bank composes "ISEDES Report" in line with the "Banks' Internal Systems and Internal Capital Adequacy Assessment Process" published in the Official Gazette on 11 July 2014 and started to report to BRSA (communiqué No: 29057).

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 quarterly basis by Risk Management Group.

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

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.

**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.

Risk Types	Current Year Net Credit Risk Amount After Provisions	Average Net Credit Risk Amount After Provisions
Contingent and Non-Contingent Receivables on Sovereigns	1,322,399	1,182,368
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	300	1,158
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	595,932	507,902
Contingent and Non-Contingent Corporate Receivables	12,367,694	10,773,057
Contingent and Non-Contingent Retail Receivables	383,755	300,565
Contingent and Non-Contingent Receivables Secured by Mortgages	1,328,919	1,216,431
Past Due Receivables	50,917	48,117
Receivables defined in high risk category by BRSA	35,540	41,356
Collateralized Mortgage Marketable Securities	-	-
Securitisation positions	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-
Investment similar to collective investment funds	-	-
Other Receivables	2,445,366	2,314,438
<b>Total</b>	<b>18,530,822</b>	<b>16,385,392</b>

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

**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.

Foreign financial institutions and country risks of the Bank are generally accepted as investment graded by international rating agencies. Therefore, the probable risks are not material considering the financial structure of the Bank.

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,758,216 and TRY 2,254,632 (December 31, 2013: TRY 1,350,055 and TRY 1,752,919), the share of total cash loans are 51.56% and 66.12% as of December 31, 2014 (December 31, 2013: 49.92% and 64.81%).

The share of non-cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,247,733 and TRY 1,626,925 (December 31, 2013: TRY 1,162,015 and TRY 1,475,885), the share of total non-cash loans are 56.49% ve 73.66% as of December 31, 2014, (December 31, 2013: 59.70% and 75.83%).

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 %32.04 and % 43.53 as of December 31, 2014, (December 31, 2013: 32.25% and 44.01%).

As of December 31, 2014, the general loan loss provision related with the credit risk is TRY 32,370 (December 31, 2013: TRY 30,368).

Significant Risks that are significant on the profile of the regions

	Due from Central Governments or Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units or 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 Secured by Retail Receivables	Contingent and Non-Contingent Secured by Mortgages	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	Other Receivables	Total	
Domestic	1,322,399	-	227	-	-	462,758	2,598,989	283,312	1,263,249	50,917	26,945	-	-	2,445,366	<b>8,454,162</b>	
European Union Countries	-	-	-	-	-	13,796	1	3	-	-	-	-	-	-	<b>13,800</b>	
OECD Countries(*)	-	-	-	-	-	1,386	-	-	-	-	-	-	-	-	<b>1,386</b>	
Off-shore Banking Regions	-	-	-	-	-	29,087	-	-	-	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	195	-	-	-	-	-	-	-	-	<b>195</b>	
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total</b>	<b>1,322,399</b>	<b>-</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>507,222</b>	<b>2,598,990</b>	<b>283,315</b>	<b>1,263,249</b>	<b>50,917</b>	<b>26,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,445,366</b>	<b>8,498,630</b>

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014**  
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**II. Explanations Related to Credit Risk (continued)**

**Risk profile by sectors or counterparties:**

Sectors/Counterparties	Due from Central Governments or 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	Corporate Receivables	Retail Receivables	Receivables Secured by Mortgages	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Short-Term Receivables from Banks, brokerage houses and Inv	Other Receivables	TRY	FC	Total	
																	Receivables on Banks and Capital Market Intermediary
<b>1 Agriculture</b>	-	-	-	-	-	-	<b>14,513</b>	<b>3,392</b>	<b>12,741</b>	<b>202</b>	-	-	-	<b>25,747</b>	<b>1,130</b>	<b>30,877</b>	
1.1 Farming and Raising Livestock	-	-	-	-	-	-	8,115	2,575	6,367	170	-	-	-	18,393	870	19,253	
1.2 Forestry, Wood and Paper	-	-	-	-	-	-	6,396	331	4,374	32	-	-	-	10,876	260	11,136	
1.3 Fishery	-	-	-	-	-	-	2	486	-	-	-	-	-	488	-	488	
<b>2 Manufacturing</b>	-	<b>54</b>	-	-	-	-	<b>1,044,243</b>	<b>127,259</b>	<b>356,369</b>	<b>21,676</b>	-	-	-	<b>1,303</b>	<b>1,019,182</b>	<b>532,625</b>	<b>1,551,807</b>
2.1 Mining and Quarry	-	54	-	-	-	-	255,938	48,821	144,802	7,063	-	-	-	355,464	101,464	456,928	
2.2 Production	-	-	-	-	-	-	769,124	78,124	211,567	14,569	-	-	-	1,303	648,510	426,744	1,075,254
2.3 Electricity, Gas and Water	-	-	-	-	-	-	19,181	314	-	44	-	-	-	15,208	4,417	19,625	
<b>3 Construction</b>	-	-	-	-	-	-	<b>594,180</b>	<b>39,913</b>	<b>387,381</b>	<b>6,986</b>	-	-	-	<b>45,821</b>	<b>786,303</b>	<b>293,615</b>	<b>1,079,918</b>
3.1 Wholesale and Retail Trade	-	-	-	-	-	-	532,344	46,930	312,907	11,352	-	-	-	2,260,499	1,045,064	2,634,358	3,679,422
3.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	20,084	3,019	22,765	248	-	-	-	42,942	3,182	46,124	
3.3 Transportation and Communication	-	-	-	-	-	-	82,157	4,861	117,336	7,716	-	-	-	90,240	121,951	212,191	
3.4 Financial Institutions	-	-	-	-	-	-	184,540	9,119	76,717	2	-	-	-	2,260,495	183,371	2,348,912	2,532,283
3.5 Real Estate and Renting Services	-	-	-	-	-	-	158,696	24,361	74,851	2,382	-	-	4	671,199	102,728	773,927	
3.6 Self-Employment Services	-	-	-	-	-	-	69,454	165	11,543	-	-	-	-	24,911	56,251	81,162	
3.7 Education Services	-	-	-	-	-	-	251	-	79	326	-	-	-	688	-	688	
3.8 Health and Social Services	-	-	-	-	-	-	53	105	368	-	-	-	-	526	-	526	
<b>4 Other</b>	<b>1,322,399</b>	<b>-</b>	<b>164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413,710</b>	<b>65,821</b>	<b>193,851</b>	<b>10,701</b>	<b>12,217</b>	<b>-</b>	<b>137,743</b>	<b>1,335,107</b>	<b>821,499</b>	<b>2,156,606</b>	
<b>5 Total</b>	<b>1,322,399</b>	<b>-</b>	<b>227</b>	<b>-</b>	<b>-</b>	<b>507,222</b>	<b>2,598,990</b>	<b>283,315</b>	<b>1,263,249</b>	<b>50,917</b>	<b>26,945</b>	<b>-</b>	<b>-</b>	<b>2,445,366</b>	<b>4,213,403</b>	<b>8,498,630</b>	

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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	396,626	81,473	203,140	10,145	631,015
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	18	209
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	397,321	3,196	3,124	12,565	91,016
Corporate Receivables	194,914	250,190	450,254	797,531	906,101
Retail Receivables	10,827	33,564	44,874	127,550	66,500
Receivables Secured by Mortgages	29,041	42,918	69,896	330,381	791,013
Past Due Receivables	-	-	-	-	50,917
Receivables defined in high risk category by BRSA	-	273	2	782	25,888
Collateralized Mortgage Marketable Securities	-	-	-	-	-
Securitisation positions	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-
Other Receivables	2,445,366	-	-	-	-
<b>Total</b>	<b>3,474,095</b>	<b>411,614</b>	<b>771,290</b>	<b>1,278,972</b>	<b>2,562,659</b>

**Risk by Risk Weight Balances:**

Risk Weights	0%	10%	20%	50%	75%	100%	150%	200%	250%	Deductions from Equity
1 Amount before the credit risk mitigation	3,716,411	-	230,476	290,637	379,899	3,854,190	10,556	16,461	-	4
2 Amount after the credit risk mitigation	3,823,300	-	229,539	1,209,484	262,568	2,947,714	10,094	15,931	-	4

\*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+

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

Sectors/ Counterparties	Impaired(*)	Loans		
		Non-Performing	Value Adjustments	Provisions
1 Agricultural	<b>2,767</b>	<b>4,445</b>	<b>126</b>	<b>3,125</b>
1.1 Farming and Raising Livestock	2,767	4,355	126	3,067
1.2 Forestry, Wood and Paper	-	90	-	58
1.3 Fishery	-	-	-	-
2 Manufacturing	<b>38,258</b>	<b>44,088</b>	<b>1,779</b>	<b>18,240</b>
2.1 Mining and Quarry	387	7,589	19	2,665
2.2 Production	37,871	36,455	1,760	15,575
2.3 Electricity, Gas and Water	-	44	-	-
3 Construction	<b>22,093</b>	<b>17,614</b>	<b>1,051</b>	<b>10,439</b>
4 Services	<b>77,384</b>	<b>24,608</b>	<b>3,589</b>	<b>11,363</b>
4.1 Wholesale and Retail Trade	23,045	12,412	1,048	7,855
4.2 Hotel, Tourism, Food and Beverage Services	20,841	10,289	978	2,573
4.3 Transportation and Communication	1,627	552	81	550
4.4 Financial Institutions	8,002	27	380	26
4.5 Real Estate and Renting Services	-	-	-	-
4.6 Self-Employment Services	15,111	408	667	117
4.7 Education Services	-	-	-	-
4.8 Health and Social Services	8,758	920	435	242
5 Other	<b>8,418</b>	<b>4,815</b>	<b>420</b>	<b>1,486</b>
<b>Total</b>	<b>148,920</b>	<b>95,570</b>	<b>6,965</b>	<b>44,653</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	36,376	29,650	(21,373)	-	44,653
2 General Provisions	30,368	9,705	(7,703)	-	32,370

\*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:

Gross Maximum Exposure	December 31, 2014	December 31, 2013
Central Banks	439,629	367,156
Due from banks	273,092	286,397
Due from Money market transactions	-	70,015
Financial assets held for trading	27	116
Derivative financial instruments	926	149
Financial assets available-for-sale	775,403	505,738
Held to maturity investment	100,420	98,895
Loans	3,365,142	2,668,288
<b>Total</b>	<b>4,954,639</b>	<b>3,996,754</b>
Contingent liabilities	2,043,323	1,681,382
Irrevocable commitments	175,104	280,634
<b>Total</b>	<b>2,218,427</b>	<b>1,962,016</b>
<b>Total credit risk exposure</b>	<b>7,173,066</b>	<b>5,958,770</b>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

Credit quality per class of financial assets as of December 31, 2014 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	273,092	-	273,092
Financial assets designated at fair value through profit or loss	953	-	953
Loans to customers			
<i>Corporate lending</i>	2,161,616	213,098	2,374,714
<i>Small business lending</i>	885,161	98,928	984,089
<i>Retail loans</i>	4,696	1,643	6,339
<i>Other</i>	-	-	-
<b>Total</b>	<b>3,325,518</b>	<b>313,669</b>	<b>3,639,187</b>
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	875,823	-	875,823
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>875,823</b>	<b>-</b>	<b>875,823</b>
<b>Total</b>	<b>4,201,341</b>	<b>313,669</b>	<b>4,515,010</b>

Credit quality per class of financial assets as of December 31, 2013 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	286,397	-	286,397
Financial assets designated at fair value through profit or loss	265	-	265
Loans to customers			
<i>Corporate lending</i>	1,759,561	137,622	1,897,183
<i>Small business lending</i>	701,461	60,267	761,728
<i>Retail loans</i>	6,877	2,500	9,377
<i>Other</i>	-	-	-
<b>Total</b>	<b>2,754,561</b>	<b>200,389</b>	<b>2,954,950</b>
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	604,633	-	604,633
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
<b>Total</b>	<b>604,633</b>	<b>-</b>	<b>604,633</b>
<b>Total</b>	<b>3,359,194</b>	<b>200,389</b>	<b>3,559,583</b>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

	Internal Rating Grade	December 31, 2014	(%)	December 31, 2013	(%)
High					
Risk rating class 1	A+ Excellent	13,598	0.41	15,973	0.61
Risk rating class 2	A- Excellent	101,542	3.06	105,295	4.00
Good					
Risk rating class 3	B+ Very Good	317,839	9.59	280,074	10.63
Risk rating class 4	B- Very Good	566,740	17.10	565,943	21.48
Standard					
Risk rating class 5	C+ Good	720,953	21.75	480,645	18.24
Risk rating class 6	C- Good	787,940	23.78	603,686	22.91
Substandard					
Risk rating class 7	D+ Ordinary	478,989	14.45	318,619	12.09
Risk rating class 8	D- Ordinary	200,638	6.05	89,740	3.41
Risk rating class 9	E Bad	93,262	2.82	42,704	1.62
Risk rating class 10	F Very Bad	2,251	0.07	4,467	0.17
Unrated		30,473	0.92	127,644	4.84
<b>Total</b>		<b>3,314,225</b>	<b>100.00</b>	<b>2,634,790</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 7 with an outstanding risk of TRY 2,251 (December 31, 2013 : TRY 4,467; 9 client). 2 of these clients are granted against mortgage with outstanding risk of TRY 1,140 and covers 51% of total risk (December 31, 2013: 4 clients, 62%), 2 of these clients are granted against customer check with outstanding risk of TRY 707 and covers 31% of total risk (December 31, 2013: 1 clients, 19%).

**“E” rating;**

Number of clients with “E” rating is 37 and total outstanding risk is TRY 93,262 (December 31, 2013 : TRY 42,704; 31 clients). 9 of these clients are granted against mortgage with outstanding risk of TRY 24,873 and covers 27% of total “E” Rating Risk (December 31, 2013 : TRY 10,199 TL, %24). 19 of these clients are granted against Customer Check/Note with outstanding risk of TRY 16,756 and covers 18% of total “E” Rating Risk (December 31, 2013 : TRY 2,700; 6%). One of these clients are granted against assignment with outstanding risk of TRY 17,907 and covers 19%. Moreover, parent company of 3 clients, which have risk of TRY 8,860, have ratings of C- and above (ratio is 10%).

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**II. Explanations Related to Credit Risk (continued)****“D-” rating;**

Number of clients with D- rating is 80 and total outstanding risk is TRY 200,638 (December 31, 2013 : TRY 89,740, 61 client). Clients granted against mortgage have outstanding risk of TRY 95,841 and covers 48% of total “D-” Rating Risk (December 31, 2013 : TRY 20,409; 23%).

35 of these clients are granted against Customer check/note with outstanding risk of TRY 48,151 and covers 24% of total “D-” Rating Risk. (December 31,2013 : TRY 27,316, %30). 3 of these clients are granted against cash collateral with outstanding risk of TRY 1,184 and covers 1% of “D-” rating risk. Moreover, parent company of 2 clients, which have risk of TRY 4,147, have ratings of C- and above (ratio is 2%).

There is no financial assets at fair value through profitted losswhose terms have been renegotiated .

**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 September 6, 2014 numbered 29111 and September 5, 2013 numbered 28756 “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:

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

## Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	1
(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	205
(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	38
(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 (I+II+III+IV+V+VI)	244
<b>(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x IX)</b>	<b>3,050</b>

	December 31, 2014		
	Average	Maximum	Minimum
Interest Rate Risk	2	10	1
Common Stock Risk	-	-	-
Currency Risk	129	212	82
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	36	53	20
<b>Total Value Subject to Risk</b>	<b>2,083</b>	<b>3,438</b>	<b>1,288</b>

	December 31, 2013		
	Average	Maximum	Minimum
Interest Rate Risk	1	2	1
Common Stock Risk	-	-	-
Currency Risk	157	341	65
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	18	49	5
<b>Total Value Subject to Risk</b>	<b>2,210</b>	<b>4,900</b>	<b>883</b>

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**III. Explanations Related to Market Risk (continued)****Quantitative Counterparty Risk Information**

	Amount
Interest Rate Based Contracts	-
Exchange Rate Based Contracts (*)	34,124
Commodity Based Contracts	-
Common Stock Based Contracts	-
Gross Profit Fair Value (**)	1,064
Benefits to Clarify	-
Net Amount of Current Risk	-
Guarantees Held	-
The Net Position of Derivatives (***)	2,241
Other	83,554

(\*) Principal

(\*\*) Positive Replacement Cost

(\*\*\*) Calculated Counterparty Credit Risk

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 Assessment of Capital Adequacy of Bank's and "Regulation on the Internal System of Bank's, published in the Official Gazette No. 29111 dated September 6, 2014, "Counterparty Credit Risk Management Policy" is formed, then approved by the Board of Directors and published in the Bank.

Limits are defined by Board of Directors and controlled daily and reported to the Bank. In addition to that, related current limits are taken into capital accounts.

**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/Positive g number of years	Rate (%)	Total
Gross income	92,917	141,705	165,625	133,416	15	20,012
The amount subject to operational risk (Total*12.5)						250,154

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. Bank's, 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.

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

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.

In accordance with 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 presented to the Board of Directors.

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 if necessary. 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.

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 2014 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 2014, 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, 2014 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	24 Dec 2014	25 Dec 2014	26 Dec 2014	29 Dec 2014	30 Dec 2014	31 Dec 2014
<b>USD</b>	2.3180	2.3128	2.3154	2.3193	2.3261	2.3301
<b>CHF</b>	2.3507	2.3550	2.3437	2.3508	2.3553	2.3499
<b>GBP</b>	3.6026	3.5935	3.6009	3.6033	3.6180	3.6297
<b>100 JPY</b>	1.9250	1.9250	1.9220	1.9220	1.9530	1.9500
<b>EUR</b>	2.8259	2.8335	2.8178	2.8273	2.8316	2.8248

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

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2014 are as follows:

	Monthly Average Foreign Exchange Rate	
<b>USD</b>		2.2949
<b>CHF</b>		2.3506
<b>GBP</b>		3.5876
<b>100 JPY</b>		1.9196
<b>EUR</b>		2.8259

December 31, 2014	EUR	USD	YEN	OTHER	TOTAL
<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.	64,738	332,029	-	27,809	424,576
Banks	11,434	194,705	91	2,825	209,055
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	3	-	-	3
Loans (*)	292,318	666,410	-	-	958,728
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	531	5	-	-	536
<b>Total Assets</b>	<b>369,021</b>	<b>1,193,152</b>	<b>91</b>	<b>30,634</b>	<b>1,592,898</b>
<b>Liabilities</b>					
Bank Deposits	14,181	450	-	1,460	16,091
Foreign Currency Deposits	325,065	1,089,241	-	263	1,414,569
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	53,484	70,956	-	-	124,440
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	1,063	8,219	-	-	9,282
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	456	1,765	-	-	2,221
<b>Total Liabilities</b>	<b>394,249</b>	<b>1,170,631</b>	<b>-</b>	<b>1,723</b>	<b>1,566,603</b>
<b>Net Balance Sheet Position</b>	<b>(25,228)</b>	<b>22,521</b>	<b>91</b>	<b>28,911</b>	<b>26,295</b>
<b>Net Off-Balance Sheet Position</b>					
Financial Derivative Assets (***)	24,717	(24,539)	-	(27,565)	(27,386)
Financial Derivative Liabilities (***)	27,652	2,446	-	27,565	57,663
Non-Cash Loans (**)	(2,935)	(26,985)	-	(55,130)	(85,050)
	230,105	452,079	-	98	682,282
<b>December 31, 2013</b>					
Total Assets(*) (****)	447,777	933,616	176	29,993	1,411,562
Total Liabilities	419,226	964,020	-	2,745	1,385,991
Net Balance Sheet Position	28,551	(30,406)	176	27,248	25,571
Net Off-Balance Sheet Position	(30,221)	28,299	-	(25,896)	(27,818)
Financial Derivative Assets (***)	1,630	33,822	-	-	35,452
Financial Derivative Liabilities (***)	(31,851)	(5,523)	-	(25,896)	(63,270)
Non-Cash Loans (**)	211,200	439,190	838	9,118	660,346

(\*) Foreign currency indexed loans amounting to TRY 436,286 (December 31, 2013: TRY 395,575) are included in the loan portfolio.

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

(\*\*\*) It includes also TRY 3,303 and TRY 3,071 forward asset purchase &amp; sale commitments. (December 31, 2013: TRY 5,278 and TRY 7,319)

(\*\*\*\*) TRY 19 asset from derivative financial instruments and TRY 59 liability from derivative financial instruments are not included (December 31, 2013: TRY 149 asset from derivative financial instruments are not included).

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**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 TRY 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 TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
USD	%10 increase	202	(211)	-	-
USD	%10 decrease	(202)	211	-	-
EUR	%10 increase	(51)	(167)	-	-
EUR	%10 decrease	51	167	-	-
Other Currency	%10 increase	145	5.332	-	-
Other Currency	%10 decrease	(145)	(5.332)	-	-

**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.

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**VI. Explanations Related to Interest Rate Risk (continued)****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, 2014</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	477,144	477,144
Banks	231,787	-	-	-	-	41,305	273,092
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	27	926	953
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	200,209	183,273	391,917	-	4	137	775,540
Loans (*)	2,013,808	113,440	400,259	781,258	5,460	-	3,314,225
Held-To-Maturity Investments	-	-	79,857	20,563	-	-	100,420
Other Assets (**)	-	-	-	-	-	147,186	147,186
<b>Total Assets</b>	<b>2,445,804</b>	<b>296,713</b>	<b>872,033</b>	<b>801,821</b>	<b>5,491</b>	<b>666,698</b>	<b>5,088,560</b>
Liabilities							
Bank Deposits	11,506	14,140	-	-	-	2,282	27,928
Other Deposits	2,145,706	1,036,607	190,346	31,433	-	156,505	3,560,597
Money Market Borrowings	430,464	-	-	-	-	-	430,464
Sundry Creditors	-	-	-	-	-	61,746	61,746
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	14,337	4,191	118,559	1,165	-	-	138,252
Other Liabilities (***)	579	455	-	-	-	868,539	869,573
<b>Total Liabilities</b>	<b>2,602,592</b>	<b>1,055,393</b>	<b>308,905</b>	<b>32,598</b>	<b>-</b>	<b>1,089,072</b>	<b>5,088,560</b>
Balance Sheet Long Position							
Balance Sheet Long Position	-	-	563,128	769,223	5,491	-	1,337,842
Balance Sheet Short Position	(156,788)	(758,680)	-	-	-	(422,374)	(1,337,842)
Off-Balance Sheet Long Position	-	-	-	-	-	113,131	113,131
Off-Balance Sheet Short Position	-	-	-	-	-	(112,286)	(112,286)
<b>Total Position</b>	<b>(156,788)</b>	<b>(758,680)</b>	<b>563,128</b>	<b>769,223</b>	<b>5,491</b>	<b>(421,529)</b>	<b>845</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 TRY 48,020, intangible assets amounting to TRY 18,231, tax asset amounting to TRY 3,972, net non performing loans amounting to TRY 50,917, prepaid expenses amounting to TRY 6,498, settlement account amounting to TRY 16,860 and other assets amounting to TRY 2,688.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 753,737, TRY 61,746 provisions, settlement account amount TRY 32,689, and TRY 20,367 other liabilities.

**Average interest rates applied to monetary financial instruments:**

	EUR %	USD %	YEN %	TRY %
<b>December 31, 2014</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey (*)	-	-	-	1.41
Banks	0.08	0.19	-	10.48
Financial Assets At Fair Value Through Profit And Loss	-	-	-	10.41
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets	-	6.76	-	3.30
Loans	6.22	5.85	-	12.91
Held-To-Maturity Investments	-	-	-	7.03
Liabilities				
Bank Deposits	1.14	1.52	-	8.60
Other Deposits	2.73	2.85	-	10.66
Money Market Borrowings	-	-	-	9.99
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2.21	2.38	-	6.58

(\*) Effective from November 1, 2014, interest has been paid from TRY reserve deposits by CBRT. Average interest rate base represents November and December average interest rate.

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**VI. Explanations Related to Interest Rate Risk (continued)****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, 2013</b>							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	390,410	390,410
Banks	278,787	-	-	-	-	7,610	286,397
Financial Assets at Fair Value Through Profit and Loss	-	91	-	-	25	149	265
Money Market Placements	70,015	-	-	-	-	-	70,015
Available-For-Sale Financial Assets	122,595	89,389	136,915	156,837	2	75	505,813
Loans (*)	1,750,627	108,541	233,172	511,380	31,063	-	2,634,790
Held-To-Maturity Investments	-	5,159	16,712	77,024	-	-	98,895
Other Assets (**)	-	-	-	-	-	124,678	124,678
<b>Total Assets</b>	<b>2,222,024</b>	<b>203,180</b>	<b>386,799</b>	<b>745,241</b>	<b>31,090</b>	<b>522,929</b>	<b>4,111,263</b>
Liabilities							
Bank Deposits	10,002	32,359	-	-	-	1,866	44,227
Other Deposits	1,849,606	538,142	240,775	1,971	-	162,416	2,792,910
Money Market Borrowings	395,085	-	-	-	-	-	395,085
Sundry Creditors	-	-	-	-	-	25,551	25,551
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	38,989	35,617	140,070	2,319	-	-	216,995
Other Liabilities (***)	451	466	-	-	-	635,578	636,495
<b>Total Liabilities</b>	<b>2,294,133</b>	<b>606,584</b>	<b>380,845</b>	<b>4,290</b>	<b>-</b>	<b>825,411</b>	<b>4,111,263</b>
Balance Sheet Long Position							
Balance Sheet Long Position	-	-	5,954	740,951	31,090	-	777,995
Balance Sheet Short Position	(72,109)	(403,404)	-	-	-	(302,482)	(777,995)
Off-Balance Sheet Long Position	-	-	-	-	-	56,923	56,923
Off-Balance Sheet Short Position	-	-	-	-	-	(57,503)	(57,503)
<b>Total Position</b>	<b>(72,109)</b>	<b>(403,404)</b>	<b>5,954</b>	<b>740,951</b>	<b>31,090</b>	<b>(303,062)</b>	<b>(580)</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 TRY 36,013, intangible assets amounting to TRY 20,674, tax asset amounting to TRY 9,708, settlement account amounting to TRY 16,499, prepaid expenses amounting to TRY 6,047, non-performing loans amounting to 33,498 and other assets amounting to TRY 2,239.

(\*\*\*) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TRY 539,805, tax liability amounting to TRY 8,637, provisions amounting to TRY 49,299, settlement account amounting to TRY 32,187 and other liabilities amounting to 5,650.

**Average interest rates applied to monetary financial instruments:**

	EUR %	USD %	YEN %	TRY %
<b>December 31, 2013</b>				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0.21	0.22	-	7.00
Financial Assets At Fair Value Through Profit And Loss	-	-	-	8.91
Money Market Placements	-	-	-	7.74
Available-For-Sale Financial Assets	-	7.38	-	3.76
Loans	6.38	6.19	-	11.84
Held-To-Maturity Investments	-	-	-	7.58
Liabilities				
Bank Deposits	-	2.12	-	7.75
Other Deposits	3.31	3.33	-	8.99
Money Market Borrowings	-	-	-	6.78
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	2.87	3.05	-	6.11

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**VI. Explanations Related to Interest Rate Risk (continued)**

**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 September 5, 2013 numbered 28756, 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.**

Unit of Currency	Applicable Shock (+ / -base point)*	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
TRY	500	(60,553)	(8%)
	(400)	56,117	7%
EUR	200	(4,839)	(1%)
	(200)	5,259	1%
USD	200	(10,270)	(1%)
	(200)	11,193	1%
<b>Total (For Negative Shock)</b>		<b>72,569</b>	<b>10%</b>
<b>Total (For Positive Shock)</b>		<b>(75,661)</b>	<b>(10%)</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 TRY and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit would change by TRY 7,074. The change in profit mainly is related to loans and deposits (December 31, 2013 : TRY 4,687).

- Possible changes in the interest rates effects the equity as a result of the revaluation of the available-for-sale assets decreases equity by TRY 233 (December 31,2013: TRY 313).

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

The bank has no outstanding stock position.

**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.

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

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 TRY 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.

Bank calculated liquidity adequacy ratio in both foreign currency and total amount as perBasel III, and reported to BRSA according to Bank's Regulation on Measurement and Evaluation of Liquidity Adequacy Ratio declared in 2013. Furthermore, liquidity risk analysis form is reported weekly to BRSA by the Bank in 2013.

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

December 31, 2014	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
<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 (****)	100,426	229,714	110,686	32,851	3,467	-	-	477,144
Banks	41,305	231,787	-	-	-	-	-	273,092
Financial Assets at Fair Value Through Profit and Loss	-	-	926	-	-	27	-	953
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	163	81,473	134,969	81,980	476,818	137	775,540
Loans (**)	-	2,013,808	113,440	400,259	781,258	5,460	-	3,314,225
Held-To-Maturity Investments	-	-	-	78,316	20,563	1,541	-	100,420
Other Assets	-	16,860	-	-	-	-	130,326	147,186
<b>Total Assets</b>	<b>141,731</b>	<b>2,492,332</b>	<b>306,525</b>	<b>646,395</b>	<b>887,268</b>	<b>483,846</b>	<b>130,463</b>	<b>5,088,560</b>
<b>Liabilities</b>								
Bank Deposits	2,282	11,506	14,140	-	-	-	-	27,928
Other Deposits	156,505	2,145,706	1,036,607	190,346	31,433	-	-	3,560,597
Funds Provided From Other Financial Institutions	-	14,337	4,191	118,559	1,165	-	-	138,252
Money Market Borrowings	-	430,464	-	-	-	-	-	430,464
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	61,746	-	-	-	-	-	61,746
Other Liabilities (**)	-	51,220	455	-	-	-	817,898	869,573
<b>Total Liabilities</b>	<b>158,787</b>	<b>2,714,979</b>	<b>1,055,393</b>	<b>308,905</b>	<b>32,598</b>	<b>-</b>	<b>817,898</b>	<b>5,088,560</b>
<b>Liquidity Gap</b>	<b>(17,056)</b>	<b>(222,647)</b>	<b>(748,868)</b>	<b>337,490</b>	<b>854,670</b>	<b>483,846</b>	<b>(687,435)</b>	<b>-</b>
<b>December 31, 2013</b>								
Total Assets	67,579	2,340,320	184,813	334,098	774,093	302,106	108,254	4,111,263
Total Liabilities	164,282	2,366,158	606,584	380,845	4,290	-	589,104	4,111,263
Liquidity Gap	(96,703)	(25,838)	(421,771)	(46,747)	769,803	302,106	(480,850)	-

(\*) 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.

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**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, 2014</b>							
Bank Deposits	11,517	14,137	-	-	-	(8)	25,646
Other deposits	2,151,571	1,047,449	198,101	38,186	-	(31,215)	3,404,092
Funds provided from other financial institutions	430,645	-	-	-	-	(181)	430,464
Money market borrowings	14,341	4,285	120,288	1,215	-	(1,877)	138,252
<b>Total</b>	<b>2,608,074</b>	<b>1,065,871</b>	<b>318,389</b>	<b>39,401</b>	<b>-</b>	<b>(33,281)</b>	<b>3,998,454</b>
<b>As of December 31, 2013</b>							
Bank Deposits	10,004	32,454	-	-	-	(97)	42,361
Other deposits	1,856,501	545,399	248,631	2,187	-	(22,224)	2,630,494
Funds provided from other financial institutions	395,176	-	-	-	-	(91)	395,085
Money market borrowings	39,141	35,950	143,358	2,430	-	(3,884)	216,995
<b>Total</b>	<b>2,300,822</b>	<b>613,803</b>	<b>391,989</b>	<b>4,617</b>	<b>-</b>	<b>(26,296)</b>	<b>3,284,936</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>December 31, 2014</b>						
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	844	1	-	-	-	845
- Addition	110,476	2,655	-	-	-	113,131
- Disposal (-)	(109,632)	(2,654)	-	-	-	(112,286)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Total cash flow</b>	<b>110,746</b>	<b>2,655</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>113,131</b>
<b>Total cash inflow</b>	<b>(109,632)</b>	<b>(2,096)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(112,286)</b>
<b>December 31, 2013</b>						
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	(582)	-	2	-	-	(580)
- Addition	53,758	2,096	1,069	-	-	56,923
- Disposal (-)	(54,340)	(2,096)	(1,067)	-	-	(57,503)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Total cash flow</b>	<b>53,758</b>	<b>2,096</b>	<b>1,069</b>	<b>-</b>	<b>-</b>	<b>56,923</b>
<b>Total cash inflow</b>	<b>(54,340)</b>	<b>(2,096)</b>	<b>(1,067)</b>	<b>-</b>	<b>-</b>	<b>(57,503)</b>

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**IX. Explanations on Securitization Positions**

None.

**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.

**X. Explanations on Credit Risk Mitigation Techniques (continued)****Collateral on the basis of risk classes**

Risk Types	Amount	Financial Collateral	Other / Physical Collateral	Guaranties and Credit Derivatives
Contingent and Non-Contingent Receivables on Sovereigns	1,322,399	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	227	75	-	-
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	507,222	941	-	-
Contingent and Non-Contingent Corporate Receivables	2,598,990	91,408	-	-
Contingent and Non-Contingent Retail Receivables	283,315	22,872	-	-
Contingent and Non-Contingent Receivables Secured by Property	1,263,249	-	-	-
Past Due Receivables	50,917	2	-	-
Receivables defined in high risk category by BRSA	26,945	979	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization positions	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-
Investment similar to collective investment funds	-	-	-	-
Other Receivables	2,445,366	-	-	-
<b>Total</b>	<b>8,498,630</b>	<b>116,277</b>	<b>-</b>	<b>-</b>

**XI. 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.

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 July 11, 2014 numbered 29057)", 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.

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### XI. Risk Management Objectives and Policies (continued)

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.

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 Assessment of Capital Adequacy of Bank's" published in the Official Gazette dated September 6, 2014, numbered 29111."

From January 1, 2014 equity and the capital adequacy ratio of the Bank is calculated in accordance with the "Change in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29111, dated September 6, 2014 and "Regulation on Equities of Banks" published in the Official Gazette no.28756, dated September 5, 2013.

The Bank updated its disclosures in accordance with the "Change in the Communique on the Financials Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof" published in the Official Gazette no.28983, dated April 26, 2014.

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 29057 dated July 11,2014 , banking processes and policies were revised. Consequently, related procedures/policies are updated/formed and then approved by the Board of Directors.

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.

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### XI. Risk Management Objectives and Policies (continued)

"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 (ISEDES / ICAAD) 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.

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, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Financial Assets</b>	<b>4,514,057</b>	<b>3,629,333</b>	<b>4,532,463</b>	<b>3,658,990</b>
Money Market Placements	-	70,015	-	70,015
Banks	273,092	286,397	273,092	286,397
Available-For-Sale Financial Assets (*)	775,403	505,738	775,403	505,738
Held-To-Maturity Investments	100,420	98,895	100,581	97,208
Loans	3,365,142	2,668,288	3,383,387	2,699,632
<b>Financial Liabilities</b>	<b>4,218,987</b>	<b>3,474,768</b>	<b>4,220,037</b>	<b>3,475,372</b>
Bank Deposits	27,928	44,227	27,929	44,227
Other Deposits	3,560,597	2,792,910	3,560,820	2,793,189
Funds Borrowed From Other Financial Institutions	138,252	216,995	139,078	217,320
Money Market Borrowings	430,464	395,085	430,464	395,085
Sundry Creditors	61,746	25,551	61,746	25,551

(\*) Unquoted stocks amounting to TRY 137 have not been considered in fair value calculation.

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

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**VII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value (continued)****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 be approximate to 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, 2014 is the market rates available for the loan and security types.

**ii. Financial liabilities:**

The fair value of bank deposits, money market borrowings 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, 2014 is the market rates available for the borrowing and deposits types.

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.

December 31, 2014	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	27	926	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	775,403	-	-	137
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(68)	-	-

December 31, 2013	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	116	149	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	505,738	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(727)	-	-

**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.

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(Amounts expressed in thousands of Turkish Lira (TRY) 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 2014		December, 31 2013	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	7,754	29,761	7,673	15,581
Balances with the Central Bank of Turkey	44,814	394,815	35,574	331,582
Other	-	-	-	-
<b>Total</b>	<b>52,568</b>	<b>424,576</b>	<b>43,247</b>	<b>347,163</b>

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

	December, 31 2014		December, 31 2013	
	TRY	FC	TRY	FC
Unrestricted demand deposits	44,814	1,454	35,574	1,134
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve deposits	-	393,361	-	330,448
<b>Total</b>	<b>44,814</b>	<b>394,815</b>	<b>35,574</b>	<b>331,582</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 TRY 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
%13.0	%9.0	Ratios for corresponding maturities	%13.0	%11.0	%6.0

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

TRY 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
%11.5	%11.5	%11.5	%8.5	%6.5	%5.0	%11.5	%8.0	%5.0

Effective from November 1, 2014, interest has been paid from TRY reserve deposits by CBRT.

**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 TRY 27 (December 31, 2013: TRY 116).

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

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Forward Transactions	11	19	-	37
Swap Transactions	896	-	-	112
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>907</b>	<b>19</b>	<b>-</b>	<b>149</b>

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

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Banks				
Domestic	64,037	168,012	80,045	198,972
Foreign	-	41,043	-	7,380
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>64,037</b>	<b>209,055</b>	<b>80,045</b>	<b>206,352</b>

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

	Unrestricted Amount		Restricted Amount	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
European Union Countries	12,500	3,884	-	-
USA and Canada	27,058	2,532	-	-
OECD Countries (*)	1,386	890	-	-
Other	99	74	-	-
<b>Total</b>	<b>41,043</b>	<b>7,380</b>	<b>-</b>	<b>-</b>

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

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**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, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	25,711	-	78,516	-
Other	-	-	-	-
<b>Total</b>	<b>25,711</b>	<b>-</b>	<b>78,516</b>	<b>-</b>

Available-for-sale securities given as collateral for open market transactions are TRY 25,428 and 283 TRY hold for Takasbank respectively. (December 31, 2013: Available-for-sale securities given as collateral for Interbank money market and open market transactions are TRY 57,371, TRY 20,368 and TRY 777 hold for Takasbank respectively.)

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

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	383,119	-	321,603	-
Other	-	-	-	-
<b>Total</b>	<b>383,119</b>	<b>-</b>	<b>321,603</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TRY 366,710 (December 31, 2013: TRY 105,694) and included in this amount there are unquoted stocks amounting TRY 137 (December 31, 2013: TRY 75).

b) Information on financial assets available for sale portfolio:

	December 31, 2014	December 31, 2013
	Debt securities	775,429
Quoted on a stock exchange	775,429	525,161
Not quoted	-	-
Share certificates	137	75
Quoted on a stock exchange	-	-
Not quoted	137	75
Impairment provision (-)	(26)	(19,423)
<b>Total</b>	<b>775,540</b>	<b>505,813</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 TRY 137 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2013: TRY 75).

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

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

	December 31, 2014		December 31, 2013	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	99	85	73	89
Corporate shareholders	99	85	73	89
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	15,841	-	14,228
Loans granted to employees	1,325	1,450	1,296	1,295
<b>Total</b>	<b>1,424</b>	<b>17,376</b>	<b>1,369</b>	<b>15,612</b>

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	3,050,632	841	-	114,673	148,079	-
Discount notes	1,755,344	371	-	91,941	134,271	-
Export loans	542,206	470	-	14,063	5,806	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	115,373	-	-	-	8,002	-
Foreign loans	3	-	-	-	-	-
Consumer loans	24,149	-	-	5,742	-	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	613,557	-	-	2,927	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>3,050,632</b>	<b>841</b>	<b>-</b>	<b>114,673</b>	<b>148,079</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	1,836,862	763	19,860	24,596
Non-specialized loans	1,836,862	763	19,860	24,596
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	1,213,770	78	94,813	123,483
Non-specialized loans	1,213,770	78	94,813	123,483
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
<b>Total</b>	<b>3,050,632</b>	<b>841</b>	<b>114,673</b>	<b>148,079</b>

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

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables		Watching Loans and Other Receivables	
1 or 2 times extended	841		144,772	
3, 4 or 5 times extended	-		3,299	
5 Over the extended	-		8	
<b>Total</b>	<b>841</b>		<b>148,079</b>	
	Standard Loans and Other Receivables		Watching Loans and Other Receivables	
0 - 6 Month	284		12,075	
6 - 12 Month	-		4,120	
1 - 2 Year	-		7,586	
2 - 5 Year	557		69,816	
5 Years and Over	-		54,482	
<b>Total</b>	<b>841</b>		<b>148,079</b>	

As of December 31, 2014, 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 TRY 41 and for watchlist-loans, which the payments are rescheduled, amounting to TRY 6,924.

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-TRY</b>	<b>3,206</b>	<b>24,291</b>	<b>27,497</b>
Housing Loans	504	2,551	3,055
Car Loans	107	140	247
General Purpose Loans	2,595	21,600	24,195
Other	-	-	-
<b>Consumer Loans -Indexed to FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TRY</b>	<b>229</b>	<b>695</b>	<b>924</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	229	695	924
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY(Real Persons) (*)</b>	<b>1,470</b>	-	<b>1,470</b>
<b>Overdraft Accounts-FC(Real Persons)</b>	-	-	-
<b>Total</b>	<b>4,905</b>	<b>24,986</b>	<b>29,891</b>

(\*) Overdraft Accounts includes TRY 343 personel loans.

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**I. Explanations and Disclosures Related to the Assets (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-TRY</b>	<b>28,398</b>	<b>832,988</b>	<b>861,386</b>
Business Loans	12,856	107,008	119,864
Car Loans	993	7,277	8,270
General Purpose Loans	14,549	718,632	733,181
Other	-	71	71
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>4,808</b>	<b>202,531</b>	<b>207,339</b>
Business Loans	-	-	-
Car Loans	4,318	61,812	66,130
General Purpose Loans	490	140,719	141,209
Other	-	-	-
<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-TRY</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-TRY(Legal Entities)</b>	<b>29,646</b>	<b>-</b>	<b>29,646</b>
<b>Overdraft Accounts-FC(Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>62,852</b>	<b>1,035,519</b>	<b>1,098,371</b>

f) Domestic and foreign loans:

	December 31, 2014	December 31, 2013
Domestic loans	3,314,222	2,634,762
Foreign loans	3	28
<b>Total</b>	<b>3,314,225</b>	<b>2,634,790</b>

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2014	December 31, 2013
Specific provisions		
Loans and receivables with limited collectability	-	785
Loans and receivables with doubtful collectability	-	7,018
Uncollectible loans and receivables	44,653	28,573
<b>Total</b>	<b>44,653</b>	<b>36,376</b>

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(Amounts expressed in thousands of Turkish Lira (TRY) 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 Loans and receivables with limited collectability	IV. Group Loans and receivables with doubtful collectability	V. Group Uncollectible loans and receivables
<b>December 31, 2014</b>			
(Gross amount before specific provision) (*)	-	-	8,044
Restructured Loans and Other Receivables	-	-	8,044
Rescheduled Loans and Other Receivables	-	-	-
<b>December 31, 2013</b>			
(Gross amount before specific provision)	-	795	5,307
Restructured Loans and Other Receivables	-	795	5,307
Rescheduled Loans and Other Receivables	-	-	-

(\*) As of December 31, 2014 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 4,365 (December 31, 2013: TRY 4,214).

j.2) The movement of non-performing loans:

	III. Group Loans and other receivables with limited collectability	IV. Group Loans and other receivables with doubtful collectability	V. Group Uncollectible loans and other receivables
<b>December 31, 2013 balance</b>	3,243	17,486	49,145
Additions (+)	46,666	9,028	15,794
Transfers from other categories of non-performing loans (+)	-	29,621	69,239
Transfers to other categories of non-performing loans (-)	(49,205)	(49,655)	-
Collections (-)	(704)	(6,480)	(17,535)
Write-offs (-)	-	-	(21,073)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
<b>December 31, 2014 balance</b>	-	-	95,570
Specific provision (-)	-	-	(44,653)
<b>Net Balances on Balance Sheet</b>	<b>-</b>	<b>-</b>	<b>50,917</b>

(\*) A portion of non-performing loans of the Bank with a principal amount of TRY 21,073 are sold to asset management company Final Varlık Yönetim A.Ş according to Board of Directors' decision dated December 8, 2014.

j.3) Information on foreign currency non-performing loans and other receivables: None.

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(Amounts expressed in thousands of Turkish Lira (TRY) 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	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
<b>December 31, 2014 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	-	-	95,570
Specific provision (-)	-	-	(44,653)
Loans to Real Persons and Legal Entities (Net)	-	-	50,917
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>December 31, 2013 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	3,243	17,486	49,145
Specific provision (-)	(785)	(7,018)	(28,573)
Loans to Real Persons and Legal Entities (Net)	2,458	10,468	20,572
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:

As of 31 December 2014, there is no amount that is written off from assets with the decision of the board of directors. (December 31, 2013 : None.)

Upon the request of legal counsel and loan department for doubtful loans that has no proof to recover is evaluated according to the authority delegated by the Board of Directors. The Bank sold a portion of non-performing loan amounting to TRY 21,073, to an asset management firm and removed from records.

m) Other explanations and disclosures:

December 31, 2014	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	2,161,618	885,161	4,694	-	3,051,473
Past due not impaired	180,385	81,319	1,048	-	262,752
Restructured loans (*)	-	-	-	-	-
Individually impaired	63,490	31,111	969	-	95,570
Total gross	2,405,493	997,591	6,711	-	3,409,795
Less: allowance for individually impaired loans	(30,777)	(13,502)	(374)	-	(44,653)
<b>Total net</b>	<b>2,374,716</b>	<b>984,089</b>	<b>6,337</b>	<b>-</b>	<b>3,365,142</b>

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

December 31, 2013	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	1,759,561	701,461	6,877	-	2,467,899
Past due not impaired	116,801	47,739	2,351	-	166,891
Restructured loans (*)	-	-	-	-	-
Individually impaired	47,001	22,331	542	-	69,874
Total gross	1,923,363	771,531	9,770	-	2,704,664
Less: allowance for individually impaired loans	(26,180)	(9,803)	(393)	-	(36,376)
<b>Total net</b>	<b>1,897,183</b>	<b>761,728</b>	<b>9,377</b>	<b>-</b>	<b>2,668,288</b>

(\*) 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, 2013	36,376
Additions in the period	34,060
Non-performing loan sales	(20,103)
The effect of collections in the period	(5,680)
Write off	-
At December 31, 2014	<b>44,653</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2014 is TRY 117,610. (December 31, 2013: TRY 59,340).

Properties amounting to TRY 14,872 are transferred to the ownership of the Bank in 2014 and in the same period TRY 3,227 has been sold. In addition, properties transferred to the ownership of the Bank before 2014 year have been sold amounting to TRY 6,319.

Aging analysis of past due but not impaired loans per class of financial instruments is as follows:

December 31, 2014	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days(*)	Total
Loans and advances to customers					
Corporate Loans	146,247	27,539	1,238	5,361	180,385
Small Business Loans	74,656	5,411	1,252	-	81,319
Consumer Loans	402	122	524	-	1,048
Other	-	-	-	-	-
<b>Total</b>	<b>221,305</b>	<b>33,072</b>	<b>3,014</b>	<b>5,361</b>	<b>262,752</b>

(\*) Protocol has been signed with the firm as of January, 2015.

December 31, 2013	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and advances to customers					
Corporate Loans	89,274	13,709	13,818	-	116,801
Small Business Loans	32,585	6,599	8,555	-	47,739
Consumer Loans	1,316	964	71	-	2,351
Other	-	-	-	-	-
<b>Total</b>	<b>123,175</b>	<b>21,272</b>	<b>22,444</b>	<b>-</b>	<b>166,891</b>

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**TURKLAND BANK ANONİM ŞİRKETİ**

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

Fair value of past due but not impaired loans and other receivable as of December 31, 2014 is TRY 333,942. (December 31, 2013: TRY 258,283).

Loans and advances amounting to TRY 1,518,812 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2013: TRY 1,343,836) and the remaining TRY 1,795,413 have fixed interest rates. (December 31, 2013: TRY 1,290,954).

**6. Information on held-to-maturity investments:**

a.1) Information on held-to-maturity investments given as collateral or blocked:

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	36,888	-	29,341	-
Other	-	-	-	-
<b>Total</b>	<b>36,888</b>	<b>-</b>	<b>29,341</b>	<b>-</b>

As of December 31, 2014, collateral or blocked investments held-to-maturity; Central Bank open market operations is TRY 506 and Central Bank of the interbank money market is TRY 5,479 and stock collateral balance is TRY 30,903. (December 31, 2013: Central Bank open market operations is TRY 6,683 and Central Bank of the interbank money market is TRY 5,142 and stock collateral balance is TRY 17,516).

a.2) Held-to-maturity investments subject to repurchase agreements:

	December 31, 2014		December 31, 2013	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	23,780	-	66,204	-
Other	-	-	-	-
<b>Total</b>	<b>23,780</b>	<b>-</b>	<b>66,204</b>	<b>-</b>

Book value of held to maturity investments classified as unrestricted financial assets is TRY 39,752 (December 31, 2013: TRY 3,350).

b) Information on public sector debt investments held-to-maturity:

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Government bonds	-	100,420	-	98,895
Treasury bills	-	-	-	-
Other public sector debt securities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>100,420</b>	<b>-</b>	<b>98,895</b>

c) Information on held-to-maturity investments:

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Debt securities	-	-	-	-
Quoted on a stock exchange	100,420	-	98,895	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
<b>Total</b>	<b>100,420</b>	<b>-</b>	<b>98,895</b>	<b>-</b>

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

d) Movement of held-to-maturity investments:

	December 31, 2014	December 31, 2013
Beginning balance	98,895	70,959
Foreign currency differences on monetary assets(*)	1,952	(1,613)
Purchases during year	20,016	82,678
Disposal through sales and redemptions	(20,443)	(53,129)
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>100,420</b>	<b>98,895</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.

**12. Information on tangible assets (Net) :**

	Balance December 31, 2013				Change in estimate	Balance December 31, 2014
	Balance December 31, 2013	Additions	Disposals	Other		
Cost:						
Land and buildings	-	-	(64)	-	-	5,910
Leased tangible assets	5,974	-	-	-	-	-
Vehicles	-	-	-	-	-	-
Other	58,747	25,461	(10,164)	-	-	74,044
<b>Total Cost</b>	<b>64,721</b>	<b>25,461</b>	<b>(10,228)</b>	<b>-</b>	<b>-</b>	<b>79,954</b>

	Balance December 31, 2013				Change in estimate	Balance December 31, 2014
	Balance December 31, 2013	Additions	Disposals	Other		
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(5,795)	(41)	64	-	-	(5,772)
Vehicles	-	-	-	-	-	-
Other	(22,913)	(3,913)	664	-	-	(26,162)
<b>Total Accumulated Depreciation</b>	<b>(28,708)</b>	<b>(3,954)</b>	<b>728</b>	<b>-</b>	<b>-</b>	<b>(31,934)</b>
<b>Net Book Value</b>	<b>36,013</b>	<b>21,507</b>	<b>(9,500)</b>	<b>-</b>	<b>-</b>	<b>48,020</b>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

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

a) For an individual asset, In the current period the amount of impairment losses recorded or revoked is crucial to the whole of the financial statements:

a.1) Impairment to be recorded or cancellation of events that led to and no term of events: None.

a.2) Recorded in the financial statements or canceled amount of impairment losses: None.

b) Recorded in the current period or cancelled, and each one or some financial statements as a whole are not significant, but sum of impairment losses recorded or revoked is significant for the whole of the financial statements, reasons and circumstances :None.

c) For pledge on tangible assets, mortgages and other restrictions if there exists and tangible assets, the amount of the expenditures made during construction, the commitments for the purchase of tangible fixed assets: None.

**13. Information on intangible assets:**

	Closing Balance December 31, 2013	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2014
Cost:						
Software cost	34,113	4,851	-	-	-	38,964
Other intangible assets	-	-	-	-	-	-
<b>Total Cost</b>	<b>34,113</b>	<b>4,851</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,964</b>
	Closing Balance December 31, 2013	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2014
Accumulated Depreciation:						
Software cost	(13,439)	(7,294)	-	-	-	(20,733)
Other intangible assets	-	-	-	-	-	-
<b>Total Accumulated Depreciation</b>	<b>(13,439)</b>	<b>(7,294)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(20,733)</b>
<b>Net Book Value</b>	<b>20,674</b>	<b>(2,443)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,231</b>

14. **Investment Property (Net):** None.

**15. Explanations on deferred tax assets:**

a) As of December 31, 2014, there are no deferred tax asset calculated on tax losses and tax deductions or exemptions. (December 31, 2013: 2,351). Deferred tax asset calculated on the other temporary differences is TRY 3,972 (December 31, 2013: TRY 5,123 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.

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

d) Movement of deferred tax:

	December 31, 2014	December 31, 2013
<b>At January 1</b>	<b>7,474</b>	<b>2,758</b>
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	4,668	(5,726)
<b>Deferred tax (charge)/ benefit (Net)</b>	<b>12,142</b>	<b>(2,968)</b>
Deferred tax accounted for under Shareholders' Equity	(8,170)	10,442
<b>Deferred Tax Asset</b>	<b>3,972</b>	<b>7,474</b>

	December 31, 2014		December 31, 2013	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	10,375	2,075	8,311	1,662
Possible provisions	-	-	1,046	209
Other provisions	10,336	2,067	6,211	1,242
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	1,207	241	470	94
Deferred Commission	4,339	868	2,737	547
Financial Assets	301	60	11,743	2,349
Tax Losses	-	-	11,753	2,350
<b>Deferred Tax Assets</b>		<b>5,311</b>		<b>8,453</b>
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	4,480	896	3,212	642
Financial Assets	-	-	1,687	337
Other	2,215	443	-	-
<b>Deferred tax liability (-)</b>		<b>1,339</b>		<b>979</b>
<b>Deferred tax Asset (Net)</b>		<b>3,972</b>		<b>7,474</b>

16. **Information on assets held for sale and discontinued operations:** None.

**17. Information on other assets:**

a) Breakdown of other assets:

	December 31, 2014	December 31, 2013
Settlement Accounts	16,860	16,499
Prepaid Expenses	6,498	6,047
Other	2,688	2,239
<b>Total</b>	<b>26,046</b>	<b>24,785</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.

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**II. Explanations and Disclosures Related to the Liabilities****1. Information on maturity structure of deposits:****a.1) December 31, 2014 :**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	17,038	-	35,793	850,208	95,898	22,633	6,564	-	1,028,134
Foreign currency deposits	54,322	-	59,319	1,101,175	151,186	38,905	9,661	-	1,414,568
Residents in Turkey	52,355	-	58,492	1,076,470	145,087	37,787	7,344	-	1,377,535
Residents abroad	1,967	-	827	24,705	6,099	1,118	2,317	-	37,033
Public sector deposits	12,837	-	-	-	-	-	-	-	12,837
Commercial deposits	72,010	-	51,988	586,118	108,428	29,732	81,917	-	930,193
Other institutions deposits	299	-	1,649	55,018	1,513	116,385	-	-	174,864
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	2,283	-	11,506	14,140	-	-	-	-	27,929
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	40	-	-	-	-	-	-	-	40
Foreign Banks	2,243	-	11,506	14,140	-	-	-	-	27,889
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>158,789</b>	<b>-</b>	<b>160,255</b>	<b>2,606,659</b>	<b>357,025</b>	<b>207,655</b>	<b>98,142</b>	<b>-</b>	<b>3,588,525</b>

**a.2) December 31, 2013:**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	10,510	-	20,802	760,868	98,136	11,309	3,327	-	904,952
Foreign currency deposits	79,130	-	63,887	846,654	82,344	37,544	44,454	-	1,154,013
Residents in Turkey	74,822	-	62,886	807,696	80,967	34,972	42,949	-	1,104,292
Residents abroad	4,308	-	1,001	38,958	1,377	2,572	1,505	-	49,721
Public sector deposits	6,105	-	-	-	-	-	-	-	6,105
Commercial deposits	65,886	-	89,204	365,290	59,011	50,946	1,706	-	632,043
Other institutions deposits	785	-	50	27,627	15,565	51,762	8	-	95,797
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,866	-	10,002	10,793	21,566	-	-	-	44,227
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	32	-	-	-	-	-	-	-	32
Foreign Banks	1,834	-	10,002	10,793	21,566	-	-	-	44,195
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>164,282</b>	<b>-</b>	<b>183,945</b>	<b>2,011,232</b>	<b>276,622</b>	<b>151,561</b>	<b>49,495</b>	<b>-</b>	<b>2,837,137</b>

**b.1) Information on saving deposits under the guarantee of saving deposits insurance:****i. Information on saving deposits:**

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Saving deposits	234,903	200,830	785,436	698,101
Foreign currency saving deposits	68,278	44,404	674,691	418,527
Other deposits in the form of saving deposits	469	342	7,798	4,866
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>303,650</b>	<b>245,576</b>	<b>1,467,925</b>	<b>1,121,494</b>

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**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, 2014	December 31, 2013
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	1,479	2,341
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, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Forward Transactions	9	5	37	-
Swap Transactions	-	54	690	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>9</b>	<b>59</b>	<b>727</b>	<b>-</b>

**3. a) Information on banks and other financial institutions:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
From Domestic Banks and Institutions	13,510	21,534	19,190	28,112
From Foreign Banks, Institutions and Funds	302	102,906	8,009	161,684
<b>Total</b>	<b>13,812</b>	<b>124,440</b>	<b>27,199</b>	<b>189,796</b>

**b) Maturity analysis of borrowings:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Short-term	13,812	85,130	27,199	135,079
Medium and long-term	-	39,310	-	54,717
<b>Total</b>	<b>13,812</b>	<b>124,440</b>	<b>27,199</b>	<b>189,796</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. 58% of bank deposits and 40% of other deposits are composed of foreign currency deposits.

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**II. Explanations and Disclosures Related to the Liabilities: (continued)****4. Information on funds provided from repurchase agreement transactions:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>430,464</b>	-	<b>370,580</b>	-
Financial institutions and organizations	430,456	-	370,575	-
Other institutions and organizations	-	-	-	-
Real persons	8	-	5	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>430,464</b>	-	<b>370,580</b>	-

Funds provided under repurchase agreements carried by the assets of the Bank's balance sheet are described in the table below:

	December 31, 2014		December 31, 2013	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	299,967	407,469	279,805	307,226
Held to Maturity Investments	23,711	22,995	67,007	63,354
Financial assets held for trading	-	-	-	-
<b>Total</b>	<b>323,678</b>	<b>430,464</b>	<b>346,812</b>	<b>370,580</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) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. As of December 2014 operational lease expenses amounting to TRY 13,279 have been recorded in the profit and loss accounts (December 31, 2013: TRY 10,248). The lease periods vary between 5 and 10 years.

- c) Explanations on the lessor and lessee in sale and lease back transactions, agreement conditions, and major agreement terms: None.

**7. Information on derivative financial liabilities for hedging purposes:**

None.

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**II. Explanations and Disclosures Related to the Liabilities: (continued)****8. Information on provisions:**

- a) Information on general provisions:

	December 31, 2014	December 31, 2013
General Provisions		
Provisions for First Group Loans and Receivables	19,288	21,001
- Additional provision for extended loans	41	355
Provisions for Second Group Loans and Receivables	2,208	1,457
- Additional provision for extended loans	6,924	4,308
Provisions for Non-cash Loans	3,909	3,247
<b>Total</b>	<b>32,370</b>	<b>30,368</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, 2013</b>	21,356	5,765	3,247
Additions	5,177	3,540	988
Disposals	(7,204)	(173)	(326)
<b>December 31, 2014</b>	<b>19,329</b>	<b>9,132</b>	<b>3,909</b>

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 2,220 (December 31, 2013: TRY 50) on the foreign currency indexed loans are netted off from loans on the balance sheet.

- c) The specific provisions of TRY 8,226 (December 31, 2013: TRY 3,931) 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, 2014	December 31, 2013
As of January 1	5,314	4,898
Service cost	1,272	1,173
Interest cost	539	357
Actuarial gain / (loss)	723	(568)
Benefits paid	(695)	(546)
<b>End of period</b>	<b>7,153</b>	<b>5,314</b>

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**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, 2014	December 31, 2013
Employee termination benefit provision	7,153	5,314
Unused vacation provision	3,376	2,429
<b>Total of provision for employee benefits</b>	<b>10,529</b>	<b>7,743</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. According to communique numbered 28585 published in Turkish Trade Registry Gazette, as per TAS19 actuarial loss that is recorded under shareholders' equity amounting to TRY (155) as of December 31, 2014. (December 31,2013: TRY 568 gain)

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 TAS19 is determined as follows:

	Assumptions
Discount rate	8,20%
Inflation rate	6,00%

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, 2014	December 31, 2013
Specific provisions provided for unindemnified non cash loans	8,226	3,931
Other provisions (*)	10,336	7,257
<b>Total</b>	<b>18,562</b>	<b>11,188</b>

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**II. Explanations and Disclosures Related to the Liabilities: ( continued)**

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, 2013</b>	3,931	7,257
Additions	5,119	8,384
Disposals	(824)	(5,305)
<b>December 31, 2014</b>	<b>8,226</b>	<b>10,336</b>

(\*) Other provisions include TRY 7,500 of bonus and premium provisions, TRY 772 of the remaining provision from 2013, TRY 302 of provisions for other assets, TRY 1,762 of litigation provision. (December 31, 2013: TRY 5,250 bonus provision, TRY 659 2013 bonus provision before the year, TRY 1,046 of legal claim provision, TRY 302 other provisions).

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, 2014, remaining tax liability after prepaid taxes are netted off;

	December 31, 2014	December 31, 2013
Current Period Tax Payable	12,979	-
Prepaid Tax	(10,329)	-
<b>Total</b>	<b>2,650</b>	<b>-</b>

a.2) Explanations on taxes payable:

	December 31, 2014	December 31, 2013
Taxation on Securities	4,277	2,977
BITT	3,828	2,415
Corporate Tax Payable	2,650	-
Payroll Tax	1,218	1,636
Property Tax	324	282
Value Added Tax Payable	251	190
Stamp Tax	38	44
Other	45	105
<b>Total</b>	<b>12,631</b>	<b>7,649</b>

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**II. Explanations and Disclosures Related to the Liabilities (continued)**

a.3) Information on premiums:

	December 31, 2014	December 31, 2013
Social Security Premiums-Employer	691	555
Social Security Premiums-Employee	446	360
Bank Social Aid Pension Fund Premium-Employer	61	49
Bank Social Aid Pension Fund Premium-Employee	30	24
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>1,228</b>	<b>988</b>

b) Explanations on deferred tax liabilities, if any: None.

**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 Ordinary General Assembly decree dated April 15, 2014, it has been decided to increase the Bank's paid in capital from TRY 500 million to TRY 650 million. In April, 2014, TRY 150 million has been paid in cash. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated August 28, 2014 and numbered 20637.

As of December 31, 2014 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares

000 TL	December 31, 2014	December 31, 2013
Common stock(*)	650,000	500,000
Preferred stock	-	-

(\*) Nominal Capital

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**II. Explanations and Disclosures Related to the Liabilities (continued)**

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: Explained in a) section.

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.

g) Information on preferred shares: None.

h) Information on marketable securities value increase fund:

	December 31, 2014	December 31, 2013
Valuation Difference	(265)	(32,944)
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(265)</b>	<b>(32,944)</b>

**Information on legal reserves :**

	December 31, 2014	December 31, 2013
First Legal reserves	2,322	1,602
Second Legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>2,322</b>	<b>1,602</b>

**Information on extraordinary reserves:**

	December 31, 2014	December 31, 2013
Reserves appropriated by the General Assembly	-	-
Retained earnings	37,377	23,696
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>37,377</b>	<b>23,696</b>

**13. Information on minority shares: None.**

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments****1. Information on off-balance sheet liabilities:****1. a) Nature and amount of irrevocable loan commitments:**

	December 31, 2014	December 31, 2013
Loan granting commitments	48,896	157,758
Payment commitments for checks	105,800	85,587
Forward asset purchase and sales commitments	9,634	15,684
Other irrevocable commitments	10,774	21,605
<b>Total</b>	<b>175,104</b>	<b>280,634</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, 2014	December 31, 2013
Bank acceptance loans	2,532	7,824
Letters of credit	164,711	160,697
Other guarantees and collaterals	118,364	145,956
<b>Total</b>	<b>285,607</b>	<b>314,477</b>

**b.2) Guarantees, suretyships, and similar transactions:**

	December 31, 2014	December 31, 2013
Definite letter of guarantess	1,240,063	1,007,719
Temporary letter of guarantees	306,253	194,290
Other letter of guarantees Diğer	211,400	164,896
<b>Total</b>	<b>1,757,716</b>	<b>1,366,905</b>

**c) c.1) Total amount of non-cash loans:**

	December 31, 2014	December 31, 2013
Non-cash loans given against achieving cash loans	115,212	140,265
With maturity of 1 year or less than 1 year	83,173	90,911
With maturity of more than 1 year	32,039	49,354
Other non-cash loans	1,928,111	1,541,117
<b>Total</b>	<b>2,043,323</b>	<b>1,681,382</b>

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**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, 2014				December 31, 2013			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	33,536	2.21	30,775	4.45	19,016	1.45	17,832	2.83
Farming and raising livestock	30,707	2.02	30,775	4.45	17,869	1.36	17,832	2.83
Forestry	2,763	0.19	-	-	1,128	0.09	-	-
Fishery	66	0.00	-	-	19	0.00	-	-
Manufacturing	399,231	26.32	370,950	53.62	253,590	19.27	318,258	50.47
Mining	71,271	4.70	30,115	4.35	40,260	3.06	15,260	2.42
Production	316,078	20.84	332,079	48.00	206,827	15.72	301,227	47.77
Electric, gas and water	11,882	0.78	8,756	1.27	6,503	0.49	1,771	0.28
Construction	478,759	31.56	148,928	21.52	408,802	31.07	128,007	20.30
Services	553,513	36.49	137,174	19.83	566,269	43.04	124,501	19.75
Wholesale and retail trade	160,494	10.57	51,745	7.48	236,749	17.99	43,668	6.93
Hotel, food and beverage services	8,836	0.58	7,105	1.03	9,622	0.73	7,380	1.17
Transportation and telecommunication	38,850	2.56	40,513	5.86	34,197	2.60	29,620	4.70
Financial institutions	163,788	10.80	13,906	2.01	143,249	10.89	16,502	2.62
Real estate and renting services	3,427	0.23	13	0.00	4,873	0.37	451	0.07
Self-employment services	144,582	9.53	23,892	3.45	108,505	8.25	26,880	4.26
Education services	231	0.02	-	-	205	0.02	-	-
Health and social services	33,305	2.20	-	-	28,869	2.19	-	-
Other	51,918	3.42	4,009	0.58	68,093	5.17	41,964	6.65
<b>Total</b>	<b>1,516,957</b>	<b>100.00</b>	<b>691,836</b>	<b>100.00</b>	<b>1,315,770</b>	<b>100.00</b>	<b>630,562</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	
	TRY	FC	TRY	FC
Letters of guarantee	1,346,740	397,603	13,373	-
Bank acceptances	-	2,532	-	-
Letters of credit	78	164,633	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	850	117,514	-	-
<b>Total</b>	<b>1,347,668</b>	<b>682,282</b>	<b>13,373</b>	<b>-</b>

(\*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TRY 25,768 for non-cash loans not yet indemnified amounting to TRY 8,226.

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**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, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Types of trading transactions				
Foreign currency related derivative transactions (I):				
Forward transactions	10,046	2,706	-	-
Swap transactions	48,075	56,996	-	-
Futures transactions	-	-	-	-
Option transactions	1,084	3,622	-	-
Interest related derivative transactions (II):				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)	166,212	51,102	-	-
A. Total trading derivative transactions (I+II+III)	225,417	114,426	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>225,417</b>	<b>114,426</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, 2014 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2014								
TRY	2,513	2,511	-	-	269	269	-	-
USD	-	-	-	24,064	273	273	-	-
EUR	2,511	2,511	24,011	-	-	-	-	-
Other	-	-	83,516	82,696	-	-	-	-
<b>Total</b>	<b>5,024</b>	<b>5,022</b>	<b>107,527</b>	<b>106,760</b>	<b>542</b>	<b>542</b>	<b>-</b>	<b>-</b>
December 31, 2013								
TRY	658	666	25,206	-	886	886	-	-
USD	548	538	28,552	-	925	925	-	-
EUR	148	148	-	28,444	-	-	-	-
Other	-	-	-	25,896	-	-	-	-
<b>Total</b>	<b>1,354</b>	<b>1,352</b>	<b>53,758</b>	<b>54,340</b>	<b>1,811</b>	<b>1,811</b>	<b>-</b>	<b>-</b>

**3. Informations about credit derivatives and descriptions of the risks:**

None.

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments (continued)****4. 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, 2014 and 2013 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, 2014 and 2013 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

**5. 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.

**IV. Explanations and Disclosures Related to the Statement of Income****1. a) Information on interest on loans:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	217,910	15,459	146,135	19,392
Medium and long term loans	118,745	14,814	64,382	3,081
Interest on non-performing loans	1,171	-	3,406	-
<b>Total</b>	<b>337,826</b>	<b>30,273</b>	<b>213,923</b>	<b>22,473</b>

(\*) Includes fees and commissions obtained from cash loans.

**b) Information on interest received from banks:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	145	344	205	318
Foreign banks	-	5	5	4
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>145</b>	<b>349</b>	<b>210</b>	<b>322</b>

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**IV. Explanations and Disclosures Related to the Statement of Income (continued)****c) Interest received from marketable securities portfolio:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Trading securities	5	-	4	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	62,831	-	36,614	-
Held-to-maturity securities	8,260	-	5,119	-
<b>Total</b>	<b>71,096</b>	<b>-</b>	<b>41,737</b>	<b>-</b>

**d) Information on interest income received from associates and subsidiaries:**

None.

**2. a) Information on interest on funds borrowed:**

	December 31, 2014		December 31, 2013	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)				
Banks	1,273	3,358	1,650	5,140
The Central Bank of Turkey	-	-	-	-
Domestic banks	1,095	666	954	927
Foreign banks	178	2,692	696	4,213
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>1,273</b>	<b>3,358</b>	<b>1,650</b>	<b>5,140</b>

(\*) Includes fees and commission expenses for borrowings.

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**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:**

Account Name	December 31, 2014						Accumulating Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TRY</b>								
Bank deposits	-	37	-	-	-	-	-	37
Saving deposits	-	3,228	80,521	9,137	13,945	528	-	107,359
Public sector deposits	-	-	669	-	-	-	-	669
Commercial deposits	-	8,796	37,596	7,574	4,097	2,656	-	60,719
Other deposits	-	48	6,674	6,350	-	-	-	13,072
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>12,109</b>	<b>125,460</b>	<b>23,061</b>	<b>18,042</b>	<b>3,184</b>	<b>-</b>	<b>181,856</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	751	30,834	1,934	1,061	1,667	-	36,247
Bank deposits	-	515	-	-	-	-	-	515
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,266</b>	<b>30,834</b>	<b>1,934</b>	<b>1,061</b>	<b>1,667</b>	<b>-</b>	<b>36,762</b>
<b>Grand Total</b>	<b>-</b>	<b>13,375</b>	<b>156,294</b>	<b>24,995</b>	<b>19,103</b>	<b>4,851</b>	<b>-</b>	<b>218,618</b>

Account Name	December 31, 2013						Accumulating Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year		
<b>TRY</b>								
Bank deposits	-	4	-	-	-	-	-	4
Saving deposits	-	1,151	50,033	7,276	5,144	169	-	63,773
Public sector deposits	-	-	-	-	-	-	-	-
Commercial deposits	-	4,649	23,519	4,785	5,830	644	-	39,427
Other deposits	4	290	2,630	1,168	45	-	-	4,137
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4</b>	<b>6,094</b>	<b>76,182</b>	<b>13,229</b>	<b>11,019</b>	<b>813</b>	<b>-</b>	<b>107,341</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	988	23,639	3,306	652	112	-	28,697
Bank deposits	-	555	-	-	-	-	-	555
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,543</b>	<b>23,639</b>	<b>3,306</b>	<b>652</b>	<b>112</b>	<b>-</b>	<b>29,252</b>
<b>Grand Total</b>	<b>4</b>	<b>7,637</b>	<b>99,821</b>	<b>16,535</b>	<b>11,671</b>	<b>925</b>	<b>-</b>	<b>136,593</b>

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**IV. Explanations and Disclosures Related to the Statement of Income (continued)****3. Information on Dividend Income:**

	December 31, 2014	December 31, 2013
Trading Securities	-	-
Financial Assets at fair value through profit and loss	-	-
Available for sale securities	17	-
Other	-	-
<b>Total</b>	<b>17</b>	<b>-</b>

**4. Information on net trading income:**

	December 31, 2014	December 31, 2013
<b>Income</b>	<b>512,074</b>	<b>595,232</b>
Gains on capital market operations	12	8,105
Gains on derivative financial instruments	22,443	12,819
Foreign exchange gains	489,619	574,308
<b>Losses (-)</b>	<b>(510,948)</b>	<b>(588,370)</b>
Losses on capital market operations	-	(694)
Losses on derivative financial instruments	(42,260)	(11,965)
Foreign exchange losses	(468,688)	(575,711)
<b>Total</b>	<b>1,126</b>	<b>6,862</b>

**5. Information on other operating income:**

	December 31, 2014	December 31, 2013
Reversal of free provisions	5,305	4,466
Reversal of specific provisions (cash)(*)	21,373	14,905
Reversal of undetermined non-cash loan provision	824	555
Income from sales of assets	2,074	550
Income of previous year	82	1,851
Provisions for communication expense collected from customers	12	108
Provisions for expenditure collected from customers	42	67
Reversal of general loan loss provisions(**)	7,703	327
Income from financial leasing	-	-
Other	467	1,174
<b>Total</b>	<b>37,882</b>	<b>24,003</b>

(\*) According to the Board of Directors Decision and dated December 8, 2014, non-performing loans with a principal amount of TRY 21,073 are sold to an asset management company as of December 31, 2014.

(\*\*) 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 28789 dated October 08, 2013), banks may apply 0% for standard qualified cash and non-cash export credits, 0.5% for SME cash loans and 0.1% for non-cash loans. Hence, the Bank applied the amendment beginning from January 2014. As of December 31, 2014, TRY 7,703 comprises of reversal of general loan loss provisions due to the transition to new regulation.

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**IV. Explanations and Disclosures Related to the Statement of Income (continued)****6. Provision for impairment of loans and other receivables:**

	December 31, 2014	December 31, 2013
Specific provisions for loans and other receivables	29,650	15,814
III. Group Loans and Receivables	5,091	3,202
IV. Group Loans and Receivables	5,540	4,854
V. Group Loans and Receivables	19,019	7,758
General loan loss provision expenses	9,705	8,701
Marketable securities impairment losses	-	62
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	62
Impairment provision expense on investments	351	26
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	351	26
Other	5,120	2,674
<b>Total</b>	<b>44,826</b>	<b>27,277</b>

**7. Information on other operating expenses:**

	December 31, 2014	December 31, 2013
Personnel expenses	71,802	61,364
Reserve for employee termination benefits	1,116	984
Taxes and duties	3,528	3,076
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3,217	2,803
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	7,294	4,936
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	737	470
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	48,543	36,330
Rent expenses	13,376	10,125
Maintenance expenses	5,656	3,177
Advertisement expenses	599	643
Other expenses(*)	28,912	22,385
Loss on sales of assets (**)	21,163	11,733
Other(**)	5,944	4,500
<b>Total</b>	<b>163,344</b>	<b>126,196</b>

(\*) Included in other operating expenses; vehicle expenses are TRY 4,453, communication expenses are TRY 2,882, cleaning expenses are TRY 1,007, non-deductible expenses TRY 463, heating- lightening expenses are TRY 1,224, stationery expenses are TRY 794, computer usage expenses TRY 1,585, insurance expenses TRY 525, TRY 8,327 other provisions, TRY 1,744 expertise expense, TRY 1,678, representation expenses, subconductor company expense TRY 2,447, and other expenses are TRY 1,783. (December 31 2013; vehicle expenses are TRY 3,962, communication expenses are TRY 2,480, cleaning expenses are TRY 2,438, non-deductible expenses TRY 437, heating- lightening expenses are TRY 1,151, stationery expenses are TRY 638, computer usage expenses TRY 1,412, insurance expenses TRY 441, TRY 5,529 other provisions, TRY 1,319 expertise expense, TRY 1,360 representation expenses and other expenses are TRY 1,218).

(\*\*) Included in other; the premiums paid to Saving Deposit Insurance Fund is TRY 1,846, assurance and financial services expenses are TRY 2,259, unused vacation expenses are TRY 948 and other expenses are TRY 891. (December 31, 2013: TRY 1,762 premiums paid to Saving Deposit Insurance Fund; TRY 1,700 assurance and financial consultancy expenses, unused vacation expenses are TRY 275 and TRY 763 other expenses).

(\*\*\*) According to the Board of Directors decision dated December 8, 2014, non-performing loans with a principal amount of TRY 21,073 are sold to an asset management company as of December 31, 2014.

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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:**

The Bank has TRY 20,127 profit before tax as of December 31, 2013 and TRY 40,242 profit before tax as of December 31, 2014. Compared to the prior year, net interest income increased by 50.5% and net fees and commission income increased by 26%.

**9. Information on tax provision for continued and discontinued operations:**

- a) As of December 31, 2014; current tax expense is TRY 12,979. (December 31, 2013: None) and TRY 4,668 deferred tax income (December 31, 2013: TRY 5,276 deferred tax expense).
- b) Deferred tax income on temporary differences except carried forward tax loss is TRY 11,707. (December 31, 2013: TRY 8,023 deferred tax expense)
- c) Deferred tax expense for temporary differences on carried forward tax losses or tax exemptions/deductions which is included in the current year income statement is TRY 7,039. (December 31, 2013: TRY 2,297 deferred tax income).
- d) Tax reconciliation:

	December 31, 2014	December 31, 2013
<b>Profit before tax</b>	<b>40,242</b>	<b>20,127</b>
Tax at the domestic income tax rate of 20% (2012: 20%)	(8,048)	(4,025)
Disallowables and other, net	(263)	(1,701)
<b>Tax Calculated</b>	<b>(8,311)</b>	<b>(5,726)</b>

**10. Information on net profit/(loss) from continued and discontinued operations:**

The Bank has TRY 14,401 net profit as of December 31, 2013 and TRY 31,931 net profit as of December 31, 2014 respectively.

**11. The explanations on net income / loss for the period:**

- a) The nature amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period : None.

A portion of non-performing loans of the Bank amounting to TRY 21,073 are sold to Final Varlık Yönetimi A.Ş according to Board of Directors' decision dated at December 8, 2014 and recorded (870) TL net loss of sales as of December 31, 2014.

- b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- c) Profit or loss attributable to minority shares: None.

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**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, 2014	December 31, 2013
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	1,940	1,335
Insurance comission	705	199
Transfer commissions	503	459
Cheque expenses	304	210
Information expenses	209	26
Safe-deposit comissions	68	52
Bill of credit comissions	43	18
Letter of credit comissions	39	16
Collection item comissions	5	2
Credit cards commissions and fees	9	4
Other banking operations income (*)	9,762	9,357
<b>Total</b>	<b>13,587</b>	<b>11,678</b>

(\*) Other banking operations income includes accounts such as bank operations income, collection expenses, credit expenses.

	December 31, 2014	December 31, 2013
<u>Other fees and commissions given</u>		
Transfer commissions	147	139
Credit card commissions	57	49
Bond exchange transaction fee	83	37
Money transfer commission	433	355
Commissions given to banks	502	515
ATM commission	10	11
EFT commissions	246	182
Other	69	27
<b>Total</b>	<b>1,547</b>	<b>1,315</b>

**V. Explanations and Disclosures Related to Statement of Changes in Shareholders' Equity**

- a) Increase resulting from revaluation of financial assets available for sale is amounting to TRY 32,679 (December 31, 2013: TRY 41,768 decrease).
- b) Increase in cash flow risk hedging items: None.
- b.1) Reconciliation of beginning and ending balances: None.
- b.2) 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.
- c) The reconciliation related with foreign currency translation differences at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) 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.
- f) 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.

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**TURKLAND BANK ANONİM ŞİRKETİ**

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

**IV. Explanations and Disclosures Related to the Statement of Income (continued)**

g) Amounts transferred to legal reserves is amounting to TRY 720 (December 31,2013: TRY 635)

h) 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.

**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 TRY 68,034 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, reserve for employee termination benefits, depreciation expenses and taxes paid).

“Net increase/decrease in other liabilities” amounting to TRY 39,463 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 TRY 7,111 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 18,499 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, 2013	December 31, 2012
<b>Cash</b>		
Cash in TRY/Foreign Currency	23,254	23,556
The Central Bank of Turkey	36,708	85,857
Other	-	-
<b>Cash equivalents</b>		
Banks and receivables from financial institutions	286,381	97,525
Money market placements	70,000	152,000
<b>Total cash and cash equivalents</b>	<b>416,343</b>	<b>358,938</b>
End of the period	December 31, 2014	December 31, 2013
<b>Cash</b>		
Cash in TRY/Foreign Currency	37,515	23,254
The Central Bank of Turkey	46,154	36,708
Other	-	-
<b>Cash equivalents</b>		
Banks and receivables from financial institutions	273,072	286,381
Money market placements	-	70,000
<b>Total cash and cash equivalents</b>	<b>356,741</b>	<b>416,343</b>

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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, 2014:**

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	-	-	73	3,211	23	11,151
Balance at end of period	-	-	99	85	-	15,913
<b>Interest and commission income</b>	-	-	-	24	83	113

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contain foreign bank accounts amounting to TRY 99.

**b) December 31, 2013:**

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	-	-	59	3,194	6,954	4,376
Balance at end of period	-	-	73	3,211	23	11,151
<b>Interest and commission income</b>	-	-	-	21	472	49

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 73.

**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, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Deposits</b>						
Balance at beginning of period	-	-	969	1,223	33,545	289
Balance at end of period	-	-	730	969	89,693	33,545
<b>Interest on deposits</b>	-	-	-	-	6,007	1,502

In addition, the Bank has “Funds Borrowed” at an amount of TRY 302 used from risk group of the Bank (December 31, 2013: TRY 70,114) and TRY 1,631 (December 31, 2013: TRY 2,548) interest expense was incurred from funds borrowed in 2014.

**c.2) Information on forward and option agreements and other similar agreements made with related parties: None.**

d) As of December 31, 2014, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 9,424 (December 31, 2013: TRY 9,381)

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

- 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:

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	-	-
Banks and other receivables	99	0.04
Non-cash loans	15,998	0.72
Deposits	90,423	2.52
Borrowings	302	0.22

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 0.27%. Details of these loans are explained in 1a above.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

(Amounts expressed in thousands of Turkish Lira (TRY) 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	33	641		
			Country	
Rep-offices abroad	-	-	-	
				Total Assets
Branches abroad	-	-	-	-
				Capital
Off-shore branches	-	-	-	-

**2. Explanations on Branch and Agency Openings or Closings of the Bank::**

None.

**IX. Explanations and disclosures related to subsequent events**

In accordance to the dated January 3,2015 and numbered 2015- 01 announcement of the Central Bank of the Republic of Turkey, " Announcement of Reserve Deposits ", the reserve requirements of foreign exchange(FX) delimitated liabilities of banks, reserve option tranches and coefficients are revised. The revisions will be effective as of the calculation period dated February 13, 2015 and the maintenance period will begin on February 27, 2015.

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## TURKLAND BANK ANONİM ŞİRKETİ

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2014

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

## T-Bank Credit Ratings

### 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 December 31, 2014 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 12, 2015 is presented preceding the financial statements.

##### II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.

#### Foreign Currency

Long Term/Short Term/Outlook BB/B/Negative

#### Local Currency

Long Term/Short Term/Outlook BB/B/Negative

#### National

Long Term/Outlook/ Financial Capacity/Support AA-(tur)/Negative/B+/3

#### Country Risk

Long Term Foreign Currency/Long Term Domestic Currency/Outlook BBB/BBB-/Stable

T-Bank's credit grades are determined by Fitch Ratings.

## Addresses

### CONTACT INFORMATION

Title:	Turkland Bank A.Ş.
Trade Registration No:	281462
Customer Services:	444 8265 / 444 TBNK
Web Address:	www.tbank.com.tr
Social Media:	facebook.com/TBankAS linkedin.com/company/turkland-bank

### 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

### BRANCHES

#### Main Branch

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Şişli Plaza A Blok No: 7 Şişli 34360 İstanbul  
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Fax: (212) 368 35 88

#### Adana

Address: Kurtuluş Mah. Atatürk Bulvarı Mehmet  
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Fax: (322) 459 89 59

#### Altunizade

Address: Kısıklı Cad. No: 28 Altunizade Üsküdar  
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Fax: (216) 474 18 79

#### Bakanlıklar

Address: Atatürk Bulvarı No: 185 Bakanlıklar 06680  
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Tel: (312) 419 67 14  
Fax: (312) 419 67 10

#### Ankara Ostim

Address: 100. Yıl Bulvarı No: 29 Yenimahalle Ostim  
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#### Ankara Söğütözü

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#### AHL

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A Blok No: 48 Yeşilköy 34149 İstanbul  
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Fax: (212) 465 01 62

#### Avcılar

Address: Cihangir Mahallesi E-5 Güney Yan Yol  
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Tel: (212) 695 59 00  
Fax: (212) 695 52 85

#### 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 -Büyükkçekmece 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. Pamir Apt. No: 251-2/4  
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  
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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  
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Fax: (342) 232 82 40

#### Gebze

Address: Osman Yılmaz Mah. İstanbul Cad.  
Fulya Apt. No: 29 Gebze Kocaeli  
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Fax: (262) 643 18 32

#### Güneşli

Address: Evren Mah. Koçman Cad. Ziyal Plaza  
B Blok K: 2  
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Fax: (212) 657 30 33

#### İkitelli

Address: İkitelli Organize Sanayi Bölgesi Atatürk  
Bulvarı Haseyad 1. Kısım No: 109 C Blok Göksu Plaza  
İkitelli-İstanbul  
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Fax: (212) 549 79 62

#### İzmir

Address: Cumhuriyet Bulvarı No: 82 Erboy İşhanı  
Alsancak/İzmir  
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Fax: (232) 489 94 21

#### İzmit

Address: Kemalpaşa Mahallesi Hürriyet Cad.  
No: 24 İzmit Kocaeli  
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Fax: (232) 489 94 21

## Addresses

### Kadıköy

Address: Kurbağalıdere Cad. No: 25/2-3  
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### Kartal E-5

Address: Esentepe Mah. E-5 Yan yol No: 13  
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Fax: (216) 511 51 58

### Kayseri

Address: Cumhuriyet Mah. Vatan Cad. No:28 A-B  
Kayseri  
Tel: 0352 232 46 44  
Fax: 0352 232 41 07

### Konya

Address: Mussallabağları Mah. Nalçacı Cad. No: 88/A  
Konya  
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Fax: (332) 233 68 70

### Kozyatağı

Address: Bayar Cad. Gülbahar Sok. Perdemsac Plaza  
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Fax: (216) 362 58 70

### Levent

Address: Oto Sanayi Sitesi Fatih Cad. No: 1 4.  
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Fax: (212) 282 40 20

### Levent Çarşı

Address: Nispetiye Caddesi Kamelya Sokak No:2 1.  
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Tel: (212) 270 77 44  
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### Manavgat

Address: Eski Hisar Mahallesi Demokrasi Bulvarı  
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### Samsun

Address: Kale Mah. Cumhuriyet Cad. No:14 İlkadım  
Samsun  
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Fax: (362) 432 59 20-21