

**TURKLAND BANK ANONİM ŐIRKETİ**

**INDEPENDENT AUDITOR'S REVIEW REPORT, UNCONSOLIDATED  
FINANCIAL STATEMENTS AND NOTES FOR THE PERIOD ENDED  
SEPTEMBER 30, 2016**

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

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

To the Board of Directors of  
Turkland Bank Anonim Şirketi

**Turkland Bank Anonim Şirketi**

**REVIEW REPORT ON INTERIM FINANCIAL INFORMATION  
FOR THE PERIOD JANUARY 1 - SEPTEMBER 30, 2016**

**Introduction**

We have reviewed the unconsolidated statement of financial position of Turkland Bank A.Ş. (“the Bank”) at 30 September 2016 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders’ equity, unconsolidated statement of changes in shareholders’ equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as “BRSA Accounting and Reporting Legislation”) and Turkish Accounting Standard 34 “Interim Financial Reporting” for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Turkland Bank A.Ş. at 30 September 2016 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Financial Reporting Legislation.

**Report on other regulatory requirements arising from legislation**

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

**Additional paragraph for convenience translation to English:**

As explained in detail in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation) and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated 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.

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



İstanbul, November 10, 2016

**THE UNCONSOLIDATED FINANCIAL REVIEW REPORT OF TURKLANDBANK A.Ş.  
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2016**

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The unconsolidated financial report for the nine months 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
- LIMITED REVIEW REPORT
- INTERIM ACTIVITY REPORT

The unconsolidated interim 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 reviewed and presented as attached.

October 31, 2016

 Nehme SABBAGH	 A. Dinçer ALPMAN	 Mehmet ÖZGÜNER	 H. Ercan KILIÇ
Chairman of the Board of Directors	General Manager	Executive Vice President	Manager Financial Affairs
 Mustafa Selçuk TAMER	 Faten MATAR	 Nadya Nabil Tawfik TALHOUNI	
Member of Audit Committee	Member of Audit Committee	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  
Fax Number : (0212) 368 35 35



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

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2016**

(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, 2015 and numbered 20637.

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2016**

(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 September 30, 2016, 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 September 30, 2016 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

**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**

<u>Title</u>	<u>Name and Surname(*)</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	NEHME SABBAGH	Chairman	Master Degree
Members of the Board of Directors	MOHAMED ALI BEYHUM	Vice Chairman	Master Degree
	MUSTAFA SELÇUK TAMER	Member of Audit Committee	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	MEHMET BEHÇET PERİM	Member	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	FATEN MATAR	Member of Audit Committee	Master Degree
	HAITHAM HELMI	Member	Master Degree
	MOHAMMAD FOUDEH	Member	Master Degree
General Manager and Member of Board of Directors	BASSIL YARED	Member	Master Degree
	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Mangers	DORUK PARMAN	Marketing Sales	PHD Degree
	EMRE DEMİRCAN	Strategic Planning	Master 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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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

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

Information about the persons and institutions that have qualified shares as of September 30, 2016:

<b>Name of Shareholders</b>	<b>Share Amount</b>	<b>Share Ratios</b>	<b>Paid up Shares</b>	<b>Unpaid Shares</b>
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	-

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

The Bank has 34 branches and 630 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2015: 34 branches, 662 personnel).

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

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

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

The Bank has no consolidated subsidiaries.

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

The Bank has no consolidated subsidiaries.

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

**SECTION TWO**

**UNCONSOLIDATED FINANCIAL STATEMENTS**

- I. Balance Sheet (Statement of Financial Position)
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**TURKLAND BANK ANONİM ŞİRKETİ****BALANCE SHEETS AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015**

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

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

	Note Ref (Section Five)	Reviewed Current Period 30/09/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	1-1	145,730	425,790	571,520	49,906	565,182	615,088
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	1-2	854	124	978	406	29	435
2.1 Financial assets held for trading		854	124	978	406	29	435
2.1.1 Public sector debt securities		-	-	-	-	-	-
2.1.2 Share certificates		-	-	-	25	-	25
2.1.3 Derivative financial assets held for trading		854	124	978	381	29	410
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>	1-3	25	282,445	282,470	24,022	364,341	388,363
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	50,015	-	50,015
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	50,015	-	50,015
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	1-4	758,934	4	758,938	669,357	3	669,360
5.1 Share certificates		138	-	138	138	-	138
5.2 Public sector debt securities		758,796	4	758,800	669,219	3	669,222
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	1-5	3,168,244	552,005	3,720,249	3,436,235	527,108	3,963,343
6.1 Loans and receivables		2,988,668	552,005	3,540,673	3,271,816	527,108	3,798,924
6.1.1 Loans to risk group of the Bank		2,136	-	2,136	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2,986,532	552,005	3,538,537	3,271,816	527,108	3,798,924
6.2 Non-performing loans		291,996	-	291,996	241,820	-	241,820
6.3 Specific provisions (-)		(112,420)	-	(112,420)	(77,401)	-	(77,401)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	1-6	1,730	-	1,730	22,080	-	22,080
8.1 Public sector debt securities		1,730	-	1,730	22,080	-	22,080
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	1-7	-	-	-	-	-	-
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>	1-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	1-9	-	-	-	-	-	-
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>	1-10	-	-	-	-	-	-
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>	1-11	-	-	-	-	-	-
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>	1-12	73,419	-	73,419	45,404	-	45,404
<b>XV. INTANGIBLE ASSETS (Net)</b>	1-13	12,709	-	12,709	12,716	-	12,716
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		12,709	-	12,709	12,716	-	12,716
<b>XVI. INVESTMENT PROPERTY (Net)</b>	1-14	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	1-15	4,955	-	4,955	4,851	-	4,851
17.1 Current tax asset		-	-	-	1,238	-	1,238
17.2 Deferred tax asset		4,955	-	4,955	3,613	-	3,613
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	1-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	1-17	65,680	43	65,723	47,068	10	47,078
<b>TOTAL ASSETS</b>		<b>4,132,280</b>	<b>1,260,411</b>	<b>5,492,691</b>	<b>4,362,060</b>	<b>1,456,673</b>	<b>5,818,733</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ****BALANCE SHEETS AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015**

(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)	Reviewed Current Period 30/09/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
<b>I. DEPOSITS</b>	II-1	2,535,042	1,530,511	4,065,553	2,760,498	1,720,813	4,481,311
1.1 Deposits from risk group of the Bank		77,466	30,258	107,724	13,913	6,125	20,038
1.2 Other		2,457,576	1,500,253	3,957,829	2,746,585	1,714,688	4,461,273
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	II-2	965	223	1,188	3	1,188	37
<b>III. FUNDS BORROWED</b>	II-3	20,628	218,769	239,397	16,785	208,264	225,049
<b>IV. MONEY MARKET BALANCES</b>		248,316	-	248,316	199,302	-	199,302
4.1 Interbank money market takings		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	II-4	248,316	-	248,316	199,302	-	199,302
<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>		15,113	11,187	26,300	24,549	12,577	37,126
<b>VIII. OTHER LIABILITIES</b>	II-5	66,813	530	67,343	55,469	2,278	57,747
<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	70,786	938	71,724	60,679	913	61,592
12.1 General loan loss provisions		42,785	-	42,785	39,402	-	39,402
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		12,865	-	12,865	12,236	-	12,236
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		15,056	938	15,994	9,041	913	9,954
<b>XIII. TAX LIABILITY</b>	II-9	15,056	-	15,056	13,755	-	13,755
13.1 Current tax liability		15,056	-	15,056	13,755	-	13,755
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-10	757,894	-	757,894	742,814	-	742,814
16.1 Paid-in capital		650,000	-	650,000	650,000	-	650,000
16.2 Supplementary capital		8,915	-	8,915	(373)	-	(373)
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		(16,643)	-	(16,643)	(26,132)	-	(26,132)
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	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		25,513	-	25,513	25,714	-	25,714
16.3 Profit reserves		93,187	-	93,187	78,681	-	78,681
16.3.1 Legal reserves		4,644	-	4,644	3,919	-	3,919
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		76,825	-	76,825	63,044	-	63,044
16.3.4 Other profit reserves		11,718	-	11,718	11,718	-	11,718
16.4 Profit or loss		5,792	-	5,792	14,506	-	14,506
16.4.1 Prior years' income/(losses)		-	-	-	-	-	-
16.4.2 Current year income/(loss)		5,792	-	5,792	14,506	-	14,506
16.5 Minority shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,730,533</b>	<b>1,762,158</b>	<b>5,492,691</b>	<b>3,873,854</b>	<b>1,944,879</b>	<b>5,818,733</b>

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

## TURKLAND BANK ANONİM ŞİRKETİ

## OFF-BALANCE SHEETS AS OF SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

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

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

	Note Ref. (Section Five)	Reviewed Current Period 30/09/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (H+II+III)</b>		1,789,679	840,680	2,630,359	1,763,162	763,760	2,526,922
<b>I. GUARANTEES</b>	III-1	1,521,525	649,427	2,170,952	1,552,479	682,051	2,234,530
1.1 Letters of guarantee		1,518,143	345,040	1,863,183	1,551,886	374,649	1,926,535
1.1.1 Guarantees subject to State Tender Law		12,670	1,353	14,023	13,038	2,484	15,522
1.1.2 Guarantees given for foreign trade operations		70,104	26,047	96,151	75,652	34,029	109,681
1.1.3 Other letters of guarantee		1,435,369	317,640	1,753,009	1,463,196	338,136	1,801,332
1.2 Bank loans		-	1,709	1,709	-	2,701	2,701
1.2.1 Import letter of acceptance		-	1,709	1,709	-	2,701	2,701
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	163,061	163,061	-	150,969	150,969
1.3.1 Documentary letters of credit		-	163,061	163,061	-	150,969	150,969
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		3,382	139,617	142,999	593	153,732	154,325
1.9 Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	III-1	178,071	14,089	192,160	175,479	13,934	189,413
2.1 Irrevocable commitments		178,071	14,089	192,160	175,479	13,934	189,413
2.1.1 Forward asset purchase and sales commitments		7,154	13,789	20,943	1,437	13,440	14,877
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		57,274	-	57,274	62,401	-	62,401
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		108,828	-	108,828	111,641	-	111,641
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		4,815	300	5,115	-	494	494
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		90,983	177,164	267,247	35,204	67,775	102,979
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		90,983	177,164	267,247	35,204	67,775	102,979
3.2.1 Forward foreign currency buy/sell transactions		64,191	61,523	125,714	3,989	3,925	7,914
3.2.1.1 Forward foreign currency transactions-buy		32,059	30,846	62,905	620	3,342	3,662
3.2.1.2 Forward foreign currency transactions-sell		32,132	30,677	62,809	3,369	583	3,952
3.2.2 Swap transactions related to foreign currency, and interest rates		9,718	99,017	108,745	-	33,993	33,993
3.2.2.1 Foreign currency swaps-buy		-	54,375	54,375	-	16,492	16,492
3.2.2.2 Foreign currency swaps-sell		9,718	44,652	54,370	-	16,501	16,501
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		16,174	16,614	32,788	-	-	-
3.2.3.1 Foreign currency options-buy		8,087	8,307	16,394	-	-	-
3.2.3.2 Foreign currency options-sell		8,087	8,307	16,394	-	-	-
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		-	-	-	31,215	30,857	62,072
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		81,887,906	7,758,579	89,646,485	77,569,021	6,327,175	83,895,196
<b>IV. ITEMS HELD IN CUSTODY</b>		547,303	37,629	584,932	630,014	42,945	672,959
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		4,356	1,372	5,728	4,556	1,451	6,007
4.3. Checks received for collection		531,559	35,217	566,776	612,246	40,330	652,576
4.4. Commercial notes received for collection		11,388	638	12,026	13,212	782	13,994
4.5. Other assets received for collection		-	402	402	-	382	382
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		81,340,603	7,720,950	89,061,553	76,938,007	6,284,230	83,222,237
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		80,625	18,420	99,045	53,686	3,583	57,269
5.3. Commodities		1,646	-	1,646	1,646	-	1,646
5.4. Warrants		-	-	-	-	-	-
5.5. Properties		2,709,786	123,430	2,833,216	2,822,430	156,044	2,978,474
5.6. Other pledged items		78,548,546	7,579,100	86,127,646	74,060,245	6,124,603	80,184,848
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		83,677,585	8,599,259	92,276,844	79,331,183	7,090,935	86,422,118

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENT OF INCOME FOR THE PERIODS**  
**ENDED SEPTEMBER 30, 2016 AND 2015**

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

**III. STATEMENT OF INCOME**

	Note Ref (Section Five)	Reviewed Current Period 01/01-30/09/2016	Reviewed Current Period 01/01-30/09/2015	Reviewed Prior Period 01/01-30/09/2015	Reviewed Prior Period 01/01-30/09/2015
<b>I. INTEREST INCOME</b>	IV-1	411,536	138,729	364,374	115,287
1.1 Interest on loans		349,161	115,167	316,272	108,480
1.2 Interest received from reserve deposits		5,378	1,313	2,730	1,137
1.3 Interest received from banks		1,025	318	542	195
1.4 Interest received from money market placements		977	-	-	-
1.5 Interest received from marketable securities portfolio		31,747	20,526	43,379	4,914
1.5.1 Held-for-trading financial assets		2	-	-	-
1.5.2 Financial assets at fair value through profit and loss		-	-	-	-
1.5.3 Available-for-sale financial assets		51,022	20,449	39,001	4,159
1.5.4 Investments held-to-maturity		723	77	4,378	755
1.6 Finance lease income		-	-	-	-
1.7 Other interest income		3,348	1,405	1,451	561
<b>II. INTEREST EXPENSE</b>	IV-2	(265,737)	(83,300)	(229,385)	(79,430)
2.1 Interest on deposits		(243,449)	(74,532)	(197,410)	(70,954)
2.2 Interest on funds borrowed		(4,274)	(1,488)	(3,355)	(1,169)
2.3 Interest on money market borrowings		(16,502)	(7,279)	(25,026)	(7,307)
2.4 Interest on securities issued		-	-	-	-
2.5 Other interest expense		(1,512)	(1)	(3,514)	-
<b>III. NET INTEREST INCOME (I - II)</b>		145,799	55,429	135,069	35,857
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		19,290	6,126	21,148	6,907
4.1 Fees and commissions received		20,329	6,555	22,275	7,345
4.1.1 Non-cash loans		14,188	4,853	13,260	4,432
4.1.2 Other	IV-10	6,141	1,702	9,015	2,913
4.2 Fees and commissions paid		(1,039)	(429)	(1,227)	(438)
4.2.1 Non-cash loans	IV-10	(54)	(19)	(49)	(17)
4.2.2 Other	IV-10	(985)	(410)	(1,178)	(421)
<b>V. DIVIDEND INCOME</b>	IV-3	10	1	8	-
<b>VI. NET TRADING INCOME</b>	IV-4	(313)	(906)	(1,817)	(1,554)
6.1 Securities trading gains/ (losses)		16	7	-	-
6.2 Gain/(losses) from derivative financial instruments		(9,076)	(559)	(6,944)	(1,645)
6.3 Foreign exchange gains/ (losses)		8,747	(354)	5,127	91
<b>VII. OTHER OPERATING INCOME</b>	IV-5	22,872	3,709	21,453	2,722
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		187,658	64,359	175,861	43,932
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	IV-6	(58,466)	(18,967)	(28,520)	(16,012)
<b>X. OTHER OPERATING EXPENSES (-)</b>	IV-7	(121,234)	(40,067)	(127,820)	(37,958)
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		8,018	5,325	19,521	(8,030)
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-	-	-
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		-	-	-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-	-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>		8,018	5,325	19,521	(8,030)
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (A)</b>	IV-8	(2,226)	(1,540)	(4,746)	1,456
16.1 Provision for current income taxes		(5,940)	(3,002)	-	452
16.2 Provision for deferred taxes		3,714	1,462	(4,746)	1,204
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV+XVI)</b>		5,792	3,785	14,775	(8,374)
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-	-	-
18.1 Income on assets held for sale		-	-	-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-
18.3 Income on other discontinued operations		-	-	-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-	-	-
19.1 Loss from assets held for sale		-	-	-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-
19.3 Loss from other discontinued operations		-	-	-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-	-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (A)</b>		-	-	-	-
21.1 Provision for current income taxes		-	-	-	-
21.2 Provision for deferred taxes		-	-	-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX+XXI)</b>		-	-	-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	IV-9	5,792	3,785	14,775	(8,374)

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
 (Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

	Reviewed Current Period 01/01-30/09/2016	Reviewed Prior Period 01/01-30/09/2015
I. Additions to marketable securities revaluation differences for available for sale financial assets	11,861	(50,579)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign currency translation differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS	(201)	426
IX. Deferred tax of valuation differences	(2,372)	10,116
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	9,288	(40,037)
XI. Profit/Loss	5,792	14,775
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-	-
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	5,792	14,775
XII. Total Profit/Loss accounted for in the period (XI+XII)	15,080	(25,262)

Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
 (Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Revised	Note (Section I-IV)	Paid-in Capital (TRY)	Share Premium	Share Certificate Cancellation Profit	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase/Decrease	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. From Assets Held for Sale and Assets from Disc. Op.	Total Equity before Minority Shares	Minority Shares	Total Equity
1	Prior opening balance	650,000	23,377	-	2,322	-	37,377	7,051	31,931	-	(265)	-	45	-	-	753,737	-	753,737
2.1	Changes in accounting policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.3	Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III	New balance (2+1)	650,000	23,377	-	2,322	-	37,377	7,051	31,931	-	(265)	-	45	-	-	753,737	-	753,737
IV	Changes in the period	-	-	-	-	-	-	-	(31,931)	31,931	-	-	-	-	-	-	-	-
V	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	(40,403)	-	-	-	-	(40,403)	-	(40,403)
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII	Initiation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII	Other (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX	Period net income/(loss)	-	-	-	-	-	-	-	14,775	(31,931)	-	-	-	-	-	406	-	406
XX	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Closing Balance (I+II+III+IV+V+VI+VII+VIII+IX+X+XI+XII+XIII+XIV+XV+XVI+XVII+XVIII+XIX+XX+20.1+20.2+20.3)	650,000	23,377	-	3,919	-	63,844	11,718	14,775	-	(49,729)	-	45	-	-	728,475	-	728,475

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

The accompanying notes are an integral part of these financial statements.  
 (12)



Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
 (Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

	Note (Section Five)	Public Capital	Effect on Inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserve	Statutory Reserve	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Paid	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation DRC From Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
Reviewed																			
Current Period: 01/01-30/09/2015																			
I.		650,000	25,513	-	-	3,219	-	63,044	11,718	14,596	-	(26,137)	-	45	-	-	742,814	-	742,814
Changes in the period:																			
II.		-	-	-	-	-	-	-	-	(14,500)	14,506	-	-	-	-	-	742,814	-	742,814
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XVI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XVII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
XVIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
18.1		-	-	-	-	-	-	-	-	5,792	(14,506)	-	-	-	-	-	742,814	-	742,814
18.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	742,814	-	742,814
Change balances (01/01/15-30/09/2015)																			
		650,000	25,513	-	-	4,844	-	76,825	11,718	5,792	-	(16,443)	-	45	-	-	757,894	-	757,894

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

The accompanying notes are an integral part of these financial statements.  
 (13)

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIODS ENDED SEPTEMBER 30, 2016 AND 2015**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**VI. STATEMENT OF CASH FLOWS**

	Note (Section Five)	Reviewed Current Period 01/01-30/09/2016	Reviewed Prior Period 01/01-30/09/2015
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1 Operating profit before changes in operating assets and liabilities		73,536	(94,183)
1.1.1 Interest received		362,756	273,042
1.1.2 Interest paid		(258,760)	(229,703)
1.1.3 Dividend received		10	8
1.1.4 Fees and commissions received		20,988	22,134
1.1.5 Other income		(22)	(69,142)
1.1.6 Collections from previously written off loans		46,130	30,517
1.1.7 Payments to personnel and service suppliers		(63,514)	(69,506)
1.1.8 Taxes paid		(5,941)	(2,205)
1.1.9 Others		(28,111)	(49,328)
2.1 Changes in operating assets and liabilities		(181,584)	(57,211)
1.2.1 Net (increase) decrease in financial assets held for trading		25	1
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		81,889	(117,631)
1.2.4 Net (increase) decrease in loans		106,492	(486,198)
1.2.5 Net (increase) decrease in other assets		(17,490)	(42,097)
1.2.6 Net increase (decrease) in bank deposits		27,565	(67,756)
1.2.7 Net increase (decrease) in other deposits		(401,116)	604,935
1.2.8 Net increase (decrease) in funds borrowed		14,179	43,421
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		6,872	8,114
<b>I. Net cash provided from banking operations</b>		<b>(108,048)</b>	<b>(151,394)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>(19,987)</b>	<b>180,001</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		(40,515)	(5,106)
2.4 Fixed assets sales		8,553	19,325
2.5 Cash paid for purchase of financial assets available for sale		(60,229)	(101,068)
2.6 Cash obtained from sale of financial assets available for sale		56,944	202,477
2.7 Cash paid for purchase of investment securities		-	(78)
2.8 Cash obtained from sale of investment securities		19,857	66,363
2.9 Others		(4,597)	(1,912)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>-</b>	<b>-</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		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>10,927</b>	<b>76,881</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(117,108)</b>	<b>105,488</b>
<b>VI. Cash and cash equivalents at beginning of the period</b>		<b>583,088</b>	<b>356,741</b>
<b>VII. Cash and cash equivalents at end of the period</b>		<b>465,980</b>	<b>462,229</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2016**

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

**SECTION THREE**  
**ACCOUNTING PRINCIPLES**

**I. Basis of Presentation**

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation. 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, 2015 and changes of TAS/TFRS that is effective from January 1, 2016 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 (2011 version) 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 19.92% 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 13.85% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 5.14% of the total assets and these assets provide liquidity with low risk and yield.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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

**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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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

**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 0.0129% 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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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

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

*Loans and receivables:*

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

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

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.

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



**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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

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

As of September 30, 2016 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 25% 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 September 30, 2016 with regard to performing consumer loans, the additional general loan loss provision is reserved amounted TRY 280.

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 31, 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 September 30, 2016.

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

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

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

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial

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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 September 30, 2016, the Bank has no reverse repo transactions (December 31, 2015: TRY 50,015).

As of September 30, 2016, the Bank does not have any marketable securities lending transaction (December 31, 2015: 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 September 30, 2016 (December 31, 2015: 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	4-33

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 98. The total amount of those cases consists of TRY 5,674, USD 1,643 Thousand and EUR 193 Thousand. There is a provision of TRY 2,152 in the accompanying financial statements for these cases (December 31, 2015: TRY 1,427).

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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 TAS 19 required actuarial gains/losses recognized shareholder equity. As of September 30, 2016, the actuarial gains recognized in equity amounts to TRY 84 (December 31, 2015: TRY 285 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 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 offsetted against the final tax liability for the year.

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

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

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank has TRY 5,940 corporate tax provision in current period (December 31, 2015: None).

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**XVI. Explanations on Taxation (continued)**

*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/expense recorded under the tax provision expenses amounts to TRY 3,714 deferred tax income in the accompanying income statement (December 31, 2015: TRY 5,326 deferred tax expense).

**XVII. Additional Explanations on Borrowings**

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

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

The Bank has not issued convertible bonds.

**XVIII. Explanations on Issued Share Certificates**

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

**XIX. Explanations on Acceptances**

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

**XX. Explanations on Government Incentives**

There are no government incentives utilized by the Bank.

**XXI. Explanations on Segment Reporting**

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

**XXII. Explanations on Other Matters**

None, other than above explanations.

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**SECTION FOUR**

**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations Related to Equity**

Total capital and capital adequacy ratio have been calculated in accordance with the “Regulation on Equity of Banks” and “Regulation on Measurement and Assessment of Capital Adequacy of Banks”.

As of 30 September 2016 Bank’s total capital has been calculated as TRY 783,171, capital adequacy ratio is 14.85%. As of 31 December 2015, Bank’s total capital amounted to TRY 763,670, capital adequacy ratio was 15.65% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

**Information related to the components of shareholders' equity:**

	Current Period September 30, 2016 (*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-up Capital	650,000
Share issue premiums	-
Retained earnings	93,187
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	25,513
Profit	5,792
Net profit of the period	5,792
Profit of the previous years	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	45
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>774,537</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
Prudential valuation adjustments	-
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	16,643
Improvement costs for operating leasing	4,617
Goodwill (net of related tax liability)	7,626
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitisation gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
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)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-

**I. Explanations Related to Equity (continued)**



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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 (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
of which: significant investments in the common stock of financials	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
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 Tier 1</b>	<b>28,886</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>745,651</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in 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)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	5,083
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
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>5,083</b>
<b>Total Additional Tier 1 capital</b>	
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>740,568</b>
<b>TIER 2 CAPITAL</b>	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions	42,785
<b>Tier 2 capital before regulatory adjustments</b>	<b>42,785</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments	-
Reciprocal cross-holdings in Tier 2 instruments	-

**I. Explanations Related to Equity (continued)**

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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) (-)	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-
<b>Total Tier 2 capital</b>	<b>42,785</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>783,353</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	182
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</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 (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (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) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
<b>OWN FUNDS</b>	
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>783,171</b>
<b>Total Risk Weighted Assets</b>	<b>5,272,915</b>
<b>CAPITAL ADEQUACY RATIOS</b>	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.14
Tier 1 Capital Adequacy Ratio (%)	14.05
Capital Adequacy Ratio (%)	14.85

**I. Explanations Related to Equity (continued)**

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<b>BUFFERS</b>	
Institution specific buffer requirement	0.629
of which: capital conservation buffer requirement (%)	0.625
of which: bank specific countercyclical buffer requirement (%)	0.004
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.096
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
Cap on inclusion of provisions in Tier 2 under standardised approach	42,785
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

(\*) There is no amounts in this coloumn represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of "Regulations regarding to changes on Regulation on Equity of Banks" and taken into consideration at the end of transition process.

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**I. Explanations Related to Equity (continued)**

	December 31, 2015 (*)
<b>Common Equity Core Capital (CET 1)</b>	
Paid-in capital	650,000
Share premium	-
Share repeal	-
Legal reserves	78,681
Accumulated other comprehensive income in accordance with TAS	25,714
Profit	14,506
Net current period profit	14,506
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	45
<b>Common Equity Core capital before regulatory adjustments</b>	<b>768,946</b>
<b>Common Equity Core capital: regulatory adjustments</b>	
Loss (in excess of Reserves) and other comprehensive expenses (-)	(26,132)
Leasehold Improvements on Operational Leases (-)	(5,751)
Goodwill and Intangible assets and related deferred tax liabilities (-)	(5,088)
Net Deferred tax assets / liabilities (-)	-
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>(36,971)</b>
<b>Common Equity Core capital (CET1)</b>	<b>731,975</b>

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**I. Explanations Related to Equity (continued)**

	December 31, 2015
<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 (-)	7,628
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 (-)	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>724,347</b>
<b>Tier 2 capital: instruments and provisions</b>	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regulator) 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	39,402
<b>Tier 2 capital before regulatory adjustments</b>	<b>39,402</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>39,402</b>
<b>Total capital (TC = T1 + T2)</b>	<b>763,749</b>

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**I. Explanations Related to Equity (continued)**

	December 31, 2015
<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 (-)	(79)
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>763,670</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	-

(\*) Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

**II. 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 September 30, 2016 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	September 23, 2016	September 26, 2016	September 27, 2016	September 28, 2016	September 29, 2016	September 30, 2016
USD	2.9491	2.9779	2.9739	2.9770	2.9926	2.9957
CHF	3.0353	3.0764	3.0656	3.0669	3.0864	3.0871
GBP	3.8173	3.8558	3.8614	3.8707	3.8898	3.8899
100 JPY	2.9210	2.9680	2.9610	2.9610	2.9460	2.9590
EUR	3.3077	3.3499	3.3353	3.3366	3.3565	3.3573

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

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The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before September 30, 2016 are as follows:

	Monthly Average Foreign Exchange Rate				
USD					2.9595
CHF					3.0351
GBP					3.8927
100 JPY					2.8991
EUR					3.3153

  

September 30, 2016	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.	14,630	411,145	-	15	425,790
Banks	3,330	276,064	104	2,947	282,445
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	4	-	-	4
Loans (*)	497,712	550,989	-	-	1,048,701
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (****)	8	35	-	-	43
<b>Total Assets</b>	<b>515,680</b>	<b>1,238,237</b>	<b>104</b>	<b>2,962</b>	<b>1,756,983</b>
<b>Liabilities</b>					
Bank Deposits	18	534	-	-	552
Foreign Currency Deposits	382,478	1,145,831	-	1,650	1,529,959
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	76,987	141,782	-	-	218,769
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	7,411	3,776	-	-	11,187
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	107	1,361	-	-	1,468
<b>Total Liabilities</b>	<b>467,001</b>	<b>1,293,284</b>	<b>-</b>	<b>1,650</b>	<b>1,761,935</b>
<b>Net Balance Sheet Position</b>	<b>48,479</b>	<b>(55,047)</b>	<b>104</b>	<b>1,312</b>	<b>(4,952)</b>
<b>Net Off-Balance Sheet Position</b>					
Financial Derivative Assets (****)	(48,665)	54,445	-	(525)	5,255
Financial Derivative Assets (****)	11,698	86,406	-	-	98,104
Financial Derivative Liabilities (****)	(60,363)	(31,961)	-	(525)	(92,849)
Non-Cash Loans (**)	257,998	389,394	-	2,035	649,427
<b>December 31, 2015</b>					
Total Assets (*) (****)	364,088	1,578,426	108	32,128	1,974,750
Total Liabilities (****)	380,549	1,563,981	-	315	1,944,845
Net Balance Sheet Position	(16,461)	14,445	108	31,813	29,905
Net Off-Balance Sheet Position	16,286	(14,836)	-	(30,987)	(29,537)
Financial Derivative Assets (****)	20,250	5,589	-	-	25,839
Financial Derivative Liabilities (****)	(3,964)	(20,425)	-	(30,987)	(55,376)
Non-Cash Loans (**)	230,730	450,513	-	808	682,051

(\*) Foreign currency indexed loans amounting to TRY 496,696 (December 31, 2015: TRY 518,106) are included in the loan portfolio.

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

(\*\*\*\*) It also includes TRY 4,576 and TRY 9,213 forward asset purchase &amp; sale commitments (December 31, 2015: TRY 6,005 and TRY 7,435).

(\*\*\*\*\*) TRY 124 asset from derivative financial instruments and TRY 223 liability from derivative financial instruments are not included (December 31, 2015: TRY 29 asset from derivative financial instruments and TRY 34 liability from derivative financial instruments are not included).

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

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**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	
		September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
USD	%10 increase	(60)	(39)	-	-
USD	%10 decrease	60	39	-	-
EUR	%10 increase	1	(18)	-	-
EUR	%10 decrease	(1)	18	-	-
Other Currency	%10 increase	89	93	-	-
Other Currency	%10 decrease	(89)	(93)	-	-

**III. 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.



Translated into English from the original Turkish report and financial statements

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**III. 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>September 30, 2016</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	519,048	-	-	-	52,472	571,520
Banks	266,620	-	-	-	-	15,850	282,470
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	978	978
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	102,492	194,142	462,161	1	4	138	758,938
Loans (*)	2,175,503	193,242	565,565	590,825	15,538	-	3,540,673
Held-To-Maturity Investments	1,730	-	-	-	-	-	1,730
Other Assets (**)	-	-	-	-	-	336,382	336,382
<b>Total Assets</b>	<b>2,546,345</b>	<b>906,432</b>	<b>1,027,726</b>	<b>590,826</b>	<b>15,542</b>	<b>405,820</b>	<b>5,492,691</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	1,255	1,255
Other Deposits	2,220,969	1,466,274	218,903	-	-	158,152	4,064,298
Money Market Borrowings	248,316	-	-	-	-	-	248,316
Sundry Creditors	-	-	-	-	-	26,300	26,300
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	7,731	72,690	158,472	504	-	-	239,397
Other Liabilities (***)	607	597	-	-	-	911,921	913,125
<b>Total Liabilities</b>	<b>2,477,623</b>	<b>1,539,561</b>	<b>377,375</b>	<b>504</b>	<b>-</b>	<b>1,097,628</b>	<b>5,492,691</b>
Balance Sheet Long Position	68,722	-	650,351	590,322	15,542	-	1,324,937
Balance Sheet Short Position	-	(633,129)	-	-	-	(691,808)	(1,324,937)
Off-Balance Sheet Long Position	-	-	-	-	-	133,677	133,677
Off-Balance Sheet Short Position	-	-	-	-	-	(133,570)	(133,570)
<b>Total Position</b>	<b>68,722</b>	<b>(633,129)</b>	<b>650,351</b>	<b>590,322</b>	<b>15,542</b>	<b>(691,701)</b>	<b>107</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 73,419, intangible assets amounting to TRY 12,709, tax asset amounting to TRY 4,955, prepaid expenses amounting to TRY 10,217, non-performing loans amounting to TRY 179,576, settlement account amounting to TRY 32,317 and other assets amounting to TRY 23,189.

(\*\*\*) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 757,894, TRY 71,644 provisions, settlement account amount TRY 54,550 and TRY 27,833 other liabilities.

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

	EUR %	USD %	YEN %	TRY %
<b>September 30, 2016</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	0.49	-	5.25
Banks	-	0.36	-	10.11
Financial Assets At Fair Value Through Profit And Loss	-	-	-	10.51
Money Market Placements	-	-	-	10.62
Available-For-Sale Financial Assets (*)	-	7.38	-	2.73
Loans	5.09	5.96	-	16.05
Held-To-Maturity Investments	-	-	-	8.02
<b>Liabilities</b>				
Bank Deposits	1.17	2.73	-	9.62
Other Deposits	1.78	2.83	-	12.40
Money Market Borrowings	-	-	-	8.16
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.59	2.66	-	7.01

(\*) Available-For-Sale Financial Assets include CPI indexed securities which cover 99.99% of the portfolio.

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**III. 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, 2015</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	570,111	-	-	-	44,977	615,088
Banks	278,932	-	-	-	-	109,431	388,363
Financial Assets at Fair Value Through Profit and Loss	-	-	-	25	-	410	435
Money Market Placements	50,015	-	-	-	-	-	50,015
Available-For-Sale Financial Assets	210,043	126,158	333,018	-	3	138	669,360
Loans (*)	2,505,843	200,878	422,511	657,722	11,970	-	3,798,924
Held-To-Maturity Investments	-	9,985	12,095	-	-	-	22,080
Other Assets (**)	-	-	-	-	-	274,468	274,468
<b>Total Assets</b>	<b>3,044,833</b>	<b>907,132</b>	<b>767,624</b>	<b>657,747</b>	<b>11,973</b>	<b>429,424</b>	<b>5,818,733</b>
<b>Liabilities</b>							
Bank Deposits	6,002	15,884	-	-	-	943	22,829
Other Deposits	2,407,526	1,622,232	265,265	-	-	163,459	4,458,482
Money Market Borrowings	199,302	-	-	-	-	-	199,302
Sundry Creditors	-	-	-	-	-	37,126	37,126
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	10,762	9,226	157,651	47,410	-	-	225,049
Other Liabilities (***)	340	727	-	-	-	874,878	875,945
<b>Total Liabilities</b>	<b>2,623,932</b>	<b>1,648,069</b>	<b>422,916</b>	<b>47,410</b>	<b>-</b>	<b>1,076,406</b>	<b>5,818,733</b>
Balance Sheet Long Position	420,901	-	344,708	610,337	11,973	-	1,387,919
Balance Sheet Short Position	-	(740,937)	-	-	-	(646,982)	(1,387,919)
Off-Balance Sheet Long Position	-	-	-	-	-	51,668	51,668
Off-Balance Sheet Short Position	-	-	-	-	-	(51,308)	(51,308)
<b>Total Position</b>	<b>420,901</b>	<b>(740,937)</b>	<b>344,708</b>	<b>610,337</b>	<b>11,973</b>	<b>(646,622)</b>	<b>360</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 45,404, intangible assets amounting to TRY 12,716, tax asset amounting to TRY 4,851, prepaid expenses amounting to TRY 7,585, non-performing loans amounting to TRY 164,419 and other assets amounting to TRY 39,493.

(\*\*\*) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TRY 742,814, provisions amounting to TRY 61,592, settlement account amounting to TRY 45,115 and other liabilities amounting to TRY 25,357.

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

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

	EUR %	USD %	YEN %	TRY %
<b>December 31, 2015</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey(*)	-	0.21	-	4.13
Banks	0.05	0.20	-	10.47
Financial Assets At Fair Value Through Profit And Loss	-	-	-	12.54
Money Market Placements	-	-	-	10.74
Available-For-Sale Financial Assets(**)	-	7.38	-	2.96
Loans	5.84	5.89	-	16.56
Held-To-Maturity Investments	-	-	-	7.95
<b>Liabilities</b>				
Bank Deposits	1.16	-	-	9.70
Other Deposits	1.85	2.54	-	11.32
Money Market Borrowings	-	-	-	9.34
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.96	2.34	-	6.96

(\*) Effective from November 1, 2014, interest has been paid from TRY reserve deposits by CBRT. Effective from May 5, 2015, interest has been paid from USD reserve deposits by CBRT.

(\*\*) Available-For-Sale Financial Assets include CPI indexed securities which cover 99.99% of the portfolio.

**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 9,685. The change in profit mainly is related to loans and deposits (December 31, 2015 : TRY 10,244).
- 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 240 (December 31, 2015: TRY 238).

**IV. Explanations Related to Equity Securities Risk**

The Bank has no outstanding stock position.

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio**

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

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

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

According to the general policies of the Bank, the matching of the maturity and interest rate structure of assets, and liabilities is always established within the asset liability management strategies. A positive difference is tried to be established between the yields of 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 per Basel 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.

Total liquidity coverage ratios are (130%) (31/08/2016) at the lowest and (454%) (23/09/2016) at the highest while the unconsolidated lowest foreign currency is (327%) (24/07/2016) and the unconsolidated highest foreign currency is (515%) (19/08/2016) which are calculated weekly for the last three months.

Liquidity risk in a Bank is evaluated separately with respect to normal market conditions and market fluctuations which can possibly occur. The bank makes the required diversification in its assets and liabilities via taking related currencies into consideration in order to meet its obligation to pay.

Liquidity deficit report is issued through the quantitative evaluation of daily and cumulative deficits in local currency and foreign currency in the framework of ordinary and stressful environment. Liquidity deficit report includes deficit maturing liabilities in any period and borrowings and placements made in order to replace assets. Liquidity deficit report is based on current balance sheet and includes off-balance sheet derivative transactions and commitments which can affect the balance sheet. Liquidity report is issued quarterly over TRY and foreign currency.

Liquidity Risk Measurement is to determine the non-conformance between assets and liabilities which can occur because of challenges encountered in decreasing the asset positions if the assets of the Bank are pledged and the assets cannot be sold with relative ease or the market returns to liquid assets at different levels. The liquidity of the Bank is designed to meet the due liabilities of the bank. The courses followed by the bank to reach the aforementioned purpose are as follows:

- Measurement of day liquidity
- Short term funding
- Liquid assets
- Structural liquidity
- Diversification of liquidity resources
- Stress tests

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

Liquidity management is performed by the Treasury department in coordination with Marketing department while stress test and scenario analyses studies are performed under the coordination of Risk Management Group with the views and suggestions of other related departments. Results of stress test are reported to executives regularly and submitted to Audit Committee quarterly by the Risk Management Group. Loan losses, delays in loan repayment and deposit withdrawals are used as variables in these stress test scenarios. Additional capital allocation is not made for liquidity risk.

Stress tests examine the possible effect of an event on balance sheet and net potential cumulative deficit quantitatively and foresee the required additional funding with respect to a defined stress scenario.

Stress tests are performed quarterly over TRY and foreign currency unless they are required to be performed more often due to a change occurring in market conditions.

The bank operates periodical liquidity analyses which compare the inflows and outflows of funds and cover a specific period. The following issues are taken into consideration in these analyses:

- Assumptions based on anticipated inflow and outflow of funds
- Capability of bank to convert its assets into cash
- Liquidity instruments provided by the Central Bank
- Loss of value which occurs while liquidating assets in market fluctuations
- Market conditions for specified several asset classifications

Sensitivity tests are performed periodically with scenarios which are peculiar to banks and particular to the market. These scenarios are reviewed periodically.

Chief Economist presents a short explanation regarding the recent developments in market in Committee of Assets and Liabilities meetings. Departments of Treasury, Budget Planning and Management Reporting and Retail Banking inform the Committee regarding the recent liquidity of the Bank.

Credit/Deposit rate defined by the Board of Directors of the Bank provides short-term liquidity needs of the bank not to drop below a certain level of liquidity. The Credit/Deposit rate is monitored by departments of Treasury, Budget Planning and Management Reporting and Retail Banking and discussed in Committee of Assets and Liabilities meetings. Decisions regarding liquidity are made in the light of aforementioned information. Weekly Liquidity Analysis Form, biweekly Stock Liquidity Rate Notification Form and weekly Liquidity Rate Notification Form (first maturity segment) are examined by the Treasury and related departments in order to determine liquidity balance between assets and liabilities of the Bank in accordance with the communique of Banking Regulation and Supervision Agency.

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)****Liquidity Coverage Ratio:**

Current Period – 30.09.2016		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
	High Quality Liquid Assets			816,758	328,111
<b>CASH OUTFLOWS</b>					
2	Retail deposit	2,343,230	944,782	233,261	94,176
3	Stable deposit	21,244	6,040	1,062	302
4	Less stable deposit	2,321,986	938,742	232,199	93,874
5	Unsecured wholesale funding	1,219,586	569,450	525,694	230,284
6	Operational deposit	1,012	246	253	61
7	Non-Operational deposit	1,117,912	548,464	425,077	209,483
8	Other unsecured funding	100,662	20,740	100,364	20,740
9	Secured funding			-	-
10	Other cash outflows	92,232	65,254	11,267	8,024
11	Derivatives cash outflows	2,233	1,319	2,233	1,319
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	89,999	63,935	9,034	6,705
14	Revocable other off balance sheet contingencies and commitments and other contractual cash outflows	-	-	-	-
15	Other contingent or non-contingent funding obligations	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>			<b>770,422</b>	<b>332,484</b>
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	588,305	339,255	459,542	331,262
19	Other cash inflows	5,046	3,045	5,046	3,045
20	<b>TOTAL CASH INFLOWS</b>	<b>593,351</b>	<b>342,300</b>	<b>464,588</b>	<b>334,307</b>
21	<b>TOTAL STOCK OF HQLA</b>			<b>816,758</b>	<b>328,111</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>305,834</b>	<b>83,121</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>279.97</b>	<b>398.43</b>

(\*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

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**V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)****Liquidity Coverage Ratio (continued) :**

Prior Period – 31.12.2015		Total Unrated Value (**)		Total Rated Value (**)	
		TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
1	High Quality Liquid Assets			974,020	394,339
<b>CASH OUTFLOWS</b>					
2	Retail deposit	2,362,128	913,183	265,156	102,288
3	Stable deposit	37,738	9,825	2,423	644
4	Less stable deposit	2,324,390	903,358	262,733	101,644
5	Unsecured wholesale funding	1,617,035	647,449	688,563	263,499
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	1,516,514	640,595	588,220	256,645
8	Other unsecured funding	100,521	6,854	100,343	6,854
9	Secured funding			-	-
10	Other cash outflows	99,339	61,985	6,847	4,905
11	Derivatives cash outflows	52	97	52	97
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	99,287	61,888	6,795	4,808
14	Revocable other off balance sheet contingencies and commitments and other contractual cash outflows	-	-	-	-
15	Other contingent or non-contingent funding obligations	-	-	-	-
16	<b>TOTAL CASH OUTFLOWS</b>			<b>960,566</b>	<b>370,692</b>
<b>CASH INFLOWS</b>					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	598,777	298,710	444,539	286,510
19	Other cash inflows	1,439	1,850	1,439	1,850
20	<b>TOTAL CASH INFLOWS</b>	<b>600,216</b>	<b>300,560</b>	<b>445,978</b>	<b>288,360</b>
21	<b>TOTAL STOCK OF HQLA</b>			<b>974,020</b>	<b>394,339</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>514,534</b>	<b>115,278</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>208.10</b>	<b>409.02</b>

(\*\*) Simple arithmetic average calculated for the last three months by using the amounts calculated based on weekly simple arithmetic averages

An decrease is observed in cash inflow and outflows in parallel with the decrease in the volume of credit and deposit. Additionally, liabilities of the bank with respect to these transactions increase in parallel with the derivative transactions made in order to minimize the currency risk of the bank.

High quality liquid assets consist of cash assets, central banks, securities and reverse repo items.

A significant proportion of daily cash inflow of the Bank consists of payments related to loans issued and placement of banks while a significant proportion of daily cash outflow of the Bank consists of payments related to collected deposits. Domestic and foreign banks and loan clients constitute the resource of cash inflows. The bank applies limits for the transactions which shall be made with domestic and foreign banks and these limits are monitored by the Risk Management Department daily.

The Bank has a margin call potential for the derivative transactions made with foreign financial institutions. The Bank has performed forward exchange, swap and option transactions with foreign financial institutions in 2016.

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

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

September 30, 2016	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 (****)	199,037	200,252	134,206	37,980	45	-	-	571,520
Banks	15,850	266,620	-	-	-	-	-	282,470
Financial Assets at Fair Value Through Profit and Loss	-	-	978	-	-	-	-	978
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Safe Financial Assets	-	-	-	-	377,288	381,512	138	758,938
Loans (***)	-	2,175,503	193,242	565,565	590,825	15,538	-	3,540,673
Held-To-Maturity Investments	-	-	-	-	1,730	-	-	1,730
Other Assets	-	32,317	-	-	-	-	304,065	336,382
<b>Total Assets</b>	<b>214,887</b>	<b>2,674,692</b>	<b>328,426</b>	<b>603,545</b>	<b>969,888</b>	<b>397,050</b>	<b>304,203</b>	<b>5,492,691</b>
<b>Liabilities</b>								
Bank Deposits	1,255	-	-	-	-	-	-	1,255
Other Deposits	158,152	2,220,969	1,466,274	218,903	-	-	-	4,064,298
Funds Provided From Other Financial Institutions	-	7,731	27,371	203,791	504	-	-	239,397
Money Market Borrowings	-	248,316	-	-	-	-	-	248,316
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	26,300	-	-	-	-	-	26,300
Other Liabilities (**)	-	79,920	598	-	-	-	832,607	913,125
<b>Total Liabilities</b>	<b>159,407</b>	<b>2,583,236</b>	<b>1,494,243</b>	<b>422,694</b>	<b>504</b>	<b>-</b>	<b>832,607</b>	<b>5,492,691</b>
<b>Liquidity Gap</b>	<b>55,480</b>	<b>91,456</b>	<b>(1,165,817)</b>	<b>180,851</b>	<b>969,384</b>	<b>397,050</b>	<b>(528,404)</b>	<b>-</b>
<b>December 31, 2015</b>								
<b>Total Assets</b>	<b>272,292</b>	<b>3,102,129</b>	<b>374,110</b>	<b>548,284</b>	<b>707,240</b>	<b>565,127</b>	<b>249,551</b>	<b>5,818,733</b>
<b>Total Liabilities</b>	<b>164,402</b>	<b>2,731,462</b>	<b>1,648,080</b>	<b>422,916</b>	<b>47,410</b>	<b>-</b>	<b>804,463</b>	<b>5,818,733</b>
<b>Liquidity Gap</b>	<b>107,890</b>	<b>370,667</b>	<b>(1,273,970)</b>	<b>125,368</b>	<b>659,830</b>	<b>565,127</b>	<b>(554,912)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>								
Financial Derivative Assets	-	338	22	-	-	-	-	360
Financial Derivative Liabilities	-	50,875	794	-	-	-	-	51,669
Non-Cash Loans	-	901,529	103,969	218,435	197,372	813,225	-	2,234,530

(\*) 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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**VI. Explanations Related to Leverage Ratio**

**Information on subjects that causes difference in leverage ratio between current and prior periods:**

As of 30 September 2016, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 11.03% (31 December 2015: 10.67%). The main factors causing a difference between leverage ratios of current period and previous period are; an increase rate of shareholders' equity. Minimum level of leverage is declared an 3% for banks.

**Disclosure of Leverage ratio template :**

	<b>On Balance Sheet Exposures</b>	<b>Current Period (*)</b>	<b>Prior Period (*)</b>
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	5,562,824	5,703,443
2	(Deductions from the capital)	(34,090)	(44,699)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	5,528,734	5,658,744
	<b>Derivative exposures</b>		
4	Replacement cost of derivative exposure	2,207	872
5	Potential credit risk of derivative exposures	1,751	794
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	3,958	1,666
	<b>Securities financing transaction exposures</b>		
7	The risk amount of Securities financing transaction exposures (excluding on balance sheet exposures)	-	-
8	The risk amount of transactions bank acting as agent	-	-
9	Total risk amount of Securities financing transaction exposures (Total of 7th ve 8th rows)	-	-
	<b>Off Balance sheet items</b>		
10	The gross nominal amount of off balance sheet items	2,373,862	2,382,361
11	CCR adjustment amount	(1,194,331)	(1,254,426)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,179,531	1,127,935
	<b>Capital and total risk</b>		
13	Shareholders' Equity	740,417	724,129
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	6,712,223	6,788,345
	<b>Leverage Ratio</b>		
15	Leverage ratio	%11.03	%10.67

(\*) Amounts demonstrate the average of last three months.

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**VII. Explanations Related to Risk Management**

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

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

**Overview of RWA**

		RWA		Minimum capital requirements
		September 30, 2016	December 31, 2015	September 30, 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	4,872,134	4,536,052	389,771
2	Of which standardised approach (SA)	4,872,134	4,536,052	389,771
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	4,048	525	324
5	Of which standardised approach for counterparty credit risk (SA-CCR)	4,048	525	324
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	2,144	975	171
17	Of which standardised approach (SA)	2,144	975	171
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	394,589	343,079	31,567
20	Of which Basic Indicator Approach	394,589	343,079	31,567
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>5,272,915</b>	<b>4,880,631</b>	<b>421,833</b>

**TURKLAND BANK ANONİM ŞİRKETİ**  
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**VII. Explanations Related to Risk Management (continued)**

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. 29511, dated October 23, 2015 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 and in accordance with "Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" published in the Official Gazette no.29599, dated January 20, 2016.

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.

The Bank keeps its processes defined and continuously updated in order to manage exposed operational risks in a more effective way and create an integrated risk management point of view. The operational risks of the Bank and controls linked with aforementioned risks are managed on a central application and updated periodically. Findings determined in evaluations results made by Internal Systems departments are also recorded and monitored with the aforementioned application. Operational Risk Policy, including processes of operational risk, is reviewed periodically and required updates are made.

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

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

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

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

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

Regarding internal assessment process (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.

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**VII. Explanations Related to Risk Management (continued)**

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.

Organization and structure of Risk Management Group: Risk Management Group work under the Board of Directors as their functions and responsibilities. The connection with the Board of Directors and Risk Management Group is provided through the Audit Committee.

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 (ALCO), 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.

	Internal Rating Grade	September 30, 2016	(%)	December 31, 2015	(%)	
High						
	Risk rating class 1	A+ Excellent	32,458	0.92	39,317	1.03
	Risk rating class 2	A- Excellent	203,556	5.75	236,728	6.23
Good						
	Risk rating class 3	B+ Very Good	619,154	17.49	405,946	10.69
	Risk rating class 4	B- Very Good	508,311	14.36	598,612	15.76
Standard						
	Risk rating class 5	C+ Good	639,599	18.06	854,670	22.50
	Risk rating class 6	C- Good	781,401	22.06	714,945	18.82
Substandard						
	Risk rating class 7	D+ Ordinary	426,393	12.04	544,959	14.34
	Risk rating class 8	D- Ordinary	182,320	5.15	237,765	6.26
	Risk rating class 9	E Bad	134,231	3.79	132,964	3.50
	Risk rating class 10	F Very Bad	933	0.03	3,684	0.10
Unrated			12,317	0.35	29,334	0.77
<b>Total</b>			<b>3,540,673</b>	<b>100.00</b>	<b>3,798,924</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.

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**VII. Explanations Related to Risk Management (continued)**

**“F” rating;**

Number of clients with “F” rating is 10 with an outstanding risk of TRY 933 (December 31, 2015 : TRY 3,684; 7 client). 3 of these clients are granted against mortgage with outstanding risk of TRY 636 and covers 68% of total risk (December 31, 2015: 5 clients; 69%), 2 of these clients are granted against customer check/note with outstanding risk of TRY 35 and covers 4% of total risk (December 31, 2015: 2 clients; 27%).

**“E” rating;**

Number of clients with “E” rating is 72 and total outstanding risk is TRY 134,231 (December 31, 2015 : TRY 132,964; 76 clients). 26 of these clients are granted against mortgage with outstanding risk of TRY 100,664 and covers 75% of total “E” Rating Risk (December 31, 2015 : TRY 93,752 TL; %71). 23 of these clients are granted against customer check/note with outstanding risk of TRY 12,227 and covers 9% of total “E” Rating Risk (December 31,2015 : TRY 19,319; 15%). 2 of these clients are granted against cash blockage with outstanding risk of TRY 2,255 and covers 2% of total “E” Rating Risk (December 31, 2015: None).

**“D-” rating;**

Number of clients with D- rating is 144 and total outstanding risk is TRY 182,320 (December 31, 2015 : TRY 237,765; 151 client). 43 of these clients granted against mortgage have outstanding risk of TRY 62,616 and covers 34% of total “D-” Rating Risk (December 31, 2015 : TRY 126,120; 53%). 40 of these clients are granted against customer check/note with outstanding risk of TRY 52,482 and covers 29% of total “D-” Rating Risk (December 31,2015 : TRY 51,442; 22%).

5 of these clients are granted against cash blockage with outstanding risk of TRY 1,406 and cover 1% of “D-” rating risk (December 31,2015 : TRY 4,320; 2%). One of these clients is granted against to commodity collateral with outstanding risk of TRY 2,000 and covers 1% of “D-” rating risk (December 31, 2015 : TRY 2,000; 1% ). 2 of these clients is granted against to assignment of receivables with outstanding risk of TRY 1,332 and covers 1% of “D-” rating risk (December 31, 2015 : None).

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

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

	September, 30 2016		December, 31 2015	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	13,335	34,548	10,690	32,515
Balances with the Central Bank of Turkey	132,395	391,242	39,216	532,667
Other	-	-	-	-
<b>Total</b>	<b>145,730</b>	<b>425,790</b>	<b>49,906</b>	<b>565,182</b>

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

	September, 30 2016		December, 31 2015	
	TRY	FC	TRY	FC
Unrestricted demand deposits	131,082	4,550	37,444	64,086
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	1,313	386,692	1,772	468,581
<b>Total</b>	<b>132,395</b>	<b>391,242</b>	<b>39,216</b>	<b>532,667</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 1-2 year maturity (including 2-year)	FX liabilities 2- 3 year maturity(including 3-year)	Other liabilities up to 3-5 year maturity (including 5-year)	Other liabilities longer than 5 years
13.0%	9.0%	Ratios for corresponding maturities	25.0%	20.0%	15.0%	7.0%	5.0%

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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
10.5%	10.5%	10.5%	7.5%	5.5%	4.0%	10.5%	7.0%	4.0%

**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

There is no financial assets at fair value through profit and loss (December 31, 2015: TRY 25).

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

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Forward Transactions	854	6	22	29
Swap Transactions	-	118	359	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>854</b>	<b>124</b>	<b>381</b>	<b>29</b>

**3. Information on banks:**

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
<b>Banks</b>				
Domestic	25	266,804	24,022	254,990
Foreign	-	15,641	-	109,351
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>25</b>	<b>282,445</b>	<b>24,022</b>	<b>364,341</b>

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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:

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	123,955	-	88,008	-
Other	-	-	-	-
<b>Total</b>	<b>123,955</b>	<b>-</b>	<b>88,008</b>	<b>-</b>

Available-for-sale securities given as collateral for open market transactions, Interbank money market, İstanbul Stock Exchange and Takasbank are TRY 25,564 ,TRY 63,911, TRY 33,112 and TRY 1,368 respectively (December 31, 2015: Available-for-sale securities given as collateral for open market transaction is TRY 50,517, TRY 31,158 hold for İstanbul Stock Exchange, TRY 5,797 hold for Interbank money market, and TRY 536 hold for Takasbank respectively).

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

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	251,693	-	193,361	-
Other	-	-	-	-
<b>Total</b>	<b>251,693</b>	<b>-</b>	<b>193,361</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TRY 383,290 (December 31, 2015: TRY 387,991) and included in this amount there are unquoted stocks amounting TRY 138 (December 31, 2015: TRY 138).

b) Information on financial assets available for sale portfolio:

	September 30, 2016	December, 31 2015
Debt securities	758,800	669,222
Quoted on a stock exchange	758,800	669,222
Not quoted	-	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	-
<b>Total</b>	<b>758,938</b>	<b>669,360</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 138 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2015: TRY 138).



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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:

	September 30, 2016		December 31, 2015	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	118	1,618	112	63
Corporate shareholders	118	1,618	112	63
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	2,136	51,695	-	18,384
Loans granted to employees	2,146	1,504	1,584	1,536
<b>Total</b>	<b>4,400</b>	<b>54,817</b>	<b>1,696</b>	<b>19,983</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	2,965,655	14,795	-	408,500	151,723	-
Discount notes	2,431,370	14,795	-	393,630	151,723	-
Export loans	242,107	-	-	1,653	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	181,691	-	-	2,832	-	-
Foreign loans	10,394	-	-	-	-	-
Consumer loans	7,508	-	-	1,653	-	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	92,585	-	-	8,732	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>2,965,655</b>	<b>14,795</b>	<b>-</b>	<b>408,500</b>	<b>151,723</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	859,368	2,041	120,084	14,745
Non-specialized Loans	859,368	2,041	120,084	14,745
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-term Loans and Other Receivables	2,106,287	12,754	288,416	136,978
Non-specialized Loans	2,106,287	12,754	288,416	136,978
Specialized Loans	-	-	-	-
Other Loans	-	-	-	-
<b>Total</b>	<b>2,965,655</b>	<b>14,795</b>	<b>408,500</b>	<b>151,723</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	14,795	149,095
3, 4 or 5 times extended	-	2,628
5 Over the extended	-	-
<b>Total</b>	<b>14,795</b>	<b>151,723</b>

  

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	3,151	38,484
6 – 12 Month	-	17,517
1 – 2 Year	386	40,268
2 – 5 Year	11,258	41,376
5 Years and Over	-	14,078
<b>Total</b>	<b>14,795</b>	<b>151,723</b>

As of September 30, 2016, 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 732 and for watchlist-loans, which the payments are rescheduled, amounting to TRY 6,994.

## 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>1,330</b>	<b>4,655</b>	<b>5,985</b>
Housing Loans	-	1,145	1,145
Car Loans	-	218	218
General Purpose Loans	1,330	3,292	4,622
Other	-	-	-
<b>Consumer Loans –Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TRY</b>	<b>553</b>	<b>1,173</b>	<b>1,726</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	553	1,173	1,726
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY (Real Persons) (*)</b>	<b>1,450</b>	<b>-</b>	<b>1,450</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>3,333</b>	<b>5,828</b>	<b>9,161</b>

(\*) Overdraft Accounts includes TRY 330 personnel 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>53,395</b>	<b>581,556</b>	<b>634,951</b>
Business Loans	18,037	34,875	52,912
Car Loans	114	17,136	17,250
General Purpose Loans	35,244	529,545	564,789
Other	-	-	-
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>7,583</b>	<b>251,963</b>	<b>259,546</b>
Business Loans	-	-	-
Car Loans	1,820	90,393	92,213
General Purpose Loans	5,763	161,570	167,333
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>26,774</b>	<b>-</b>	<b>26,774</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Toplam</b>	<b>87,752</b>	<b>833,519</b>	<b>921,271</b>

f) Domestic and foreign loans:

	September 30, 2016	December 31, 2015
Domestic loans	3,530,279	3,760,004
Foreign loans	10,394	38,920
<b>Total</b>	<b>3,540,673</b>	<b>3,798,924</b>

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	September 30, 2016	December 31, 2015
<b>Specific provisions</b>		
Loans and receivables with limited collectability	1,731	2,602
Loans and receivables with doubtful collectability	17,174	15,121
Uncollectible loans and receivables	93,515	59,678
<b>Total</b>	<b>112,420</b>	<b>77,401</b>

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**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:

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>September 30, 2016</b>			
(Gross amount before specific provision) (*)	705	1,538	1,367
Restructured Loans and Other Receivables	705	1,538	1,367
Rescheduled Loans and Other Receivables	-	-	-
<b>December 31, 2015</b>			
(Gross amount before specific provision)	-	-	2,229
Restructured Loans and Other Receivables	-	-	2,229
Rescheduled Loans and Other Receivables	-	-	-

(\*) As of September 30, 2016 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 944 (December 31, 2015: TRY 1,232).

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>December 31, 2015 balance</b>	<b>41,152</b>	<b>75,496</b>	<b>125,172</b>
Additions (+)	86,164	8,560	1,582
Transfers from other categories of non-performing loans (+)	-	110,156	106,077
Transfers to other categories of non-performing loans (-)	(110,156)	(106,077)	-
Collections (-)	(1,905)	(10,174)	(34,051)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
<b>September 30, 2016 balance</b>	<b>15,255</b>	<b>77,961</b>	<b>198,780</b>
Specific provision (-)	(1,731)	(17,174)	(93,515)
<b>Net Balances on Balance Sheet</b>	<b>13,524</b>	<b>60,787</b>	<b>105,265</b>

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

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**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>September 30, 2016 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	15,255	77,961	198,780
Specific provision (-)	(1,731)	(17,174)	(93,515)
Loans to Real Persons and Legal Entities (Net)	13,524	60,787	105,265
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>December 31, 2015 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	41,152	75,496	125,172
Specific provision (-)	(2,602)	(15,121)	(59,678)
Loans to Real Persons and Legal Entities (Net)	38,550	60,375	65,494
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 non-performing 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 30 September 2016, there is no amount that is written off from assets with the decision of the Board of Directors (December 31, 2015: None).

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

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

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	1,730	-	3,472	-
Other	-	-	-	-
<b>Total</b>	<b>1,730</b>	<b>-</b>	<b>3,472</b>	<b>-</b>

As of September 30, 2016, collateral or blocked investments held-to-maturity; stock collateral balance is TRY 1,730 (December 31, 2015 : Central Bank open market operations is TRY 1,139 and Takasbank is TRY 697 and stock collateral balance is TRY 1,636).

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

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

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	-	-	7,285	-
Other	-	-	-	-
<b>Total</b>	-	-	<b>7,285</b>	-

There is no unrestricted financial assets until book value of held to maturity investments classified (December 31, 2015: TRY 11,323).

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

	September 30, 2016	December 31, 2015
Government bonds	1,730	22,080
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>1,730</b>	<b>22,080</b>

c) Information on held to maturity investments:

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	1,730	-	22,080	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
<b>Total</b>	<b>1,730</b>	-	<b>22,080</b>	-

d) Movement of held to maturity investments:

	September 30, 2016	December 31, 2015
Beginning balance	22,080	100,420
Foreign currency differences on monetary assets (*)	(493)	(2,082)
Purchases during year	-	-
Disposal through sales and redemptions	(19,857)	(76,258)
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>1,730</b>	<b>22,080</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.

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

**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):**

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim period financial statements.

**13. Information on intangible assets:**

This footnote is not prepared in compliance with the Article 25 of the communique "Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks" for the interim period financial statements.

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

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

a) As of September 30, 2016, there is no deferred tax asset calculated on tax losses (December 31, 2015: TRY 1,432). Deferred tax asset calculated on the other temporary differences is TRY 4,955 (December 31, 2015: TRY 2,181 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.

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

**17. Information on other assets:**

a) Breakdown of other assets:

	September 30, 2016	December 31, 2015
Settlement Accounts	32,317	25,055
Prepaid Expenses	10,217	7,585
Other	23,189	14,438
<b>Toplam</b>	<b>65,723</b>	<b>47,078</b>

b) Other assets which exceed 10% of the balance sheet total (excluding off balance sheet commitments) and breakdown of these which constitute at least 20% of grand total: None.

**TURKLAND BANK ANONİM ŞİRKETİ**  
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**II. Explanations and Disclosures Related to the Liabilities**

**1. Information on maturity structure of deposits:**

**a.1) September 30, 2016 :**

	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	22,296	-	65,943	1,265,586	97,930	97,301	21,540	-	1,570,596
Foreign currency deposits	59,054	-	54,149	1,204,480	134,646	74,776	2,854	-	1,529,959
Residents in Turkey	56,750	-	50,553	1,167,888	133,569	72,854	1,333	-	1,482,947
Residents abroad	2,304	-	3,596	36,592	1,077	1,922	1,521	-	47,012
Public sector deposits	23,842	-	-	15,062	7,520	-	-	-	46,424
Commercial deposits	52,016	-	96,474	516,057	70,197	37,107	87,890	-	859,741
Other institutions deposits	944	-	659	34,258	2,373	19,344	-	-	57,578
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,255	-	-	-	-	-	-	-	1,255
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	40	-	-	-	-	-	-	-	40
Foreign Banks	1,215	-	-	-	-	-	-	-	1,215
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>159,407</b>	<b>-</b>	<b>217,225</b>	<b>3,035,443</b>	<b>312,666</b>	<b>228,528</b>	<b>112,284</b>	<b>-</b>	<b>4,065,553</b>

**a.2) December 31, 2015:**

	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	11,872	-	39,929	1,277,520	182,928	80,984	16,496	-	1,609,729
Foreign currency deposits	72,507	-	52,049	1,422,197	101,010	54,121	2,551	-	1,704,435
Residents in Turkey	70,430	-	50,954	1,345,249	100,311	52,682	1,099	-	1,620,725
Residents abroad	2,077	-	1,095	76,948	699	1,439	1,452	-	83,710
Public sector deposits	15,840	-	-	1,879	3,942	-	-	-	21,661
Commercial deposits	63,023	-	115,122	636,213	88,857	47,277	33,752	-	984,244
Other institutions deposits	217	-	848	137,348	-	-	-	-	138,413
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	943	-	-	15,884	6,002	-	-	-	22,829
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	85	-	-	-	-	-	-	-	85
Foreign Banks	858	-	-	15,884	6,002	-	-	-	22,744
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>164,402</b>	<b>-</b>	<b>207,948</b>	<b>3,491,041</b>	<b>382,739</b>	<b>182,382</b>	<b>52,799</b>	<b>-</b>	<b>4,481,311</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	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Saving deposits	291,792	315,561	1,265,602	1,280,987
Foreign currency saving deposits	70,987	81,505	788,379	905,019
Other deposits in the form of saving deposits	596	590	12,205	11,536
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>363,375</b>	<b>397,656</b>	<b>2,066,186</b>	<b>2,197,542</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:

	September 30, 2016	December 31, 2015
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	2,389	2,767
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:

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Forward Transactions	965	144	3	25
Swap Transactions	-	79	-	9
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>965</b>	<b>223</b>	<b>3</b>	<b>34</b>

**3. Information on borrowings:**

a) Information on banks and other financial institutions:

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
From Domestic Banks and Institutions	20,628	26,584	16,785	20,968
From Foreign Banks, Institutions and Funds	-	192,185	-	187,296
<b>Total</b>	<b>20,628</b>	<b>218,769</b>	<b>16,785</b>	<b>208,264</b>

b) Maturity analysis of borrowings:

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Short-term	20,628	152,105	16,785	87,146
Medium and long-term	-	66,664	-	121,118
<b>Total</b>	<b>20,628</b>	<b>218,769</b>	<b>16,785</b>	<b>208,264</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. 44% of bank deposits and 38% 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:**

	September 30, 2016		December 31, 2015	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	<b>248,316</b>	-	<b>199,302</b>	-
Financial institutions and organizations	248,313	-	199,295	-
Other institutions and organizations	-	-	-	-
Real persons	3	-	7	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	<b>248,316</b>	-	<b>199,302</b>	-

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

	September 30, 2016		December 31, 2015	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	176,870	248,316	143,899	192,088
Held to Maturity Investments	-	-	7,035	7,214
Financial assets held for trading	-	-	-	-
<b>Total</b>	<b>176,870</b>	<b>248,316</b>	<b>150,934</b>	<b>199,302</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. In 2016 operational lease expenses amounting to TRY 14,272 have been recorded in the profit and loss accounts (December 31, 2015: TRY 17,448). The lease periods vary between 5 and 10 years.

c) Explanations on the less or 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:

	September 30, 2016	December 31, 2015
<b>General Provisions</b>		
Provisions for First Group Loans and Receivables	23,607	25,001
- Additional provision for extended loans	732	533
Provisions for Second Group Loans and Receivables	7,271	4,103
- Additional provision for extended loans	6,994	5,652
Provisions for Non-cash Loans	4,181	4,113
<b>Total</b>	<b>42,785</b>	<b>39,402</b>

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 136 (December 31, 2015: TRY 1,468) on the foreign currency indexed loans are netted off from loans on the balance sheet.

c) The specific provisions of TRY 8,271 (December 31, 2015: TRY 7,455) 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) Table of provision for employee of benefits:

	September 30, 2016	December 31, 2015
Employee termination benefit provision	9,905	8,198
Unused vacation provision	2,960	4,038
<b>Total of provision for employee benefits</b>	<b>12,865</b>	<b>12,236</b>

In accordance with TAS 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 Gazzette, as per TAS 19 actuarial gain that is recorded under shareholders' equity amounting to TRY 84 as of September 30, 2016 (December 31, 2015: TRY 285 gain).

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

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:

	September 30, 2016	December 31, 2015
Specific provisions provided for unindemnified non cash loans	8,271	7,455
Other provisions (*)	7,723	2,499
<b>Total</b>	<b>15,994</b>	<b>9,954</b>

(\*) Other provisions include TRY 5,267 of bonus and premium provisions, TRY 304 of provision for other assets, TRY 2,152 of litigation provision. (December 31, 2015: TRY 770 of bonus and premium provisions before 2015, TRY 302 of provision for other assets, TRY 1,427 of litigation provision).

**9. Explanations on taxes payable:**

a) Information on current tax liability:

a.1) As of September 30, 2016, remaining tax liability after prepaid taxes are netted off:

	September 30, 2016	December 31, 2015
Current Period Tax Payable	5,940	-
Prepaid Tax	(2,872)	(1,238)
<b>Total</b>	<b>3,068</b>	<b>(1,238)</b>

a.2) Explanations on taxes payable:

	September 30, 2016	December 31, 2015
Taxation on Securities	4,599	5,350
BITT	3,854	4,664
Corporate Tax Payable	3,068	-
Payroll Tax	1,369	1,379
Property Tax	489	465
Value Added Tax Payable	83	321
Stamp Tax	43	44
Other	44	66
<b>Total</b>	<b>13,549</b>	<b>12,289</b>

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

a.3) Information on premiums:

	September 30, 2016	December 31, 2015
Social Security Premiums-Employer	851	823
Social Security Premiums-Employee	545	534
Bank Social Aid Pension Fund Premium-Employer	74	73
Bank Social Aid Pension Fund Premium-Employee	37	36
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>1,507</b>	<b>1,466</b>

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

**10. Information on Shareholders' Equity:**

a) Presentation of Paid-in capital:

As of September 30, 2016 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares

	September 30, 2016	December 31, 2015
Common stock (*)	650,000	650,000
Preferred stock	-	-

(\*) Nominal Capital

- b) The Bank does not apply registered share capital system.
- c) Information on share capital increases' their sources and 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.

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

h) Information on marketable securities value increase fund:

	September 30, 2016	December 31, 2015
Valuation Difference	(16,643)	(26,132)
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(16,643)</b>	<b>(26,132)</b>

**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments**

**1. Information on off-balance sheet liabilities:**

a) Nature and amount of irrevocable loan commitments:

	September 30, 2016	December 31, 2015
Loan granting commitments	57,274	62,401
Payment commitments for checks	108,828	111,641
Forward asset purchase and sales commitments	20,943	14,877
Other irrevocable commitments	5,115	494
<b>Total</b>	<b>192,160</b>	<b>189,413</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:

	September 30, 2016	December 31, 2015
Bank acceptance loans	1,709	2,701
Letters of credit	163,061	150,969
Other guarantees and collaterals	142,999	154,325
<b>Total</b>	<b>307,769</b>	<b>307,995</b>

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

	September 30, 2016	December 31, 2015
Definite letter of guarantess	1,405,358	1,333,414
Temporary letter of guarantees	303,139	365,002
Other letter of guarantees	154,686	228,119
<b>Total</b>	<b>1,863,183</b>	<b>1,926,535</b>

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**III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments**  
**(continued)**

## c) Total amount of non-cash loans:

	September 30, 2016	December 31, 2015
Non-cash loans given against achieving cash loans	148,888	151,028
With maturity of 1 year or less than 1 year	117,304	98,319
With maturity of more than 1 year	31,584	52,709
Other non-cash loans	2,022,064	2,083,502
<b>Total</b>	<b>2,170,952</b>	<b>2,234,530</b>

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

## 1. a) Information on interest on loans:

	September 30, 2016		September 30, 2015	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	95,793	5,179	155,321	8,295
Medium and long term loans	226,040	18,833	128,923	20,240
Interest on non-performing loans	3,316	-	3,493	-
<b>Total</b>	<b>325,149</b>	<b>24,012</b>	<b>287,737</b>	<b>28,535</b>

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

## b) Information on interest received from banks:

	September 30, 2016		September 30, 2015	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	126	881	176	365
Foreign banks	3	15	-	1
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>129</b>	<b>896</b>	<b>176</b>	<b>366</b>

## c) Interest received from marketable securities portfolio:

	September 30, 2016		September 30, 2015	
	TRY	FC	TRY	FC
Available-for-sale securities	51,022	-	39,001	-
Held-to-maturity securities	723	-	4,378	-
Trading securities	2	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
<b>Total</b>	<b>51,747</b>	<b>-</b>	<b>43,379</b>	<b>-</b>

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

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

None.

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

Interest on funds borrowed (*)	September 30, 2016		September 30, 2015	
	TRY	FC	TRY	FC
Banks	825	3,449	887	2,468
The Central Bank of Turkey	-	-	-	-
Domestic banks	825	277	810	361
Foreign banks	-	3,172	77	2,107
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>825</b>	<b>3,449</b>	<b>887</b>	<b>2,468</b>

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

**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	September 30, 2016							Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	
<b>TRY</b>								
Bank deposits	-	29	-	-	-	-	-	29
Saving deposits	-	3,661	102,356	15,204	10,128	1,815	-	133,164
Public sector deposits	-	30	905	279	-	-	-	1,214
Commercial deposits	-	6,172	43,216	6,843	5,122	6,540	-	67,893
Other deposits	-	4,963	5,071	59	-	-	-	10,093
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>14,855</b>	<b>151,548</b>	<b>22,385</b>	<b>15,250</b>	<b>8,355</b>	<b>-</b>	<b>212,393</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	757	26,473	2,313	1,362	17	-	30,922
Bank deposits	-	-	134	-	-	-	-	134
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>757</b>	<b>26,607</b>	<b>2,313</b>	<b>1,362</b>	<b>17</b>	<b>-</b>	<b>31,056</b>
<b>Grand Total</b>	<b>-</b>	<b>15,612</b>	<b>178,155</b>	<b>24,698</b>	<b>16,612</b>	<b>8,372</b>	<b>-</b>	<b>243,449</b>



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

Account Name	September 30, 2015							Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	
<b>TRY</b>								
Bank deposits	-	14	-	-	-	-	-	14
Saving deposits	-	4,240	74,765	7,311	3,771	470	-	90,557
Public sector deposits	-	72	198	46	-	-	-	316
Commercial deposits	-	9,076	45,550	4,700	2,752	5,707	-	67,785
Other deposits	-	264	5,754	2,222	-	-	-	8,240
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>13,666</b>	<b>126,267</b>	<b>14,279</b>	<b>6,523</b>	<b>6,177</b>	<b>-</b>	<b>166,912</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	720	26,792	2,129	581	124	-	30,346
Bank deposits	-	152	-	-	-	-	-	152
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>872</b>	<b>26,792</b>	<b>2,129</b>	<b>581</b>	<b>124</b>	<b>-</b>	<b>30,498</b>
<b>Grand Total</b>	<b>-</b>	<b>14,538</b>	<b>153,059</b>	<b>16,408</b>	<b>7,104</b>	<b>6,301</b>	<b>-</b>	<b>197,410</b>

3. **Information on Dividend Income:** At the end of September, The Bank has TRY 10 dividend income.

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

	September 30, 2016	September 30, 2015
<b>Income</b>	<b>423,863</b>	<b>962,159</b>
Gains on capital market operations	16	-
Gains on derivative financial instruments	33,372	44,074
Foreign exchange gains	390,475	918,085
<b>Losses (-)</b>	<b>(424,176)</b>	<b>(963,976)</b>
Losses on capital market operations	-	-
Losses on derivative financial instruments	(42,448)	(51,018)
Foreign exchange losses	(381,728)	(912,958)
<b>Total</b>	<b>(313)</b>	<b>(1,817)</b>

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

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

	September 30, 2016	September 30, 2015
Reversal of specific provisions (cash)	12,559	8,178
Reversal of general loan loss provisions	5,062	487
Income from sales of assets	1,686	1,338
Reversal of unindemnified non-cash loan provision	1,568	2,021
Income of previous year	1,555	279
Provisions for expenditure collected from customers	24	28
Provisions for communication expense collected from customers	22	29
Reversal of free provisions	11	8,095
Other	385	998
<b>Total</b>	<b>22,872</b>	<b>21,453</b>

**6. Provision for impairment of loans and other receivables:**

	September 30, 2016	September 30, 2015
Specific provisions for loans and other receivables	47,578	22,943
III. Group Loans and Receivables	8,441	9,320
IV. Group Loans and Receivables	14,605	9,969
V. Group Loans and Receivables	24,532	3,654
General loan loss provision expenses	8,445	4,902
Marketable securities impairment losses	-	1
Financial assets at fair value through profit and loss	-	1
Investment securities available for sale	-	-
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	78
Other	2,383	596
<b>Total</b>	<b>58,406</b>	<b>28,520</b>

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

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

	September 30, 2016	September 30, 2015
Personnel expenses	59,940	65,891
Reserve for employee termination benefits	1,506	1,278
Taxes and duties	3,316	3,140
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3,257	3,060
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	4,603	5,923
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	655	457
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	37,432	34,838
Rent expenses	14,272	12,741
Maintenance expenses	4,788	4,486
Advertisement expenses	311	414
Other expenses (*)	18,061	17,197
Loss on sales of assets	-	32
Other (**)	10,525	13,201
<b>Total</b>	<b>121,234</b>	<b>127,820</b>

(\*) Included in other operating expenses; vehicle expenses are TRY 3,574, communication expenses are TRY 2,892, heating-lightening expenses are TRY 1,095, stationery expenses are TRY 595, cleaning expenses are TRY 741, non-deductible expenses are TRY 548, computer usage expenses are TRY 2,216, subcontractor company expenses are TRY 2,592, expertise expenses are TRY 1,025, common costs are TRY 750, insurance expenses are TRY 596, representation expenses are TRY 375, and other expenses are TRY 1,062 (September 30 2015; vehicle expenses are TRY 3,615, communication expenses are TRY 2,588, cleaning expenses are TRY 701, non-deductible expenses are TRY 353, heating-lightening expenses are TRY 1,065, stationery expenses are TRY 506, computer usage expenses are TRY 2,261 insurance expenses are TRY 484, expertise expenses are TRY 1,197, representation expenses are TRY 710, subcontractor company expenses are TRY 2,334, and other expenses are TRY 1,383).

(\*\*) Included in other; assurance and financial consultancy expenses are TRY 2,130, the premiums paid to Saving Deposit Insurance Fund are TRY 1,763, free provisions are TRY 5,209 and other expenses are TRY 1,423. (September 30, 2015: premiums paid to Saving Deposit Insurance Fund is TRY 1,531, assurance and financial consultancy expenses are TRY 1,765, free provision expenses are TRY 4,981, prior year foreign exchange differences are TRY 3,048, unused vacation expenses are TRY 584 and other expenses are TRY 1,292).

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

As of September 30, 2016, current tax expense is 5,940 (September 30, 2015: None) and TRY 3,714 deferred tax income (September 30, 2015: TRY 4,746 deferred tax expense).

**9. 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.
- 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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**IV. Explanations and Disclosures Related to the Statement of Income (continued)**

10. 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:

	September 30, 2016	September 30, 2015
<b>Other fees and commissions received</b>		
Expertise fees collected from customers	1,218	1,362
Transfer commissions	404	538
Cheque expenses	225	264
Insurance commissions	140	672
Information expenses	62	77
Safe-deposit commissions	52	59
Bill of credit commissions	41	35
Credit cards commissions and fees	9	4
Letter of credit commissions	6	9
Collection item commissions	6	8
Other banking operations income (*)	3,978	5,987
<b>Total</b>	<b>6,141</b>	<b>9,015</b>

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

	September 30, 2016	September 30, 2015
<b>Other fees and commissions given</b>		
Commissions given to banks	425	409
EFT commissions	219	204
Bond exchange transaction fee	128	280
Transfer commissions	116	131
Credit card commissions	34	36
Settlement and custody commissions	23	28
ATM commission	8	9
Other	32	81
<b>Total</b>	<b>985</b>	<b>1,178</b>

**V. 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) September 30, 2016:

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	-	-	112	63	-	18,459
Balance at end of period	-	-	118	1,618	2,136	51,773
<b>Interest and commission income</b>	-	-	-	-	103	375

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 118.

b) December 31, 2015:

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	-	-	99	85	-	15,913
Balance at end of period	-	-	112	63	-	18,459
<b>Interest and commission income (*)</b>	-	-	-	8	-	42

(\*) 30 September 2015 amounts are used for income statement accounts.

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 112.

**TURKLAND BANK ANONİM ŞİRKETİ**  
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**V. Explanations on the Risk Group of the Bank (continued)**

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	
	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
Deposits						
Balance at beginning of period	-	-	844	730	19,194	89,693
Balance at end of period	-	-	1,163	844	106,561	19,914
Interest on deposits (*)	-	-	-	-	4,339	7,968

(\*) Interest expense on deposits represents September 30, 2015.

In addition, the Bank has "Funds Borrowed" at an amount of TRY 62,230 used from risk group of the Bank (December 31, 2015: TRY 59,762) and TRY 1,776 (September 30, 2015: TRY 686) interest expense was incurred from funds borrowed in 2016.

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

d) As of September 30, 2016, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 5,339 (September 30, 2015: TRY 9,466).

**2. Disclosures for related parties:**

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various commercial transactions with related parties.

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	2,136	0.06
Banks and other receivables	118	0.04
Non-cash loans	53,391	2.28
Deposits	107,724	2.65
Borrowings	62,230	25.99

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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**V. Explanations on the Risk Group of the Bank (continued)**

- 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 0.86%. Details of these loans are explained in 1a above.

**VI. Explanations and Notes Related to Subsequent Events**

None.

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**TURKLAND BANK ANONİM ŞİRKETİ**  
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**SECTION SIX**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

**I. Explanations on the Independent Auditor's Review Report:**

The unconsolidated financial statements of the Bank for the period ended September 30, 2016 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's limited review report dated November 10, 2016 is presented preceding the unconsolidated financial statements.

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

None.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**AS OF SEPTEMBER 30, 2016**

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**SECTION SEVEN (\*)**

**INFORMATION ON INTERIM ACTIVITY REPORT**

**Message from the CEO:**

When we take a look at the financial markets in Turkey, we see that the Central Bank reduced the interest rates in the first nine months of the year within the framework of its monetary simplification policy. The Central Bank reduced the high band of the interest rate corridor by 250 basis points through seven successive discounts until September. The Central Bank also left the low band of the interest rate corridor at the level of 7.25 per cent in line with expectations of the Monetary Policy Committee meeting in October. Therefore, the Central Bank of the Republic of Turkey kept the difference between the high and low bands at 100 basis points. The rates and interests in the first nine months of the year have followed a very fluctuating course.

The assets of the banking sector were TRY 2.5 trillion as of August and the net profit of the sector was TRY 26.5 billion. Capital adequacy ratio was 16.03% by the end of August. The total value of credits were TRY 1.59 trillion, while deposits were TRY 1.32 trillion, which means that the credit/deposit rate was 120%. The rate of non-performing loans to cash credits reached 3.26%.

In the third quarter of 2016, T-Bank continued to improve its customer relations, increased its activities, and continued to maintain its position among the Turkish banks and comply with the global and local administrative directives and standards by availing itself of its powerful risk management and compatibility functions.

As the financial results demonstrate, the assets of T-Bank have reached TRY 5,493 million. The Bank's cash credit portfolio has reached TRY 3,720 million. T-Bank's total deposits reached TRY 4,066 million as of the third quarter of 2016. In terms of profitability, T-Bank ensured a net profit of TRY 5.8 million while its capital adequacy rate was 14.85%.

**Message from the Chairman:**

When we take a look at the global economy, we see the Central Bank of the US (FED) among the top priority agenda items. The minutes of the meeting in July, which were in mid-August, show that there is no consensus yet among the FED authorities in terms of interest increase. It can be interpreted that this lack of consensus indicates that FED will not take fast actions for interest increase. Furthermore, the recent statements made by top-level authorities of FED point out that, contrary to expectations, interest increase may not take such a long time to take place. In other respects, the European Banking Authority announced the "stress test" results of 51 banks. Within the scope of this test, banks were exposed to economic shocks scattered over three years, and the effects of these shocks on the original capitals were assessed. According to the results of the test, it has been stated that the banking sector is more resistant against economic shocks than it was two years ago and may be more successful in enduring the shocks.

When we take a look at Turkey, we see that the industrial production increased 1.1% in June on an annual basis according to the data that are cleared of the calendar effect. Export diminished 11.5% and import decreased 19.7% in July. The faster decrease in import compared to export enabled a contraction in the foreign trade deficit. Therefore, the foreign trade deficit, which was USD 7.1 billion in July last year, regressed to USD 4.8 billion in the same month this year. The budget had an excess of TRY 1.3 billion in the first 7 months of the year.

In this whole picture, the assets of T-Bank have reached TRY 5,493 million and its deposits have reached TRY 4,066 million. The Bank's cash credit portfolio has also reached TRY 3,720 million. The Bank's net profit has been TRY 5.8 million. T-Bank preserves its powerful capital structure with its capital adequacy rate of 14.85%.

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(\*) Amounts in section seven expressed in full Turkish Lira ("TL") amount unless otherwise stated



**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
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**Information on Interim Activity Report (continued)**

**Changes in the Articles of Association during the period:**

There is no change in the Articles of Association during the period.

**Assessment of Financial Position:**

Assets of Turkland Bank A.Ş. are 5,493 Million TRY, loans are 3,720 Million TRY, deposits are 4,066 Million TRY, commitments and contingencies are 2,171 Million TRY in the third quarter of 2016.

Marketable securities was 761 Million TRY in 2016.

In the third quarter of 2015, the Bank's net profit was 14.8 Million TRY and in the third quarter of 2016 net profit was 5.8 Million TRY.

Capital adequacy ratio of the Bank was 14.85% as of September 30, 2016 and above legal requirement which is 8%.

Non-performing loans in total loan portfolio was 7.62% and specific provision for non-performing loans was 38.50%.

**Summary Financial Highlights**

	September 30, 2016	December 31, 2015
Total Assets	5,492,691	5,818,733
Loans (net)	3,720,249	3,963,343
Loans (gross)	3,832,669	4,040,744
Marketable Securities (Net)	760,668	691,465
Banks/Money Market Placements	282,470	438,378
Deposits	4,065,553	4,481,311
Borrowings	239,397	225,049
Equity	757,894	742,814
Commitments and Contingencies	2,170,952	2,234,530
	September 30, 2016	September 30, 2015
Net Interest Income	145,799	135,069
Net Commission Income	19,290	21,148
Profit Before Taxes	8,018	19,521
Net Profit	5,792	14,775

**Summary Financial Ratios (%)**

	September 30, 2016	December 31, 2015
Capital Adequacy Ratio	14.85	15.65
Loans/Deposits	91.51	88.44
Loans/Total Assets	67.73	68.11
Liquid Assets/Total Assets	19.92	20.88
Non-performing Loans (net)/Total Loans (net)	4.83	4.15
Non-performing Loans (gross)/Total Loans (gross)	7.62	5.98
Non-performing Loans (net)/Total Assets	3.27	2.83
Specific Provisions/Non-performing Loans	38.50	32.01

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

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

**Information on Interim Activity Report (continued)**

**Turkland Bank in the third quarter of 2016**

T-Bank, operating in the primary financial and industrial center in Turkey, serves its customers with 630 employees and 34 branches.

The bank is primarily focused on small and mid-sized enterprises, while serving client needs in such diverse areas as commercial financing, treasury and cash management.

With the strong relationships of its majority shareholders with corresponding banks in the Middle East and North Africa, T-Bank capitalized on the opportunity to broaden the scope of its services to clients in the region, while retaining strong relationships with global banking institutions.