

TURKLAND BANK ANONİM ŐİRKETİ

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

Turkland Bank Anonim Şirketi

INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR JANUARY 1- DECEMBER 31,2016

Report on the Financial Statements

We have audited the accompanying balance sheet of Turkland Bank A.Ş. (“Bank”) as at December 31, 2016 and the related income statement, statement of income and expense items accounted under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Responsibility of the Bank’s Board of Directors for the financial statements

Bank Management is responsible for the preparation and fair presentation of the financial statements in accordance with “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 (“BRSA”), circulars, interpretations published by BRSA and the provisions of Turkish Accounting Standards for the matters which are not regulated by these regulation; “BRSA Accounting and Financial Reporting Legislation” and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Independent Auditor’s responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with communique “Independent Audit of Banks” published by BRSA on the Official Gazette No.29314 dated April 2, 2015 and with the Independent Auditing Standards which is a part of Turkish Auditing Standards promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the independent auditor’s professional judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the independent auditor considers the internal control relevant to bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank’s internal control. An independent audit also includes evaluating the appropriateness of accounting policies used by the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements presents fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at December 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with BRSA Accounting and Financial Reporting Legislation.

Reports arising from other regulatory requirements

In accordance with Article 402 paragraph 4 of the Turkish Commercial Code (“TCC”) no 6102; no significant matter has come to our attention that causes us to believe that the Bank’s bookkeeping activities for the period January 1 – December 31, 2016 are not in compliance with the code and provisions of the Bank’s articles of association in relation to financial reporting.

In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Additional Paragraph for convenience translation to English

As explained in detail in Note I. of Section Three, accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Yaşar Bivas, SMMM
Partner

İstanbul, February 14, 2017

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

**THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF TURKLANDBANK A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

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

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

January 31, 2017

Nehme SABBAGH

A. Dinçer ALPMAN

Mehmet ÖZGÜNER

H.Efe İÇLİ

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

INDEX

SECTION ONE General Information

- I. Bank's Incorporation Date, Beginning Statute, Changes in the Existing Statute
- 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
- 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
- IV. Information about the Persons and Institutions that have Qualified Shares
- V. Summary on the Bank's Functions and Areas of Activity
- 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
- 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

SECTION TWO Unconsolidated Financial Statements

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

SECTION THREE Accounting Principles

- I. Basis of Presentation
- II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions
- III. Explanations on Forward and Option Contracts and Derivative Instruments
- IV. Explanations on Interest Income and Expenses
- V. Explanations on Fees and Commission Income and Expenses
- VI. Explanations on Financial Assets
- VII. Explanations on Impairment of Financial Assets
- VIII. Explanations on Offsetting of Financial Assets and Liabilities
- IX. Explanations on Sales and Repurchase Agreements and Lending of Securities
- X. Explanations on Assets Held For Sale and Discontinued Operations
- XI. Explanations on Goodwill and Other Intangible Assets
- XII. Explanations on Tangible Fixed Assets
- XIII. Explanations on Leasing Transactions
- XIV. Explanations on Provisions and Contingent Liabilities
- XV. Explanations on Liabilities Regarding Employee Benefits
- XVI. Explanations on Taxation
- XVII. Additional Explanations on Borrowings
- XVIII. Explanations on Issued Share Certificates
- XIX. Explanations on Acceptances
- XX. Explanations on Government Incentives
- XXI. Explanations on Segment Reporting
- XXII. Explanations on Other Matters

SECTION FOUR Information on Financial Structure

- I. Explanations Related to Components of Shareholders' Equity
- II. Explanations Related to Credit Risk
- III. Explanations Related to Counterparty Credit Risk
- IV. Explanations Related to Currency Risk
- V. Explanations Related to Interest Rate Risk
- VI. Explanations Related to Equity Position Risk
- VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio
- VIII. Explanations Related to Leverage Ratio
- IX. Explanations Related to Market Risk
- X. Explanations Related to Operational Risk
- XI. Explanations Related to Risk Management
- XII. Explanations Related to Presentation of Financial Assets and Liabilities at Fair Value
- XIII. Explanations Related to Transactions Made on Behalf of Others and Fiduciary Transactions
- XIV. Explanations on Securitization Positions

SECTION FIVE Explanations and Disclosures on Unconsolidated Financial Statements

- I. Explanations and Disclosures Related to the Assets
- II. Explanations and Disclosures Related to the Liabilities
- III. Explanations and Disclosures Related to the Off-Balance Sheet Contingencies and Commitments
- IV. Explanations and Disclosures Related to the Statement of Income
- V. Explanations and Disclosures Related to the Statement of Changes in Shareholders' Equity
- VI. Explanations and Disclosures Related to the Statement of Cash Flows
- VII. Explanations on the Risk Group of the Bank
- VIII. Explanations on the Bank's Domestic Branches, Agencies and Branches Abroad and Off-shore Branches
- IX. Explanations and Disclosures Related to Subsequent Events

SECTION SIX Other Explanations

- I. Other Explanations on the Operations of the Bank

SECTION SEVEN Independent Auditor's Report

- I. Explanations on the Independent Auditor's Report
- II. Other Footnotes and Explanations Prepared by the Independent Auditors

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 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 Kuvveyt Bankası Anonim Şirketi" (BB&K). Its name was changed as "Tasarruf ve Kredi Bankası Anonim Şirketi" with its acquisition by Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günal (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 Günal 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 Günal'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, 2014 and numbered 20637.

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 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 December 31, 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	-
Total	650,000.00	%100.0	650,000.00	-

As of December 31, 2016 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

<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 MOHAMMAD FOUDEH	Member	Master Degree
	BASSIL YARED	Member	Master Degree
General Manager and Member of Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Managers	BENAN BAŞAK (**)	Credit Allocation	Master Degree
	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.

(**) Benan Başak has been appointed as Credit Allocation Assistant General Manager according to the BOD numbered 548 and dated November 1, 2016.

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

Information about the persons and institutions that have qualified shares as of December 31, 2016:

<u>Name of Shareholders</u>	<u>Share Amount</u>	<u>Share Ratios</u>	<u>Paid up Shares</u>	<u>Unpaid Shares</u>
ARAB BANK PLC	216,666.67	33.3%	216,666.67	-
ARAB BANK (Switzerland)	108,333.33	16.7%	108,333.33	-
BANKMED, SAL	324,999.99	50.0%	324,999.99	-

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

The Bank has 33 branches and 608 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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

Translated into English from the original Turkish report and financial statements

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

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

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TURKLAND BANK ANONİM ŞİRKETİ
BALANCE SHEETS AS OF DECEMBER 31, 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)	Audited Current Period 31/12/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	329,982	280,691	610,673	49,906	565,182	615,088
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	2,129	651	2,780	406	29	435
2.1 Financial assets held for trading		2,129	651	2,780	406	29	435
2.1.1 Public sector debt securities		-	-	-	25	-	25
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		2,129	651	2,780	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		-	-	-	-	-	-
III. BANKS	I-3	141	560,187	560,328	24,022	364,341	388,363
IV. MONEY MARKET PLACEMENTS		-	-	-	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
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	756,126	4	756,130	669,357	3	669,360
5.1 Share certificates		138	-	138	-	-	138
5.2 Public sector debt securities		755,988	4	755,992	669,219	3	669,222
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	I-5	3,079,976	549,184	3,629,160	3,436,235	527,108	3,963,343
6.1 Loans and receivables		2,929,594	549,184	3,478,778	3,271,816	527,108	3,798,924
6.1.1 Loans to risk group of the Bank		-	-	-	-	-	-
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		2,929,594	549,184	3,478,778	3,271,816	527,108	3,798,924
6.2 Non-performing loans		240,029	-	240,029	241,820	-	241,820
6.3 Specific provisions (-)		(89,647)	-	(89,647)	(77,401)	-	(77,401)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-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		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-	-	-	-
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	12,308	-	12,308	15,422	-	15,422
XV. INTANGIBLE ASSETS (Net)	I-13	13,266	-	13,266	12,716	-	12,716
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		13,266	-	13,266	12,716	-	12,716
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-	-	-	-
XVII. TAX ASSET	I-15	6,259	-	6,259	4,851	-	4,851
17.1 Current tax asset		1,104	-	1,104	1,238	-	1,238
17.2 Deferred tax asset		5,155	-	5,155	3,613	-	3,613
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-17	162,809	18	162,827	77,050	10	77,060
TOTAL ASSETS		4,364,726	1,390,735	5,755,461	4,362,060	1,456,673	5,818,733

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

Translated into English from the original Turkish report and financial statements

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

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

	Note Ref. (Section Five)	Audited Current Period 31/12/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
I. DEPOSITS	II-1	2,581,301	1,486,203	4,067,504	2,760,498	1,720,813	4,481,311
1.1 Deposits from risk group of the Bank		79,070	4,090	83,160	13,913	6,125	20,038
1.2 Other		2,502,231	1,482,113	3,984,344	2,746,585	1,714,688	4,461,273
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	3,425	314	3,739	3	34	37
III. FUNDS BORROWED	II-3	22,422	361,336	383,758	16,785	208,264	225,049
IV. MONEY MARKET BALANCES		373,315	-	373,315	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	373,315	-	373,315	199,302	-	199,302
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
VI. FUNDS		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
VII. SUNDRY CREDITORS		29,427	12,634	42,061	24,549	12,577	37,126
VIII. OTHER LIABILITIES	II-5	45,208	2,097	47,305	55,469	2,278	57,747
IX. FACTORING PAYABLES		-	-	-	-	-	-
X. LEASE PAYABLES (Net)	II-6	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-7	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XII. PROVISIONS	II-8	67,228	1,101	68,329	60,679	913	61,592
12.1 General loan loss provisions		41,321	-	41,321	39,402	-	39,402
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		12,346	-	12,346	12,236	-	12,236
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		13,561	1,101	14,662	9,041	913	9,954
XIII. TAX LIABILITY	II-9	13,429	-	13,429	13,755	-	13,755
13.1 Current tax liability		13,429	-	13,429	13,755	-	13,755
13.2 Deferred tax liability		-	-	-	-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	II-10	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
XV. SUBORDINATED LOANS	II-11	-	-	-	-	-	-
XVI. SHAREHOLDERS' EQUITY	II-12	756,021	-	756,021	742,814	-	742,814
16.1 Paid-in capital		650,000	-	650,000	650,000	-	650,000
16.2 Supplementary capital		(919)	-	(919)	(373)	-	(373)
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		(27,512)	-	(27,512)	(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		26,548	-	26,548	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		13,753	-	13,753	14,506	-	14,506
16.4.1 Prior years' income/(losses)		-	-	-	-	-	-
16.4.2 Current year income/(loss)		13,753	-	13,753	14,506	-	14,506
16.5 Minority shares	II-13	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		3,891,776	1,863,685	5,755,461	3,873,854	1,944,879	5,818,733

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
OFF-BALANCE SHEETS AS OF DECEMBER 31, 2016 AND DECEMBER 31, 2015

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Audited Current Period 31/12/2016			Audited Prior Period 31/12/2015		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II-III)		1,814,088	990,517	2,804,605	1,763,162	763,760	2,526,922
I. GUARANTEES	III-1	1,518,131	755,344	2,273,475	1,552,479	682,051	2,234,530
1.1 Letters of guarantee		1,514,885	375,961	1,890,846	1,551,886	374,649	1,926,535
1.1.1 Guarantees subject to State Tender Law		12,506	1,560	14,066	13,038	2,484	15,522
1.1.2 Guarantees given for foreign trade operations		70,178	31,600	101,778	75,652	34,029	109,681
1.1.3 Other letters of guarantee		1,432,201	342,801	1,775,002	1,463,196	338,136	1,801,332
1.2 Bank loans		-	6,465	6,465	-	2,701	2,701
1.2.1 Import letter of acceptance		-	6,465	6,465	-	2,701	2,701
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		189	234,288	234,477	-	150,969	150,969
1.3.1 Documentary letters of credit		189	234,288	234,477	-	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		3,057	138,630	141,687	593	153,732	154,325
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-1	207,522	34,837	242,359	175,479	13,934	189,413
2.1 Irrevocable commitments		207,522	34,837	242,359	175,479	13,934	189,413
2.1.1 Forward asset purchase and sales commitments		26,452	33,615	60,067	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		66,907	-	66,907	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		108,953	-	108,953	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		5,210	1,222	6,432	-	494	494
2.2 Revocable commitments		-	-	-	-	-	-
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	III-2	88,435	200,336	288,771	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		88,435	200,336	288,771	35,204	67,775	102,979
3.2.1 Forward foreign currency buy/sell transactions		64,889	69,102	133,991	3,989	3,925	7,914
3.2.1.1 Forward foreign currency transactions-buy		33,321	33,570	66,891	620	3,342	3,962
3.2.1.2 Forward foreign currency transactions-sell		31,568	35,532	67,100	3,369	583	3,952
3.2.2 Swap transactions related to foreign currency, and interest rates		7,546	102,144	109,690	-	32,993	32,993
3.2.2.1 Foreign currency swaps-buy		-	54,714	54,714	-	16,492	16,492
3.2.2.2 Foreign currency swaps-sell		7,546	47,430	54,976	-	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		16,000	29,090	45,090	-	-	-
3.2.3.1 Foreign currency options-buy		8,000	14,545	22,545	-	-	-
3.2.3.2 Foreign currency options-sell		8,000	14,545	22,545	-	-	-
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. CUSTODY AND PLEDGED ITEMS (IV-V+VI)		82,566,008	9,015,194	91,581,202	77,568,021	6,327,175	83,895,196
IV. ITEMS HELD IN CUSTODY		558,830	32,531	591,361	630,014	42,945	672,959
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		2	316	318	4,556	1,451	6,007
4.3 Checks received for collection		548,143	31,732	579,875	612,246	40,330	652,576
4.4 Commercial notes received for collection		10,685	483	11,168	13,212	782	13,994
4.5 Other assets received for collection		-	-	-	-	382	382
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	-	-	-	-	-
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		82,007,178	8,982,663	90,989,841	76,938,007	6,284,230	83,222,237
5.1 Marketable securities		-	-	-	-	-	-
5.2 Guarantee notes		70,876	22,423	93,299	53,686	3,583	57,269
5.3 Commodities		1,646	-	1,646	1,646	-	1,646
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		2,561,824	135,150	2,696,974	2,822,430	156,044	2,978,474
5.6 Other pledged items		79,372,832	8,825,090	88,197,922	74,060,245	6,124,603	80,184,848
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		84,380,096	10,005,711	94,385,807	79,331,183	7,090,935	86,422,118

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

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

III. STATEMENT OF INCOME

	Note Ref. (Section Five)	Audited Current Period 01/01-31/12/2016	Audited Prior Period 01/01-31/12/2015
I. INTEREST INCOME	IV-1	547,951	510,211
1.1 Interest on loans		467,600	436,080
1.2 Interest received from reserve deposits		7,479	4,502
1.3 Interest received from banks		1,557	955
1.4 Interest received from money market placements		977	753
1.5 Interest received from marketable securities portfolio		65,566	65,946
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		64,808	61,138
1.5.4 Investments held-to-maturity		756	4,808
1.6 Finance lease income		-	-
1.7 Other interest income		4,772	1,975
II. INTEREST EXPENSE	IV-2	(357,615)	(326,407)
2.1 Interest on deposits		(326,812)	(287,082)
2.2 Interest on funds borrowed		(6,441)	(4,468)
2.3 Interest on money market borrowings		(22,850)	(29,847)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(1,512)	(5,010)
III. NET INTEREST INCOME (I - II)		190,336	183,804
IV. NET FEES AND COMMISSIONS INCOME		25,950	28,021
4.1 Fees and commissions received		27,530	29,738
4.1.1 Non-cash loans		19,491	18,212
4.1.2 Other	IV-12	8,039	11,526
4.2 Fees and commissions paid		(1,580)	(1,717)
4.2.1 Non-cash loans		(73)	(66)
4.2.2 Other	IV-12	(1,507)	(1,651)
V. DIVIDEND INCOME	IV-3	10	8
VI. NET TRADING INCOME	IV-4	(1,151)	(1,502)
6.1 Securities trading gains/ (losses)		74	2
6.2 Gain/(losses) from derivative financial instruments		(5,675)	(5,391)
6.3 Foreign exchange gains/ (losses)		4,450	3,887
VII. OTHER OPERATING INCOME	IV-5	52,163	23,360
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		267,308	233,691
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	(60,929)	(50,176)
X. OTHER OPERATING EXPENSES (-)	IV-7	(188,941)	(163,683)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		17,438	19,832
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	IV-8	17,438	19,832
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-9	(3,685)	(5,326)
16.1 Provision for current income taxes		(4,882)	-
16.2 Provision for deferred taxes		1,197	(5,326)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	IV-10	13,753	14,506
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
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		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-11	13,753	14,506

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF PROFIT LOSS ACCOUNTED FOR UNDER EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Audited Current Period 01/01-31/12/2016	Audited Prior Period 01/01-31/12/2015
I. Additions to marketable securities revaluation differences for available for sale financial assets	(1,725)	(32,334)
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	834	438
IX. Deferred tax of valuation differences	345	6,467
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(546)	(25,429)
XI. Profit/Loss	13,753	14,506
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	51	-
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	13,702	14,506
XII. Total Profit/Loss accounted for in the period (X+XI)	13,207	(10,923)

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note (Section Five)	Paid-in Capital	Inflation Adjustment on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. From Assets Held for Sale and Assets from Disc. Op.	Total Equity before Minority Shares	Minority Shares	Total Equity
Prior Period – 01/01-31/12/2015																			
I.	Prior opening balance	650,000	25,276	-	-	2,322	-	37,377	7,051	31,931	-	(265)	-	45	-	-	753,737	-	753,737
II.	Changes in accounting policies according to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I-II)	650,000	25,276	-	-	2,322	-	37,377	7,051	31,931	-	(265)	-	45	-	-	753,737	-	753,737
	Changes in the period	-	-	-	-	-	-	-	-	(31,931)	31,931	-	-	-	-	-	-	-	-
IV.	Increase/Decrease related to merger	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable securities valuation differences	-	-	-	-	-	-	-	-	-	-	(25,867)	-	-	-	-	(25,867)	-	(25,867)
VI.	Hedging Funds (Effective Portion)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash-flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Hedge of net investment in foreign operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Tangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Intangible assets revaluation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign exchange differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	The disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	The reclassification of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	The effect of change in associate's equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share premium	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share cancellation profits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Inflation adjustment to paid-in capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other (*)	-	438	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Period net income/(loss)	-	-	-	-	-	-	-	-	14,506	-	-	-	-	-	-	438	-	438
XX.	Profit distribution	-	-	-	-	1,597	-	25,667	4,667	-	(31,931)	-	-	-	-	-	-	-	-
20.1	Dividends distributed	-	-	-	-	1,597	-	25,667	4,667	-	(31,931)	-	-	-	-	-	-	-	-
20.2	Transfers to reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650,000	25,714	-	-	3,919	-	63,044	11,718	14,506	-	(26,132)	-	45	-	-	742,814	-	742,814

(*) 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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2016 AND 2015

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Note (Section Five)	Paid-in Capital	Effect on Inflation Accounting on Capital and Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Marketable Securities Value Increase Fund	Tangible and Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. From Assets Held for Sale and Assets from Disc. Op.	Total Equity before Minority Shares	Minority Shares	Total Equity
Audited																			
Current Period- 01/01-31/12/2016																			
I.		650,000	25,714	-	-	3,919	-	63,044	11,718	14,506	-	(26,132)	-	45	-	-	742,814	-	742,814
		-	-	-	-	-	-	-	-	(14,506)	14,506	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	(1,380)	-	-	-	-	(1,380)	-	(1,380)
IV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	II-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.		-	834	-	-	-	-	-	-	-	-	-	-	-	-	-	834	-	834
XVII.		-	-	-	-	-	-	-	-	13,753	-	-	-	-	-	-	13,753	-	13,753
XVIII.		-	-	-	-	-	-	-	-	-	(14,506)	-	-	-	-	-	-	-	-
18.1		-	-	-	-	725	-	13,781	-	-	-	-	-	-	-	-	-	-	-
18.2		-	-	-	-	725	-	13,781	-	-	(14,506)	-	-	-	-	-	-	-	-
18.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650,000	26,548	-	-	4,644	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,021	-	756,021

(*) 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 (Comminuqie No:28585).

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note (Section Five)	Audited Current Period 01/01-31/12/2016	Audited Prior Period 01/01-31/12/2015
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		38,470	8,295
1.1.1 Interest received		431,761	419,420
1.1.2 Interest paid		(351,737)	(328,281)
1.1.3 Dividend received		10	8
1.1.4 Fees and commissions received		28,466	29,109
1.1.5 Other income		(95,436)	(32,370)
1.1.6 Collections from previously written off loans		100,329	37,968
1.1.7 Payments to personnel and service suppliers		(84,572)	(90,946)
1.1.8 Taxes paid		(5,986)	(2,780)
1.1.9 Others		15,635	(23,833)
2.1 Changes in operating assets and liabilities		196,428	(27,741)
1.2.1 Net (increase) decrease in financial assets held for trading		25	-
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		225,993	(75,220)
1.2.4 Net (increase) decrease in loans		144,896	(674,360)
1.2.5 Net (increase) decrease in other assets		(88,202)	(20,155)
1.2.6 Net increase (decrease) in bank deposits		152,826	(236,241)
1.2.7 Net increase (decrease) in other deposits		(398,059)	899,780
1.2.8 Net increase (decrease) in funds borrowed		158,270	86,754
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		679	(8,299)
I. Net cash provided from banking operations		234,898	(19,446)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		9,481	169,577
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		(1,308)	(5,907)
2.4 Fixed assets sales		887	804
2.5 Cash paid for purchase of financial assets available for sale		(60,641)	(101,527)
2.6 Cash obtained from sale of financial assets available for sale		56,986	202,576
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		19,857	76,258
2.9 Others		(6,300)	(2,627)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		-	-
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		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		98,833	76,216
V. Net increase / (decrease) in cash and cash equivalents		343,212	226,347
VI. Cash and cash equivalents at beginning of the period		583,088	356,741
VII. Cash and cash equivalents at end of the period		926,300	583,088

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF PROFIT DISTRIBUTION
FOR THE PERIODS ENDED 31 DECEMBER 2016 AND 2015
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31/12/2016 (*)	Audited Prior Period 31/12/2015
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1	17,438	19,832
1.2	3,685	5,326
1.2.1	4,882	-
1.2.2	-	-
1.2.3	(1,197)	5,326
A.	13,753	14,506
1.3	-	-
1.4	-	725
1.5	-	-
B.	13,753	13,781
1.6	-	-
1.6.1	-	-
1.6.2	-	-
1.6.3	-	-
1.6.4	-	-
1.6.5	-	-
1.7	-	-
1.8	-	-
1.9	-	-
1.9.1	-	-
1.9.2	-	-
1.9.3	-	-
1.9.4	-	-
1.9.5	-	-
1.1	-	-
1.11	-	-
1.12	-	13,781
1.13	-	-
1.14	-	-
II. DISTRIBUTION OF RESERVES		
2.1	-	-
2.2	-	-
2.3	-	-
2.3.1	-	-
2.3.2	-	-
2.3.3	-	-
2.3.4	-	-
2.3.5	-	-
2.4	-	-
2.5	-	-
III. EARNINGS PER SHARE (***)		
3.1	-	-
3.2	-	-
3.3	-	-
3.4	-	-
IV. DIVIDEND PER SHARE		
4.1	-	-
4.2	-	-
4.3	-	-
4.4	-	-

(*) Profit distribution is decided by the General Assembly. General Assembly is not held as of the date of this report.

(**) Deferred Tax Income / (Expense) amounts shown in Other Taxes and Duties are not subject to profit distribution.

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2016

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents” published in the Official Gazette No. 26333 dated November 1, 2006 by the Banking Regulation and Supervision Agency (“BRSA”) which refers to “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards (“TFRS”) issued by the Public Oversight Accounting and Auditing Standards Authority and other decrees, notes and explanations related to the accounting and financial reporting principles (all “Turkish Accounting Standards” or “TAS”) published by the BRSA. The format and the details of the publicly announced unconsolidated financial statements and related disclosures to these statements have been prepared in accordance with the “Communiqué Related to Publicly Announced Financial Statements of Banks and Explanations and Notes Related to these Financial Statements” and changes and notes to this communiqué published in the Official Gazette No. 28337 dated September 28, 2012. The Bank’s accounting books are prepared in accordance with Banking Law, Turkish Commercial Code and Turkish Tax Legislations in Turkish Lira. The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies adopted in the preparation of the Bank’s financial statements are consistent with the accounting policies adopted for financial statements dated December 31, 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 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 BRSA Accounting and Financial Reporting Legislation 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 23.78% 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 13.17% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 9.74% of the total assets and these assets provide liquidity with low risk and yield.

Translated into English from the original Turkish report and financial statements

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

Translated into English from the original Turkish report and financial statements

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

Translated into English from the original Turkish report and financial statements

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations on Impairment of Financial Assets (continued)

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 December 31, 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 20% and the auto and housing loans, vehicle classed as non-performing loans consumer loans and consumer loans, housing loans, other than the banks that over 8% of the overall response rate observed in the first group auto and housing for maturities of loans for consumer loans other than loans at 4% in the second group followed the vehicle for consumer loans and mortgage loans, except for maturities of 8% applies” rulling is given as of December 31, 2016 with regard to performing consumer loans, the additional general loan loss provision is reserved amounted TRY 277.

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

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

As of December 31, 2014, the Bank has been recorded all provisions which have should be recorded in according with the comminique.

In accordance with the change in the “Regulation and Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”(published in the Official Gazette numbered 28789 dated October 8, 2013 and published in the Official Gazette numbered 29267 and dated February 14, 2015), 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. As of December 31, 2016, the Bank has been applied the specified ratio for those related customers.

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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

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

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

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

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

As of December 31, 2016, the Bank does not have any reverse repo transactions (December 31, 2015: TRY 50,015).

As of December 31, 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 December 31, 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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

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 96. The total amount of those cases consists of TRY 5,754, USD 1,643 Thousand and EUR 193 Thousand. There is a provision of TRY 2,286 in the accompanying financial statements for these cases (December 31, 2015: TRY 1,427).

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

XV. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans

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

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. As per the Official Gazette No. 28585 dated 12 March 2013 which came into effect on 1 January 2013 published the revised IAS 19 required actuarial gains/losses recognized shareholder equity. As of December 31, 2016, the actuarial gains recognized in equity amounts to TRY 1,119 (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 4,882 tax provision in current period (December 31, 2015: None).

Deferred Tax Liability / Asset:

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

XVI. Explanations on Taxation (continued)

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 1,197 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.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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 31 December 2016 Bank’s total capital has been calculated as TRY 779,719, capital adequacy ratio is 15.96%. 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 above the minimum ratio required by the legislation.

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

	Current Period December 31, 2016 (*)
COMMON EQUITY TIER 1 CAPITAL	
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	26,548
Profit	13,753
Net profit of the period	13,753
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
Common Equity Tier 1 capital before regulatory adjustments	783,533
Common Equity Tier 1 capital: regulatory adjustments	
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	(27,512)
Improvement costs for operating leasing	(4,248)
Goodwill (net of related tax liability)	(7,960)
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)	-

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

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	-
Total regulatory adjustments to Common equity Tier 1	(39,720)
Common Equity Tier 1 capital (CET1)	743,813
ADDITIONAL TIER 1 CAPITAL	
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)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
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	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	
Goodwill and other intangible assets and related deferred tax liabilities which will not be 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 (-)	5,306
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	-
Total regulatory adjustments to Additional Tier 1 capital	5,306
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	738,507
TIER 2 CAPITAL	
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	41,321
Tier 2 capital before regulatory adjustments	41,321
Tier 2 capital: regulatory adjustments	-
Investments in own Tier 2 instruments	-
Reciprocal cross-holdings in Tier 2 instruments	-

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

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	-
Total regulatory adjustments to Tier 2 capital	-
Total Tier 2 capital	41,321
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	779,828
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)	
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	109
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period	-
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 (-)	-
OWN FUNDS	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	779,719
Total Risk Weighted Assets	4,884,687
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	15.23
Tier 1 Capital Adequacy Ratio (%)	15.12
Capital Adequacy Ratio (%)	15.96

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

BUFFERS	
Total buffer requirement	0.718
of which: capital conservation buffer requirement (%)	0.625
of which: bank specific countercyclical buffer requirement (%)	0.093
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 (%)	0.107
Amounts below the thresholds for deduction (before risk weighting)	-
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)	-
Applicable caps on the inclusion of provisions in Tier 2 capital	-
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	41,321
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	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-
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 column 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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

	Prior Period December 31, 2015 (*)
Common Equity Core Capital (CET 1)	
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
Common Equity Core capital before regulatory adjustments	768,946
Common Equity Core capital: regulatory adjustments	
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 (-)	-
Total regulatory adjustments to Common equity Core Capital	(36,971)
Common Equity Core capital (CET1)	731,975

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

	Prior Period December 31, 2015 (*)
Additional Tier 1 capital: instruments	-
Prevalaged 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)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
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 (-)	-
Total regulatory adjustments to Additional Tier 1 capital	-
Additional Tier 1 capital (AT1)	-
Regulatory adjustments to Common Equity	-
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 (-)	-
Tier 1 capital (T1 = CET1 + AT1)	724,347
Tier 2 capital: instruments and provisions	-
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
Tier 2 capital before regulatory adjustments	39,402
Tier 2 capital: regulatory adjustments	-
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 (-)	-
Total regulatory adjustments to Tier 2 capital	-
Tier 2 capital (T2)	39,402
Total capital (TC = T1 + T2)	763,749

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

I. Explanations Related to Equity (continued)

	Prior Period December 31, 2015 (*)
Deductions from the capital	
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 (-)	-
Own Fund	763,670
Amounts below the thresholds for deduction	
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 Credit Risk

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

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

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

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

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits. The Bank is not taking a position and carrying out hedging transactions. The limits are evaluated according to market fluctuations. An update is made via reviewing the limits if it is deemed necessary.

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

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

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

Risk Analyst, which is Moody's credit risk module, is being used in parallel with the current rating system for the monitoring corporate and SME business lines and construction sector portfolios. Retrospective test studies have been carried out in the form of statistical studies and samples to establish models for related portfolios. The bank aspire after to integrate Moody's system into Bank's core banking system as of the second half of 2017, in thereby Bank creating a high-quality rating data with the help of Moddy's system.

Qualitative Information About Credit Risk

The bank's credit risk policy and risk limits are determined by the risk appetite of the bank, in line with the business model and targets. In addition to observing legal compliance at all times, consistency with internally defined limits is continuously monitored.

Internal control and risk management departments, under the Internal Systems framework, perform various controls and follow-ups on credit risk, while being the primary business units in managing credit risk. On the other hand, the Internal Audit Department controls the accuracy of processes through regular audits.

The credit risk management unit regularly conducts various analyzes of credit risk concentrations, default portfolio analysis and portfolio management, while the compliance department is involved in the principle of diagnosing the customer and the internal control department is involved in the sampling control of credit files. The internal audit department is the last controller.

The scope of the reports consists of various concentrations in the loan portfolio (borrower / group, business line, sector, maturity, currency, collateral, borrower concentration etc.), analyzes on the defaulted loans portfolio and analyzes of stress tests and capital adequacy. In addition, analyzes on the status and development of loans in the banking sector are included.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,969,039 and TRY 2,480,801 (December 31, 2015: TRY 2,084,606 and TRY 2,629,879), the share of total cash loans are 52.95% and 66.71% as of December 31, 2016 (December 31, 2015: 51.59% and 65.08%).

The share of non-cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,417,191 and TRY 1,813,765 (December 31, 2015: TRY 1,350,039 and TRY 1,738,668), the share of total non-cash loans are 57.71% ve 73.86% as of December 31, 2016 (December 31, 2015: 64.25% and 82.75%).

The share of cash and non-cash receivables of the Bank from its top 100 and 200 customers respectively in the total balance sheet and non-cash risks are 32.66% and 43.37% as of December 31, 2016 (December 31, 2015: 34.07% and 45.79%).

As of December 31, 2016, the general loan loss provision related with the credit risk is TRY 41,321 (December 31, 2015: TRY 39,402).

Significant Risks that are significant on the profile of the regions:

Current Period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Contingent and Non-Contingent Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Short-Term Receivables from Banks, brokerage houses and Corporate	Investment similar to collective investment funds	Other Receivables	Total
Domestic	1,329,822	-	235	-	-	858,459	2,499,867	705,684	1,187,612	150,382	24,035	-	-	-	3,628,704	10,384,800
European Union Countries	-	-	-	-	-	20,954	1	44	-	-	-	-	-	-	-	20,999
OECD Countries	-	-	-	-	-	338	-	-	-	-	-	-	-	-	-	338
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	12,040	-	-	-	-	-	-	-	-	-	12,040
Other Countries	-	-	-	-	-	8,361	-	-	-	-	-	-	-	-	-	8,361
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,329,822	-	235	-	-	900,152	2,499,868	705,728	1,187,612	150,382	24,035	-	-	-	3,628,704	10,426,538
Prior Period																
Prior Period	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Contingent and Non-Contingent Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Short-Term Receivables from Banks, brokerage houses and Corporate	Investment similar to collective investment funds	Other Receivables	Total
Domestic	1,274,032	-	220	-	-	566,287	2,750,713	469,382	1,401,182	164,419	17,835	-	-	-	2,956,023	9,600,093
European Union Countries	-	-	-	-	-	12,968	74,431	3	-	-	-	-	-	-	-	87,402
OECD Countries(*)	-	-	-	-	-	333	-	-	-	-	-	-	-	-	-	333
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	97,903	-	-	-	-	-	-	-	-	-	97,903
Other Countries	-	-	-	-	-	145	39,017	-	-	-	-	-	-	-	-	39,162
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,274,032	-	220	-	-	677,636	2,864,161	469,385	1,401,182	164,419	17,835	-	-	-	2,956,023	9,824,893

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Risk profile by sectors or counterparties:

Sectors/Counterparties	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Corporate Receivables	Retail Receivables	Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Securitisation Positions	Short-Term Receivables from Banks, brokerage houses and Inv	Other Receivables	TRY	FC	Total
1 Agriculture	11,931	-	-	-	-	481	25,164	6,027	7,964	452	16	-	-	-	18,530	57,854	12,711	70,565
1.1 Farming and Raising Livestock	11,931	-	-	-	-	277	16,962	2,709	6,791	410	8	-	-	-	-	30,098	8,990	39,088
1.2 Forestry, Wood and Paper	-	-	-	-	-	193	7,274	3,306	513	42	8	-	-	-	18,530	26,145	3,721	29,866
1.3 Fishery	-	-	-	-	-	11	928	12	660	-	-	-	-	-	-	1,611	-	1,611
2 Manufacturing	28,727	-	4	-	-	22,983	253,097	68,376	127,713	13,045	276	-	-	-	597	376,670	138,148	514,818
2.1 Mining and Quarry	-	-	-	-	-	-	24,304	5,035	17,274	128	47	-	-	-	-	37,660	9,128	46,788
2.2 Production	28,727	-	4	-	-	22,983	228,793	63,334	110,439	12,917	229	-	-	-	597	339,003	129,020	468,023
2.3 Electricity, Gas and Water	-	-	-	-	-	-	-	7	-	-	-	-	-	-	-	7	-	7
3 Construction	46,842	-	-	-	-	2,657	44,817	10,890	24,042	14,453	210	-	-	-	-	120,581	23,330	143,911
4 Services	104,397	-	188	-	-	874,031	474,170	116,826	198,516	43,050	2,030	-	-	-	116,669	1,727,268	202,609	1,929,877
4.1 Wholesale and Retail Trade	7,865	-	-	-	-	17,036	38,604	11,254	6,939	1,834	24	-	-	-	-	71,369	12,187	83,556
4.2 Hotel, Tourism, Food and Beverage Services	40,192	-	8	-	-	22,994	65,812	16,137	55,494	13,884	32	-	-	-	137	178,742	35,948	214,690
4.3 Transportation and Communication	54,238	-	-	-	-	10,085	22,362	10,481	25,227	9,490	50	-	-	-	-	117,890	14,043	131,933
4.4 Financial Institutions	2,102	-	180	-	-	823,916	346,958	78,552	110,856	17,842	1,924	-	-	-	116,532	1,358,620	140,242	1,498,862
4.5 Real Estate and Renting Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Self-Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.7 Education Services	-	-	-	-	-	-	434	297	-	-	-	-	-	-	-	542	189	731
4.8 Health and Social Services	-	-	-	-	-	-	-	105	-	-	-	-	-	-	-	105	-	105
5 Other	1,137,925	-	43	-	-	-	1,702,620	503,609	829,377	79,382	21,503	-	-	-	3,492,908	2,444,088	5,323,279	7,767,367
6 Total	1,329,822	-	235	-	-	900,152	2,499,868	705,728	1,187,612	150,382	24,035	-	-	-	3,628,704	4,726,461	5,700,077	10,426,538

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Average Amounts of Risks Incurred After Offsetting Transactions, Regardless of Credit Risk Reduction

Risk Types	Current Year Net Credit Risk Amount After Provisions	Average Net Credit Risk Amount After Provisions
Contingent and Non-Contingent Receivables on Sovereigns	1,294,411	1,329,822
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	366	349
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary	798,870	998,376
Contingent and Non-Contingent Corporate Receivables	12,554,147	10,929,636
Contingent and Non-Contingent Retail Receivables	592,259	968,328
Contingent and Non-Contingent Receivables Secured by Mortgages	1,280,580	1,250,082
Past Due Receivables	171,223	150,382
Receivables defined in high risk category by BRSA	24,339	32,765
Collateralized Mortgage Marketable Securities	-	-
Securitisation positions	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-
Investment similar to collective investment funds	-	-
Other Receivables	3,106,421	3,628,704
Total	19,822,616	19,288,444

Maturity Distribution of Remaining Maturities of time exposures:

Risk Types	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Due from central governments or central banks	558,376	-	-	-	757,719
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	20	215
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	634,401	23,988	45,703	8,935	155,008
Corporate Receivables	265,351	242,161	356,180	385,515	1,250,661
Retail Receivables	33,504	59,974	104,858	138,889	368,503
Receivables Secured by Mortgages	32,677	37,506	66,432	83,900	967,097
Past Due Receivables	-	-	-	-	150,382
Receivables defined in high risk category by BRSA	6	279	19	1,211	22,520
Collateralized Mortgage Marketable Securities	-	-	-	-	-
Securitisation positions	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-
Other Receivables	116,459	-	-	-	-
Total	1,640,774	363,908	573,192	618,470	3,672,105

Risk by Risk Weight Balances:

	Risk Weights(*)									Deductions from Equity	
		0%	10%	20%	35%	50%	75%	100%	150%		200%
1	Amount before the credit risk mitigation	4,558,919	-	140,264	-	1,042,496	912,655	3,736,080	36,124	-	109
2	Amount after the credit risk mitigation	4,558,919	-	138,595	329,429	1,624,403	672,843	2,974,321	36,122	-	109

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Important sectors or type of information according to counterparty

Sectors/ Counterparties	Impaired(*)	Loans		Value Adjustments	Provisions
		Non-Performing			
1 Agricultural	8,154	15,150		329	6,623
1.1 Farming and Raising Livestock	8,154	13,620		329	6,271
1.2 Forestry, Wood and Paper	-	1,530		-	352
1.3 Fishery	-	-		-	-
2 Manufacturing	94,666	93,190		2,828	34,442
2.1 Mining and Quarry	-	9,427		-	1,109
2.2 Production	94,666	83,763		2,828	33,333
2.3 Electricity, Gas and Water	-	-		-	-
3 Construction	22,741	46,334		682	17,736
4 Services	117,580	69,712		3,000	26,765
4.1 Wholesale and Retail Trade	48,511	35,828		2,271	16,068
4.2 Hotel, Tourism, Food and Beverage Services	51,097	4,174		40	941
4.3 Transportation and Communication	1,321	4,885		65	1,432
4.4 Financial Institutions	1,145	8		56	3
4.5 Real Estate and Renting Services	1,515	101		71	40
4.6 Self-Employment Services	6,194	24,698		282	8,272
4.7 Education Services	-	-		-	-
4.8 Health and Social Services	7,797	18		215	9
5 Other	212	15,643		-	4,081
Total	243,353	240,029		6,839	89,647

(*) Rescheduled loans

Information on Credit Value Adjustments and Change in loan loss provisions

	Opening Balance	The amount of provision in the period	Reversal of Provision	Other Provisions(*)	Closing Balance
1 Specific Provisions	77,401	57,296	(45,050)	-	89,647
2 General Provisions	39,402	7,499	(5,580)	-	41,321

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

Risks Involved in Countercyclical Capital Buffer Calculation

Country of ultimate risk	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	9,559,501	1,152	9,560,653
South Korea	2	-	2
Germany	88	351	439
England	1,792	19	1,811
United Arab Emirates	3,515	-	3,515
Lebanon	13,734	145	13,879
Jordan	717	-	717
Malta	7	-	7

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

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

Gross Maximum Exposure	December 31, 2016	December 31, 2015
Central Banks	563,098	571,883
Due from banks	560,328	388,363
Due from Money market transactions	-	50,015
Financial assets held for trading	-	25
Derivative financial instruments	2,780	410
Financial assets available-for-sale	755,992	669,222
Held to maturity investment	1,730	22,080
Loans	3,629,160	3,963,343
Total	5,513,088	5,665,341
Contingent liabilities	2,273,475	2,234,530
Irrevocable commitments	242,359	189,413
Total	2,515,834	2,423,943
Total credit risk exposure	8,028,922	8,089,284

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Credit quality per class of financial assets as of December 31, 2016 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	560,328	-	560,328
Financial assets designated at fair value through profit or loss	2,780	-	2,780
Loans to customers			
<i>Corporate lending</i>	2,298,508	545,829	2,844,337
<i>Small business lending</i>	485,710	294,623	780,333
<i>Retail loans</i>	4,374	116	4,490
<i>Other</i>	-	-	-
Total	3,351,700	840,568	4,192,268
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	757,722	-	757,722
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	757,722	-	757,722
Total	4,109,422	840,568	4,949,990

Credit quality per class of financial assets as of December 31, 2015 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	388,363	-	388,363
Financial assets designated at fair value through profit or loss	435	-	435
Loans to customers			
<i>Corporate lending</i>	2,702,401	355,650	3,058,051
<i>Small business lending</i>	762,986	138,075	901,061
<i>Retail loans</i>	3,986	245	4,231
<i>Other</i>	-	-	-
Total	3,858,171	493,970	4,352,141
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	691,302	-	691,302
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	691,302	-	691,302
Total	4,549,473	493,970	5,043,443

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

	Internal Rating Grade	December 31, 2016	(%)	December 31, 2015	(%)	
High						
	Risk rating class 1	A+ Excellent	96,283	2.77	39,317	1.03
	Risk rating class 2	A- Excellent	218,043	6.27	236,728	6.23
Good						
	Risk rating class 3	B+ Very Good	708,051	20.35	405,946	10.69
	Risk rating class 4	B- Very Good	451,418	12.98	598,612	15.76
Standard						
	Risk rating class 5	C+ Good	549,541	15.80	854,670	22.50
	Risk rating class 6	C- Good	694,570	19.96	714,945	18.82
Substandard						
	Risk rating class 7	D+ Ordinary	453,903	13.05	544,959	14.34
	Risk rating class 8	D- Ordinary	179,402	5.16	237,765	6.26
	Risk rating class 9	E Bad	117,427	3.38	132,964	3.50
	Risk rating class 10	F Very Bad	920	0.03	3,684	0.10
Unrated			9,220	0.25	29,334	0.77
Total			3,478,778	100.00	3,798,924	100.00

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

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

“F” rating;

Number of clients with “F” rating is 8 with an outstanding risk of TRY 920 (December 31, 2015: TRY 3,684; 7 client). 3 of these clients are granted against mortgage with outstanding risk of TRY 714 and covers 78% of total risk (December 31, 2015: 5 clients; 69%)

“E” rating;

Number of clients with “E” rating is 75 and total outstanding risk is TRY 117,427 (December 31, 2015: TRY 132,964; 76 clients). 31 of these clients are granted against mortgage with outstanding risk of TRY 58,654 and covers 50% of total “E” Rating Risk (December 31, 2015: TRY 93,752 TL; %71). 19 of these clients are granted against Customer Check/Note with outstanding risk of TRY 26,842 and covers 23% of total “E” Rating Risk (December 31,2015: TRY 19,319; 15%). 5 of these clients are granted against cash blockage with outstanding risk of TRY 3,125 and covers 3% and 3 of these clients are granted against assignment with outstanding risk of TRY 898 and covers %1.

“D-” rating;

Number of clients with D- rating is 136 and total outstanding risk is TRY 179,402 (December 31, 2015 : TRY 237,765; 151 client). 57 of these clients granted against mortgage have outstanding risk of TRY 111,267 and covers 62% of total “D-” Rating Risk (December 31, 2015 : TRY 126,120; 53%).

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

33 of these clients are granted against Customer check/note with outstanding risk of TRY 14,754 and covers 8% 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 2,525 and covers 1% of "D-" rating risk (December 31, 2015 : TRY 4,320; 2%). Two of these clients is granted against to commodity collateral with outstanding risk of TRY 425 and covers 1% of "D-" rating risk(December 31,2015 : TRY 2,000).

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

Credit Quality of Assets

				Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	240,029	3,478,778	(89,647)	3,629,160
2	Debt Securities	-	757,869	(9)	757,860
3	Off-balance sheet receivables	23,463	2,432,304	(7,213)	2,448,554
4	Total	263,492	6,668,951	(96,869)	6,835,574

Changes in Deferred Receivables and Debt Securities Inventory

1	Defaulted loans and debt securities at end of the previous reporting period	241,820
2	Loans and debt securities that have defaulted since the last reporting period	126,085
3	Returned to non-defaulted status	-
4	Amounts written off	(27,818)
5	Other changes	(100,058)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	240,029

(*) All amounts that waived from assets includes the sales agreements with Sümer Varlık Yönetimi A.Ş according to the BOD numbered 549/A and dated December 17,2016.

(**)Expresses the collections.

Additional Explanations of the Credit Quality of Assets

In accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved and Allocation of Reserves" published in the Official Gazette numbered 26333 dated November 1, 2006, uncollectible receivables are considered "deferred" receivables from the date on which they are due or payable, or the date on which they are due or payable, and a specific provision is provided for receivables that are overdue more than ninety days after the date on which they are due. In this context, the Bank considers the general structure of the loan portfolio, the financial structure of its customers, non-financial data and economic conjuncture by taking of consideration of policies of credit risks while determining its estimation. Relevant special provisions transferred to the profit and loss accounts by using the "Provision and Impairment Expenses- Special Provision Expenses" accounts.

As of December 31, 2016, there was not specific provision for the risk of two customers which were delayed more than ninety days from their due, cause of negotiations between the Banks and costumers were not complete. In January 2017, the protocol process was completed for of both customers.

In accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved and Allocation of Reserves" published in the Official Gazette numbered 26333 dated November 1, 2006, reconstituent due expresses the new debt or delay on the payment plan in the case of Bank deemsit appropriatable.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

As of December 31, 2016, restructured loans and other receivables amount to TRY 4,547 (December 31, 2015: TRY 2,229). Total amounts of special provision made by the Bank for relevant credits and other receivables is TRY 1,136 (December 31, 2015: TRY 1,232).

Aging Analysis for Delayed Receivables

	1-31 days	31-60 days	61-90 days	Over 90 days	Total
Delayed Receivables	24,009	36,218	13,417	14,373	88,017

Information On Credit Risk Mitigation Techniques

The Bank does not perform on-balance sheet and off-balance sheet netting.

The Bank has determined the structure and policy of collaterals in detail under the credit policy, and carries out the guarantees for credit activities in accordance with these policies and regulations. The collateralization policy specifies the phases and requirements of the collateralization process in order to reduce the credit risk. In addition to supervising compliance with other banks, collateral is also carried out by observing the provision of special conditions to the bank. In policy, all types of coverage are discussed in detail and their characteristics are explained.

Collateral concentrations are monitored on a monthly basis for standard, close monitoring and non-performing loans. According to this, the most preferred collateral of the bank is mortgage collateral and this is followed by check guarantee.

Information On Credit Risk Mitigation Techniques

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	2,354,361	1,274,799	879,956	51,914	51,914	-	-
2	Debt securities	757,860	-	-	-	-	-	-
3	Total	3,112,221	1,274,799	879,956	51,914	51,914	-	-
4	Of which defaulted	48,320	191,709	173,048	-	-	-	-

Qualitative Information about ratings

The bank contracted with Fitch as the Credit Rating Agency. There has been no change in the CRA within the reporting period.

The Bank uses the Credit Rating Agency for other receivables and risk classes to be taken from other banks and other financial institutions.

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

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Standard approach – credit risk exposure and credit risk mitigation (CRM) effects

	Assets classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1,325,976	-	1,323,554	2,422	124,694	9.40%
2	Exposures to regional governments or local authorities	-	-	-	-	-	-
3	Exposures to public sector entities	180	169	180	20	200	100.00%
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	780,493	198,362	755,955	117,665	400,754	45.87%
7	Exposures to corporates	1,640,896	9,287,796	1,611,519	835,135	2,447,599	100.04%
8	Retail exposures	472,994	495,056	457,454	215,406	504,927	75.04%
9	Exposures secured by residential property	316,295	28,341	316,295	13,135	115,300	35.00%
10	Exposures secured by commercial real estate	811,799	93,647	811,799	46,384	564,109	65.73%
11	Past-due loans	240,029	-	150,382	-	139,329	92.65%
12	Higher-risk categories by the Agency Board	18,191	21,787	18,191	5,843	36,049	150.00%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	216,726	3,411,978	216,726	3,411,978	150,222	4.14%
17	Investments in equities	-	-	-	-	-	-
18	TOTAL	5,823,579	13,537,136	5,662,055	4,647,988	4,483,182	43.48%

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations Related to Credit Risk (continued)

Standard approach – exposures by asset classes and risk weights

	Asset classes/ Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	1,076,590	-	-	-	249,385	-	1	-	-	1,325,976
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	200	-	-	200
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	119,219	-	752,674	-	1,727	-	-	873,620
7	Exposures to corporates	-	-	-	-	-	-	2,446,655	-	-	2,446,655
8	Retail exposures	-	-	-	-	-	672,565	295	-	-	672,860
9	Exposures secured by residential property	-	-	-	329,429	-	-	-	-	-	329,429
10	Exposures secured by commercial real estate	-	-	-	-	588,149	-	270,034	-	-	858,183
11	Past-due loans	-	-	-	-	34,195	-	104,098	12,089	-	150,382
12	Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	24,033	-	24,033
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	-	-	-	-
17	Other assets	3,478,483	-	-	-	-	-	150,222	-	-	3,628,705
18	Total	4,555,073	-	119,219	329,429	1,624,403	672,565	2,973,232	36,122	-	10,310,043

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

III. Explanations Related to Counterparty Credit Risk

The objection of counterparty and financial institutions credit risk determination process is to identify the default risk of counterparties and financial institutions which the bank has indirectly or indirectly anticipated risk through the bank or plans to receive the risk in the future and to establish risk-based limits for current and future counterparties and financial institutions

There is no operational limit allocation method determined within the scope of internal capital calculated for “Counterparty Credit Risk” (“CCR”) and “Central Counterparty Risk” (“CCP”).

The Bank calculates the risks of the CCR and CCP in accordance with the regulations of the BRSA by using the fair valuation method and includes it to CAR. Repo-Reverse Repo transactions use BIST Repo Reverse Repo Market and CBRT OMT Repo Market. The counterparty risk products consist of liquid products issued by the CBRT. Private sector and foreign collateral are not used as policy. Derivative products are made for hedging purposes and are made within the limits determined by the reporters. The Bank does not open positions as a policy.

There are no rules for risk reversal.

In the event that there is a decrease in the credit rating, the amount of the additional collateral that the bank has to give is not included in the Bank portfolio if there is a decrease in the credit rating of the bank.

Analysis of counterparty credit risk (CCR) exposure by approach

		Revaluation Cost	Potential credit risk exposure	EEPRA(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Starndart Approach-CCR	-	1,667	-	1,4	1,667	1,667
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation	-	3,505	-	-	3,505	3,505
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	Total	-	5,173	-	-	5,173	5,173

(*) Effective expected positive risk amount

Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
1	Total portfolio value with comprehensive approach CVA capital adequacy		
2	(i) Value at risk component (3*multiplier included)	-	-
3	(ii) Stressed Value at Risk (3*multiplier included)	-	-
4	Total portfolio value with simplified approach CVA capital adequacy	5,173	5,173
5	Total amount of CVA capital adequacy	5,173	5,173

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

III. Explanations Related to Counterparty Credit Risk (continued)

Standard approach – counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk (*)
Central governments and central banks receivables	3,846	-	-	-	-	-	-	-	3,846
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
Internatinal Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	19,376	-	-	145	-	-	19,521
Corporate receivables	-	-	-	-	-	944	-	-	944
Retail receivables	-	-	-	-	278	-	-	-	278
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets (**)	-	-	-	-	-	-	-	-	-
Total	3,846	-	19,376	-	278	1,089	-	-	24,589

(*) After applying counterparty credit risk measurement techniques that are related to the amount of capital adequacy calculation.

(**) Central to the counterparty risk" table includes amounts that are not included in the reported counterparty credit risk in

Composition of collateral for counterparty credit risk (CCR) exposure

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash-Local Currency	-	-	-	-	-	-
Cash-Foreign Currency	-	-	-	-	-	-
Government Bonds-Local	-	-	-	-	-	385,779
Government Bonds-Other	-	-	-	-	-	-
Public Bonds	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Other Collateral	-	-	-	-	-	-
Total	-	-	-	-	-	385,779

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

III. Explanations Related to Counterparty Credit Risk (continued)

Credit derivatives exposures: None.

Risk exposure to central counterparty (CCP)

		Risk exposure after CRM	RWA
1	Total exposure arising from transactions with qualifying CCP	878	-
2	Exposure arising from transactions in CCP (initial margin and guarantee fund excluded)	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Other Derivatives	-	-
5	(iii) Securities financing transactions	878	-
6	(iv) Cross product netting groups	-	-
7	Initial margin	-	-
8	Variation margin	-	-
9	Default fund contribution	-	-
10	Default fund commitments	-	-
11	Total exposure arising from transactions with non-qualifying CCP	-	-
12	Exposure arising from transactions in CCP (initial margin and guarantee fund excluded)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Other Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Cross product netting groups	-	-
17	Initial margin	-	-
18	Variation margin	-	-
19	Default fund contribution	-	-
20	Default fund commitments	-	-

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

IV. Explanations Related to Currency Risk

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

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

The announced current foreign exchange buying rates of the Bank at December 31, 2016 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	December 26, 2016	December 27, 2016	December 28, 2016	December 29, 2016	December 30, 2016	December 31, 2016
USD	3.5007	3.5176	3.5417	3.5234	3.5153	3.5153
CHF	3.4130	3.4168	3.4385	3.4415	3.4562	3.4562
GBP	4.3020	4.3066	4.3226	4.3141	4.3382	4.3382
100 JPY	2.9910	2.9960	3.0070	3.0170	3.0070	3.0070
EUR	3.6586	3.6731	3.6805	3.6862	3.7055	3.7055

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2016 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3.4980
CHF	3.4287
GBP	4.3627
100 JPY	3.0125
EUR	3.6839

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

IV. Explanations Related to Currency Risk (continued)

December 31, 2016	EUR	USD	YEN	OTHER	TOTAL
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	14,800	265,886	-	5	280,691
Banks	18,138	539,420	121	2,508	560,187
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	4	-	-	4
Loans (*)	460,805	531,477	-	1,525	993,807
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	12	6	-	-	18
Total Assets	493,755	1,336,793	121	4,038	1,834,707
Liabilities					
Bank Deposits	-	591	-	-	591
Foreign Currency Deposits	277,888	1,206,124	-	1,600	1,485,612
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	163,715	196,096	-	1,525	361,336
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	7,288	5,346	-	-	12,634
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	113	3,083	-	2	3,198
Total Liabilities	449,004	1,411,240	-	3,127	1,863,371
Net Balance Sheet Position	44,751	(74,447)	121	911	(28,664)
Net Off-Balance Sheet Position	(44,930)	72,277	-	(108)	27,239
Financial Derivative Assets (***)	19,236	111,359	-	-	130,595
Financial Derivative Liabilities (***)	(64,166)	(39,082)	-	(108)	(103,356)
Non-Cash Loans (**)	265,057	486,565	-	3,722	755,344
December 31, 2015					
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 444,623 (December 31, 2015: TRY 518,106) are included in the loan portfolio.

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

(***) It includes also TRY 27,766 and TRY 5,849 forward asset purchase & sale commitments (December 31, 2015: TRY 6,005 and TRY 7,435).

(****) TRY 651 assets from derivative financial instruments and TRY 314 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).

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

IV. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

The Bank holds EUR and USD currencies positions mainly.

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
USD	%10 increase	(217)	(39)	-	-
USD	%10 decrease	217	39	-	-
EUR	%10 increase	(18)	(18)	-	-
EUR	%10 decrease	18	18	-	-
Other Currency	%10 increase	92	93	-	-
Other Currency	%10 decrease	(92)	(93)	-	-

V. 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)
AS OF DECEMBER 31, 2016

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

V. 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
December 31, 2016							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	558,376	-	-	-	52,297	610,673
Banks	527,313	-	-	-	-	33,015	560,328
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	2,780	2,780
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	235,073	228,375	292,539	1	4	138	756,130
Loans (*)	1,872,734	233,299	635,930	715,788	21,027	-	3,478,778
Held-To-Maturity Investments	-	-	1,730	-	-	-	1,730
Other Assets (**)	-	-	-	-	-	345,042	345,042
Total Assets	2,635,120	1,020,050	930,199	715,789	21,031	433,272	5,755,461
Liabilities							
Bank Deposits	-	-	-	-	-	1,616	1,616
Other Deposits	2,436,106	1,272,006	198,806	5	-	158,965	4,065,888
Money Market Borrowings	373,315	-	-	-	-	-	373,315
Sundry Creditors	-	-	-	-	-	42,061	42,061
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	128,492	52,922	199,086	3,258	-	-	383,758
Other Liabilities (***)	355	561	-	-	-	887,907	888,823
Total Liabilities	2,938,268	1,325,489	397,892	3,263	-	1,090,549	5,755,461
Balance Sheet Long Position	-	-	532,307	712,526	21,031	-	1,265,863
Balance Sheet Short Position	(303,148)	(305,439)	-	-	-	(657,277)	(1,265,864)
Off-Balance Sheet Long Position	-	-	-	-	-	144,150	144,150
Off-Balance Sheet Short Position	-	-	-	-	-	(144,616)	(144,616)
Total Position	(303,148)	(305,439)	532,307	712,526	21,031	(657,743)	(466)

(*) 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 12,308, intangible assets amounting to TRY 13,266, assets to be disposed amounting to TRY 116,533, tax asset amounting to TRY 6,259, prepaid expenses amounting to TRY 6,685, non-performing loans amounting to TRY 150,382, settlement account amounting to TRY 18,720 and other assets amounting to TRY 20,889.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 756,021, TRY 68,329 provisions, settlement account amounting TRY 31,233, and TRY 32,324 other liabilities.

	EUR %	USD %	YEN %	TRY %
December 31, 2016 (**)				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	0.49	-	5.30
Banks	-	0.36	-	9.91
Financial Assets At Fair Value Through Profit And Loss	-	-	-	10.54
Money Market Placements	-	-	-	10.62
Available-For-Sale Financial Assets (*)	-	7.37	-	2.76
Loans	4.98	5.99	-	15.55
Held-To-Maturity Investments	-	-	-	8.01
Liabilities				
Bank Deposits	1.56	2.67	-	9.38
Other Deposits	1.95	3.25	-	12.10
Money Market Borrowings	-	-	-	8.10
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.57	2.70	-	7.27

(*) Available-For-Sale Financial Assets include CPI indexed securities which cover 99.98% of the portfolio.

(**) Ratios are calculated by taking the average of the last days of each month except for Cash, Banks and Money Market Placements.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

V. 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
December 31, 2015							
Assets							
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
Total Assets	3,044,833	907,132	767,624	657,747	11,973	429,424	5,818,733
Liabilities							
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
Total Liabilities	2,623,932	1,648,069	422,916	47,410	-	1,076,406	5,818,733
Balance Sheet Long Position							
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)
Total Position	420,901	(740,937)	344,708	610,337	11,973	(646,622)	360

(*) 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 15,422, intangible assets amounting to TRY 12,716, assets to be disposed amounting to TRY 29,982, 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 consist of shareholders' equity amounting to TRY 742,814, TRY 61,592 provisions settlement account amount TRY 45,115, and TRY 25,357 other liabilities.

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TRY %
December 31, 2015				
Assets				
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
Liabilities				
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. Average interest rate base represents the nine months average interest rate. 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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

V. Explanations Related to Interest Rate Risk (continued)

Nature of interest rate risk resulted from banking book

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evaluation of Interest Rate Risk Resulted from Banking Book as per Standard Schock Method divided different currencies is mentioned at the table below:

Unit of Currency	Applicable Shock (+ /- base point)(*)	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
TRY	500	(47,718)	(%6)
	(400)	43,339	%6
EUR	200	(3,828)	(%0)
	(200)	4,105	%1
USD	200	(7,132)	(%1)
	(200)	7,697	%1
Total (For Negative Shock)		55,141	%7
Total (For Positive Shock)		(58,678)	(%8)

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

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 10,144. 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).

VI. Explanations Related to Equity Position Risk

The Bank has no outstanding stock position.

VII. Explanations Related to Liquidity Risk 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.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

Total liquidity coverage ratios are (120%) (26/10/2016) at the lowest and (492%) (14/10/2016) at the highest while the unconsolidated lowest foreign currency is (154%) (13/12/2016) and the unconsolidated highest foreign currency is (433%) (01/10/2016) 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

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.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

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.

Liquidity Coverage Ratio:

Current Period – 31/12/2016		Total Rated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
	High Quality Liquid Assets			849,526	187,251
CASH OUTFLOWS					
2	Retail deposit	2,449,658	872,741	243,546	86,900
3	Stable deposit	28,398	7,484	1,420	374
4	Less stable deposit	2,421,260	865,257	242,126	86,526
5	Unsecured wholesale funding	1,368,889	584,230	609,682	243,441
6	Operational deposit	11,132	2,011	2,783	503
7	Non-Operational deposit	1,214,892	549,270	464,187	209,989
8	Other unsecured funding	142,865	32,949	142,712	32,949
9	Secured funding			-	-
10	Other cash outflows	117,022	81,172	25,617	20,766
11	Derivatives cash outflows	16,028	14,052	16,028	14,052
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	100,994	67,120	9,589	6,714
14	Revocable other off balance sheet contingencies and commitments and other contractual cash outflows	-	-	-	-
15	Other contingent or non-contingent funding obligations	-	-	-	-
16	TOTAL CASH OUTFLOWS			878,845	351,107
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	805,870	521,952	649,768	504,145
19	Other cash inflows	3,884	3,795	3,884	3,795
20	TOTAL CASH INFLOWS	809,754	525,747	653,652	507,940
				Upper Limit Applied	
21	TOTAL STOCK OF HQLA			849,526	187,521
22	TOTAL NET CASH OUTFLOWS			262,101	87,777
23	LIQUIDITY COVERAGE RATIO (%)			345.77	219.90

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

Liquidity Coverage Ratio (continued) :

Prior Period – 31/12/2015		Total Unrated Value (**)		Total Rated Value (**)	
		TP+YP	YP	TP+YP	YP
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			974,020	394,339
CASH OUTFLOWS					
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	TOTAL CASH OUTFLOWS			960,566	370,692
CASH INFLOWS					
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	TOTAL CASH INFLOWS	600,216	300,560	445,978	288,360
				Upper Limit Applied	
21	TOTAL STOCK OF HQLA			974,020	394,339
22	TOTAL NET CASH OUTFLOWS			514,534	115,278
23	LIQUIDITY COVERAGE RATIO (%)			208.10	409.02

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

A 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 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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

Presentation of assets and liabilities according to their remaining maturities:

December 31, 2016	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	376,752	139,818	72,233	21,692	178	-	-	610,673
Banks	33,015	527,313	-	-	-	-	-	560,328
Financial Assets at Fair Value Through Profit and Loss	-	-	2,780	-	-	-	-	2,780
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	-	-	-	378,519	377,473	138	756,130
Loans (***)	-	1,872,734	233,299	635,930	715,788	21,027	-	3,478,778
Held-To-Maturity Investments	-	-	-	-	1,730	-	-	1,730
Other Assets	-	18,811	-	-	-	-	326,231	345,042
Total Assets	409,767	2,558,676	308,312	657,622	1,096,215	398,500	326,369	5,755,461
Liabilities								
Bank Deposits	1,616	-	-	-	-	-	-	1,616
Other Deposits	158,965	2,436,106	1,272,006	198,806	5	-	-	4,065,888
Funds Provided From Other Financial Institutions	-	128,492	52,922	199,086	3,258	-	-	383,758
Money Market Borrowings	-	373,315	-	-	-	-	-	373,315
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	42,061	-	-	-	-	-	42,061
Other Liabilities (**)	984	63,844	560	-	-	-	823,435	888,823
Total Liabilities	161,565	3,043,818	1,325,488	397,892	3,263	-	823,435	5,755,461
Liquidity Gap	248,202	(485,142)	(1,017,176)	259,730	1,092,952	398,500	(497,066)	-
Net Off-Balance Position	-	(251)	48	(263)	-	-	-	(466)
Derivative Assets	-	72,031	28,332	43,787	-	-	-	144,150
Derivative Liabilities	-	72,282	28,284	44,050	-	-	-	144,616
Non-Cash Loans	-	16,765	66,098	902,197	461,352	827,063	-	2,273,475
December 31, 2015								
Total Assets	272,292	3,102,129	374,110	548,284	707,240	565,127	249,551	5,818,733
Total Liabilities	164,402	2,731,462	1,648,080	422,916	47,410	-	804,463	5,818,733
Liquidity Gap	107,890	370,667	(1,273,970)	125,368	659,830	565,127	(554,912)	-
Net Off-Balance Position	-	338	22	-	-	-	-	360
Derivative Assets	-	50,875	794	-	-	-	-	51,669
Derivative Liabilities	-	50,537	772	-	-	-	-	51,309
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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations Related to Liquidity Risk and Liquidity Coverage Ratio (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
As of December 31, 2016							
Bank Deposits	-	-	-	-	-	-	-
Other deposits	2,507,232	1,230,565	207,014	6	-	(37,894)	3,906,923
Funds provided from other financial institutions	373,445	-	-	-	-	(130)	373,315
Money market borrowings	47,838	53,210	283,322	3,339	-	(3,951)	383,758
Total	2,928,515	1,283,775	490,336	3,345	-	(41,975)	4,663,996
As of December 31, 2015							
Bank Deposits	6,007	15,945	-	-	-	(66)	21,886
Other deposits	2,418,345	1,649,132	281,079	-	-	(53,533)	4,295,023
Funds provided from other financial institutions	10,824	9,333	159,722	49,714	-	(4,544)	225,049
Money market borrowings	199,541	-	-	-	-	(239)	199,302
Total	2,634,717	1,674,410	440,801	49,714	-	(58,382)	4,741,260

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
December 31, 2016						
Trading Derivatives Instruments						
Foreign Exchange Derivatives	(299)	67	(239)	-	-	(471)
- Addition	47,131	33,215	63,804	-	-	144,150
- Disposal (-)	(47,430)	(33,148)	(64,043)	-	-	(144,621)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Trading Derivatives Instruments						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Total cash inflow	47,131	33,215	63,804	-	-	144,150
Total cash outflow	(47,430)	(33,148)	(64,043)	-	-	(144,621)
December 31, 2015						
Trading Derivatives Instruments						
Foreign Exchange Derivatives	337	22	-	-	-	359
- Addition	50,875	794	-	-	-	51,669
- Disposal (-)	(50,538)	(772)	-	-	-	(51,310)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Trading Derivatives Instruments						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Total cash inflow	50,875	794	-	-	-	51,699
Total cash outflow	(50,538)	(772)	-	-	-	(51,310)

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VIII. Explanations Related to Leverage Ratio

Leverage Ratio:

As of December 31, 2016, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 10.57% (31 December 2015: 10.67%). This ratio is above the minimum required. Minimum level of leverage is declared 3% for the banks. The main factors causing a difference between leverage ratios of current period and previous period are; an increase rate of 2% in equity transactions compared to the previous year and an decrease rate of 3% in the total risk exposure when compared to the previous period.

	On Balance Sheet Exposures	Current Period (*)	Prior Period (*)
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	5,842,004	5,703,443
2	(Deductions from the capital)	(40,681)	(44,699)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	5,801,323	5,658,744
	Derivative exposures		
4	Replacement cost of derivative exposure	1,960	872
5	Potential credit risk of derivative exposures	1,382	794
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	3,342	1,666
	Securities financing transaction exposures		
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)	-	-
	Off Balance sheet items		
10	The gross nominal amount of off balance sheet items	2,393,661	2,382,361
11	CCR adjustment amount	(1,213,446)	(1,254,426)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,180,215	1,127,935
	Capital and total risk		
13	Shareholders' Equity	738,404	724,129
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	6,984,880	6,788,345
	Leverage Ratio		
15	Leverage ratio	% 10.57	% 10.67

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

IX. Explanations Related to Market Risk

Market Risk is the risk that influence the Bank's income, capital or the supporting capacity of business development according to the changes of the market rate or the prices related to the market rate, stock prices, credit margins and currency rates. The description of market risk element is mentioned below:

- a. Interest Rate Risk is the influence to market value of equity and the Bank's income according to the changes in interest rate. This risk divided to two risks:

Specific Risk: It causes by adverse price movements in debt securities or the factors related to issuer.

General Market Risk: It causes by adverse market conditions.

- b. Equity Position Risk: It is the risk that the depreciation of Bank's investments caused by the dynamics of stock market.

- c. Currency Risk: It causes by net foreign currency position including the balance sheet and off-balance sheet transactions.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

IX. Explanations Related to Market Risk (continued)

The market risk caused by trading portfolio, is calculated by standardized approach and the result is used in determining the amount of capital required for the market risk. The primary market risk types of the Bank are currency risk, interest rate risk, investment and asset/liability management activities. The influence of different factors in different scenarios to the market risk is analyzed by using stress tests. The changes in the currency and interest rate in TRY and FC are the basic parameters of the stress tests and scenario analysis. There is an economic capital limit determined by Board Decision for stress tests. The effect of one point difference in interest rate to the all assets and liabilities of the Bank which are sensitive to the interest rate is calculated for TRY and FC separately. The results of the stress tests and scenario analysis are presented to the ALCO weekly, the Board of Directors and the Audit Committee quarterly. The results are taken into account in decision-making processes.

The market risk of the Bank measured by consistent risk measurement models, methods such as interest rate/price volatility levels and Value at Risk (VAR), establishing appropriate procedures for controls and observing compliance with predetermined risk limits, ultimately to search and find risk sources within the organizational structure and to provide consistent information on market risk for all levels of the organization.

Market risk management is conducted in coordination with Risk Management Market Riski Unit, Treasury and Financial Institutions departments. The market is monitored at weekly ALCO meetings and necessary actions are taken. The limits determined by the Bank's Board of Directors are monitored on a daily basis. In the event of oversight, the relevant unit/department managers, the oversight information is sent to the Board Member Responsible for Internal Systems and General Manager and the results are monitored. The related parties are in communication from the creation of market risk management structure to the follow-up operation of the structure. The Financial Institutions Department and the Risk Management Department work in coordination to monitor the Country and Correspondent Bank limits and risks. Similarly, there is a coordination in the ISEDES/ICAAD work. In this context, Financial Institutions act as approval authority and Risk Management as reviewer authority.

Daily selected market risk instruments are monitored and reported to the Board Member Responsible for Internal Systems. Extra reports are produced and monitored for the special products during the volatile periods of the markets, and are also available at the ALCO meeting if necessary. In addition, weekly market risk reports are prepared and presented to ALCO. On a quarterly basis, the Audit Committee and the Board of Directors are informed by reports. Value at Risk (VAR) calculations are made through the market risk module and reported to the relevant departments/units. For these calculations, market data is withdrawn at the same period and transferred to the market risk module. VAR calculations include market sensitive instruments such as securities in the Bank's portfolio (TRY/FC) and foreign exchange position.

Market risk under standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	800
2	Equity risk (general and specific)	-
3	Foreign exchange risk	925
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus method	18
7	Scenario approach	-
8	Securitisation	-
9	Total	1,743

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

X. Explanations Related to Operational Risk

Basic indicators approach:

	2 PY Amount	1 PY Amount	CY Amount	Total/Postive gi number of years	Rate (%)	Total
Gross income	165,625	241,597	224,121	210,448	15	31,567
The amount subject to operational risk (Total*12.5)						394,589

Operational risk is the risk of a loss resulting from inadequate or failed internal processes, employee faults or system errors or external factors. The Bank's units manage this risk through clearly defined policies, procedures and internal controls. The risks related to the banking processes and the controls related to these risks are based on the inventory of the Inspection Board and Internal Control Center and are updated annually.

Risk Management Group calculates operational risk according to Basel II Basic Indicator Method. The Bank's final objective is, by using advanced measurement methods, to detect quantitative and qualitative risks on process and transaction basis and to make the Bank's Senior Management aware of operational risks, controls and residual risks by submitting reports.

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

In accordance with Procurement of Support Services, operational risk of support service firms are assessed. With departments related with support service firms, risk analysis studies are conducted by Risk Management Group. For support service firms, annual risk management program is formed and then presented to the Board of Directors. In addition, the qualifications of the support services are assessed annually by the Audit Committee and the results of the assessment are presented to the Board of Directors with a report.

By Risk Management Group, within IT Risk Management framework, risks related to IT processes are assessed. Enhancement activities for critical IT processes are coordinated. In order to take actions against findings detected in information technologies audit, enhancement activities are coordinated with related departments. Within enhancement process, actions to be taken are assessed at Committee of IT risk and Sub-Committee of IT risk and then decided. As a result of studies conducted under enhancement activities, procedures are formed or existing procedures are updated if necessary.

While updating, the implementation steps of the processes are reviewed and actions are suggested to be improved in case of necessity. Relevant departments are constantly monitoring whether these actions are put into action. The IT Risk Management Sub-Committee meets in the presidency of the Risk Management Group and performs the necessary updates each year to calculate the impact and probability of IT risks. The committee conducts action by following the actions taken by presenting to the Risk Committee of Information Technologies, which evaluates the risk assessment results collected on the critical threshold, reducing, accepting, avoiding, investing and transferring risks. Within IT Risk Management framework, business continuity plan and related IT Continuity Plan were updated in coordination with related departments. Within business continuity plan scope, by negotiating the Bank's all departments, critical business processes are assessed, the Bank's Contingency Plan, Crisis Management Plan, Business Recovery Plan and teams are updated. Also, Business Continuity Procedure is formed. Business continuity and related IT continuity tests for critical processes are conducted.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

XI. Risk Management Objectives and Policies

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. According to 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 December 31, 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

Bank's Risk Management Approach

Risks for all banking processes and related sub-processes are identified and risk values are defined. In order to evaluate the effectiveness of the defined risk-based controls, the risk values are now automatically calculated and the changes are monitored continuously. The Bank focuses on lending in the corporate and SME segments, operates within the limits set for market risk, and can not carry operational risk appetite in order to minimize operational risk. The bank's risk profile and business model are integrated under the risk appetite policy. Accordingly, the Bank must proceed in line with the limits set in the business model.

The structure and organization of the risk management system in terms of the function and responsibilities of the Risk Management Group depends on the Board of Directors. Loyalty to the Board of Directors takes place through the Audit Committee. Risk Management conducts its activities under the supervision of the Audit Committee within the framework of the provisions of the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" published by BRSA. Risk management considers credit, market, interest rate, concentration, liquidity risks and operational risks in their works as the basic principle to establish the limits of these risks and control processes. The Bank has established a stress-test-driven management by taking into account the changes in the market, as well as the maximum amount of loss that may arise in Credit Risk, Operational Risk, Market Risk and other risks within the scope of internal capital management.

Policies, procedures, workflows and similar documents published by internal systems and all other departments are in a common portal accessible to all bank employees, and changes made to existing documents or newly published documents are provided to employees via e-mail. There are many policies and procedures including Credit Policy, Risk Management Policies (Risk Appetite Policy, Market Risk, Liquidity Risk, Operational Risk, Concentration Risk, Country and Counterparty Risks etc.) assessed and reviewed annually.

The Risk Management Department inform the Board of Directors and top management by monthly basis reports on credit risk, market risk, and operational risk areas. Credit risk concentration (borrower/group, business line, sector, maturity, currency, collateral etc.), analyzes on the defaulting loan portfolio and stress tests, analyzes of capital adequacy; internal and legal market risk limits and compliance with operational risk losses. Apart from this, with the PD analysis reports made in the field of Credit Risk for 6 months, various breakdowns are analyzed on the basis of the number of defaults in which the borrower has the default rate. In addition, the report of the Audit Committee, which is prepared for 3 months, includes analyzes on all risk types (capital adequacy, limits on market and liquidity risk, defaulting loan portfolio, sectoral information, credit concentration, risks related to information technology, etc.).

Various stress scenarios are applied monthly on the default rate of the bank. Some of these scenarios are the default of the client and sector with highest-risk. Relevant project has been discussed in detail in the Credit Risk Committee.

The Bank reduces the risks arising from the credit activity as determined by the process and policies it has established. The main instrument used in risk mitigation is collateral, and the collaterals obtained by the collateralization policy are managed by the Credits and Risk Management divisions such as portfolio, customer, collateral type, etc. and monitored regularly.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

XI. Risk Management Objectives and Policies (continued)

Overview of Risk Weighted Assets

		Risk Weighted Assets		Minimum capital requirements
		Current Period December 31, 2016	Prior Period December 31, 2015	Current Period December 31, 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	4,483,182	4,536,052	358,655
2	Of which standardised approach (SA)	4,483,182	4,536,052	358,655
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,173	525	414
5	Of which standardised approach for counterparty credit risk (SA-CCR)	5,173	525	414
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	1,743	975	139
17	Of which standardised approach (SA)	1,743	975	139
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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	4,884,687	4,880,631	390,775

Risk management strategies and practices are defined as follows: The Bank's Risk Management Group was established in 2001 as an independent unit which reports to the Member of Audit Committee have been responsible for the Audit, Internal Control and Risk Management.

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

Objective of risk policies: In line with "Regulation on Internal Systems of Banks (published in the Official Gazette dated July 11, 2014 numbered 29057)", sustaining the Bank's operations in accordance with the Banks' strategic plans, mission, targets, profitability and productivity principles by determining Bank's risk strategy and maximum risk level in line with the volume, qualification and complexity of the Bank's operations by taking into consideration the Bank's past experience and performance. Moreover, ensuring to conserve the interests of depositors and the Bank's shareholder's interest at a maximum level.

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

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

XI. Risk Management Objectives and Policies (continued)

The Bank has a set of regulatory reporting systems that measure and assess the interest rate risk arising from on-balance sheet and off-balance sheet positions in banking accounts by using the standard shock method, the minimum capital requirement for the receivables used in the Standard approach, and reporting the risk-weighted assets by risk division in accordance with “Regulation on Measurement and Assessment of Capital Adequacy of Bank’s” and “Credit Risk Mitigation Techniques”. In addition, the liquidity coverage ratio calculated in Basel III is calculated using a separate reporting system and it is aimed to measure and monitor the balance between the net cash outflows of the bank and the high quality liquid assets and the total and foreign currency liquidity coverage ratios.

Risk Management Group calculates Basel II capital adequacy calculation systematically, namely Credit Risk, Market Risk and Operational Risk, in accordance with “Regulation on Measurement and Assessment of Capital Adequacy of Bank’s” published in the Official Gazette dated October 23, 2015, numbered 29511.

From January 1, 2014 equity and the capital adequacy ratio of the Bank is calculated in accordance with 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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

XI. Risk Management Objectives and Policies (continued)

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

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

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

The structure and organization of the risk management system in terms of the function and responsibilities of the Risk Management Group depends on the Board of Directors. Loyalty to the Board of Directors takes place 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), Economic equity, stress test, scenario analysis, Duration Gap primary shock, the market data and limit reports are presented a weekly basis to Assets-Liability Committee. On a quarterly basis, the rest of the reports and other works are reported to Audit Committee and Board of Directors.

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

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

	Book Value		Fair Value	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Financial Assets	4,947,210	5,093,023	4,995,896	5,150,646
Money Market Placements	-	50,015	-	50,015
Banks	560,328	388,363	560,328	388,363
Available-For-Sale Financial Assets (*)	755,992	669,222	755,992	669,222
Held-To-Maturity Investments	1,730	22,080	1,720	21,948
Loans	3,629,160	3,963,343	3,677,856	4,021,098
Financial Liabilities	4,866,638	4,942,788	4,867,509	4,944,587
Bank Deposits	1,616	22,829	1,616	22,829
Other Deposits	4,065,888	4,458,482	4,066,150	4,458,716
Funds Borrowed From Other Financial Institutions	383,758	225,049	384,367	226,614
Money Market Borrowings	373,315	199,302	373,315	199,302
Sundry Creditors	42,061	37,126	42,061	37,126

(*) Unquoted stocks amounting to TRY 138 have not been considered in fair value calculation.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2016

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

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

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

i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to be approximate to their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2016 is the market rates available for the loan and security types.

ii. Financial liabilities:

The fair value of bank deposits, money market borrowings and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2016 is the market rates available for the borrowing and deposits types.

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

December 31, 2016	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	-	2,780	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	755,992	-	-	138
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
Financial Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(3,739)	-	-
December 31, 2015				
	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	25	410	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	669,222	-	-	138
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
Financial Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(37)	-	-

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

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

XIV. Explanations on Securitization Positions

None.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

1. a) Information on Cash and Balances with the Central Bank of Turkey:

	December, 31 2016		December, 31 2015	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	14,169	33,406	10,690	32,515
Balances with the Central Bank of Turkey	315,813	247,285	39,216	532,667
Other	-	-	-	-
Total	329,982	280,691	49,906	565,182

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

	December, 31 2016		December, 31 2015	
	TRY	FC	TRY	FC
Unrestricted demand deposits	313,717	4,698	37,444	64,086
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve deposits	2,096	242,587	1,772	468,581
Total	315,813	247,285	39,216	532,667

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
12.0%	8.0%	Ratios for corresponding maturities	24.0%	19.0%	14.0%	6.0%	4.0%

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

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.

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:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Forward Transactions	2,129	587	22	29
Swap Transactions	-	64	359	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	2,129	651	381	29

3. a) Information on banks:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Banks				
Domestic	141	527,620	24,022	254,990
Foreign	-	32,567	-	109,351
Branches and head office abroad	-	-	-	-
Total	141	560,187	24,022	364,341

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
European Union Countries	20,045	12,102	-	-
USA and Canada	12,040	96,714	-	-
OECD Countries (*)	337	423	-	-
Other	145	112	-	-
Total	32,567	109,351	-	-

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

4. Information on financial assets available-for-sale:

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

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	142,991	-	88,008	-
Other	-	-	-	-
Total	142,991	-	88,008	-

Available-for-sale securities given as collateral for İstanbul Stock Exchange, Interbank money market, Takasbank and open market transactions are TRY 33,001, TRY 82,601, TRY 1,361, and TRY 26,028 respectively (December 31, 2015: Available-for-sale securities given as collateral for İstanbul Stock Exchange, Interbank money market, Takasbank and open market transactions are TRY 31,158, TRY 5,797, TRY 536 and TRY 50,517 respectively).

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

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	385,779	-	193,361	-
Other	-	-	-	-
Total	385,779	-	193,361	-

Net book value of unrestricted financial assets available-for-sale is TRY 227,360 (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:

	December 31, 2016	December, 31 2015
Debt securities	756,001	669,222
Quoted on a stock exchange	756,001	669,222
Not quoted	-	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	(9)	-
Total	756,130	669,360

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).

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

5. Information on loans:

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

	December 31, 2016		December 31, 2015	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	132	14,451	112	63
Corporate shareholders	132	14,451	112	63
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	51,145	-	18,384
Loans granted to employees	1,960	1,447	1,584	1,536
Total	2,092	67,043	1,696	19,983

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	2,775,149	13,444	-	460,276	229,909	-
Discount notes	2,026,060	13,444	-	449,144	229,698	-
Export loans	351,094	-	-	2,157	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	197,600	-	-	3,015	-	-
Foreign loans	-	-	-	-	-	-
Consumer loans	6,912	-	-	429	211	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	193,483	-	-	5,531	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	2,775,149	13,444	-	460,276	229,909	-

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	815,264	1,528	80,393	38,654
Non-specialized loans	815,264	1,528	80,393	38,654
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	1,959,885	11,916	379,883	191,255
Non-specialized loans	1,959,885	11,916	379,883	191,255
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	2,775,149	13,444	460,276	229,909

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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	13,444	207,510
3, 4 or 5 times extended	-	22,399
5 Over the extended	-	-
Total	13,444	229,909

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	1,528	24,079
6 – 12 Month	-	14,575
1 – 2 Year	901	43,992
2 – 5 Year	11,015	120,442
5 Years and Over	-	26,821
Total	13,444	229,909

As of December 31, 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 661 and for watchlist-loans, which the payments are rescheduled, amounting to TRY 6,178.

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	1,937	3,132	5,069
Housing Loans	-	1,059	1,059
Car Loans	-	179	179
General Purpose Loans	1,937	1,894	3,831
Other	-	-	-
Consumer Loans –Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	411	1,096	1,507
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	411	1,096	1,507
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY(Real Persons) (*)	976	-	976
Overdraft Accounts-FC(Real Persons)	-	-	-
Total	3,324	4,228	7,552

(*) Overdraft Accounts includes TRY 365 person loans.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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
Commercial loans with installment facility-TRY	33,494	689,860	723,354
Business Loans	12,914	12,211	25,125
Car Loans	73	23,027	23,100
General Purpose Loans	20,507	654,622	675,129
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	5,758	272,812	278,570
Business Loans	-	-	-
Car Loans	301	88,503	88,804
General Purpose Loans	5,457	184,309	189,766
Other	-	-	-
Commercial loans with installment facility –FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY(Legal Entities)	18,457	-	18,457
Overdraft Accounts-FC(Legal Entities)	-	-	-
Total	57,709	962,672	1,020,381

f) Domestic and foreign loans:

	December 31, 2016	December 31, 2015
Domestic loans	3,478,778	3,760,004
Foreign loans	-	38,920
Total	3,478,778	3,798,924

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2016	December 31, 2015
Specific provisions		
Loans and receivables with limited collectability	1,777	2,602
Loans and receivables with doubtful collectability	14,088	15,121
Uncollectible loans and receivables	73,782	59,678
Total	89,647	77,401

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
December 31, 2016			
(Gross amount before specific provision) (*)	-	2,647	1,900
Restructured Loans and Other Receivables	-	2,647	1,900
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2015			
(Gross amount before specific provision)	-	-	2,229
Restructured Loans and Other Receivables	-	-	2,229
Rescheduled Loans and Other Receivables	-	-	-

(*) As of December 31, 2016 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 1,136 (December 31, 2015: TRY 1,232).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
December 31, 2015 balance	41,152	75,496	125,172
Additions (+)	114,709	9,760	1,616
Transfers from other categories of non-performing loans (+)	-	136,385	152,181
Transfers to other categories of non-performing loans (-)	(136,385)	(152,181)	-
Collections (-)	(2,436)	(13,523)	(84,099)
Write-offs (-) (*)	-	(1,498)	(26,320)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
December 31, 2015 balance	17,040	54,439	168,550
Specific provision (-)	(1,777)	(14,088)	(73,782)
Net Balances on Balance Sheet	15,263	40,351	94,768

(*) NPL portfolio amounting to TRY 27,818 sold to Sümer Varlık Yönetimi A.Ş. according to BOD numbered 549/A and dated December 17, 2016.

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

j.4) Information regarding gross and net amounts of non-performing loans with respect to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
December 31, 2016 (Net)			
Loans to Real Persons and Legal Entities (Gross)	17,040	54,439	168,550
Specific provision (-)	(1,777)	(14,088)	(73,782)
Loans to Real Persons and Legal Entities (Net)	15,263	40,351	94,768
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2015 (Net)			
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 nonperforming loans and receivables:

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published on Official Gazette No. 26333 dated November 1, 2006; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

l) Explanations on write-off policy:

As of 31 December 2016, there is no amount that is written off from assets with the decision of the board of directors (December 31,2015: None). NPL portfolio provisioned %100, included Uncollectible Loans and Receivables Group, amounting to TRY 27,818 sold to Sümer Varlık Yönetimi A.Ş. according to BOD numbered 549/A and dated December 17, 2016.

m) Other explanations and disclosures:

December 31, 2016	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	2,298,508	485,710	4,374	-	2,788,592
Past due not impaired	446,853	243,222	111	-	690,186
Restructured loans (*)	-	-	-	-	-
Individually impaired	161,473	78,543	13	-	240,029
Total gross	2,906,834	807,475	4,498	-	3,718,807
Less: allowance for individually impaired loans	(62,497)	(27,142)	(8)	-	(89,647)
Total net	2,844,337	780,333	4,490	-	3,629,160

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

December 31, 2015	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	2,702,401	762,986	3,986	-	3,469,373
Past due not impaired	238,285	91,083	183	-	329,551
Restructured loans (*)	-	-	-	-	-
Individually impaired	169,438	72,142	240	-	241,820
Total gross	3,110,124	926,211	4,409	-	4,040,744
Less: allowance for individually impaired loans	(52,073)	(25,150)	(178)	-	(77,401)
Total net	3,058,051	901,061	4,231	-	3,963,343

(*) The description of restructured loans is determined by the Article No:11 of the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside.

A reconciliation of the allowance for impairment loss is as follows;

	Total
At January 1, 2016	77,401
Additions in the period	57,296
Non-performing loan sales	(27,818)
The effect of collections in the period	(17,232)
Write off	-
At December 31, 2016	89,647

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2016 is TRY 235,138 (December 31, 2015: TRY 241,735).

Properties amounting to TRY 103,527 are transferred to the ownership of the Bank in 2016 and in the same period TRY 5,189 has been sold. In addition, properties transferred to the ownership of the Bank before 2016 year have been sold amounting to TRY 11,183.

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

December 31, 2016	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days(*)	Total
Loans and advances to customers					
<i>Corporate Loans</i>	410,368	22,148	1,339	12,998	446,853
<i>Small Business Loans</i>	215,723	14,046	12,078	1,375	243,222
<i>Consumer Loans</i>	87	24	-	-	111
<i>Other</i>	-	-	-	-	-
Total	626,178	36,218	13,417	14,373	690,186

(*) Protocol has been signed with the firm as of January, 2017.

December 31,2015	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days (*)	Total
Loans and advances to customers					
<i>Corporate Loans</i>	220,718	6,750	10,817	-	238,285
<i>Small Business Loans</i>	69,274	2,614	17,573	1,622	91,083
<i>Consumer Loans</i>	146	34	3	-	183
<i>Other</i>	-	-	-	-	-
Total	290,138	9,398	28,393	1,622	329,551

(*) Protocol has been signed with the firm as of January, 2016.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

Fair value of past due but not impaired loans and other receivable as of December 31, 2016 is TRY 794,235. (December 31, 2015: TRY 465,662).

Loans and advances amounting to TRY 1,470,326 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2015: TRY 1,724,530) and the remaining TRY 2,008,452 have fixed interest rates (December 31, 2015: TRY 2,074,394).

6. Information on held-to-maturity investments:

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

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	1,730	-	3,472	-
Other	-	-	-	-
Total	1,730	-	3,472	-

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

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

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	-	-	7,285	-
Other	-	-	-	-
Total	-	-	7,285	-

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

	December 31, 2016	December 31, 2015
Government bonds	1,730	22,080
Treasury bills	-	-
Other public sector debt securities	-	-
Total	1,730	22,080

c) Information on held-to-maturity investments:

	December 31, 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 (-)	-	-	-	-
Total	1,730	-	22,080	-

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

d) Movement of held-to-maturity investments:

	December 31, 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 (-)	-	-
Closing Balance	1,730	22,080

(*) Accruals of Held-to maturity investments are reflected in foreign currency differences on monetary assets line.

7. Information on associates (Net):

The Bank has no associates in the current period.

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

The Bank has no jointly controlled entities in the current period.

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

The Bank has no financial assets for hedging purposes in the current period.

12. Information on tangible assets (Net) :

	Balance December 31, 2015	Additions	Disposals	Other	Change in estimate	Balance December 31, 2016
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,791	-	(108)	-	-	5,683
Vehicles	-	-	-	-	-	-
Other	43,995	1,309	(781)	-	-	44,523
Total Cost	49,786	1,309	(889)	-	-	50,206

	Balance December 31, 2015	Additions	Disposals	Other	Change in estimate	Balance December 31, 2016
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(5,693)	(36)	108	-	-	(5,621)
Vehicles	-	-	-	-	-	-
Other	(28,671)	(3,908)	302	-	-	(32,277)
Total Accumulated Depreciation	(34,364)	(3,944)	410	-	-	(37,898)
Net Book Value	15,422	(2,635)	(479)	-	-	12,308

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

- a) For an individual asset, In the current period the amount of impairment losses recorded or revoked is crucial to the whole of the financial statements:
- a.1) Impairment to be recorded or cancellation of events that led to and no term of events: None.
- a.2) Recorded in the financial statements or canceled amount of impairment losses: None.
- b) Recorded in the current period or cancelled, and each one or some financial statements as a whole are not significant, but sum of impairment losses recorded or revoked is significant for the whole of the financial statements, reasons and circumstances: None.
- c) For pledge on tangible assets, mortgages and other restrictions if there exists and tangible assets, the amount of the expenditures made during construction, the commitments for the purchase of tangible fixed assets: None.

13. Information on intangible assets:

	Closing Balance December 31, 2015	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2016
Cost:						
Software cost	41,556	6,300	(67)	-	-	47,789
Total Cost	41,556	6,300	(67)	-	-	47,789

	Closing Balance December 31, 2015	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2016
Accumulated Depreciation:						
Software cost	(28,840)	(1,277)	67	(4,473)	-	(34,523)
Total Accumulated Depreciation	(28,840)	(1,277)	67	(4,473)	-	(34,523)
Net Book Value	12,716	5,023	-	(4,473)	-	13,266

14. Investment Property (Net): None.

15. Explanations on deferred tax assets:

- a) As of December 31, 2016, deferred tax asset calculated on tax losses is none (December 31, 2015: TRY 1,432). Deferred tax asset calculated on the other temporary differences is TRY 5,155 (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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

d) Movement of deferred tax:

	December 31, 2016		December 31, 2015	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	13,464	2,693	12,519	2,504
Other provisions	9,469	1,894	3,708	742
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	1,663	333	1,040	208
Deferred Commission	4,646	929	3,710	742
Financial Assets	983	196	385	77
Tax Losses	-	-	7,161	1,432
Deferred Tax Assets		6,045		5,705
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	4,440	888	5,306	1,061
Financial Assets	10	2	132	26
Other	-	-	5,021	1,005
Deferred tax liability (-)		890		2,092
Deferred tax Asset (Net)		5,155		3,613

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

17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2016	December 31, 2015
Assets to be Sold	116,533	29,982
Settlement Accounts	18,720	25,055
Prepaid Expenses	6,685	7,585
Other	20,889	14,438
Toplam	162,827	77,060

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

II. Explanations and Disclosures Related to the Liabilities**1. Information on maturity structure of deposits:****a.1) December 31, 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	16,765	-	62,213	1,203,363	55,669	120,400	12,798	-	1,471,208
Foreign currency deposits	71,218	-	89,106	1,148,130	110,613	63,278	3,267	-	1,485,612
Residents in Turkey	69,152	-	87,924	1,109,410	104,081	61,141	1,577	-	1,433,285
Residents abroad	2,066	-	1,182	38,720	6,532	2,137	1,690	-	52,327
Public sector deposits	732	-	-	48,246	-	-	-	-	48,978
Commercial deposits	69,860	-	119,448	627,860	94,148	34,808	54,134	-	1,000,258
Other institutions deposits	390	-	2,233	29,402	13,907	13,900	-	-	59,832
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,616	-	-	-	-	-	-	-	1,616
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	52	-	-	-	-	-	-	-	52
Foreign Banks	1,564	-	-	-	-	-	-	-	1,564
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	160,581	-	273,000	3,057,001	274,337	232,386	70,199	-	4,067,504

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	-	-	-	-	-	-	-	-	-
Total	164,402	-	207,948	3,491,041	382,739	182,382	52,799	-	4,481,311

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

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Saving deposits	299,418	315,561	1,157,830	1,280,987
Foreign currency saving deposits	68,964	81,505	739,598	905,019
Other deposits in the form of saving deposits	602	590	13,062	11,536
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	368,984	397,656	1,910,490	2,197,542

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

ii. Deposit amounts not under the guarantee of saving deposit:

Deposits of real persons not under the guarantee of saving deposit insurance:

	December 31, 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	2,673	2,767
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

a) Negative differences table related to derivative financial liabilities held-for-trading:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Forward Transactions	3,425	8	3	25
Swap Transactions	-	306	-	9
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	3,425	314	3	34

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

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Credits From Central Bank of the Republic of Turkey	-	80,686	-	-
From Domestic Banks and Institutions	22,422	36,495	16,785	20,968
From Foreign Banks, Institutions and Funds	-	244,155	-	187,296
Total	22,422	361,336	16,785	208,264

b) Maturity analysis of borrowings:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Short-term	22,422	251,351	16,785	87,146
Medium and long-term	-	109,985	-	121,118
Total	22,422	361,336	16,785	208,264

c) Additional explanations related to the concentrations of the Bank's major liabilities:

Bank diversifies its funding resources by customer deposits and foreign borrowings. 36% of bank deposits and 37% of other deposits are composed of foreign currency deposits.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

4. Information on funds provided from repurchase agreement transactions :

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
From domestic transactions	373,315	-	199,302	-
Financial institutions and organizations	373,313	-	199,295	-
Other institutions and organizations	-	-	-	-
Real persons	2	-	7	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	373,315	-	199,302	-

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

	December 31, 2016		December 31, 2015	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	268,377	373,312	143,899	192,088
Held to Maturity Investments	2	3	7,035	7,214
Financial assets held for trading	-	-	-	-
Total	268,379	373,315	150,934	199,302

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

6. Explanations on lease obligations (Net):

a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the Tax Procedural Code.

b) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. As of December 2016 operational lease expenses amounting to TRY 19,268 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.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

8. Information on provisions:

a) Information on general provisions:

	December 31, 2016	December 31, 2015
General Provisions		
Provisions for First Group Loans and Receivables	19,569	25,001
- Additional provision for extended loans	661	533
Provisions for Second Group Loans and Receivables	10,510	4,103
- Additional provision for extended loans	6,178	5,652
Provisions for Non-cash Loans	4,403	4,113
Total	41,321	39,402

General provision movement for first, second group of loans and receivables and non-cash loans is as follows:

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
January 1, 2016	25,534	9,755	4,113
Additions	-	6,953	547
Disposals	(5,304)	(20)	(257)
December 31, 2016	20,230	16,688	4,403

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 1 (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 7,213 (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) Movement of employee termination benefits:

	December 31, 2016	December 31, 2015
As of January 1	8,198	7,153
Service cost	1,825	1,653
Interest cost	876	637
Actuarial gain / (loss)	(834)	(438)
Benefits paid	(797)	(807)
End of period	9,268	8,198

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

d.2) Table of provision for employee of benefits:

	December 31, 2016	December 31, 2015
Employee termination benefit provision	9,268	8,198
Unused vacation provision	3,078	4,038
Total of provision for employee benefits	12,346	12,236

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 Gazette, as per TAS19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 1,119 as of December 31, 2016 (December 31, 2015: TRY 285 gain).

Actuarial calculations are based on retirement pay liability rights that are defined in the Labour Law No. 1475, and based on employees' details as of valuation date. Within the framework of the assumptions used in the actuarial calculation TAS19 is determined as follows:

	Assumptions
Discount rate	11.40%
Inflation rate	7.97%

e) Information on other provisions:

e.1) Provisions for possible losses: None.

e.2) The breakdown of the sub accounts if other provisions exceed 10% of the grand total of provisions:

	December 31, 2016	December 31, 2015
Specific provisions provided for unindemnified non cash loans	7,213	7,455
Other provisions (*)	7,449	2,499
Total	14,662	9,954

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

Provision movement for unindemnified non cash loans and other provisions is as follows:

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
December 31, 2015	7,455	2,499
Additions	3,154	4,991
Disposals	(3,396)	(41)
December 31, 2016	7,213	7,449

(*) Other provisions include TRY 4,000 of bonus provisions in 2016, TRY 769 of bonus provisions before 2016, TRY 394 of provision for other assets, TRY 2,286 of litigation provision (December 31, 2015: TRY 770 bonus provisions, TRY 302 of provisions for other assets, TRY 1,427 of litigation provision).

f) Liabilities on pension rights: None.

f.1) Liabilities for pension funds established in accordance with "Social Security Institution": None.

f.2) Liabilities resulting from all kinds of pension funds, foundations etc, which provide post retirement benefits for the employees: None.

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of December 31, 2016, remaining tax asset/(liability) after prepaid taxes are netted off;

	December 31, 2016	December 31, 2015
Current Period Tax Payable	4,882	-
Prepaid Tax	(5,986)	(1,238)
Total tax asset/(liability)	(1,104)	(1,238)

a.2) Explanations on taxes payable:

	December 31, 2016	December 31, 2015
Taxation on Securities	5,346	5,350
BITT	4,240	4,664
Corporate Tax Payable	-	-
Payroll Tax	1,378	1,379
Property Tax	510	465
Value Added Tax Payable	343	321
Stamp Tax	43	44
Other	81	66
Total	11,941	12,289

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

a.3) Information on premiums:

	December 31, 2016	December 31, 2015
Social Security Premiums-Employer	840	823
Social Security Premiums-Employee	539	534
Bank Social Aid Pension Fund Premium-Employer	73	73
Bank Social Aid Pension Fund Premium-Employee	36	36
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	1,488	1,466

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

10. Information on liabilities regarding assets held for sale and discounted operations: None.

11. Explanations on the number of subordinated loans the Bank used, maturity, interest rate, institution that the loan was borrowed from, and conversion option, if any:

The bank does not have subordinated loans.

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of December 31, 2016 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

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

(*) Nominal Capital

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

- b) The Bank does not apply registered share capital system.
- c) Information on share capital increases and their sources; other information on increased capital shares in the current period: Explained in a) section.
- d) Information on share capital increases from revaluation funds in the current period: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

Prior year income, profitability and liquidity of the Bank is closely monitored by the Financial Reporting Department and reported to the Board of Directors, Asset and Liability Committee. Risk Management tries to forecast the effects of interest, currency and maturity fluctuations that change these indicators with static and dynamic scenario analysis. Net asset value, which is defined as the difference of fair values of assets and liabilities, is measured. Expectations are made for Bank's future interest income via simulations of net interest income and scenario analysis.

- g) Information on preferred shares: None.
- h) Information on marketable securities value increase fund:

	December 31, 2016	December 31, 2015
Valuation Difference	(27,512)	(26,132)
Foreign Exchange Difference	-	-
Total	(27,512)	(26,132)

Information on legal reserves :

	December 31, 2016	December 31, 2015
First Legal reserves	4,644	3,919
Second Legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
Total	4,644	3,919

Information on extraordinary reserves:

	December 31, 2016	December 31, 2015
Reserves appropriated by the General Assembly	-	-
Retained earnings	76,825	63,044
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Total	76,825	63,044

13. Information on minority shares: None.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

1. Information on off-balance sheet liabilities:

1. a) Nature and amount of irrevocable loan commitments:

	December 31, 2016	December 31, 2015
Loan granting commitments	66,907	62,401
Payment commitments for checks	108,953	111,641
Forward asset purchase and sales commitments	60,067	14,877
Other irrevocable commitments	6,432	494
Total	242,359	189,413

b) Possible losses and commitments related to off-balance sheet items including items listed below:

The Bank, within the context of banking activities, undertakes certain commitments, consisting of loan commitments, letters of guarantee, acceptance credits and letters of credit.

b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letters of credits:

	December 31, 2016	December 31, 2015
Bank acceptance loans	6,465	2,701
Letters of credit	234,477	150,969
Other guarantees and collaterals	141,687	154,325
Total	382,629	307,995

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

	December 31, 2016	December 31, 2015
Definite letter of guarantess	1,465,493	1,333,414
Temporary letter of guarantees	300,238	365,002
Other letter of guarantees	125,115	228,119
Total	1,890,846	1,926,535

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

	December 31, 2016	December 31, 2015
Non-cash loans given against achieving cash loans	139,872	151,028
With maturity of 1 year or less than 1 year	114,780	98,319
With maturity of more than 1 year	25,092	52,709
Other non-cash loans	2,133,603	2,083,502
Total	2,273,475	2,234,530

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

c.2) Information on sectoral risk breakdown of non-cash loans and irrevocable loan commitments (excluding forward asset sales and purchase commitments):

	December 31, 2016				December 31, 2015			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	27,110	1.60	37,079	4.90	23,707	1.37	62,886	9.21
Farming and raising livestock	26,159	1.54	33,414	4.42	22,954	1.33	44,192	6.47
Forestry	918	0.05	3,665	0.48	720	0.04	18,694	2.74
Fishery	33	-	-	-	33	-	-	-
Manufacturing	391,123	23.02	425,608	56.26	349,206	20.23	260,990	38.23
Mining	19,999	1.18	21,906	2.90	10,013	0.58	8,210	1.20
Production	355,046	20.89	390,709	51.64	327,646	18.98	251,590	36.86
Electric, gas and water	16,078	0.95	12,993	1.72	11,547	0.67	1,190	0.17
Construction	645,333	37.98	160,681	21.24	717,001	41.53	208,972	30.62
Services	600,359	35.33	131,934	17.44	587,772	34.04	145,629	21.34
Wholesale and retail trade	144,357	8.50	48,368	6.39	133,221	7.72	70,951	10.39
Hotel, food and beverage services	6,893	0.41	667	0.09	8,873	0.51	996	0.15
Transportation and telecommunication	46,398	2.73	10,180	1.35	44,098	2.55	28,347	4.15
Financial institutions	218,661	12.87	30,420	4.02	186,083	10.78	5,990	0.88
Real estate and renting services	30,606	1.80	10,585	1.40	30,674	1.78	6,099	0.89
Self-employment services	94,107	5.54	30,956	4.09	123,861	7.17	26,862	3.94
Education services	348	0.02	-	-	409	0.02	-	-
Health and social services	58,989	3.47	758	0.10	60,553	3.51	6,384	0.94
Other	35,276	2.08	1,264	0.17	48,835	2.83	4,068	0.60
Total	1,699,201	100.00	756,566	100.00	1,726,521	100.00	682,545	100.00

c.3) Information on I st and II nd Group non-cash loans:

Non-cash loans	I st Group (*)		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	1,447,802	362,051	67,083	13,910
Bank acceptances	-	6,465	-	-
Letters of credit	189	233,149	-	1,139
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	3,057	136,357	-	2,273
Total	1,451,048	738,022	67,083	17,322

(*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TRY 23,463 for non-cash loans not yet indemnified amounting to TRY 7,213.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Types of trading transactions				
Foreign currency related derivative transactions (I):				
Forward transactions	133,991	7,914	-	-
Swap transactions	109,690	32,993	-	-
Futures transactions	-	-	-	-
Option transactions	45,090	-	-	-
Interest related derivative transactions (II) :				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)				
A. Total trading derivative transactions (I+II+III)	288,771	102,979	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives				
	-	-	-	-
Total Derivative Transactions (A+B)	288,771	102,979	-	-

Forward foreign exchange and swap transactions are for protection from currency fluctuations. According to TAS, they do not qualify as hedging instruments but trading, are remeasured at fair value.

As of December 31, 2016 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2016								
TRY	33,321	31,568	-	7,546	8,000	8,000	-	-
USD	21,100	25,009	54,714	-	11,483	11,483	-	-
EUR	12,470	10,523	-	47,430	3,062	3,062	-	-
Other	-	-	-	-	-	-	-	-
Total	66,891	67,100	54,714	54,976	22,545	22,545	-	-
December 31, 2015								
TRY	620	3,369	31,215	-	-	-	-	-
USD	2,913	583	-	16,501	-	-	-	-
EUR	429	-	16,492	-	-	-	-	-
Other	-	-	-	30,857	-	-	-	-
Total	3,962	3,952	47,707	47,358	-	-	-	-

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

None.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

4. Explanations on contingent liabilities and assets:

- a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.
- a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.
- a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.
- b) Accounting and presentation of contingent assets and liabilities in the financial statements:
- b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2016 and 2015 there are no contingent assets that need to be explained.
- b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: Contingent liabilities as of December 31, 2016 and 2015 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

5. Custodian and intermediary services:

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

IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	122,908	7,061	199,540	11,315
Medium and long term loans	305,291	26,301	196,585	24,564
Interest on non-performing loans	6,039	-	4,076	-
Total	434,238	33,362	400,201	35,879

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

b) Information on interest received from banks:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	134	1,394	426	526
Foreign banks	3	26	-	3
Branches and head office abroad	-	-	-	-
Total	137	1,420	426	529

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

c) Interest received from marketable securities portfolio:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Trading securities	2	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	64,808	-	61,137	-
Held-to-maturity securities	756	-	4,809	-
Total	65,566	-	65,946	-

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

None.

2. a) Information on interest on funds borrowed:

	December 31, 2016		December 31, 2015	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)				
Banks	1,188	5,253	1,165	3,303
The Central Bank of Turkey	-	-	-	-
Domestic banks	1,188	440	1,089	427
Foreign banks	-	4,813	76	2,876
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	1,188	5,253	1,165	3,303

(*) Includes fees and commission expenses for borrowings.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

IV. Explanations and Disclosures Related to the Statement of Income (continued)**b. Information on interest expense to associates and subsidiaries:** None.**c. Information on interest expense to marketable securities issued:** None.**d. Distribution of interest expense on deposits based on maturity of deposits:**

December 31 , 2016								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	29	-	-	-	-	-	29
Saving deposits	-	5,252	139,069	17,106	13,987	2,486	-	177,900
Public sector deposits	-	30	1,517	426	-	-	-	1,973
Commercial deposits	-	8,178	60,340	8,615	6,072	8,999	-	92,204
Other deposits	-	5,065	5,815	359	-	-	-	11,239
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	18,554	206,741	26,506	20,059	11,485	-	283,345
Foreign Currency								
Foreign currency deposits	-	1,727	36,323	3,317	1,940	26	-	43,333
Bank deposits	-	-	134	-	-	-	-	134
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,727	36,457	3,317	1,940	26	-	43,467
Grand Total	-	20,281	243,198	29,823	21,999	11,511	-	326,812
December 31 , 2015								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	16	-	-	-	-	-	16
Saving deposits	-	5,748	114,008	9,028	5,100	665	-	134,549
Public sector deposits	-	72	366	167	-	-	-	605
Commercial deposits	-	11,483	67,714	6,189	3,402	7,225	-	96,013
Other deposits	-	3,033	9,875	2,568	-	-	-	15,476
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	20,352	191,963	17,952	8,502	7,890	-	246,659
Foreign Currency								
Foreign currency deposits	-	987	35,526	2,731	853	128	-	40,225
Bank deposits	-	198	-	-	-	-	-	198
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,185	35,526	2,731	853	128	-	40,423
Grand Total	-	21,537	227,489	20,683	9,355	8,018	-	287,082

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

3. Information on Dividend Income:

	December 31, 2016	December 31, 2015
Trading Securities	-	-
Financial Assets at fair value through profit and loss	-	-
Available for sale securities	10	8
Other	-	-
Total	10	8

4. Information on net trading income:

	December 31, 2016	December 31, 2015
Income	656,459	1,137,929
Gains on capital market operations	74	2
Gains on derivative financial instruments	43,603	55,720
Foreign exchange gains	612,782	1,082,207
Losses (-)	(657,610)	(1,139,431)
Losses on capital market operations	-	-
Losses on derivative financial instruments	(49,278)	(61,111)
Foreign exchange losses	(608,332)	(1,078,320)
Total	(1,151)	(1,502)

5. Information on other operating income:

	December 31, 2016	December 31, 2015
Reversal of specific provisions (cash) (*)	38,029	8,514
Reversal of general loan loss provisions (**)	5,580	488
Reversal of unindemnified non-cash loan provision	3,396	2,166
Income from sales of assets	2,865	1,714
Income of previous year	1,607	1,517
Provisions for expenditure collected from customers	62	36
Reversal of free provisions	41	8,101
Provisions for communication expense collected from costumers	31	39
Income from financial leasing	-	-
Other	552	785
Total	52,163	23,360

(*) As of December 31, 2016, according to the Board of Directors Decision dated December 17, 2016 numbered 549/A, non-performing loans with a principal amount of TRY 20,798 that sold are included.

(**) As of December 31, 2016, TRY 5,580 as a result of general loan provison cancellation.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

6. Provision for impairment of loans and other receivables:

	December 31, 2016	December 31, 2015
Specific provisions for loans and other receivables	50,276	41,261
III. Group Loans and Receivables	11,071	12,670
IV. Group Loans and Receivables	14,366	14,825
V. Group Loans and Receivables	24,839	13,766
General loan loss provision expenses	7,499	7,520
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Investment securities available for sale	-	-
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	-
Other	3,154	1,395
Total	60,929	50,176

7. Information on other operating expenses:

	December 31, 2016	December 31, 2015
Personnel expenses	79,731	86,029
Reserve for employee termination benefits	1,904	1,483
Taxes and duties	4,499	4,108
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,337	4,094
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	5,750	8,143
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	1,060	562
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	56,437	48,399
Rent expenses	19,268	17,448
Maintenance expenses	6,670	6,214
Advertisement expenses	455	575
Other expenses(*)	30,044	24,162
Loss on sales of assets (***)	27,548	56
Other(**)	7,675	10,809
Total	188,941	163,683

(*) Included in other operating expenses; vehicle expenses are TRY 4,841, communication expenses are TRY 3,923, cleaning expenses are TRY 1,003, non-deductible expenses are TRY 799, heating- lightening expenses are TRY 1,413, stationery expenses are TRY 765, free provision expenses are TRY 4,802, computer usage expenses are TRY 2,860, insurance expenses are TRY 801, other provisions are TRY 887, expertise expenses are TRY 1,455, representation expenses are TRY 1,325, subcontractor company expenses are TRY 3,488, and other expenses are TRY 1,682 (December 31, 2015: vehicle expenses are TRY 4,918, communication expenses are TRY 3,595, cleaning expenses are TRY 938, non-deductible expenses are TRY 568, heating- lightening expenses are TRY 1,396, stationery expenses are TRY 816, computer usage expenses are TRY 3,346, insurance expenses are TRY 662, other provisions are TRY 82, expertise expenses are TRY 1,695, representation expenses are TRY 1,021, subcontractor company expenses are TRY 3,188, and other expenses are TRY 1,937).

(**) Included in other; the premiums paid to Saving Deposit Insurance Fund is TRY 2,284, assurance and financial services expenses are TRY 3,564 and other expenses are TRY 1,827 (December 31, 2015: the premiums paid to Saving Deposit Insurance Fund is TRY 2,421, assurance and financial services expenses are TRY 2,764, unused vacation expenses are TRY 662, participation to expenses of BRSA are TRY 763 and other expenses are TRY 4,199).

(***) According to the Board of Directors decision dated December 17, 2016, non-performing loans with a principal amount of TRY 27,548 are sold to Sümer Varlık Yönetimi A.Ş. as of December 31, 2016.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

8. Information on profit/(loss) from continued and discontinued operations before taxes:

The Bank has TRY 19,832 profit before tax as of December 31, 2015 and TRY 17,438 profit before tax as of December 31, 2016. Compared to the prior year, net interest income increased by 4%.

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

- a) As of December 31, 2016; TRY 4,882 current tax expense (December 31, 2015: None) and TRY 1,197 deferred tax income (December 31, 2015: TRY 5,326 deferred tax expense).
- b) Deferred tax income on temporary differences and carried forward tax loss is amounting to TRY 11,951 (December 31, 2015: TRY 1,716 deferred tax income).
- c) Deferred tax expense for temporary differences and carried forward tax loss is amounting to TRY 10,754 (December 31, 2015: TRY 7,042 deferred tax expense).
- d) Tax reconciliation:

	December 31, 2016	December 31, 2015
Profit before tax	17,438	19,832
Tax at the domestic income tax rate of 20% (2015: 20%)	(3,488)	(3,966)
Disallowables and other, net	(197)	(1,360)
Tax Calculated	(3,685)	(5,326)

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

The Bank has TRY 14,506 net profit as of December 31, 2015 and TRY 13,753 net profit as of December 31, 2016 respectively.

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

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

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

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

	December 31, 2016	December 31, 2015
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	1,652	1,936
Transfer commission	469	703
Insurance commissions	327	868
Cheque expenses	298	352
Safe-deposit commissions	68	77
Information expenses	63	77
Bill of credit commissions	61	49
Letter of credit commissions	11	25
Credit cards commissions and fees	7	6
Collection item commissions	6	8
Other banking operations income (*)	5,077	7,425
Total	8,039	11,526

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

	December 31, 2016	December 31, 2015
<u>Other fees and commissions given</u>		
Commissions given to banks	666	637
EFT commission	293	278
Bond exchange transaction fee	237	350
Transfer commissions	177	199
Settlement commission	34	39
Credit card commissions	22	38
ATM commission	10	12
Other	68	98
Total	1,507	1,651

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

- a) Decrease resulting from revaluation of financial assets available for sale is amounting to TRY 1,380 (December 31, 2015: TRY 25,867 decrease).
- b) Increase in cash flow risk hedging items: None.
 - b.1) Reconciliation of beginning and ending balances: None.
 - b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- c) The reconciliation related with foreign currency translation differences at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves is amounting to TRY 725 (December 31, 2015: TRY 1,597)
- h) Information on shares issued:

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VI. Explanations and Disclosures Related to Statement of Cash Flows

1. The effects of the other items stated in the statement of cash flows and the changes in foreign currency exchange rates on cash and cash equivalents:

“Other items” amounting to TRY 15,635 in “Operating profit before changes in operating assets and liabilities” in essence consist of fees and commissions paid, gain/losses from derivative financial instruments and other operating expenses (except for personnel expenses, reserve for employee termination benefits, depreciation expenses and taxes paid).

“Net increase/decrease in other liabilities” amounting to TRY 679 in “Changes in operating assets and liabilities” in essence consists of changes in sundry creditors, other liabilities and tax liability.

“Net increase/decrease in other assets” amounting to TRY 88,202 in “Changes in operating assets and liabilities” in essence consists of changes in sundry debtors and other assets.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is calculated as approximately TRY 98,833 and it represents the effect of the change in the foreign exchange rates over the foreign currency cash and cash equivalents

2. Cash and cash equivalents at beginning and end of periods:

The reconciliation of the components of cash and cash equivalents, accounting policies used to determine these components, the effect of any change made in accounting principle in the current period, the recorded amounts of the cash and cash equivalent assets at the balance sheet and the recorded amounts in the statement of cash flow:

Beginning of the period	December 31, 2015	December 31, 2014
Cash		
Cash in TRY/Foreign Currency	43,205	37,515
The Central Bank of Turkey	101,530	46,154
Other	-	-
Cash equivalents		
Banks and receivables from financial institutions	388,353	273,072
Money market placements	50,000	-
Total cash and cash equivalents	583,088	356,741
End of the period	December 31, 2016	December 31, 2015
Cash		
Cash in TRY/Foreign Currency	47,575	43,205
The Central Bank of Turkey	318,415	101,530
Other	-	-
Cash equivalents		
Banks and receivables from financial institutions	560,310	388,353
Money market placements	-	50,000
Total cash and cash equivalents	926,300	583,088

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations on the Risk Group of the Bank

1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:

a) **December 31, 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
Loans and other receivables						
Balance at beginning of period	-	-	112	63	-	18,459
Balance at end of period	-	-	132	14,451	-	51,223
Interest and commission income	-	-	-	-	173	584

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 132.

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
Loans and other receivables						
Balance at beginning of period	-	-	99	85	-	15,913
Balance at end of period	-	-	112	63	-	18,459
Interest and commission income	-	-	-	8	361	152

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.

c.1) **Information on related party deposits balances:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Deposits						
Balance at beginning of period	-	-	844	730	19,194	89,963
Balance at end of period	-	-	1,333	844	81,827	19,194
Interest on deposits	-	-	-	-	6,511	7,888

In addition, the Bank has "Funds Borrowed" at an amount of TRY 71,478 used from risk group of the Bank (December 31, 2015: TRY 59,762) and TRY 3,273 (December 31, 2015: TRY 2,334) interest expense was incurred from funds borrowed in 2015.

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

d) **As of December 31, 2016, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 7,239 (December 31, 2015: TRY 11,108)**

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VII. Explanations on the Risk Group of the Bank (continued)

2. Disclosures for related parties:

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

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

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

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	-	-
Banks and other receivables	132	0.02
Non-cash loans	65,674	2.67
Deposits	83,160	2.04
Borrowings	71,478	18.63

These transactions are priced in accordance with the general pricing policies of the Bank.

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.98%. Details of these loans are explained in 1a above.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016

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

VIII. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches

1. Explanations on the Bank's domestic branches, agencies and branches abroad and off- shore branches:

	Number	Employees			
Domestic branches	33	608			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

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

None.

IX. Explanations and disclosures related to subsequent events

None.

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**TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2016**

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

SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on the Operations of the Bank:

The Bank is not required to prepare consolidated financial statements as per the decree of "Preparation of financial statements of the Bank" published in the official gazette dated November 8, 2006 and mubered 26340.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report:

The unconsolidated financial statements of the Bank as of December 31, 2016 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's report dated February 14, 2017 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.