

TURKLAND BANK ANONİM ŞİRKETİ

**INDEPENDENT AUDITOR’S REPORT,
UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR
THE PERIOD ENDED MARCH 31, 2018**

*Translated into English from the report and financial
statements originally issued in Turkish*

**(CONVENIENCE TRANSLATION OF THE REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION ORIGINALLY ISSUED IN TURKISH)**

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

To the Board of Directors of Turkland Bank A.Ş.

Introduction

We have reviewed the accompanying balance sheet of Turkland Bank A.Ş. (“the Bank”) as at March 31, 2018, and the statement of income, statement of income and expense items under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at March 31, 2018, and of the results of its operations and its cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information provided in the Management’s interim report included in the accompanying financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed interim financial statements and the explanatory notes.

Additional paragraph for English translation:

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

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Aslan
Partner

İstanbul, May 15, 2018

Translated into English from the report and financial statements originally issued in Turkish

**THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF TURKLAND BANK A.Ş.
FOR THE PERIOD ENDED MARCH 31, 2018**

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

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELEVANT PERIOD
- INFORMATION ON FINANCIAL STRUCTURE OF THE BANK
- EXPLANATORY DISCLOSURES AND FOOTNOTES ON UNCONSOLIDATED FINANCIAL STATEMENTS
- LIMITED REVIEW REPORT
- INTERIM ANNUAL REPORT

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

May 14, 2018

Mehmet Şakir
GÜVENDİ

Faten MATAR

H. Efe İÇLİ

Mustafa Selçuk
TAMER

Chairman of the Board of
Directors

General Manager

Manager
Financial Affairs

Member of Audit
Committee

Nadya Nabil Tawfik TALHOUNİ

Marwan El ABIAD

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

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2018
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

SECTION ONE
GENERAL INFORMATION

I. Bank's Incorporation Date, Beginning Statute, Changes in the Existing Statute

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

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

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

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

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170 million to TRY 300 million, 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 million 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 in April 30, 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 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, 2015, TRY 150 million has been paid in cash. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated August 28, 2015 and numbered 20637.

TURKLAND BANK ANONİM ŞİRKETİ
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(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

As of March 31, 2018, 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 March 31, 2018 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

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

<u>Title</u>	<u>Name and Surname(*)</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	MEHMET ŞAKİR GÜVENDİ	Chairman	Bachelor's Degree
Members of the Board of Directors	MOHAMMAD ABDEL FATTAH HAMAD AL GHANAMAH	Vice Chairman	Master's Degree
	MUSTAFA SELÇUK TAMER	Member of Audit Committee	Bachelor's Degree
	MARWAN EL ABIAD	Member of Audit Committee	Master Degree
	MEHMET BEHÇET PERİM	Member	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	MOHAMED ASEM AHMED ABDELKHALEK	Member	Master Degree
	HAITHAM HELMI MOHAMMAD FOUDEH	Member	Master Degree
	SALIM CHAHINE	Member	PHD Degree
General Manager and Member of Board of Directors	FATEN MATAR	Chief Executive Officer	Master Degree
Assistant General Mangers	BENAN BAŞAK	Loan Underwriting	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.

(**) As of 14 May 2018, Mehmet Özgüner has left his position.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Information about the persons and institutions that have qualified shares as of March 31, 2018:

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

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2018
(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 24 branches and 506 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2017: 33 branches, 523 personnel).

The Bank 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.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2018

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017

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

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

ASSETS	Note Ref. (Section Five)	Reviewed		
		Current Period		
		31.03.2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		1.029.671	688.387	1.718.058
1.1 Cash and Cash Equivalents		123.461	688.083	811.544
1.1.1 Cash and Balances with Central Bank	I-1	123.404	380.410	503.814
1.1.2 Banks	I-3	57	307.673	307.730
1.1.3 Money Market Placements		-	-	-
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)		-	-	-
1.2.1 Government Securities		-	-	-
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)		138	4	142
1.3.1 Government Securities	I-4	-	4	4
1.3.2 Equity Securities		138	-	138
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost		903.829	-	903.829
1.4.1 Government Securities	I-6	903.829	-	903.829
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets		2.509	300	2.809
1.5.1 Derivative Financial Assets Measured at FVTPL	I-2	2.509	300	2.809
1.5.2 Derivative Financial Assets Measured at FVOCI		-	-	-
1.6 Non Performing Financial Assets		-	-	-
1.7 Expected Credit Losses (-)		(266)	-	(266)
II. LOANS (Net)		2.592.700	298.809	2.891.509
2.1 Loans		2.323.430	298.809	2.622.239
2.1.1 Loans Measured at Amortised Cost		2.323.430	298.809	2.622.239
2.1.2 Loans Measured at FVTPL		-	-	-
2.1.3 Loans Measured at FVOCI		-	-	-
2.2 Lease Receivables		-	-	-
2.2.1 Financial Lease Receivables	I-10	-	-	-
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at FVTPL		-	-	-
2.3.3 Factoring Receivables Measured at FVOCI		-	-	-
2.4 Non Performing Receivables		517.354	-	517.354
2.5 Expected Credit Losses (-)		(248.084)	-	(248.084)
2.5.1 12-Month ECL (Stage 1)		(32.409)	-	(32.409)
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)		(23.210)	-	(23.210)
2.5.3 Lifetime ECL Impaired Credits (Stage 3)		(192.465)	-	(192.465)
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)		102.725	-	102.725
3.1 Asset Held for Resale	I-16	102.725	-	102.725
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENTS (Net)		4.897	-	4.897
4.1 Associates (Net)		4.897	-	4.897
4.1.1 Associates Consolidated Under Equity Accounting	I-7	-	-	-
4.1.2 Unconsolidated Associates		4.897	-	4.897
4.2 Subsidiaries (Net)		-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries	I-8	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3 Joint Ventures (Net)		-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting	I-9	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
V. TANGIBLE ASSETS (Net)		12.831	-	12.831
VI. INTANGIBLE ASSETS (Net)		13.268	-	13.268
6.1 Goodwill	I-12	-	-	-
6.2 Others	I-13	13.268	-	13.268
VII. INVESTMENT PROPERTY (Net)		-	-	-
VIII. CURRENT TAX ASSET		4.575	-	4.575
IX. DEFERRED TAX ASSET		40.122	-	40.122
X. OTHER ASSETS		47.367	128	47.495
TOTAL ASSETS		3.848.156	987.324	4.835.480

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017

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

	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
ASSETS		TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	115.237	391.202	506.439
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	3.426	91	3.517
2.1 Financial assets held for trading		3.426	91	3.517
2.1.1 Public sector debt securities		-	-	-
2.1.2 Share certificates		-	-	-
2.1.3 Derivative financial assets held for trading		3.426	91	3.517
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	15	402.720	402.735
IV. MONEY MARKET PLACEMENTS		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	845.242	4	845.246
5.1 Share certificates		138	-	138
5.2 Public sector debt securities		845.104	4	845.108
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	I-5	2.611.939	306.403	2.918.342
6.1 Loans and receivables		2.413.012	306.403	2.719.415
6.1.1 Loans to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		2.413.012	306.403	2.719.415
6.2 Non-performing loans		350.792	-	350.792
6.3 Specific provisions (-)		(151.865)	-	(151.865)
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	1.909	-	1.909
8.1 Public sector debt securities		1.909	-	1.909
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	4.897	-	4.897
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		4.897	-	4.897
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		4.897	-	4.897
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	13.746	-	13.746
XV. INTANGIBLE ASSETS (Net)	I-13	13.596	-	13.596
15.1 Goodwill		-	-	-
15.2 Other		13.596	-	13.596
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-
XVII. TAX ASSET	I-15	25.293	-	25.293
17.1 Current tax asset		4.575	-	4.575
17.2 Deferred tax asset		20.718	-	20.718
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED	I-16	-	-	-
18.1 Held for sale		-	-	-
18.2 Discontinued operations		-	-	-
XIX. OTHER ASSETS	I-17	139.128	369	139.497
TOTAL ASSETS		3.774.428	1.100.789	4.875.217

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET ITEMS
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017

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

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

LIABILITIES AND SHAREHOLDERS EQUITY	Note Ref. (Section Five)	Reviewed		
		Current Period		
		31.03.2018		
		TL	FC	Total
I. DEPOSITS	II-1	2.129.188	1.192.142	3.321.330
II. FUNDS BORROWED	II-3	9.752	110.502	120.254
III. MONEY MARKET FUNDS		579.410	-	579.410
IV. SECURITIES ISSUED (NET)		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrowers' Funds		-	-	-
5.2 Others		-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-2	120	227	347
7.1 Derivative Financial Liabilities Measured at FVTPL		120	227	347
7.2 Derivative Financial Liabilities Measured at FVOCI		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES (Net)	II-6	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Others		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	II-8	42.887	1.238	44.125
10.1 Restructuring Reserves		-	-	-
10.2 Reserve for Employee Benefits		14.180	-	14.180
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		28.707	1.238	29.945
XI. CURRENT TAX LIABILITY	II-9	12.185	-	12.185
XII. DEFERRED TAX LIABILITY		-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED		-	-	-
13.1 OPERATIONS (Net)		-	-	-
13.2 Asset Held for Sale		-	-	-
XIV. Assets of Discontinued Operations		-	-	-
14.1 SUBORDINATED DEBTS		-	-	-
14.2 Borrowings		-	-	-
XV. OTHER LIABILITIES	II-5	83.483	8.824	92.307
XVI. SHAREHOLDERS' EQUITY	II-10	665.522	-	665.522
16.1 Paid-in Capital		650.000	-	650.000
16.2 Capital Reserves		25.475	-	25.475
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		25.475	-	25.475
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1.204	-	1.204
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		-	-	-
16.5 Profit Reserves		22.734	-	22.734
16.5.1 Legal Reserves		5.332	-	5.332
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		31.347	-	31.347
16.5.4 Other Profit Reserves		(13.945)	-	(13.945)
16.6 Profit/Loss		(33.891)	-	(33.891)
16.6.1 Prior Periods' Profit/Loss		-	-	-
16.6.2 Current Period's Net Profit/Loss		(33.891)	-	(33.891)
16.7 Minority Shares		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3.522.547	1.312.933	4.835.480

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET ITEMS
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017

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

	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	Total
LIABILITIES AND SHAREHOLDERS EQUITY				
I. DEPOSITS	II-1	2.144.702	1.351.910	3.496.612
1.1 Deposits from risk group of the Bank		42.341	2.560	44.901
1.2 Other		2.102.361	1.349.350	3.451.711
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	1.175	73	1.248
III. FUNDS BORROWED	II-3	13.509	116.243	129.752
IV. MONEY MARKET BALANCES		400.425	-	400.425
4.1 Interbank money market takings		400.425	-	400.425
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Funds provided under repurchase agreements	II-4	-	-	-
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		26.954	5.613	32.567
VIII. OTHER LIABILITIES	II-5	34.095	424	34.519
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	46.911	1.188	48.099
12.1 General loan loss provisions		14.023	-	14.023
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		13.574	-	13.574
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		19.314	1.188	20.502
XIII. TAX LIABILITY	II-9	14.644	-	14.644
13.1 Current tax liability		14.644	-	14.644
13.2 Deferred tax liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-
14.1 Held for sale		-	-	-
14.2 Discontinued operations		-	-	-
XV. SUBORDINATED LOANS		-	-	-
XVI. SHAREHOLDERS' EQUITY	II-12	717.351	-	717.351
16.1 Paid-in capital		650.000	-	650.000
16.2 Supplementary capital		785	-	785
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities value increase fund		(25.753)	-	(25.753)
16.2.4 Tangible assets revaluation differences		-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-
16.2.6 Investment property revaluation differences		-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		45	-	45
16.2.8 Hedging funds (Effective portion)		-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
16.2.10 Other capital reserves		26.493	-	26.493
16.3 Profit reserves		106.941	-	106.941
16.3.1 Legal reserves		5.332	-	5.332
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		88.694	-	88.694
16.3.4 Other profit reserves		12.915	-	12.915
16.4 Profit or loss		(40.375)	-	(40.375)
16.4.1 Prior years' income/(losses)		-	-	-
16.4.2 Current year income/(loss)		(40.375)	-	(40.375)
16.5 Minority shares		-	-	-
TOTAL LIABILITIES AND EQUITY		3.399.766	1.475.451	4.875.217

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED OFF-BALANCE SHEET ITEMS
AS OF MARCH 31, 2018 AND DECEMBER 31, 2017

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

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Reviewed			Audited		
		Current Period			Prior Period		
		31.03.2018			31.12.2017		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II-III)		1,419,292	1,653,239	3,072,531	1,616,396	1,803,362	3,419,758
I. GUARANTEES AND SURETIES		1,203,827	1,496,094	2,699,921	1,334,496	1,563,992	2,898,488
1.1. Letters of guarantee		1,203,827	436,279	1,640,106	1,334,496	499,603	1,834,099
1.1.1. Guarantees subject to State Tender Law		9,319	370	9,689	9,784	673	10,457
1.1.2. Guarantees given for foreign trade operations		60,562	87,104	147,666	69,634	110,172	179,806
1.1.3. Other letters of guarantee		1,133,946	348,805	1,482,751	1,255,078	388,758	1,643,836
1.2. Bank acceptances		-	1,642	1,642	-	2,732	2,732
1.2.1. Import letter of acceptance		-	1,642	1,642	-	2,732	2,732
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	266,506	266,506	-	250,141	250,141
1.3.1. Documentary letters of credit		-	266,506	266,506	-	250,141	250,141
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	682,783	682,783	-	652,408	652,408
1.5.1. Endorsements to the Central Bank of Turkey		-	682,783	682,783	-	652,408	652,408
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	108,884	108,884	-	159,108	159,108
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS		171,581	21,717	193,298	178,749	12,424	191,173
2.1. Irrevocable commitments		171,581	21,717	193,298	178,749	12,424	191,173
2.1.1. Asset purchase and sale commitments		10,304	20,453	30,757	1,533	1,534	3,067
2.1.2. Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	-	-	-	-	-
2.1.4. Loan granting commitments		43,010	-	43,010	66,739	-	66,739
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		115,097	-	115,097	105,137	-	105,137
2.1.8. Tax and fund obligations on export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card limits		-	-	-	-	-	-
2.1.10. Commitments for credit cards and banking services related		-	-	-	-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		3,170	1,264	4,434	5,340	10,890	16,230
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		43,884	135,428	179,312	103,151	226,946	330,097
3.1. Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1. Fair value hedges		-	-	-	-	-	-
3.1.2. Cash flow hedges		-	-	-	-	-	-
3.1.3. Net foreign investment hedges		-	-	-	-	-	-
3.2. Trading derivatives		43,884	135,428	179,312	103,151	226,946	330,097
3.2.1. Forward foreign currency purchases/sales		15,326	59,609	74,935	78,673	97,553	176,226
3.2.1.1. Forward foreign currency purchases		8,661	28,838	37,499	41,087	47,146	88,233
3.2.1.2. Forward foreign currency sales		6,665	30,771	37,436	37,586	50,407	87,993
3.2.2. Currency and interest rate swaps		-	46,671	46,671	78	91,775	91,853
3.2.2.1. Currency swaps-purchases		-	23,334	23,334	-	45,947	45,947
3.2.2.2. Currency swaps-sales		-	23,337	23,337	78	45,828	45,906
3.2.2.3. Interest rate swaps-purchases		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-	-	-	-
3.2.3. Currency, interest rate and security options		28,558	29,148	57,706	24,400	37,618	62,018
3.2.3.1. Currency call options		14,279	14,574	28,853	12,200	18,809	31,009
3.2.3.2. Currency put options		14,279	14,574	28,853	12,200	18,809	31,009
3.2.3.3. Interest rate call options		-	-	-	-	-	-
3.2.3.4. Interest rate put options		-	-	-	-	-	-
3.2.3.5. Security call options		-	-	-	-	-	-
3.2.3.6. Security put options		-	-	-	-	-	-
3.2.4. Currency futures		-	-	-	-	-	-
3.2.4.1. Currency futures-purchases		-	-	-	-	-	-
3.2.4.2. Currency futures-sales		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-	-	-	-
3.2.6. Others		-	-	-	-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+ V+ VI)		84,894,243	11,761,001	96,655,244	85,401,490	10,853,152	96,254,642
IV. ITEMS HELD IN CUSTODY		741,223	42,771	783,994	713,768	43,639	757,407
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		20,002	355	20,357	20,002	341	20,343
4.3. Checks received for collection		713,316	39,665	752,981	680,566	41,093	721,659
4.4. Commercial notes received for collection		7,905	2,751	10,656	13,200	2,205	15,405
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received through public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		84,153,020	11,718,230	95,871,250	84,687,722	10,809,513	95,497,235
5.1. Securities		-	-	-	-	-	-
5.2. Guarantee notes		46,130	11,149	57,279	56,261	12,873	69,134
5.3. Commodities		1,646	-	1,646	1,646	-	1,646
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		2,073,769	108,588	2,182,357	2,168,042	106,054	2,274,096
5.6. Other pledged items		82,031,475	11,598,493	93,629,968	82,461,773	10,690,586	93,152,359
5.7. Pledged items-depository		-	-	-	-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		86,313,535	13,414,240	99,727,775	87,017,886	12,656,514	99,674,400

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED INCOME FOR THE PERIODS
ENDED MARCH 31, 2018 AND 2017

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

III. STATEMENT OF INCOME

INCOME AND EXPENSE ITEMS	Note Ref. (Section Five)	Reviewed
		Current Period 01.01-31.03.2018
I. INTEREST INCOME	IV-1	140.070
1.1 Interest income on loans		100.832
1.2 Interest income on reserve deposits		2.338
1.3 Interest income on banks		1.217
1.4 Interest income on money market transactions		-
1.5 Interest income on securities portfolio		32.556
1.5.1 Financial assets measured at FVTPL		-
1.5.2 Financial assets measured at FVOCI		-
1.5.3 Financial assets measured at amortised cost		32.556
1.6 Financial lease income		-
1.7 Other interest income		3.127
II. INTEREST EXPENSE	IV-2	(100.895)
2.1 Interest on deposits		(86.021)
2.2 Interest on funds borrowed		(1.191)
2.3 Interest on money market transactions		(13.675)
2.4 Interest on securities issued		-
2.5 Other interest expenses		(8)
III. NET INTEREST INCOME (I - II)		39.175
IV. NET FEES AND COMMISSIONS INCOME/EXPENSES		7.278
4.1 Fees and commissions received		7.747
4.1.1 Non-cash loans		6.529
4.1.2 Others	IV-10	1.218
4.2 Fees and commissions paid		(469)
4.2.1 Non-cash loans		(27)
4.2.2 Others	IV-10	(442)
V. PERSONNEL EXPENSES (-)		(20.689)
VI. DIVIDEND INCOME	IV-3	-
VII. NET TRADING INCOME/LOSSES (Net)	IV-4	904
6.1 Trading account income/losses		-
6.2 Income/losses from derivative financial instruments		(527)
6.3 Foreign exchange gains/losses		1.431
VIII. OTHER OPERATING INCOME	IV-5	3.336
IX. TOTAL OPERATING PROFIT (III+IV+V+VI+VII+VIII)		30.004
X. EXPECTED CREDIT LOSSES (-)	IV-6	(44.627)
X. OTHER OPERATING EXPENSES (-)	IV-7	(23.887)
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		(38.510)
XIII. INCOME RESULTED FROM MERGERS		-
XIV. INCOME/LOSS FROM INVESTMENTS UNDER EQUITY ACCOUNTING		-
XV. GAIN/LOSS ON NET MONETARY POSITION		-
XVI. OPERATING PROFIT/LOSS BEFORE TAXES (XII+...+XV)		(38.510)
XVII. PROVISION FOR TAXES OF CONTINUED OPERATIONS (±)	IV-8	4.619
17.1 Current tax charge		-
17.2 Deferred tax charge (+)		4.619
17.3 Deferred tax credit (-)		-
XVIII. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)		(33.891)
XIX. INCOME FROM DISCONTINUED OPERATIONS		-
19.1 Income from assets held for sale		-
19.2 Income from sale of associates, subsidiaries and joint-ventures		-
19.3 Others		-
XX. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1 Expenses on assets held for sale		-
20.2 Expenses on sale of associates, subsidiaries and joint-ventures		-
20.3 Others		-
XXI. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX+XX)		-
XXII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-
22.1 Current tax charge		-
22.2 Deferred tax charge (+)		-
22.3 Deferred tax credit (-)		-
XXIII. NET PROFIT/LOSS AFTER TAXES ON DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	IV-9	(33.891)
24.1 Equity holders of the bank		-
24.2 Minority Interest		-
Earnings per Share		-

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TURKLAND BANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED INCOME
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

INCOME AND EXPENSE ITEMS	Note Ref. (Section Five)	Reviewed Prior Period 01.01-31.03.2017
I. INTEREST INCOME	IV-1	155.540
1.1 Interest on loans		111.093
1.2 Interest received from reserve deposits		2.477
1.3 Interest received from banks		1.017
1.4 Interest received from money market placements		-
1.5 Interest received from marketable securities portfolio		40.254
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		40.163
1.5.4 Investments held-to-maturity		91
1.6 Finance lease income		-
1.7 Other interest income		699
II. INTEREST EXPENSE	IV-2	(92.861)
2.1 Interest on deposits		(82.344)
2.2 Interest on funds borrowed		(1.954)
2.3 Interest on money market borrowings		(7.374)
2.4 Interest on securities issued		-
2.5 Other interest expense		(1.189)
III. NET INTEREST INCOME (I - II)		62.679
IV. NET FEES AND COMMISSIONS INCOME		6.616
4.1 Fees and commissions received		6.981
4.1.1 Non-cash loans		5.309
4.1.2 Other	IV-10	1.672
4.2 Fees and commissions paid		(365)
4.2.1 Non-cash loans		(21)
4.2.2 Other	IV-10	(344)
V. DIVIDEND INCOME	IV-3	-
VI. NET TRADING INCOME	IV-4	182
6.1 Securities trading gains/ (losses)		-
6.2 Gain/(losses) from derivative financial instruments		(523)
6.3 Foreign exchange gains/ (losses)		705
VII. OTHER OPERATING INCOME	IV-5	6.850
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		76.327
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	(25.479)
X. OTHER OPERATING EXPENSES (-)	IV-7	(44.328)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		6.520
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)		-
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)		6.520
16.1 Provision for current income taxes	IV-8	(862)
16.2 Provision for deferred taxes		(4.715)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		3.853
XVIII. INCOME ON DISCONTINUED OPERATIONS		5.658
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-9	5.658

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENT OF UNCONSOLIDATED PROFIT AND LOSS ACCOUNTED
FOR UNDER EQUITY FOR THE PERIODS ENDED
MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	Reviewed Current Period 01.01 -31.03.2018
I. CURRENT PERIOD PROFIT/LOSS	(33.891)
II. OTHER COMPREHENSIVE INCOME	-
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.1 Revaluation Surplus on Tangible Assets	-
2.1.2 Revaluation Surplus on Intangible Assets	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	-
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.1 Translation Differences	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	-
2.2.3 Gains/losses from Cash Flow Hedges	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	(33.891)

PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	Reviewed Prior Period 01.01-31.03.2017
I. ADDITIONS TO MARKETABLE SECURITIES REVALUATION DIFFERENCES FOR	7.510
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN CURRENCY TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET	-
VII. THE EFFECT OF ADJUSTMENT OF ERRORS AND CHANGES IN ACCOUNTING	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	73
IX. DEFERRED TAX OF VALUATION DIFFERENCES	(1.502)
X. TOTAL NET PROFIT/LOSS ACCOUNTED UNDER EQUITY (I+II+...+IX)	6.081
XI. PROFIT/LOSS	5.658
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-
1.4 Other	5.658
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR IN THE PERIOD (X±XI)	11.739

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN UNCONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

					Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss			Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
Reviewed	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity without Minority Shares	Minority Shares	Total Shareholders' Equity
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUIT																
CURRENT PERIOD																
01.01 - 31.03.2018																
I. Balances at Beginning of Period	650.000	-	-	127.083	-	1.064	-	-	(25.753)	-	5.332	(40.375)	-	717.351	-	717.351
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	25.753	-	-	(43.831)	-	(18.078)	-	(18.078)
2.1. Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	25.753	-	-	(43.831)	-	(18.078)	-	(18.078)
III. Adjusted Balances at Beginning of Period (I+II)	650.000	-	-	127.083	-	1.064	-	-	-	-	5.332	(84.206)	-	699.273	-	699.273
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	(33.891)	(33.891)	-	(33.891)
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes	-	-	-	-	-	140	-	-	-	-	-	-	-	140	-	140
XI. Profit Distribution	-	-	-	(84.206)	-	-	-	-	-	-	-	84.206	-	-	-	-
11.1. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves	-	-	-	(84.206)	-	-	-	-	-	-	-	84.206	-	-	-	-
11.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	650.000	-	-	42.877	-	1.204	-	-	-	-	5.332	-	(33.891)	665.522	-	665.522

(*) 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 (Communique No:28585).

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN UNCONSOLIDATED SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED MARCH 31, 2018 AND DECEMBER 31, 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed Prior Period – 01.01-31.03.2017	Note (Section Five)	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Marketable Securities Revaluation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participation	Hedge Funds	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Equity Excluding Minority Interest	Minority Interests	Total Equity
I. Prior opening balance		650,000	26,548	-	-	4,645	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,022	-	756,022
II. Adjustments in accordance with TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance		650,000	26,548	-	-	4,645	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,022	-	756,022
Changes in the period		-	-	-	-	-	-	-	-	(13,753)	13,753	-	-	-	-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	6,008	-	-	-	-	6,008	-	6,008
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Other (*)		-	73	-	-	-	-	-	-	-	-	-	-	-	-	-	73	-	73
XIX. Period net income/(loss)		-	-	-	-	-	-	-	-	5,658	-	-	-	-	-	-	5,658	-	5,658
XX. Profit distribution		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650,000	26,621	-	-	5,332	-	88,694	12,915	5,658	-	(21,504)	-	45	-	-	767,761	-	767,761

(*) 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 (Communique No:28585).

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Reviewed
		Current Period
		01.01 - 31.03.2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(133,514)
1.1.1 Interests received		104,499
1.1.2 Interests paid		(106,393)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		7,578
1.1.5 Other income		4,197
1.1.6 Collections from previously written-off receivables		29,892
1.1.7 Cash payments to personnel and service suppliers		(20,620)
1.1.8 Taxes paid		-
1.1.9 Others		(152,667)
1.2 Changes in operating assets and liabilities		15,142
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		-
1.2.2 Net (increase) decrease in due from banks		(5,106)
1.2.3 Net (increase) decrease in loans		(136,896)
1.2.4 Net (increase) decrease in other assets		(12,249)
1.2.5 Net increase (decrease) in bank deposits		179,000
1.2.6 Net increase (decrease) in other deposits		(169,232)
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(10,065)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		169,690
I. Net cash flow from banking operations		(118,372)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(638)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(1,568)
2.4 Sales of tangible assets		2,061
2.5 Cash paid for purchase of financial assets measured at FVOCI		-
2.6 Cash obtained from sale of financial assets measured at FVOCI		-
2.7 Cash paid for purchase of financial assets measured at amortised cost		-
2.8 Cash obtained from sale of financial assets measured at amortised cost		-
2.9 Others		(1,131)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow 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 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for financial leases		-
3.6 Others		-
IV. Effect of translation differences on cash and cash equivalents		16,220
V. Net increase/(decrease) in cash and cash equivalents		(102,790)
VI. Cash and cash equivalents at beginning of period		562,404
VII. Cash and cash equivalents at end of period		459,614

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF UNCONSOLIDATED CASH FLOWS
FOR THE PERIODS ENDED MARCH 31, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

	Note (Section Five)	Audited Current Period 01.01-31.03.2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(41.468)
1.1.1 Interest received		107.118
1.1.2 Interest paid		(96.838)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		8.773
1.1.5 Other income		1.704
1.1.6 Collections from previously written off loans		7.071
1.1.7 Payments to personnel and service suppliers		(21.396)
1.1.8 Taxes paid		-
1.1.9 Others		(47.900)
1.2 Changes in operating assets and liabilities		(19.603)
1.2.1 Net (increase) decrease in financial assets held for trading		-
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		(157.962)
1.2.4 Net (increase) decrease in loans		8.834
1.2.5 Net (increase) decrease in other assets		(3.590)
1.2.6 Net increase (decrease) in bank deposits		(15.939)
1.2.7 Net increase (decrease) in other deposits		14.200
1.2.8 Net increase (decrease) in funds borrowed		113.890
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		20.964
I. Net cash provided from banking operations		(61.071)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(6.248)
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		(4.897)
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-
2.3 Fixed assets purchases		(1.080)
2.4 Fixed assets sales		532
2.5 Cash paid for purchase of financial assets available for sale		-
2.6 Cash obtained from sale of financial assets available for sale		115
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others		(918)
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		22.807
V. Net increase/ (decrease) in cash and cash equivalents		(44.512)
VI. Cash and cash equivalents at beginning of the period		926.300
VII. Cash and cash equivalents at end of the period		881.788

Note: In accordance with the transition requirements of TFRS 9, the prior period financial statements and footnotes have not been restated. 2017 and 2018 financial statements have been issued separately because they are prepared on different basis.

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2018

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette No.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks “and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation. The preparation of financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities on the balance sheet and contingent issues as of the balance sheet date. These estimates are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are explained in the related notes and reflected to the income statement.

The accounting policies adopted in the preparation of the Bank’s financial statements are consistent with the accounting policies adopted for financial statements dated December 31, 2016 and changes of TAS/TFRS that is effective from January 1, 2017 have an immaterial effect on the accounting policies, financial position and performance of the Bank. These accounting policies and valuation principles are explained in Notes II to XXII. Changes in TAS and TFRS are issued but not yet effective as the date of the financial statements with the exception of TFRS 9 Financial Instruments Standards (2011 version) do not have any effect on the accounting policies, financial position and performance of the Bank. The Bank is assessing the impact of TFRS 9 Financial Instruments Standard.

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

Additional paragraph for convenience translation:

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

TFRS 9 Financial Instruments

TFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF MARCH 31, 2018

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

I. Basis of Presentation (continued)

TFRS 9 Financial Instruments (continued)

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Bank's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, it has been assessed that the impact of TFRS 9 to the Bank's unconsolidated financial statements as follows:

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 standard will be determined by whether the financial asset is based on the business model in which the financial asset is managed and whether it is based on contractual cash flows including interest payments on principal and principal balance only.

On initial adoption in the financial statements, each financial asset can be classified as a financial asset measured at amortized cost, or at fair value through profit or loss, or as measured at fair value through other comprehensive income.

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I. Basis of Presentation (continued)

TFRS 9 Financial Instruments (continued)

The application of the existing provisions of TAS 39 for the classification and measurement of financial liabilities does not change substantially.

Explanations on the effect of the Bank's application of TFRS 9 are given in the following tables:

According to TFRS 9, Held for Trading Financial Assets are classified as Financial Assets Through Profit or Loss, Available for Sale Financial Assets and Held to Maturity Financial Assets are classified as Financial Assets at Amortized Cost as of 1 January 2018.

The reconciliation table related to TFRS 9 transition effect of financial assets is presented below table:

	Measurement Bases Before TFRS 9	Book Value Before TFRS 9 31 December 2017	TFRS 9 Reclassification Effect	TFRS 9 Remeasurement Effect	Book Value After TFRS 9 1 January 2018
Financial Assets					
Cash and Balances with Central Bank	Measured at amortized cost	506,439	-	-	506,439
Banks and Money Markets	Measured at amortized cost	402,735	-	-	402,735
Fair value through profit and loss marketable securities	Fair value through profit and loss	3,517	-	-	3,517
Fair value through comprehensive income marketable securities	Fair value through comprehensive income	845,246	(845,246)	-	--
Marketable securities at amortised cost	Measured at amortized cost	1,909	845,246	25,753	872,908
Loan	Measured at amortized cost	2,719,415	-	-	2,719,415
Non Performing Loans		350,792	-	-	350,792
Expected Credit Losses		180,872	-	65,055	245,927
Equity Effect		-	-	-	-
Net effect of Expected Credit Losses		-	-	(43,831)	-
Reclassification Effect of Available for Sales		-	-	25,753	-
Total		-	-	(18,078)	-

In the financial statements as of 1 January 2018, "Cash and Cash Equivalents" item includes "Cash and Central Bank", "Banks" and "Money Market Receivables" items which are presented separately in the 31 December 2017 financial statements. In addition, "Other Liabilities" item on the financial statements as of 1 January 2018 includes "Sundry Creditors" and "Other Liabilities" items presented separately in the 31 December 2017 financial statements.

Impairment:

In accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Reserved" published in the Official Gazette dated June 22, 2016 and numbered 29750, the Bank will begin to recognize provision for impairment in accordance with the provisions of TFRS 9 as of 1 January 2018. In this context, the method of allocating loan provisions, which is disclosed in detail in the accounting policy of Part Three, section VII, as of December 31, 2017, has been changed by applying the TFRS 9 along with applying the expected credit loss model. The expected credit losses estimate is unbiased, weighted by probability and should include supportable information about estimates of past events, current conditions and future economic conditions. These financial assets have been classified into the following three categories based on the increase in the credit risks observed since the first receipt of financial assets:

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I. Basis of Presentation (continued)

TFRS 9 Financial Instruments (continued)

Stage 1: Includes financial instruments with no significant increase in credit risk starting from initial recognition until the next reporting period or at a lower credit risk as of the reporting date. For these assets, the expected credit loss of 12 months is accounted.

Stage 2: Includes financial assets that have a significant increase in credit risk after initial recognition but an objective evidence of impairment does not exists. For these assets, expected lifetime credit losses are accounted.

Stage 3: Includes financial assets that have objective evidence of impairment as of the reporting date. For these assets, expected lifetime credit losses are accounted.

The reconciliation of the provision for impairment calculated as of 31 December 2017 and the expected loss calculated in accordance with TFRS 9 as of 1 January 2018 is included in the following table:

	Book Value before TFRS 9 31 December 2017	TFRS 9 Remeasurement Effect	Book Value after 1 January 2018
Loans	163,308	50,973	214,281
Stage 1	6,220	25,341	31,561
Stage 2	5,223	50,448	55,671
Stage 3	151,865	(24,816)	127,049
Financial Assets (*)	564	(293)	271
Non-cash Loans (**)	17,000	14,375	31,375
Stage 1	1,862	6,476	8,338
Stage 2	154	477	631
Stage 3	14,984	7,422	22,406

(*) Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value through Other Comprehensive Income, Receivables from Banks, Receivables from Money Markets and Other Assets.

(**) Before TFRS 9, the expected credit loss for stage 1 and 2 non-cash loans is classified "General Provision" and expected credit loss for stage 3 non-cash loans is classified "Other Provisions" under liabilities. In accordance with TFRS 9, the expected loss provisions for the 1st, 2nd and 3rd stage non-cash loans are in the "Other Provisions" column in the liabilities.

The Bank has applied the classification, measurement and impairment effects to the opening equity amounts without making any adjustments during the comparative periods in the opening balance sheet as of 1 January 2018. In addition, the effect of deferred tax assets to be calculated under TFRS 9 will be reflected in equity during the first transition.

"TFRS 9 Financial Instruments" standard related to the classification and measurement of financial instruments has been issued by the Public Oversight, Accounting and Auditing Standards Authority and published in the Official Gazette dated January 19, 2017, numbered 29953 is effective from 1 January 2018 and replaces "TAS 39 Financial Instruments: Recognition and Measurement" standard.

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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 7.16% 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 18.69% of total assets are assets with low risk and high yield. Placements in banks are 6.36% of the total assets and these assets provide liquidity with low risk and yield.

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

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

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 at 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.

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VI. Explanations on Financial Assets

In the framework of “IFRS 9 Financial Instruments”, which was effective as of 1 January 2018, the Bank classifies its financial assets as “Financial assets at fair value through profit or loss”, “Financial assets at fair value through other comprehensive income” or “Financial assets at amortized cost”. This classification is made during initial recognition based on the contractual cash flow characteristics with the business model of the financial assets determined by management.

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 aspects. Bank trades these instruments on behalf of its customers and on its own behalf.

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

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

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

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

The following are details of the financial instruments that are classified in the financial statements.

Financial Assets at Fair Value Through Profit and Loss

Financial assets at fair value through profit and loss are financial assets other than the ones that are managed with business model that aims to hold assets to collect contractual cash flows or to collect cash flows that are solely payments of principal and interest on the principal outstanding amount; that are either acquired for generating a profit from short-term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit taking.

Financial assets at the fair value through profit or loss are initially recognized at fair value. The positive difference between the cost and fair value of such securities is accounted as interest and income accrual, and the negative difference between the cost and fair value is accounted as loss accrual in the profit and loss.

Financial Assets at Fair Value Through Other Comprehensive Income

The financial assets, which are acquired with the aim to collect the contractual cash flows and to sell the financial asset in future, are classified as financial assets at fair value through other comprehensive income.

The Bank’s management may retain both the contractual cash flows as well as the portfolio for sale, in order to meet daily liquidity needs, maintain a certain level of interest income and align the maturity of financial assets with the valuation of the financial liabilities for funding purposes.

Financial assets at fair value through other comprehensive income are initially recognized at fair value including transaction costs.

The results of the subsequent changes in the fair value of financial assets at fair value through comprehensive income, namely unrealized gain or loss are recorded in “Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss”. Accumulated fair value gain or loss, previously reflected in equity, is recorded to the income statement when the said financial assets are disposed.

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VI. Explanations on Financial Assets (continued)

Financial Assets at Fair Value Through Other Comprehensive Income (continued)

The fair value of financial assets at fair value through other comprehensive income, which are traded in active markets is determined according to the price of the stock exchange and in the case that the stock market price is not available, according to the price in the Official Gazette. Where there is no quoted price in an active market, the fair value is determined by using other methods specified in TFRS 13. The financial assets at Fair Value Through Other Comprehensive Income, that are unquoted on the stock exchange, amount to TRL 17,790 Thousand and are classified under “Equity securities” in the current period.

Financial assets at amortized cost

A financial asset is classified as a financial asset measured at amortized cost, if the financial asset is held within the scope of a business model for the collection of contractual cash flows and the contractual terms of the financial asset result in cash flows that include payments arising only from principal and interest on the principal amounts on specific dates.

After the initial recognition, provision for impairment to be deducted, if any, financial assets measured at amortized cost are recognized with discounted value using effective interest method (internal rate of return).

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VI. Explanations on Financial Assets (continued)

Financial assets at amortized cost (continued)

Interest earned from financial assets measured at amortized cost is recorded as interest income.

The Bank classifies financial assets in accordance with the classifications explained above during the acquisition of the mentioned assets.

Loans

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.

All loans of the Bank are monitored under the "Financial Assets at Amortized Costs" account.

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.

The Bank classifies loans according to their qualifications in accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Made" effective as of 01 January 2018. 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 in accordance with its credit risk policies when making estimations. Provisions are recognized in profit and loss accounts using the "TFRS 9 Expected Loss Provision Expenses" account.

Söz konusu kredilerle ilgili cari dönem içinde ayrılan ve önceki dönemlerde karşılık ayrılmış yada aktiften silinmiş olan kredilere istinaden yapılan anapara tahsilatları sonucunda serbest kalan karşılık tutarları "Beklenen Zarar Karşılıkları" hesabına kaydedilmektedir.

Provisions made for loan losses in the current period and provision made in the previous periods are reversed as a result of principal collections made for the related loans or that are written off are recorded in the "Expected Loss Provisions" account.

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VII. 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 Bank does not have any securities that are subject to any payment.

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 March 31, 2018, the Bank has no reverse repo transactions (December 31, 2017: None).

As of March 31, 2018, the Bank does not have any marketable securities lending transaction (December 31, 2017: None).

VIII. 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 has assets held for sale amount of 102,725 TRY as of March 31, 2018 (December 31, 2017: 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.

IX. Explanations on Goodwill and Other Intangible Assets

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

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

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

	%
Intangible Assets	7-33

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X. 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.

XI. 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.

XII. 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 106. The total amount of those cases consists of TRY 11,399, USD 1,604 Thousand and EUR 193 Thousand. There is a provision of TRY 3,601 in the accompanying financial statements for these cases (December 31, 2017: TRY 2,559).

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XIII. 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 March 12, 2013, as of March 31, 2018, the actuarial gains recognized in equity amounts to TRY 1,204 (December 31, 2017: TRY 1,064 actuarial gain).

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

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.

XIV. 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. Tax provision is in current period: none. (December 31, 2017: None).

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XIV. Explanations on Taxation (continued)

Deferred Tax Liability / Asset:

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

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

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

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

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income/expense recorded under the tax provision expenses amounts to TRY 4,619 deferred tax income in the accompanying income statement (December 31, 2017: TRY 16,972 deferred tax income).

XV. 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.

XVI. 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.

XVII. 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.

XVIII. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XIX. Explanations on Segment Reporting

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

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XX. Explanations on Other Matters

Explanations On Prior Period Accounting Policies Not Valid For The Current Period

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:

Either trading securities are securities, which were 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 "Provision for Impairment of 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 until 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.

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SECTION FOUR
INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to Equity

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

As of March 31 2018 Bank’s total capital has been calculated as TRY 718,404, capital adequacy ratio is 14.77%. As of December 31, 2017, Bank’s total capital amounted to TRY 692,371, capital adequacy ratio was 14.05% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Information related to the components of shareholders' equity:

	Current Period March 31, 2018 (*)
Paid-in Capital	
Share issue premiums	650,000
Retained earnings	-
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	22,525
Profit	26,635
Net profit of the period	-
Profit of the previous years	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-
Common Equity Tier 1 capital before regulatory adjustments	45
Common Equity Tier 1 capital: regulatory adjustments	699,205
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 recognized in equity in accordance with TAS	-
Improvement costs for operating leasing	(3,672)
Goodwill (net of related tax liability)	(13,268)
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)	(18,898)
Cash-flow hedge reserve	
Shortfall of provisions to expected losses	-
Securitization 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)	-
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)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets 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	(35,838)
Common Equity Tier 1 capital (CET1)	663,367

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I. Explanations Related to Equity (continued)

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	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
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 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 (-)	-
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	-
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	663,367

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 (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	55,037
Tier 2 capital before regulatory adjustments	55,037
Tier 2 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total regulatory adjustments to Tier 2 capital	-
Total Tier 2 capital	55,037
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	718,404

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	-
Other items to be Defined by the BRSA	-
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 (-)	-

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I. Explanations Related to Equity (continued)

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 (-)	-
Capital	718,404
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	718,404
Total Risk Weighted Assets	4,862,991
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	13.64
Tier 1 Capital Adequacy Ratio (%)	13.64
Capital Adequacy Ratio (%)	14.77
BUFFERS	
Total buffer requirement	2.804
Capital conservation buffer requirement (%)	1.875
Bank specific countercyclical buffer requirement (%)	0.929
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	0.091
Amounts below the thresholds for deduction (before risk weighting)	-
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital -	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
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	-
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	55,037
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
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.

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I. Explanations Related to Equity (continued)

	Prior Period December 31, 2017 (*)
Common Equity Core Capital (CET 1)	
Paid-in capital	650,000
Share premium	-
Legal reserves	66,566
Accumulated other comprehensive income in accordance with TAS	26,493
Profit	-
Net current period profit	-
Prior period profit	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	45
Common Equity Core capital before regulatory adjustments	743,104
Common Equity Core capital: regulatory adjustments	
Valuation adjustments calculated according to clause (I) of first paragraph of the 9th article of the Regulation on Owners' Equity of Banks	
Loss (in excess of Reserves) and other comprehensive expenses (-)	(25,753)
Leasehold Improvements on Operational Leases (-)	(4,689)
Goodwill and Intangible assets and related deferred tax liabilities (-)	(10,877)
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)	(11,553)
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitization 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)	-
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)	-
Amount exceeding the threshold of significant investments in the common stock of financials	-
Amount exceeding the threshold of mortgage servicing rights	-
Amount exceeding the threshold of 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 Core Capital	(52,872)
Common Equity Core capital (CET1)	690,232

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I. Explanations Related to Equity (continued)

	December 31, 2017
Additional Tier 1 capital: instruments	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (before 1.1.2014)	-
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)	-
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)	-
Other items to be defined by BRSA	-
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 deducted from Common Equity	2,719
Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	
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 (-)	9,165
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier 1 capital	11,884
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	678,348
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 (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	14,023
Tier 2 capital before regulatory adjustments	14,023
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	
Other items to be defined by the BRSA (-)	
Total regulatory adjustments to Additional Tier I capital	
Additional Tier I capital (AT1)	14,023
Tier 1 capital (T1 = CET1 + AT1)	692,371
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 (-)	
National specific regulatory adjustments which shall be determined by the Board	
Regulatory Adjustments which will be deducted from Total Capital during the transition period	
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 (-)	-

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I. Explanations Related to Equity (continued)

December 31, 2017

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 (-)	-
Capital	692,371
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	692,371
Total Risk Weighted Assets	4,926,726
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.01
Tier 1 Capital Adequacy Ratio (%)	13.77
Capital Adequacy Ratio (%)	14.05
BUFFERS	
Total buffer requirement	2.032
Capital conservation buffer requirement (%)	1.250
Bank specific countercyclical buffer requirement (%)	0.782
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 (%)	0.095
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 standardized approach (prior to application of cap)	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	14,023
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
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 are no amounts to be taken into consideration at the end of the transition period for the items subject to the transition provisions within the Provisional Articles of the "Regulation on Owners' Equity of Banks".

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II. Explanations Related to Currency Risk

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

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

The announced current foreign exchange buying rates of the Bank at March 31, 2018 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	March 23, 2018	March 26, 2018	March 27, 2018	March 28, 2018	March 29, 2018	March 30, 2018
USD	3.9578	3.9718	3.9782	4.0084	3.9638	3.9493
CHF	4.1712	4.2039	4.1934	4.1908	4.1502	4.1399
GBP	5.5951	5.6407	5.6264	5.6494	5.5679	5.5385
100 JPY	3.7610	3.7750	3.7620	3.7710	3.7260	3.7150
EURO	4.8785	4.9383	4.9276	4.9431	4.8835	4.8612

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before at March 31, 2018 are as follows:

	Monthly Average Foreign Exchange Rate
USD	3.8867
CHF	4.1001
GBP	5.4257
100 JPY	3.6636
EUR	4.7871

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II. Explanations Related to Currency Risk (continued)

March 31, 2018	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.	13,861	366,549	-	-	380,410
Banks	5,847	300,247	470	1,109	307,673
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	4	-	-	4
Loans (*)	364,003	251,735	-	-	615,738
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (****)	112	16	-	-	128
Total Assets	383,823	918,551	470	1,109	1,303,953
Liabilities					
Bank Deposits	1,216	662	-	-	1,878
Foreign Currency Deposits	387,033	803,128	-	103	1,190,264
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	24,125	86,377	-	-	110,502
Marketable Securities Issued	-	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	3,695	6,367	-	-	10,062
Total Liabilities	416,069	896,534	-	103	1,312,706
Net Balance Sheet Position	(32,246)	22,017	470	1,006	(8,753)
Net Off-Balance Sheet Position	28,090	(21,766)	-	-	6,324
Financial Derivative Assets (***)	43,693	37,410	-	-	81,103
Financial Derivative Liabilities (***)	(15,603)	(59,176)	-	-	(74,779)
Non-Cash Loans (**)	799,561	687,155	-	9,378	1,496,094
December 31, 2017					
Total Assets(*) (****)	357,978	1,109,642	426	6,401	1,474,447
Total Liabilities	331,471	1,139,245	-	4,662	1,475,378
Net Balance Sheet Position	26,507	(29,603)	426	1,739	(931)
Net Off-Balance Sheet Position	(45,816)	42,674	-	-	(3,142)
Financial Derivative Assets (***)	10,096	97,966	-	3,840	111,902
Financial Derivative Liabilities (***)	(55,912)	(55,292)	-	(3,840)	(115,044)
Non-Cash Loans (**)	787,124	761,057	-	15,811	1,563,992

(*) Foreign currency indexed loans amounting to TRY 316,929 (December 31, 2017: TRY 373,749) are included in the loan portfolio.

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

(***) It includes also TRY 14,357 and TRY 6,096 forward asset purchase & sale commitments (December 31, 2017: TRY 776 and TRY 758).

(****) Foreign Currency Net General Position / Return on Equity Standard Ratio Foreign currency amounts not included in the currency risk table required by the Regulation on Calculation of Standard Rate are explained according to the order in the financial statements

- Derivative financial assets held for trading: TRY 300 (31 December 2017: TRY 91).
- Derivative financial liabilities held for trading: TRY 227 (31 December 2017: TRY 73).

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II. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

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	
		March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
USD	% 10 increase	25	1,307	-	-
USD	% 10 decrease	(25)	(1,307)	-	-
EUR	% 10 increase	(416)	(1,931)	-	-
EUR	% 10 decrease	416	1,931	-	-
Other Currency	% 10 increase	148	217	-	-
Other Currency	% 10 decrease	(148)	(217)	-	-

III. Explanations Related to Interest Rate Risk

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

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

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

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

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

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III. Explanations Related to Interest Rate Risk (continued)**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
March 31, 2018							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	465,316	-	-	-	38,498	503,814
Banks	286,349	-	-	-	-	21,381	307,730
Financial Assets Measured at Fair Value through Profit and Loss	-	-	-	-	-	2,809	2,809
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	4	138	142
Loans (*)	1,429,663	245,852	464,812	459,024	22,888	-	2,622,239
Financial Assets Measured at Amortized Cost	121,489	237,545	544,794	1	-	-	903,829
Other Assets (**)	-	-	-	-	-	494,917	494,917
Total Assets	1,837,501	948,713	1,009,606	459,025	22,892	557,743	4,835,480
Liabilities							
Bank Deposits	-	-	-	-	-	2,109	2,109
Other Deposits	2,249,574	742,880	183,302	-	-	143,465	3,319,221
Money Market Borrowings	579,410	-	-	-	-	-	579,410
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	12,154	77,167	30,134	799	-	-	120,254
Other Liabilities (***)	73,081	649	-	-	-	740,756	814,486
Total Liabilities	2,914,219	820,696	213,436	799	-	886,330	4,835,480
Balance Sheet Long Position	-	128,017	796,170	458,226	22,892	-	1,405,305
Balance Sheet Short Position	(1,076,718)	-	-	-	-	(328,587)	(1,405,305)
Off-Balance Sheet Long Position	-	-	-	-	-	89,685	89,685
Off-Balance Sheet Short Position	-	-	-	-	-	(89,627)	(89,627)
Total Position	(1,076,718)	128,017	796,170	458,226	22,892	(328,529)	58

(*) 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 12,831, intangible assets amounting to TRY 13,268, assets to be sold amounting to TRY 8,351, assets held to be sold amounting to TRY 102,725, tax asset amounting to TRY 44,697, prepaid expenses amounting to TRY 12,178, non-performing loans amounting to TRY 269,004 and other assets amounting to TRY 31,863.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 665,522, provisions amounting to TRY 44,125 and miscellaneous payables amounting to TL 31,109.

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

	EUR %	USD %	YEN %	TRY %
March 31, 2018				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	1.50	-	4.00
Banks	-	1.35	-	-
Financial Assets Measured at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	7.38	-	-
Loans	5.13	6.14	-	17.34
Financial Assets Measured at Amortized Cost (*)	-	-	-	2.73
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.93	4.02	-	14.64
Money Market Borrowings	-	-	-	12.75
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.59	2.02	-	6.60

(*) Financial Assets Measured at Amortized Cost include CPI indexed securities, which cover 99.98% of the portfolio.

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, 2017							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	448,191	-	-	-	58,248	506,439
Banks	363,927	-	-	-	-	38,808	402,735
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	3,517	3,517
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	262,511	253,913	328,680	-	4	138	845,246
Loans (*)	1,341,808	283,351	491,802	585,060	17,394	-	2,719,415
Held-To-Maturity Investments	-	-	1,909	-	-	-	1,909
Other Assets (**)	-	-	-	-	-	395,956	395,956
Total Assets	1,968,246	985,455	822,391	585,060	17,398	496,667	4,875,217
Liabilities							
Bank Deposits	-	-	-	-	-	798	798
Other Deposits	2,291,084	883,408	125,518	-	-	195,804	3,495,814
Money Market Borrowings	400,425	-	-	-	-	-	400,425
Sundry Creditors	-	-	-	-	-	32,567	32,567
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	7,643	19,009	101,537	1,563	-	-	129,752
Other Liabilities (***)	967	578	-	-	-	814,316	815,861
Total Liabilities	2,700,119	902,995	227,055	1,563	-	1,043,485	4,875,217
Balance Sheet Long Position	-	82,460	595,336	583,497	17,398	-	1,278,691
Balance Sheet Short Position	(731,873)	-	-	-	-	(546,818)	(1,278,691)
Off-Balance Sheet Long Position	-	-	-	-	-	165,189	165,189
Off-Balance Sheet Short Position	-	-	-	-	-	(164,908)	(164,908)
Total Position	(731,873)	82,460	595,336	583,497	17,398	(546,537)	281

(*) 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 13,746, intangible assets amounting to TRY 13,596, assets to be sold amounting to TRY 109,753, tax asset amounting to TRY 25,293, prepaid expenses amounting to TRY 6,768, non-performing loans amounting to TRY 198,927, settlement account amounting to TRY 7,853 and other assets amounting to TRY 20,020.

(***) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TRY 717,351, provisions amounting to TRY 48,099, settlement account amounting to TRY 15,836 and other liabilities amounting to TRY 33,030.

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III. Explanations Related to Interest Rate Risk (continued)

	EUR %	USD %	YEN %	TRY %
December 31, 2017 (**)				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey(*)	-	1.03	-	4.00
Banks	0.03	0.86	-	8.15
Financial Assets At Fair Value Through Profit And Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets(*)	-	7.38	-	2.74
Loans	5.10	6.08	-	16.19
Held-To-Maturity Investments	-	-	-	8.00
Liabilities				
Bank Deposits	-	0.85	-	10.93
Other Deposits	1.94	3.75	-	13.36
Money Market Borrowings	-	-	-	11,67
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.84	3.20	-	6.86

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

(**) Rates are calculated by taking the average of the last days of each month, except for cash values, banks and the receivables from Money Markets.

Interest rate sensitivity:

According to the "Regulation on Measurement and Evaluation of the Interest Rate Ratio of Banking Accounts Based on Standard Shock", which is divided into different currencies of the Bank, the following table shows the economic value differences arising from interest rate fluctuations as of March 31, 2018:

Type of Currency	Shocks Applied (+ / - basis points)*	Gains / Losses	Gains / Equity – Losses / Equity
TRY	500	(36,628)	(5%)
	(400)	32,615	5%
EURO	200	(6,636)	(1%)
	(200)	7,094	1%
USD	200	(3,319)	(0%)
	(200)	3,485	0%
Total (of negative shocks)		43,194	6%
Total (of positive shocks)		(46,583)	(6%)

*Separate lines are entered for each shock with a different magnitude and direction applied to a currency.

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 loss would increase by TRY 8,463. The change in loss mainly is related to loans and deposits (December 31, 2017 : TRY 9,882 TRY).

Possible changes in the interest rates does not effect the equity as a result of the revaluation of the assets measured at amortized cost. (December 31, 2017 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).

IV. Explanations Related to Equity Securities Risk

The Bank has no outstanding stock position.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

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

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

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

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

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

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

The unconsolidated lowest foreign currency is (380%) (21/01/2018) and the unconsolidated highest foreign currency is (463%) (30/03/2018) and total liquidity coverage ratios are (145%) (31/03/2018) at the lowest and (231%) (24/01/2018) at the highest while 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 considering related currencies in order to meet its obligation to pay.

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

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

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

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

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

Stress tests examine the possible effect of an event on balance sheet and net potential cumulative deficit quantitatively and foresee the required additional funding with respect to a defined stress scenario. Stress tests are performed quarterly over TRY and foreign currency unless they are required to be performed more often due to a change occurring in market conditions.

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

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

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

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

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

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

Liquidity Coverage Ratio:

Current Period – March 31, 2018		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
	High Quality Liquid Assets			964,987	396,367
CASH OUTFLOWS					
2	Retail deposit	2,070,110	702,029	193,742	67,997
3	Stable deposit	309,480	60,229	15,649	3,048
4	Less stable deposit	1,760,630	641,800	178,093	64,949
5	Unsecured wholesale funding	1,177,507	484,697	530,892	204,546
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	1,078,919	471,353	431,116	191,149
8	Other unsecured funding	98,588	13,344	99,776	13,397
9	Secured funding			-	-
10	Other cash outflows	2,322,787	897,671	288,804	110,608
11	Derivatives cash outflows	9,441	8,452	9,620	8,626
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	2,313,346	889,219	279,184	101,982
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			1,013,438	383,151
17	Secured receivables	-	-	-	-
18	Unsecured receivables	606,601	399,212	500,815	390,806
19	Other cash inflows	2,717	2,495	2,775	2,549
20	TOTAL CASH INFLOWS	609,318	401,707	503,590	393,355
				Total Adjusted Value	
21	TOTAL STOCK OF HQLA			964,987	396,367
22	TOTAL NET CASH OUTFLOWS			509,848	95,788
23	LIQUIDITY COVERAGE RATIO (%)			189.27	413.80

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

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

Liquidity Coverage Ratio (continued):

Prior Period – December 31, 2017		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			915,849	413,973
CASH OUTFLOWS					
2	Retail deposit	2,178,493	773,168	203,201	74,885
3	Stable deposit	339,911	65,833	17,189	3,329
4	Less stable deposit	1,838,582	707,335	186,012	71,556
5	Unsecured wholesale funding	1,144,123	438,243	524,096	191,238
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	1,034,073	414,831	412,597	167,449
8	Other unsecured funding	110,050	23,412	111,499	23,789
9	Secured funding			-	-
10	Other cash outflows	2,535,805	956,549	304,381	110,769
11	Derivatives cash outflows	8,099	6,975	8,214	7,077
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	2,527,706	949,574	296,167	103,692
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			1,031,678	376,892
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	662,022	445,733	547,822	435,130
19	Other cash inflows	2,169	1,791	2,218	1,832
20	TOTAL CASH INFLOWS	664,191	447,524	550,040	436,962
				Total Adjusted Value	
21	TOTAL STOCK OF HQLA			915,849	413,973
22	TOTAL NET CASH OUTFLOWS			481,638	94,223
23	LIQUIDITY COVERAGE RATIO (%)			190.15	439.35

(*) 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 with respect to these transactions increase in parallel with the derivative transactions made in order to minimize the currency risk of the bank.

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

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

The Bank has a margin call potential for the derivative transactions made with foreign financial institutions. The Bank has performed forward exchange, swap and option transactions with foreign financial institutions in 2018.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio (continued)**Presentation of assets and liabilities according to their remaining maturities:**

March 31, 2018	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 (****)	168,830	229,867	83,344	21,692	81	-	-	503,814
Banks	21,381	286,349	-	-	-	-	-	307,730
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	2,809	-	-	-	-	2,809
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	4	138	142
Loans (***)	-	1,429,663	245,852	464,812	459,024	22,888	-	2,622,239
Financial Assets Measured at Amortized Cost	-	-	-	114,473	554,294	235,062	-	903,829
Other Assets	-	23,683	-	-	-	-	471,234	494,917
Total Assets	190,211	1,969,562	332,005	600,977	1,013,399	257,954	471,372	4,835,480
Liabilities								
Bank Deposits	2,109	-	-	-	-	-	-	2,109
Other Deposits	143,465	2,249,574	742,880	183,302	-	-	-	3,319,221
Money Market Borrowings	-	579,410	-	-	-	-	-	579,410
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	12,154	77,167	30,134	799	-	-	120,254
Other Liabilities (**)	2,116	104,189	649	-	-	-	707,532	814,486
Total Liabilities	147,690	2,945,327	820,696	213,436	799	-	707,532	4,835,480
Liquidity Gap	42,521	(975,765)	(488,691)	387,541	1,012,600	257,954	(236,160)	-
Net Off-Balance Position	-	43	12	3	-	-	-	58
Derivative Assets	-	51,570	29,514	8,601	-	-	-	89,685
Derivative Liabilities	-	51,527	29,502	8,598	-	-	-	89,627
Non-Cash Loans	-	127,678	576,989	951,561	237,252	806,441	-	2,699,921
December 31, 2017								
Total Assets	219,391	1,933,266	372,605	513,374	1,214,136	235,431	387,014	4,875,217
Total Liabilities	198,220	2,781,479	902,995	227,055	1,563	-	763,905	4,875,217
Liquidity Gap	21,171	(848,213)	(530,390)	286,319	1,212,573	235,431	(376,891)	-
Net Off-Balance Position	-	24	149	108	-	-	-	281
Derivative Assets	-	103,282	48,913	12,994	-	-	-	165,189
Derivative Liabilities	-	103,258	48,764	12,886	-	-	-	164,908
Non-Cash Loans	-	30,835	389,478	1,287,422	386,680	804,073	-	2,898,488

(*) The assets, which are necessary to provide banking services and cannot 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.

(***) Revolving loans are classified in up to 1-month column.

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

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VI. Explanations Related to Leverage Ratio

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

As of March 31, 2018, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 12.19% (31 December 2017: 10.30%). This ratio is above the minimum required. minimum level of leverage is declared 3% for the banks.

Disclosure of Leverage ratio template :

	On Balance Sheet Exposures	March 31, 2018 (*)	December 31, 2017 (*)
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	4,527,615	5,741,929
2	(Deductions from the capital)	(41,290)	(58,501)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	4,486,324	5,683,428
	Derivative exposures		
4	Replacement cost of derivative exposure	1,093	2,122
5	Potential credit risk of derivative exposures	1,174	1,637
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	2,267	3,759
	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	2,908,334	2,745,217
11	CCR adjustment amount	(1,773,910)	(1,509,578)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,134,424	1,235,639
	Capital and total risk		
13	Shareholders' Equity	685,213	710,237
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	5,623,016	6,922,825
	Leverage Ratio		
15	Leverage ratio	12.19%	10.30%

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

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VII. Explanations Related to Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 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 March 31, 2018:

- 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 cannot 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, and 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 based on 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

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VII. Explanations Related to Risk Management (continued)

Overview of RWA

		RWA		Minimum capital requirements
		Current Period March 31, 2018	Prior Period December 31, 2017	Current Period March 31, 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	4,402,022	4,454,203	434,700
2	Of which standardized approach (SA)	4,402,022	4,454,203	434,700
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	924	3,182	91
5	Of which standardized approach for counterparty credit risk (SA-CCR)	924	3,182	91
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 – fallback approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization 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	3,769	6,323	372
17	Of which standardized approach (SA)	3,769	6,323	372
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	456,276	463,018	45,057
20	Of which Basic Indicator Approach	456,276	463,018	45,057
21	Of which Standardized 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)	4,862,991	4,926,726	480,220

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VII. Explanations Related to Risk Management (continued)

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, and market risk limits and contains the calculation of economic capital) are also presented to Asset-Liability Management Committee on a weekly basis. Volatility and closing values of a large number of market risk instruments are closely monitored and reported on a daily basis.

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

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

From January 1, 2014 equity and the capital adequacy ratio of the Bank is calculated in accordance with the "Change in the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" published in the Official Gazette no. 29511, dated October 23, 2015 and "Regulation on Equities of Banks" published in the Official Gazette no.28756, dated September 5, 2013.

The Bank updated its disclosures in accordance with the "Change in the Communiqué 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.

In order to manage operational risks that the Bank is exposed to more effectively and form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated, Data Management Procedure was formed. In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

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VII. Explanations Related to Risk Management (continued)

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

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

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

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

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

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

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

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

Hedging Risk and Process of Risk Mitigation Policies and Process Related to Control Their Effectiveness Continuously: Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies. Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect, the Board of Directors allocates the limits. 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.

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Internal Loan Rating System

		Internal Rating Grade	March 31, 2018	(%)	December 31, 2017	(%)
High	Risk rating class 1	A+ Excellent	115,000	4.39	131,827	4.85
	Risk rating class 2	A- Excellent	287,745	10.97	215,886	8.00
Good	Risk rating class 3	B+ Very Good	467,345	17.82	526,106	19.30
	Risk rating class 4	B- Very Good	322,471	12.30	495,775	18.20
Standard	Risk rating class 5	C+ Good	374,608	14.29	358,783	13.20
	Risk rating class 6	C- Good	455,714	17.38	543,305	20.00
Substandard	Risk rating class 7	D+ Ordinary	265,152	10.11	263,008	9.70
	Risk rating class 8	D- Ordinary	211,767	8.08	125,696	4.60
	Risk rating class 9	E Bad	89,164	3.40	49,396	1.80
	Risk rating class 10	F Very Bad	28,782	1.10	3,620	0.13
Unrated			4,491	0.16	6,013	0.22
Total			2,622,239	100.00	2,719,415	100.00

The Bank uses three 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 3 with an outstanding risk of TRY 28,782 (December 31, 2017: TRY 3,620; 6 clients), %93 (2 clients) of these clients are granted against mortgage with outstanding risk of TRY 26,733 (December 31, 2017:1 clients, %3),

“E” rating;

Number of clients with “E” rating is 36 and total outstanding risk is TRY 89,164 (December 31, 2017: TRY 125,696; 78 clients). %36 (16 clients) of these clients are granted against mortgage with outstanding risk of TRY 32,513 (December 31, 2017 : TRY 23,549; %48), %23 (9 clients) of these clients are granted against customer check/note with outstanding risk of TRY 20,068 (December 31, 2017 : TRY 13,100; 27%), %3 (3 clients) of these clients are granted against cash blockage provision with outstanding risk of TRY 2,271, %1 (2 clients) of these clients are granted against with outstanding risk of TRY 719 (December 31, 2017: TRY 729; %1).

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VII. Explanations Related to Risk Management (continued)

“D-” rating;

Number of clients with D- rating is 75 and total outstanding risk is TRY 211,767 (December 31, 2017: TRY 125,696; 78 clients). %30 (32 clients) of these clients granted against mortgage have outstanding risk of TRY 62,950 (December 31, 2017: TRY 58,276; 62%), %24 (10 clients) of these customers are granted against customer check/note with outstanding risk of TRY 51,625 (December 31, 2017: TRY 23,266, %19). %2 (1 clients) of these clients are granted against vehicle pledge with outstanding risk of TRY 4,034 (December 31, 2017 : TRY 23; %0,02), %1 (2 clients) of these clients are granted against assignment with outstanding risk of TRY 2,824 (December 31, 2017 : TRY 6,550; 5%), %0,04 (5 clients) of these clients are granted against cash blockage provision with outstanding risk of TRY 893 (December 31, 2017: TRY 5,998; %5).

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

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

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

	March 31, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	7,588	24,985	10,976	40,977
Balances with the Central Bank of Turkey	115,816	355,425	104,261	350,225
Other	-	-	-	-
Total	123,404	380,410	115,237	391,202

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

	March 31, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Unrestricted demand deposits	113,478	5,860	101,990	5,765
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	2,338	349,565	2,271	344,460
Total	115,816	355,425	104,261	350,225

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%

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

TRY reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/participation accounts up to 1-month maturity (including 1-month)	Deposits/participation accounts up to 3-month maturity (including 3-month)	Deposits/participation accounts up to 6-month maturity (including 6-month)	Deposits/participation accounts up to 1-year maturity	Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
% 10.5	% 10.5	% 10.5	% 7.5	% 5.5	% 4.0	% 10.5	% 7.0	% 4.0

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

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

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

The Bank does not have net book value of unrestricted financial assets at fair value through profit and loss (December 31, 2017: None).

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

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	2,509	275	3,426	91
Swap Transactions	-	25	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	2,509	300	3,426	91

3. Information on banks:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Banks				
Domestic	57	286,469	15	364,019
Foreign	-	21,204	-	38,701
Branches and head office abroad	-	-	-	-
Total	57	307,673	15	402,720

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

4. Information on fair value through the statement of other comprehensive income (FVTOCI) financial assets:

- a.1) Information on fair value through the statement of other comprehensive income (FVTOCI) financial assets as collateral or blocked:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities (*)	-	-	829,048	-
Other	-	-	-	-
Total	-	-	829,048	-

(*) Consists of financial assets available for sale as for the period ended in December 2017.

Fair value through the statement of other comprehensive income financial assets given as collateral for Borsa Istanbul, Interbank money market, foreign currency market and Takasbank are none. (December 31, 2017: Available-for-sale securities given as collateral TRY 36,905 hold for Borsa Istanbul, TRY 789,198 hold for Interbank money market, TRY 1,420 hold for foreign currency market and TRY 1,525 hold for Takasbank respectively).

- a.2) Information on fair value through the statement of other comprehensive income financial assets subject to repurchase agreements: None.

Net book value of unrestricted fair value through the statement of other comprehensive income financial assets: TRY 138 (December 31, 2017: TRY 16,198, unquoted stocks amounting TRY 138).

- b) Information on Fair value through the statement of other comprehensive income financial assets portfolio:

	March 31, 2018	December 31, 2017
Debt securities (*)	4	845,108
Quoted on a stock exchange	-	845,108
Not quoted	4	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	-
Total	142	845,246

(*) Consists of financial assets available for sale as for the period ended in December 2017.

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, 2017: TRY 138).

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

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

	March 31, 2018		December 31, 2017	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	169	38,428	159	44,498
Corporate shareholders	169	38,428	159	44,498
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	45,826	-	46,106
Loans granted to employees	1,231	1,246	1,448	1,234
Total	1,400	85,500	1,607	91,838

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Cash Loans	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled
						Other
Non-specialized loans		2,074,782	18,483	-	344,827	184,147
Business loans		1,463,100	18,398	-	320,022	183,990
Export loans		239,817	-	-	12,877	-
Import loans		-	-	-	-	-
Loans given to financial sector		251,115	-	-	-	-
Foreign loans		61	-	-	-	-
Consumer loans		3,106	85	-	452	157
Credit cards		-	-	-	-	-
Precious metals loans		-	-	-	-	-
Other		117,583	-	-	11,476	-
Specialized loans		-	-	-	-	-
Other receivables		-	-	-	-	-
Total		2,074,782	18,483	-	344,827	184,147

Expected Credit Losses	Standard Loans	Watch list Loans
General Provision	-	-
12 Month ECL(Stage 1)	32,409	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	23,210
Total	32,409	23,210

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

c) Information on restructured and rescheduled standard loans and loans under close monitoring:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	1,327,037	16,592	62,454	150,339
Non-specialized loans	1,327,037	16,592	62,454	150,339
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	747,745	1,891	282,373	33,808
Non-specialized loans	747,745	1,891	282,373	33,808
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	2,074,782	18,483	344,827	184,147

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables	Watching Loans and Other Receivables
1 or 2 times extended	18,483	184,147
3, 4 or 5 times extended	-	-
5 Over the extended	-	-
Total	18,483	184,147

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	14,846	132,500
6 – 12 Month	1,746	17,839
1 – 2 Year	1,891	-
2 – 5 Year	-	33,808
5 Years and Over	-	-
Total	18,483	184,147

As of March 31, 2018, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved” (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 5,116 for watch list-loans.

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

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	192	1,805	1,997
Housing Loans	-	559	559
Car Loans	-	-	-
General Purpose Loans	192	1,246	1,438
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	229	675	904
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	229	675	904
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) (*)	899	-	899
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	1,320	2,480	3,800

(*) Overdraft Accounts includes TRY 236 personnel loans.

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

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TRY	32,945	467,455	500,400
Business Loans	1,521	1,865	3,386
Car Loans	2,083	9,387	11,470
General Purpose Loans	29,341	456,203	485,544
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	5,938	239,292	245,230
Business Loans	-	-	-
Car Loans	1,244	122,757	124,001
General Purpose Loans	4,694	116,535	121,229
Other	-	-	-
Commercial loans with installment facility - FC	2,457	-	2,457
Business Loans	2,457	-	2,457
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)	8,166	-	8,166
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	49,506	706,747	756,253

f) Domestic and foreign loans:

	March 31, 2018	December 31, 2017
Domestic loans	2,622,178	2,719,317
Foreign loans	61	98
Total	2,622,239	2,719,415

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	March 31, 2018	December 31, 2017
Specific provisions		
Loans and other receivables with limited collectability	76,474	3,638
Loans and other receivables with doubtful collectability	64,572	47,352
Uncollectible loans and receivables	51,419	100,875
Total	192,465	151,865

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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
March 31, 2018			
(Gross amount before specific provision) (*)	-	229	6,739
Restructured Loans and Other Receivables	-	229	6,739
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2017			
(Gross amount before specific provision)	106	364	6,145
Restructured Loans and Other Receivables	106	364	6,145
Rescheduled Loans and Other Receivables	-	-	-

(*) As of March 31, 2018 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 2,564 (December 31, 2017: TRY 3,696).

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, 2017 balance	42,553	122,143	186,096
Additions (+)	195,863	12,022	6,146
Transfers from other categories of non-performing loans (+)	-	41,323	36,026
Transfers to other categories of non-performing loans (-)	(41,323)	(36,026)	-
Collections (-)	(9,109)	(9,821)	(10,694)
Write-offs (-) (*)	-	-	(17,845)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
March 31, 2018 balance	187,984	129,641	199,729
Specific provision (-)	(76,474)	(64,572)	(51,419)
Net Balances on Balance Sheet	111,510	65,069	148,310

j.3) Information on foreign currency non-performing loans and other receivables:

None.

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
March 31, 2018 (Net)			
Loans to Real Persons and Legal Entities (Gross)	187,984	129,641	199,729
Specific provision (-)	(76,474)	(64,572)	(51,419)
Loans to Real Persons and Legal Entities (Net)	111,510	65,069	148,310
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2017 (Net)			
Loans to Real Persons and Legal Entities (Gross)	42,553	122,143	186,096
Specific provision (-)	(3,638)	(47,352)	(100,875)
Loans to Real Persons and Legal Entities (Net)	38,915	74,791	85,221
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

j.4) Interest accruals and valuation differences calculated for non-performing loans with expected credit losses in accordance with TFRS 9 are as follows:

During the first quarter, TL 381 interest has been calculated in accordance with TFRS 9 for loans classified as NPL during the period.

k) Main principles of liquidation policies of non-performing loans and receivables:

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

l) Explanations on write-off policy:

As of March 31, 2018, there is no actuarial gain or loss on disposal of the Board of Directors (31 December 2017: None).

The act of deleting actively for customers who are documented as having no solvency by the request of the Department of Law and Credits is assessed within the framework of the authorities granted by the Board of Directors. The following loan amounting to TL 17,845 with 100% provision booked in lending and other receivables category was excluded from the records after being sold to Mega Varlık Yönetimi AŞ. by the Board of Directors resolution, numbered 555 dated 21 December 2017.

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

6. Financial assets at amortized cost:

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

	March 31, 2018		December 31, 2017(*)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	898,656	-	1,909	-
Other	-	-	-	-
Total	898,656	-	1,909	-

As of March 31, 2018, collateral or blocked investments held-to-maturity; stock exchange balance is TRY 41,724, foreign exchange market balance is TRY 13,857, Interbank balance is TRY 841,459, Takasbank balance is TRY 933, open market operations balance is TRY 683. (December 31, 2017: (*) Collateral or blocked investments held-to-maturity stock exchange balance is TRY 1,909).

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

The Bank does not have the book value of held to maturity investments classified as unrestricted financial assets (December 31, 2017: The bank has no held to maturity investments).

b) Information on amortized financial assets:

	March 31, 2018	December 31, 2017(*)
Government bonds	903,829	1,909
Treasury bills	-	-
Other public sector debt securities	-	-
Total	903,829	1,909

(*)Accruals of held to maturity debt securities.

c) Information on amortized financial assets:

	March 31, 2018		December 31, 2017(*)	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	903,829	-	1,909	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	903,829	-	1,909	-

(*)Accruals of held to maturity debt securities.

d) Movement of amortized financial assets:

	March 31, 2018	December 31, 2017(*)
Beginning balance (***)	846,967	1,730
Foreign currency differences on monetary assets (**)	56,862	179
Purchases during year	-	-
Disposal through sales and redemptions	-	-
Impairment provision (-)	-	-
Closing Balance	903,829	1,909

(*) Accruals of held to maturity debt securities

(**) Interest income rediscount changes were shown in foreign currency differences on monetary assets line.

(***) The beginning of the year 2018 is written according to classification changes in IFRS 9.

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

7. Information on associates (Net):

The Bank has 1,5384% participation in the Credit Guarantee Fund.

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):

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

13. Information on intangible assets:

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

14. Investment Property (Net): None.

15. Explanations on deferred tax assets:

- a) As of March 31, 2018, deferred tax asset calculated on financial loss is TRY 30,411 (December 31, 2017: deferred tax asset calculated on financial loss is TRY 15,999). Deferred tax asset calculated on the other temporary differences is TRY 9,711 (December 31, 2017: deferred tax asset calculated on other temporary differences is TRY 4,719).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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

	March 31, 2018
End of Current Period	
Acquisitions	105,320
Assets sold (Cost)	-
Impairment	(2,595)
Net Book Value	102,725

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

17. Information on other assets:

a) Breakdown of other assets:

	March 31, 2018	December 31, 2017
Assets to be Sold	8,351	109,753
Settlement Accounts	23,683	7,853
Prepaid Expenses	12,178	6,768
Other	3,283	15,123
Total	47,495	139,497

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

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II. Explanations and Disclosures Related to the Liabilities

1. Information on maturity structure of deposits:

a.1) March 31, 2018:

	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	28,413	-	33,083	1,120,187	68,556	84,697	13,268	-	1,348,204
Foreign currency deposits	59,376	-	74,283	889,094	51,705	104,188	11,619	-	1,190,265
Residents in Turkey	55,581	-	34,362	825,217	41,856	102,510	8,993	-	1,068,519
Residents abroad	3,795	-	39,921	63,877	9,849	1,678	2,626	-	121,746
Public sector deposits	4,917	-	-	-	12,043	-	-	-	16,960
Commercial deposits	50,307	-	82,294	514,025	23,775	12,304	53,674	-	736,379
Other institutions deposits	453	-	1,145	25,815	-	-	-	-	27,413
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	2,109	-	-	-	-	-	-	-	2,109
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	123	-	-	-	-	-	-	-	123
Foreign Banks	1,986	-	-	-	-	-	-	-	1,986
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	145,575	-	190,805	2,549,121	156,079	201,189	78,561	-	3,321,330

a.2) December 31, 2017:

	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	14,755	-	38,077	1,129,086	42,151	82,309	18,819	-	1,325,197
Foreign currency deposits	90,772	-	164,538	926,784	30,853	106,471	31,857	-	1,351,275
Residents in Turkey	87,018	-	66,312	900,385	22,664	104,989	2,799	-	1,184,167
Residents abroad	3,754	-	98,226	26,399	8,189	1,482	29,058	-	167,108
Public sector deposits	263	-	-	-	-	-	-	-	263
Commercial deposits	89,652	-	93,087	492,965	15,309	56,641	51,994	-	799,648
Other institutions deposits	362	-	356	18,713	-	-	-	-	19,431
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	798	-	-	-	-	-	-	-	798
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	75	-	-	-	-	-	-	-	75
Foreign Banks	723	-	-	-	-	-	-	-	723
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	196,602	-	296,058	2,567,548	88,313	245,421	102,670	-	3,496,612

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	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Saving deposits	276,586	290,882	1,056,722	1,017,170
Foreign currency saving deposits	69,880	80,663	543,357	648,855
Other deposits in the form of saving deposits	718	796	14,563	16,132
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	347,184	372,341	1,614,642	1,682,157

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

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

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

	March 31, 2018	December 31, 2017
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	1,500	3,521
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:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	120	227	1,172	61
Swap Transactions	-	-	3	12
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	120	227	1,175	73

3. Information on borrowings:

a) Information on banks and other financial institutions:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Credits from Central ban of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	9,752	15,248	13,509	19,551
From Foreign Banks, Institutions and Funds	-	95,254	-	96,692
Total	9,752	110,502	13,509	116,243

b) Maturity analysis of borrowings:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Short-term	9,752	64,696	13,509	72,308
Medium and long-term	-	45,806	-	43,935
Total	9,752	110,502	13,509	116,243

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

Bank diversifies its funding resources by customer deposits and domestic borrowings. 89% of bank deposits and 36% of other deposits are denominated in foreign currencies.

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

4. Information on funds provided from repurchase agreement transactions:

None.

5. Other liabilities which exceed 10% of the balance sheet total (excluding off-balance sheet commitments) and the breakdown of these which constitute at least 20% of grand total:

None.

6. Explanations on lease obligations (Net):

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

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

- b) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In 2018, operational lease expenses amounting to TRY 4,994 have been recorded in the profit and loss accounts (December 31, 2017: TRY 20,041). The lease periods vary between 5 and 10 years.

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

7. Information on derivative financial liabilities for hedging purposes:

None.

8. Information on provisions:

- a) Information on general provisions:

	March 31, 2018	December 31, 2017
General Provisions		
Provisions for First Group Loans and Receivables	-	6,783
- Additional provision for extended loans	-	-
Provisions for Second Group Loans and Receivables	-	5,223
- Additional provision for extended loans	-	-
Provisions for Non-cash Loans	-	2,017
Total	-	14,023

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 3 (December 31, 2017: TRY 128) on the foreign currency indexed loans are netted off from loans on the balance sheet.

- c) The specific provisions of TRY 25,829 (December 31, 2017: TRY 14,984) 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.

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

8. Information on provisions (continued)

d.1) Table of provision for employee of benefits:

	March 31, 2018	December 31, 2017
Employee termination benefit provision	10,539	10,183
Unused vacation provision	3,641	3,391
Total of provision for employee benefits	14,180	13,574

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 dated March 12, 2013 published in Turkish Trade Registry Gazette, as per TAS 19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 1,204 as of March 31, 2018 (December 31, 2017: TRY 1,064 gain).

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:

	March 31, 2018	December 31, 2017
Specific provisions provided for unindemnified non cash loans	25,829	14,984
Other provisions (*)	4,116	5,518
Total	29,945	20,502

(*) Other provisions include TRY 438 of bonus provisions, TRY 3,601 of litigation provision, TRY 77 of loan provision, (December 31, 2017 other provision include TRY 438 of bonus provisions before 2017, TRY 1,472 of loan provision, TRY 1,049 of provisions for other assets, TRY 2,559 of litigation provision).

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of March 31, 2018, remaining tax liability after prepaid taxes are netted off:

	March 31, 2018	December 31, 2017
Current Period Tax Payable	-	-
Prepaid Tax	(4,575)	(4,575)
Total	(4,575)	(4,575)

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

9. Explanations on taxes payable (continued):

a.2) Explanations on taxes payable:

	March 31, 2018	December 31, 2017
Taxation on Securities	4,730	4,787
BITT	4,327	3,458
Corporate Tax Payable	-	-
Payroll Tax	965	3,611
Property Tax	527	553
Value Added Tax Payable	103	238
Stamp Tax	39	103
Other	26	157
Total	10,717	12,907

a.3) Information on premiums:

	March 31, 2018	December 31, 2017
Social Security Premiums-Employer	836	986
Social Security Premiums-Employee	527	625
Bank Social Aid Pension Fund Premium-Employer	70	84
Bank Social Aid Pension Fund Premium-Employee	35	42
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	1,468	1,737

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

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of March 31, 2018 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares

	March 31, 2018	December 31, 2017
Common stock (*)	650,000	650,000
Preferred stock	-	-

(*) Nominal Capital

b) The Bank does not apply registered share capital system.

c) Information on share capital increases' their sources and other information on increased capital shares in the current period: Explained in a) section.

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

10. Information on Shareholders' Equity (continued):

- 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:

	March 31, 2018	December 31, 2017
Valuation Difference	-	(25,753)
Foreign Exchange Difference	-	-
Total	-	(25,753)

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	March 31, 2018	December 31, 2017
Loan granting commitments	43,010	66,739
Payment commitments for checks	115,097	105,137
Forward asset purchase and sales commitments	30,757	3,067
Other irrevocable commitments	4,434	16,230
Total	193,298	191,173

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:

	March 31, 2018	December 31, 2017
Bank acceptance loans	1,642	2,732
Letters of credit	266,506	250,141
Other guarantees and collaterals	791,667	811,516
Total	1,059,815	1,064,389

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

	March 31, 2018	December 31, 2017
Definite letter of guarantess	1,355,426	1,522,786
Temporary letter of guarantees	155,460	173,195
Other letter of guarantees	129,220	138,118
Total	1,640,106	1,834,099

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

	March 31, 2018	December 31, 2017
Non-cash loans given against achieving cash loans	96,884	145,795
With maturity of 1 year or less than 1 year	30,521	112,895
With maturity of more than 1 year	66,363	32,900
Other non-cash loans	2,603,037	2,752,693
Total	2,699,921	2,898,488

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IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	61,317	1,293	25,428	2,185
Medium and long term loans	33,724	3,153	77,622	4,746
Interest on non-performing loans	1,345	-	1,112	-
Total	96,386	4,446	104,162	6,931

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

b) Information on interest received from banks:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	19	-	6
Domestic banks	-	1,124	2	975
Foreign banks	-	74	-	34
Branches and head office abroad	-	-	-	-
Total	-	1,217	2	1,015

c) Interest received from marketable securities portfolio:

	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Available for sale assets	-	-	40,163	-
Held to maturity assets	-	-	91	-
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortized cost	32,556	-	-	-
Total	32,556	-	40,254	-

d) Information on interest income received from associates and subsidiaries: None.

TURKLAND BANK ANONİM ŞİRKETİ
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(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

2. a) Information on interest on funds borrowed:

Interest on funds borrowed (*)	March 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Banks	190	1,001	354	1,600
The Central Bank of Turkey	-	-	-	-
Domestic banks	190	78	354	173
Foreign banks	-	923	-	1,427
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	190	1,001	354	1,600

(*) Includes fees and commission expenses for borrowings.

b) Information on interest expense to associates and subsidiaries: None.

c) Information on interest expense to marketable securities issued: None.

d) Distribution of interest expense on deposits based on maturity of deposits:

March 31, 2018								
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	-	-	-	-	-	-	-	-
Saving deposits	-	1,340	41,454	1,925	2,925	568	-	48,212
Public sector deposits	-	-	-	54	-	-	-	54
Commercial deposits	-	3,376	19,114	806	813	1,800	-	25,909
Other deposits	-	28	925	-	-	-	-	953
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	4,744	61,493	2,785	3,738	2,368	-	75,128
Foreign Currency								
Foreign currency deposits	-	1,113	8,740	301	657	75	-	10,886
Bank deposits	-	-	7	-	-	-	-	7
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,113	8,747	301	657	75	-	10,893
Grand Total	-	5,857	70,240	3,086	4,395	2,443	-	86,021

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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IV. Explanations and Disclosures Related to the Statement of Income (continued)

d) Distribution of interest expense on deposits based on maturity of deposits (continued):

March 31 , 2017								
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	-	15	-	-	-	-	-	15
Saving deposits	-	1,257	35,035	1,454	3,654	409	-	41,809
Public sector deposits	-	-	886	84	-	-	-	970
Commercial deposits	-	2,669	18,174	1,854	971	1,542	-	25,210
Other deposits	-	57	947	407	-	-	-	1,411
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	3,998	55,042	3,799	4,625	1,951	-	69,415
Foreign Currency								
Foreign currency deposits	-	837	10,465	722	896	9	-	12,929
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	837	10,465	722	896	9	-	12,929
Grand Total	-	4,835	65,507	4,521	5,521	1,960	-	82,344

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

3. Information on Dividend Income: None.

4. Information on net trading income:

	March 31, 2018	March 31, 2017
Income	128,937	179,081
Gains on capital market operations	-	-
Gains on derivative financial instruments	8,850	5,080
Foreign exchange gains	120,087	174,001
Losses (-)	(128,033)	(178,899)
Losses on capital market operations	-	-
Losses on derivative financial instruments	(9,377)	(5,603)
Foreign exchange losses	(118,656)	(173,296)
Total	904	182

5. Information on other operating income:

	March 31, 2018	March 31, 2017
	-	2,642
Reversal of specific provisions (cash)	-	1,963
Reversal of general loan loss provisions	-	201
Reversal of unindemnified non-cash loan provision	997	1,493
Income from sales of assets	232	166
Income of previous year	26	47
Provisions for expenditure collected from customers	-	174
Reversal of free provisions	38	20
Provisions for communication expense collected from customers	2,043	144
Other		
Total	3,336	6,850

TURKLAND BANK ANONİM ŞİRKETİ
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(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:

	March 31, 2018	March 31, 2017
Specific provisions for loans and other receivables	-	19,964
III. Group Loans and Receivables	-	2,768
IV. Group Loans and Receivables	-	6,938
V. Group Loans and Receivables	-	10,258
General loan loss provision expenses	-	512
Marketable securities impairment losses	-	-
Financial assets at fair value through profit and loss	-	-
Financial assets available for sale	-	-
Impairment provision expense on investments	-	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	-	-
Other	-	5,003
Total	-	25,479

	March 31, 2018
Expected Credit Losses	44,627
12 Month ECL (Stage 1)	(349)
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	(33,900)
Lifetime ECL Impaired Credits (Stage 3)	78,876
Impairment Losses on Securities	-
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
Associates	-
Subsidiaries	-
Joint-ventures	-
Other	-
Total	44,627

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

7. Information on other operating expenses:

	March 31, 2018	March 31, 2017
Personnel expenses	-	20,122
Provision for employee termination benefits	-	370
Taxes and duties	2,180	1,384
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	1,126	1,079
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	1,504	1,260
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	2,595	-
Depreciation expenses of assets to be disposed	48	532
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	14,157	13,985
Rent expenses	4,994	4,899
Maintenance expenses	2,247	1,999
Advertisement expenses	121	143
Other expenses (*)	6,795	6,944
Loss on sales of assets (***)	375	1
Other (**)	1,902	5,595
Total	23,887	44,328

(*) Included in other operating expenses; vehicle expenses are TRY 1,667, communication expenses are TRY 1,160, heating-lightening expenses are TRY 355, stationery expenses are TRY 204, cleaning expenses are TRY 224, non-deductible are expenses TRY 53, computer usage expenses are TRY 650, subcontractor company expenses are TRY 846, expertise expenses are TRY 156, common expenses are TRY 330, , insurance expenses are TRY 261, representation expenses are TRY 137, other expenses are TRY 752 (December 31, 2017; vehicle expenses are TRY 1,274, communication expenses are TRY 988, heating-lightening expenses are TRY 393, stationery expenses are TRY 213, cleaning expenses are TRY 271, non-deductible expenses are TRY 217, computer usage expenses are TRY 617, subcontractor company expenses are TRY 912, ,expertise expenses are TRY 212, common expenses are TRY 289, insurance expenses are TRY 223, representation expenses are TRY 979, and other expenses are TRY 356).

(**) Included in other assurance and financial consultancy expenses are TRY 633, Saving Deposit Insurance Fund is TRY 649 and other expenses are TRY 620. (December 31, 2017: assurance and financial consultancy expenses are TRY 997, free provision expenses are TRY 3,145, Saving Deposit Insurance Fund is TRY 563 and other expenses are TRY 890).

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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 no current tax expense as of March 31, 2018 (March 31, 2017: TRY 4,715 current tax expense). The Bank has deferred tax income TRY 4,619. (March 31, 2017: TRY 3,853 deferred tax income).

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

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

b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.

c) Profit or loss attributable to minority shares: None.

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

	March 31, 2018	March 31, 2017
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	177	292
Transfer commissions	11	17
Insurance commission	7	107
Cheque expenses	66	32
Safe-deposit commissions	29	38
Information expenses	12	13
Bill of credit commissions	6	14
Letter of credit commissions	4	3
Credit card commissions and fees	19	8
Collection item commissions	1	1
Other banking operations income (*)	886	1,147
Total	1,218	1,672

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

	March 31, 2018	March 31, 2017
<u>Other fees and commissions given</u>		
Commissions given to banks	149	156
EFT commissions	67	76
Bond exchange transaction fee	-	49
Transfer commissions	27	28
Settlement and custody commission	15	11
Credit card commission	3	7
ATM commission	2	2
Other	179	15
Total	442	344

TURKLAND BANK ANONİM ŞİRKETİ
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V. Explanations on the Risk Group of the Bank

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

a) March 31, 2018:

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	-	-	159	44,498	-	46,156
Balance at end of period	-	-	169	38,428	-	45,850
Interest and commission income	-	-	-	-	-	1

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 169.

b) December 31, 2017:

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	-	-	132	14,451	-	51,223
Balance at end of period	-	-	159	44,498	-	46,156
Interest and commission income	-	-	-	-	-	200

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 159.

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	
	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
Deposits						
Balance at beginning of period	-	-	721	1,333	44,180	81,827
Balance at end of period	-	-	771	721	90,139	44,180
Interest on deposits	-	-	-	-	1,666	9,146

In addition, the Bank has "Funds Borrowed" at an amount of TRY 39,949 used from risk group of the Bank (December 31, 2017: TRY 37,933) and TRY 429 (March 31, 2017: TRY 848 interest expense was incurred from funds borrowed in 2018.

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

d) As of March 31, 2018, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 3,519 (March 31, 2017: TRY 1,959)

TURKLAND BANK ANONİM ŞİRKETİ
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V. 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	169	0.06
Non-cash loans	84,278	2.94
Deposits	90,910	2.74
Borrowings	39,949	33.22

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

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

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 1.38%. Details of these loans are explained in 1a above.

VI. Explanations and disclosures related to subsequent events

None.

TURKLAND BANK ANONİM ŞİRKETİ
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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

I. Explanations on the Independent Auditor’s Review Report:

The unconsolidated financial statements of the Bank for the period ended March 31, 2018 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Deloitte Touche Tohmatsu Limited).

The independent auditor’s limited review report dated May 15, 2018 is presented preceding the unconsolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.

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SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

Message of the General Manager

The Turkish economy witnessed strong growth in 2017, recording a GDP of 7.4 percent from a previous 3.2 percent recorded in 2016. The economy benefited from a stronger consumer spending and investment fueled by several government-backed incentives including the Credit Guarantee Fund (CGF) and tax breaks.

However, against the backdrop of 2017's strong growth, the economy faced a number of adversities that slowed down its growth in early 2018; these include large capital outflows, widening of fiscal and current account deficits, and weaker growth in industrial production. Consequently, the economy remains susceptible in the short and medium terms.

Moving forward in the direction of a tighter monetary stance by both the FED and the ECB, the appearance of global risk aversion would lead to potential reduction of capital flows to emerging markets. As a result, Turkey's large current account deficit and high dependence on volatile short-term borrowing and foreign portfolio capital intensifies financing challenges. Furthermore, tighter global liquidity conditions will continue to diminish the Turkish borrower's ability to access foreign funding, hence augmenting further depreciation pressures on the Lira and creating an overheated environment.

Inflation continues to be well above target despite the slight drop that was witnessed in early 2018. Although the Central Bank of the Republic of Turkey (CBRT) introduced effective interest rate hike of almost 500 bps in late 2016, core inflation kept rising, reflecting demand pressures and deteriorating inflation expectations – mutually affected by a weaker Turkish Lira. For this reason, a tighter monetary stance to be adopted by the CBRT would ease depreciation pressures that would in turn anchor expectations of inflations to approach its 5 percent target in the medium term.

With regard to growth prospects, Turkey's economy is projected to slow down in 2018 to 4.2 percent, however, a weaker Turkish Lira is expected to support export growth and shift domestic demand away from imports. It is also expected to boost tourism revenues. The government's accommodative fiscal policies are expected to back up growth prospects ahead of Turkey's parliamentary elections by end-2019.

Over the medium term, Turkey's economy is faced with surrounding geopolitical tensions, tightened credit conditions, and higher oil prices, all of which propose several challenges ahead of conquering a sustainable growth path.

Despite the difficult operational environment, Turkish banks remain stable. Nonetheless, the country's weakening economic environment and fragile political atmosphere impact confidence among international investors and raise costs for banks seeking to borrow on international money markets.

With respect to its performance during the first quarter, the Turkish banking sector reported total assets of TL 3.37 Trillion as at March 2018. The capital adequacy ratio is 16.56%. The sector's loan portfolio expanded by 4.8 percent in the first quarter of the year to reach TL 2.23 trillion; while deposits grew by an annual 3.9 percent reaching TL 1.67 trillion. The NPL ratio regressed to almost below 3 percent as a result of the aggressive loan growth. The sector remains well capitalized with a capital adequacy ratio reported at 16.7 percent during the same period.

In the face of these challenges, T-Bank will proceed with its strategy of refining and rebalancing the loan portfolio in order to meet its growth objectives. The loans at the balance sheet of the bank reached TL 2.9 million, while the deposits are realized as TL 3.3 million in the first quarter of 2018. The capital adequacy ratio is above the target limit of the CBRT with 14.77%. The Bank is keen to grow its client base as it prudently aims to expand its loan portfolio with better rated companies in the commercial and corporate segments who are operating in promising sectors; it will also continue to exert efforts to boost its trade finance business, capitalizing on its shareholders' well-developed network in the MENA region.

(*) Amounts presented in Section Seven are expressed in thousands of Turkish Lira (TRY) unless otherwise stated.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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Changes in the Articles of Association during the period:

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

Information on Interim Activity Report

Assessment of Financial Position:

In the first quarter of 2018; assets of Turkland Bank A.Ş. reached 4.835 million TRY, loans reached 2.891 million TRY, guarantee and bails are 2.700 million TRY.

In the first quarter of 2018, securities portfolio reached 904 million TRY. In the first quarter of 2018, deposit volume reached 3,321 million TRY.

In the first quarter of 2017, the Bank's net profit was 5,7 million TRY and in the first quarter of 2018 net loss was 33,9 million TRY.

Capital adequacy ratio of the Bank was 14,77% and above legal requirement which is 8%.

Non-performing loans in total loan portfolio was 16.48% and specific provision for non-performing loans was 48%.

Summary Financial Highlights

	March 31, 2018	December 31, 2017
Total Assets	4,835,480	4,875,217
Loans (net)	2,891,509	2,918,342
Loans (gross)	3,139,593	3,070,207
Marketable Securities (Net)	903,971	847,155
Banks/Money Market Placements	307,730	402,735
Deposits	3,321,330	3,496,612
Borrowings	120,254	129,752
Equity	665,522	717,351
Commitments and Contingencies	2,699,921	2,898,488

	March 31, 2018	December 31, 2017
Net Interest Income	39,175	62,679
Net Commission Income	7,278	6,616
Profit Before Taxes	(38,510)	6,520
Net Profit	(33,891)	5,658

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Information on Interim Activity Report (continued)

Summary Financial Ratios (%)

	March 31, 2018	December 31, 2017
Capital Adequacy Ratio	14.77	14.05
Loans/Deposits	87.05	83.46
Loans/Total Assets	59.79	59.86
Liquid Assets/Total Assets	7.16	26.79
Non-performing Loans (net)/Total Loans (net)	11.24	6.82
Non-performing Loans (gross)/Total Loans (gross)	16.48	11.43
Non-performing Loans (net)/Total Assets	6.72	4.08
Specific Provisions/Non-performing Loans	48.00	43.29

Turkland Bank at the end of the first quarter of 2018

T-Bank is presented in one of Turkey's leading financial and industrial centres with its 24 branch offices and a staff of 506 employees.

While the bank mainly focuses on small and medium-sized enterprises (SME), it also provides various other services for its customers in such areas as business financing, investments as well as asset and cash-flow management.

T-Bank's majority shareholder has strong ties with correspondent banks in Middle East and North Africa, which allows to expand the range of services offered to customers in the region. T-Bank is also well-connected with global banks.