

**TURKLAND BANK ANONİM ŐİRKETİ
AUDITOR'S REVIEW REPORT,
UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR
THE PERIOD ENDED JUNE 30, 2019**

*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 General Assembly of Turkland Bank A.Ş.

Introduction

We have reviewed the accompanying balance sheet of Turkland Bank A.Ş. (“the Bank”) as of June 30, 2019, 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 six-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 of June 30, 2019, 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.

Emphasis of Matter

We draw attention to Note I.15 of the financial statements, where the management is in the process of assessing the recoverability of the deferred tax asset based on the estimated future taxable income, which highly depends on the business plan to be submitted and approved by the board and the shareholders in the third quarter of 2019. Our review report is not modified in respect of this matter.

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, August 9, 2019

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

**THE UNCONSOLIDATED FINANCIAL REVIEW REPORT OF TURKLAND BANK A.Ş.
FOR THE PERIOD ENDED JUNE 30 , 2019**

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

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

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

Raoul NEHME
Chairman of the
Board of Directors

Servet TAZE
General Manager

M. Behçet PERİM
Assistant General Manager
Financial Affairs

H. Efe İÇLİ
Manager
Financial Affairs

Mehmet Şakir
Güvendi
Member of Audit Committee

Salım CHAHINE
Chairman of Audit Committee

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

Name-Surname / Title: Sevgi Üstün / Assistant Manager

Telephone Number: (0212) 368 37 24

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

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170 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 decision dated April 18, 2013, it has been decided to increase the Bank's paid in capital from TRY 300 million to TRY 500 million. According to the Ordinary General Assembly decree dated April 15, 2014, it was decided to increase the Bank's paid in capital from TRY 500 million to TRY 650 million.

In accordance with the BRSA's approval letter dated 7 May 2019, 16.67% of the shares of Arab Bank (Switzerland) Ltd (ABS), one of the shareholders of the Bank, was transferred to Arab Bank Plc. which is the other shareholder of the Bank.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019

(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

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	324,999.99	50%	324,999.99	-
BANKMED, SAL	324,999.99	50%	324,999.99	-
Others	<1	0%	<1	-
Total	650,000.00	%100,0	650,000.00	-

As of June 30, 2019 the nominal value of the Bank's capital is TRY 650,000 and consists of 6,500,000,000 shares.

In 2019, capital increase is foreseen by the Bank's shareholders and as of the date of the report, there is no decision approved by the Board of Directors.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019

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

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

<u>Title</u>	<u>Name and Surname(*)</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	RAOUL NEHME	Chairman / Member of Audit Committee	Bachelor's Degree
Members of the Board of Directors	MOHAMMAD ABDEL-FATTAH	Vice Chairman / Member of Audit Committee	Bachelor's Degree
	HAMAD AL GHANAMAH		
	SALIM CHAHINE	Chairman of Audit Committee	PHD Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	MEHMET ŞAKİR GÜVENDİ	Member of Audit Committee	Bachelor's Degree
	MOHAMED ASEM AHMED ABDELKHALEK	Member	Bachelor's Degree
	SAAD EDDINE EL ZEIN	Member	Master Degree
	HAITHAM HELMI MOHAMMAD FOUDEH	Member	Bachelor's Degree
TANIA MOUSSALLEM	Member	Bachelor's Degree	
General Manager and Member of Board of Directors	Servet TAZE (**)	Chief Executive Officer	Bachelor's Degree
Assistant General Mangers	BENAN BAŞAK	Loan Underwriting	Master Degree
	YASEMİN ALTUNBAŞ OTLUOĞLU(***)	Corporate and Commercial Banking	Master Degree
	EMRE DEMİRCAN	Operation and Information Technologies	Master Degree
	MEHMET BEHÇET PERİM	Finance	Master Degree
	SARUHAN DOĞAN(****)	Treasury and Financial Institutions	Master Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Master Degree

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

(**) As of April 17, 2019, General Manager Marwan El Abiad left his position, Servet Taze was appointed as General Manager.

(***) As of March 8, 2019, Assistant General Manager of Corporate and Commercial Banking, Doruk Parman, left his position.

(****) As of May 31, 2019, Assistant General Manager of Treasury and Financial Institutions, Münevver Eröz left her position. As of June 3, 2019, Saruhan Doğan was appointed as Assistant General Manager of Treasury and Financial Institutions.

(Convenience Translation of Financial Statements and Report Originally Issued in Turkish)
TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019

(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 June 30, 2019:

Name of Shareholders	Share Amount	Share Ratios	Paid up Shares	Unpaid Shares
ARAB BANK PLC	324,999.99	50.0%	324,999.99	-
BANKMED, SAL	324,999.99	50.0%	324,999.99	-

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

The Bank has 17 branches and 365 personnel. The Bank does not have any subsidiaries (December 31, 2018: 23 branches, 403 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 with 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:

None.

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:

None.

(Convenience Translation of Financial Statements and Report Originally Issued in Turkish)
TURKLAND BANK ANONİM ŐİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2019
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off Balance Items
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- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

(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			Audited		
		Current Period			Prior Period		
		30.06.2019			31.12.2018		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		76,535	658,386	734,921	114,139	484,217	598,356
1.1 Cash and cash equivalents		75,812	658,380	734,192	113,347	484,096	597,443
1.1.1 Cash and balances with The Central Bank of Turkey	I-1	75,828	219,649	295,477	113,319	197,092	310,411
1.1.2 Banks	I-3	37	438,731	438,768	28	287,004	287,032
1.1.3 Money market placements		-	-	-	-	-	-
1.1.4 Expected credit losses (-)		(53)	-	(53)	-	-	-
1.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
1.2.1 Public sector debt securities		-	-	-	-	-	-
1.2.2 Share certificates		-	-	-	-	-	-
1.2.3 Other marketable securities		-	-	-	-	-	-
1.3 Fair value financial assets through other comprehensive income	I-4	138	6	144	138	6	144
1.3.1 Public sector debt securities		-	6	6	-	6	6
1.3.2 Share certificates		138	-	138	138	-	138
1.3.3 Other marketable securities		-	-	-	-	-	-
1.4 Derivative financial assets	I-2	585	-	585	654	115	769
1.4.1 Part of derivative financial assets at fair value through profit or loss		585	-	585	654	115	769
1.4.2 Fair value differences of derivative financial assets through other comprehensive income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		2,218,812	435,649	2,654,461	2,365,522	422,563	2,788,085
2.1 Loans and advances	I-5	1,894,257	435,649	2,329,906	1,890,446	422,563	2,313,009
2.2 Finance lease receivables		-	-	-	-	-	-
2.3 Factoring receivables		-	-	-	-	-	-
2.4 Financial assets measured at amortized cost	I-6	932,369	-	932,369	1,011,588	-	1,011,588
2.4.1 Public sector debt securities		932,369	-	932,369	1,011,588	-	1,011,588
2.4.2 Other marketable securities		-	-	-	-	-	-
2.5 Expected credit losses (-)		(607,814)	-	(607,814)	(536,512)	-	(536,512)
III. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	I-16	100,721	-	100,721	107,551	-	107,551
3.1 Held for sale		100,721	-	100,721	107,551	-	107,551
3.2 Discontinued operations		-	-	-	-	-	-
IV. INVESTMENTS (NET)	I-7	7,659	-	7,659	4,897	-	4,897
4.1 Investments in associates (Net)		7,659	-	7,659	4,897	-	4,897
4.1.1 Accounted with equity method		-	-	-	-	-	-
4.1.2 Unconsolidated associates		7,659	-	7,659	4,897	-	4,897
4.2 Investments in subsidiaries (Net)	I-8	-	-	-	-	-	-
4.2.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
4.3 Entities under common control (Net)	I-9	-	-	-	-	-	-
4.3.1 Accounted with equity method		-	-	-	-	-	-
4.3.2 Unconsolidated entities		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	I-12	50,746	-	50,746	11,031	-	11,031
VI. INTANGIBLE ASSETS [NET]	I-13	9,621	-	9,621	10,327	-	10,327
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		9,621	-	9,621	10,327	-	10,327
VII. INVESTMENT PROPERTY	I-14	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	41	-	41
IX. DEFERRED TAX ASSET	I-15	62,261	-	62,261	69,179	-	69,179
X. OTHER ASSETS	I-17	19,127	1,094	20,221	34,795	130	34,925
TOTAL ASSETS		2,545,482	1,095,129	3,640,611	2,717,482	906,910	3,624,392

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2019 AND DECEMBER 31, 2018

(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			Audited		
		Current Period 30.06.2019			Prior Period 31.12.2018		
		TL	FC	Total	TL	FC	Total
I. DEPOSITS	II-1	1,916,363	1,002,710	2,919,073	1,901,987	992,982	2,894,969
II. FUNDS BORROWED	II-3	4,253	2,399	6,652	1,583	9,560	11,143
III. MONEY MARKET		139,310	-	139,310	169,335	-	169,335
IV. MARKETABLE SECURITIES ISSUED (NET)		-	-	-	-	-	-
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		-	-	-	-	-	-
V. FUNDS		-	-	-	-	-	-
5.1 Borrower funds		-	-	-	-	-	-
5.2 Other		-	-	-	-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-2	1,202	-	1,202	665	209	874
7.1 Part of derivative financial assets at fair value through profit or loss		1,202	-	1,202	665	209	874
7.2 Fair value differences of derivative financial assets through other comprehensive income		-	-	-	-	-	-
VIII. FACTORING PAYABLES		-	-	-	-	-	-
IX. FINANCE LEASE PAYABLES (NET)	II-6	37,762	1,930	39,692	-	-	-
X. PROVISIONS	II-8	41,836	1,803	43,639	37,500	1,659	39,159
10.1 Restructuring reserves		-	-	-	-	-	-
10.2 Reserves for employee benefits		11,643	-	11,643	11,943	-	11,943
10.3 Insurance technical reserves (net)		-	-	-	-	-	-
10.4 Other provisions		30,193	1,803	31,996	25,557	1,659	27,216
XI. CURRENT TAX LIABILITY	II-9	11,498	-	11,498	10,505	-	10,505
XII. DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIII. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
13.1 Held for sale		-	-	-	-	-	-
13.2 Discontinued operations		-	-	-	-	-	-
XIV. SUBORDINATED LOANS		-	173,352	173,352	-	-	-
14.1 Loans		-	173,352	173,352	-	-	-
14.2 Other		-	-	-	-	-	-
XV. OTHER LIABILITIES	II-5	39,355	16,084	55,439	77,822	25,926	103,748
XVI. SHAREHOLDERS' EQUITY	II-10	250,754	-	250,754	394,659	-	394,659
16.1 Paid-in capital		650,000	-	650,000	650,000	-	650,000
16.2 Supplementary capital		25,431	-	25,431	25,476	-	25,476
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Other capital reserves		25,431	-	25,431	25,476	-	25,476
16.3 Accumulated other comprehensive income/loss not recognised in profit or loss		5,525	-	5,525	2,616	-	2,616
16.4 Accumulated other comprehensive income/loss recognised in profit or loss		-	-	-	-	-	-
16.5 Profit reserves		(18,251)	-	(18,251)	(18,250)	-	(18,250)
16.5.1 Legal reserves		5,332	-	5,332	5,332	-	5,332
16.5.2 Status reserves		-	-	-	-	-	-
16.5.3 Extraordinary reserves		4,324	-	4,324	31,347	-	31,347
16.5.4 Other profit reserves		(27,907)	-	(27,907)	(54,929)	-	(54,929)
16.6 Profit or loss		(411,951)	-	(411,951)	(265,183)	-	(265,183)
16.6.1 Prior year income/(loss)		(265,183)	-	(265,183)	-	-	-
16.6.2 Current year income/(loss)		(146,768)	-	(146,768)	(265,183)	-	(265,183)
16.7 Minority shares		-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		2,442,333	1,198,278	3,640,611	2,594,056	1,030,336	3,624,392

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE ITEMS
AND COMMITMENTS AS OF JUNE 30, 2019 AND DECEMBER 31, 2018
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET ITEMS

	Note Ref. (Section Five)	Reviewed Current Period 30.06.2019			Audited Prior Period 31.12.2018		
		TL	FC	TOTAL	TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		934,204	1,029,448	1,963,652	899,516	1,038,961	1,938,477
I. GUARANTEES AND SURETIES		728,449	860,786	1,589,235	811,853	773,262	1,585,115
1.1. Letters of guarantee	III-1	728,449	288,280	1,016,729	811,853	332,282	1,144,135
1.1.1. Guarantees subject to State Tender Law		7,861	184	8,045	7,821	210	8,031
1.1.2. Guarantees given for foreign trade operations		37,198	56,154	93,352	35,984	49,263	85,247
1.1.3. Other letters of guarantee		683,390	231,942	915,332	768,048	282,809	1,050,857
1.2. Bank acceptances		-	803	803	-	739	739
1.2.1. Import letter of acceptance		-	803	803	-	739	739
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	44,014	44,014	-	47,770	47,770
1.3.1. Documentary letters of credit		-	44,014	44,014	-	47,770	47,770
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Guaranteed prefinancings		-	-	-	-	-	-
1.5. Endorsements		-	465,423	465,423	-	333,052	333,052
1.5.1. Endorsements to the Central Bank of Turkey		-	465,423	465,423	-	333,052	333,052
1.5.2. Other endorsements		-	-	-	-	-	-
1.6. Underwriting commitments		-	-	-	-	-	-
1.7. Factoring related guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	62,266	62,266	-	59,419	59,419
1.9. Other sureties		-	-	-	-	-	-
II. COMMITMENTS	III-1	42,835	7,617	50,452	45,264	10,788	56,052
2.1. Irrevocable commitments		42,835	7,617	50,452	45,264	10,788	56,052
2.1.1. Asset purchase and sale commitments		7,641	7,617	15,258	9,551	10,788	20,339
2.1.2. Deposit purchase and sale commitments		-	-	-	-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	-	-	-	-	-
2.1.4. Loan granting commitments		1,668	-	1,668	2,592	-	2,592
2.1.5. Securities issuance brokerage commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Commitments for cheque payments		33,526	-	33,526	32,496	-	32,496
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		-	-	-	625	-	625
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		162,920	161,045	323,965	42,399	254,911	297,310
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		162,920	161,045	323,965	42,399	254,911	297,310
3.2.1. Forward foreign currency purchases-sales		2,019	1,820	3,839	5,023	4,766	9,789
3.2.1.1. Forward foreign currency purchases		1,011	910	1,921	2,518	2,383	4,901
3.2.1.2. Forward foreign currency sales		1,008	910	1,918	2,505	2,383	4,888
3.2.2. Currency and interest rate swaps		127,177	126,551	253,728	-	211,943	211,943
3.2.2.1. Currency swaps-purchases		-	126,551	126,551	-	105,940	105,940
3.2.2.2. Currency swaps-sales		127,177	-	127,177	-	106,003	106,003
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		33,724	32,674	66,398	37,376	38,202	75,578
3.2.3.1. Currency call options		16,862	16,337	33,199	18,688	19,101	37,789
3.2.3.2. Currency put options		16,862	16,337	33,199	18,688	19,101	37,789
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)		13,039,023	2,727,653	15,766,676	13,393,151	2,495,634	15,888,785
IV. ITEMS HELD IN CUSTODY		491,099	27,792	518,891	228,577	19,256	247,833
4.1. Customers' securities held		-	-	-	-	-	-
4.2. Investment securities held in custody		190,860	518	191,378	302	477	779
4.3. Checks received for collection		294,770	26,584	321,354	221,642	17,348	238,990
4.4. Commercial notes received for collection		5,469	690	6,159	6,633	1,431	8,064
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		12,547,924	2,699,861	15,247,785	13,164,574	2,476,378	15,640,952
5.1. Securities		-	-	-	-	-	-
5.2. Guarantee notes		25,405	1,382	26,787	30,878	1,547	32,425
5.3. Commodities		1,646	-	1,646	-	-	1,646
5.4. Warranties		-	-	-	-	-	-
5.5. Real estates		1,644,866	104,014	1,748,880	1,796,126	111,842	1,907,968
5.6. Other pledged items		10,876,007	2,594,465	13,470,472	11,335,924	2,362,989	13,698,913
5.7. Pledged items-depository		-	-	-	-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		13,973,227	3,757,101	17,730,328	14,292,667	3,534,595	17,827,262

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF JUNE 30, 2019 AND 2018

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note Ref. (Section Five)	Reviewed		Restated	
				Reviewed	
		Current Period 01.01-30.06.2019	Curent Period 01.04-30.06.2019	Prior Period 01.01-30.06.2018	Prior Period 01.04-30.06.2018
I. INTEREST INCOME	IV-1	248,989	124,457	285,788	145,718
1.1 Interest on loans		158,784	79,223	205,009	104,177
1.2 Interest received from reserve deposits		6,955	3,502	5,037	2,699
1.3 Interest received from banks		5,303	2,835	2,455	1,238
1.4 Interest received from money market placements		78	67	43	43
1.5 Interest received from marketable securities portfolio		75,724	37,910	69,237	36,681
1.5.1 Financial assets at fair value through profit and loss		-	-	22	22
1.5.2 Fair value financial assets through other comprehensive income		-	-	-	-
1.5.3 Financial assets measured at amortized cost		75,724	37,910	69,215	36,659
1.6 Finance lease income		-	-	-	-
1.7 Other interest income		2,145	920	4,007	880
II. INTEREST EXPENSE (-)	IV-2	(232,633)	(117,199)	(209,240)	(108,345)
2.1 Interest on deposits		(216,404)	(109,346)	(173,936)	(87,915)
2.2 Interest on funds borrowed		(1,017)	(929)	(2,327)	(1,136)
2.3 Interest on money market borrowings		(11,028)	(4,851)	(32,969)	(19,294)
2.4 Interest on securities issued		-	-	-	-
2.5 Finance lease interest expense		(4,108)	(2,042)	-	-
2.6 Other interest expense		(76)	(31)	(8)	-
III. NET INTEREST INCOME (I - II)		16,356	7,258	76,548	37,373
IV. NET FEES AND COMMISSIONS INCOME		13,762	7,734	14,068	6,790
4.1 Fees and commissions received		14,471	8,155	15,011	7,264
4.1.1 Non-cash loans		12,999	7,575	12,639	6,110
4.1.2 Other	IV-10	1,472	580	2,372	1,154
4.2 Fees and commissions paid (-)		(709)	(421)	(943)	(474)
4.2.1 Non-cash loans		(111)	(55)	(69)	(42)
4.2.2 Other	IV-10	(598)	(366)	(874)	(432)
V. DIVIDEND INCOME	IV-3	10	10	-	-
VI. NET TRADING INCOME	IV-4	(9,965)	(11,672)	(2,308)	(3,212)
6.1 Securities trading gains/ (losses)		(8,305)	(8,305)	(6)	6
6.2 Derivative financial instruments gain (losses)		(7,248)	(8,781)	(5,682)	(5,155)
6.3 Foreign exchange gains/ (losses)		5,588	5,414	3,380	1,949
VII. OTHER OPERATING INCOME	IV-5	4,834	1,265	5,008	1,672
VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII)		24,997	4,595	93,316	42,623
IX. EXPECTED CREDIT LOSS PROVISIONS (-)	IV-6	(68,325)	(35,569)	(140,776)	(121,410)
X. OTHER PROVISIONS (-)		-	-	-	-
XI. STAFF EXPENSES (-)		(43,811)	(23,776)	(42,323)	(21,634)
XII. OTHER OPERATING EXPENSES (-)	IV-7	(52,711)	(24,311)	(44,275)	(20,398)
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-XI-XII)		(139,850)	(79,061)	(134,058)	(120,819)
XIV. AMOUNT IN EXCESS RECOGNISED AS GAIN AFTER MERGER		-	-	-	-
XV. PROFIT/(LOSS) ON EQUITY METHOD		-	-	-	-
XVI. PROFIT/(LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XIII+...+XVI)		(139,850)	(79,061)	(134,058)	(120,819)
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-8	(6,918)	-	29,652	34,426
18.1 Provision for current income taxes		-	-	-	-
18.2 Income from deferred taxes (+)		(6,918)	-	-	-
18.3 Provision for deferred taxes (-)		-	-	29,652	34,426
XIX. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVII±XVIII)		(146,768)	(79,061)	(104,406)	(86,393)
XX. INCOME ON DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income on assets held for sale		-	-	-	-
20.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-
20.3 Income on other discontinued operations		-	-	-	-
XXI. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Income on assets held for sale		-	-	-	-
21.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-
21.3 Income on other discontinued operations		-	-	-	-
XXII. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XX±XXI)		-	-	-	-
XXIII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Provision for current income taxes		-	-	-	-
23.2 Income for deferred taxes (+)		-	-	-	-
23.3 Provision for deferred taxes (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	IV-9	(146,768)	(79,061)	(104,406)	(86,393)
25.1 Profit/(Loss) of the Group		-	-	-	-
25.2 Minority Shareholders Profit / Loss (-)		-	-	-	-
Earnings Per Share Profit / Loss		-	-	-	-

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS ENDED
JUNE 30, 2019 AND 2018

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Reviewed	Restated
	01.01 -30.06.2019	01.01 -30.06.2018
I. CURRENT PERIOD PROFIT/LOSS	(146,768)	(104,406)
II. OTHER COMPREHENSIVE INCOME	2,909	-
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	2,909	-
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	2,926	-
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(17)	-
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)	(143,859)	(104,406)

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	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											
	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	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' EQUITY																
RESTATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
RESTATED PRIOR PERIOD 01.01.2018 - 30.06.2018																
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	-	-	(84,814)	-	(59,061)	-	(59,061)
2.1. Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	25,753	-	-	(84,814)	-	(59,061)	-	(59,061)
III. Adjusted Balances at Beginning of Period (I+II)	650,000	-	-	127,083	-	1,064	-	-	-	-	5,332	(125,189)	-	658,290	-	658,290
IV. Total Comprehensive Income / (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	(104,406)	-	-	(104,406)
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	-	-	-	-	-	573	-	-	-	-	-	-	-	573	-	573
XI. Profit Distribution	-	-	-	(125,189)	-	-	-	-	-	-	-	125,189	-	-	-	-
11.1. Dividends	-	-	-	(125,189)	-	-	-	-	-	-	-	125,189	-	-	-	-
11.2. Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	650,000	-	-	1,894	-	1,637	-	-	-	-	5,332	-	(104,406)	554,457	-	554,457
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
CURRENT PERIOD 01.01.2019 - 30.06.2019																
I. Balances at Beginning of Period	650,000	-	-	1,894	-	2,616	-	-	-	-	5,332	(265,183)	-	394,659	-	394,659
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Balances at Beginning of Period (I+II)	650,000	-	-	1,894	-	2,616	-	-	-	-	5,332	(265,183)	-	394,659	-	394,659
IV. Total Comprehensive Income / (Expense)	-	-	-	-	-	-	-	-	-	-	-	-	(146,768)	-	-	(146,768)
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	-	-	-	(46)	-	102	2,807	-	-	-	-	-	-	2,863	-	2,863
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	650,000	-	-	1,848	-	2,718	2,807	-	-	-	5,332	(265,183)	(146,768)	250,754	-	250,754

1.Revaluation surplus on tangible and intangible assets

2.Defined benefit plans' actuarial gains/losses

3.Others (The share of the investments that are valued by equity method from other comprehensive income that cannot be reclassified to profit / loss and the accumulated amounts of other comprehensive income items that cannot be reclassified as other profit or loss)

4.Translation Differences

5.Income/expenses on valuation and/or reclassification of financial assets measured at FVOCI

6.Others (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit&loss)

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JUNE 30, 2019 AND 2018
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Reviewed	Reviewed
		Current Period	Prior Period
		01.01-30.06.2019	01.01-30.06.2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		(108,220)	(375,366)
1.1.1 Interests received		255,855	197,728
1.1.2 Interests paid		(235,285)	(214,114)
1.1.3 Dividend received		10	-
1.1.4 Fees and commissions received		14,120	14,231
1.1.5 Other income		9,355	23,909
1.1.6 Collections from previously written-off receivables		18,454	49,645
1.1.7 Cash payments to personnel and service suppliers		(43,678)	(45,026)
1.1.8 Taxes paid		-	(4,575)
1.1.9 Others		(127,051)	(397,164)
1.2 Changes in operating assets and liabilities		169,913	304,884
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		-	-
1.2.2 Net (increase) decrease in due from banks		(26,839)	38,651
1.2.3 Net (increase) decrease in loans		(11,584)	123,658
1.2.4 Net (increase) decrease in other assets		42,702	12,909
1.2.5 Net increase (decrease) in bank deposits		(29,916)	191,334
1.2.6 Net increase (decrease) in other deposits		(28,364)	(255,370)
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-	-
1.2.8 Net increase (decrease) in funds borrowed		168,005	(96,918)
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		55,909	290,620
I. Net cash flow from banking operations		61,693	(70,482)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash flow from investing activities		33,128	(1,479)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		(2,762)	-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-	-
2.3 Purchases of tangible assets		(16,476)	(2,712)
2.4 Sales of tangible assets		6,910	2,998
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		47,014	45
2.9 Others		(1,558)	(1,810)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash flow from financing activities		2,967	-
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		2,967	-
IV. Effect of translation differences on cash and cash equivalents		12,338	81,363
V. Net increase/(decrease) in cash and cash equivalents		110,126	9,402
VI. Cash and cash equivalents at beginning of period		424,002	562,404
VII. Cash and cash equivalents at end of period		534,128	571,806

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

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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, 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 financial statements are prepared in accordance with the historical cost basis except for financial instruments at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and real estates which are presented on a fair value basis.

The Bank has started to apply TFRS 9 Financial Instruments (“TFRS 9”) published by Public Oversight Accounting and Auditing Standards Authority (“POA”) in the accompanying unconsolidated financial statements starting from 1 January 2018 for the first time based on the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with procedures and principals regarding classification of loans and allowances allocated for such loans which came into force starting from 1 January 2018.

The preparation of financial statements in conformity with TFRS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

TFRS 16 Leases

TFRS 16 Leases Standard was published in the Official Gazette dated 16 April 2018 and numbered 29826. According to this standard, the difference between operating leases and financial leases has been eliminated and leasing transactions is reflected on the balance sheet by the lessee as the asset (utilization right) and lease payable, and the interest expense related to the lease liability has reflected to the accounts separately. The Bank started to use TFRS 16 Leases standard starting from 1 January 2019.

The Bank measures the leasing liability at the present value of the remaining lease payments, discounted at the Bank's application date using the reference interest rate at the date of application. In addition, the Bank measures the existence of the right to use of such right at an amount equal to the lease obligation which is reflected in the statement of financial position immediately after the first application date and adjusted for the amount of all prepayment or accrued lease payments.

Impact and application regarding TFRS 16 transition process have been explained in footnote XIII of Section Three.

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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 12.82% 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 25.61% of total assets are assets with low risk and high yield. Placements in banks are 12.05% 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" ("TFRS 9"). 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. On 1 January 2018, the Bank has started to calculate the rediscount for its non-performing loans. Non-performing loans are discounted with effective interest rate over the net book value and for calculated amount classification has made between "Expected Credit Losses" account and "Interest Income from Loans" in income statement.

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 is 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.

The financial assets are recognized or derecognized in accordance with the “Recognition and Derecognition” principles defined in Section 3 related to classification and measurement of financial instruments of the “IFRS 9 Financial Instruments”. At initial recognition, financial assets are measured at fair value. In the case of financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value. Financial instruments are included in the Bank's balance sheet if the Bank is a legal party to these financial instruments.

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 described below.

Financial Assets at Fair Value Through Profit or 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. Transaction costs related to the acquisition of the relevant asset are included in the cost of acquisition. 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 under “Provision for Impairment of Securities Account”.

Financial Assets at Fair Value Through Other Comprehensive Income

Financial assets are classified as financial assets at fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial assets give rise to cash flows that are solely payments of principal of interest at certain dates.

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.

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VI. Explanations on Financial Assets (continued)

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

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.

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 9.

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).

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.

The Bank holds Consumer Price Indexed (CPI) government bonds classified as financial assets measured at amortized cost. These securities are valued and accounted for using effective interest rate method considering estimated inflation rate based on real coupon rates and reference inflation index at issue date. As stated in CPI Indexed Bonds Investor Guide of the Undersecretariat of Treasury, the reference index used in the calculation of the actual coupon payment amounts of these securities are generated according to the CPI of two months ago. The Bank determines the estimated inflation rate accordingly. The inflation rate anticipated by considering the expectations of the Central Bank of Turkey. The estimated inflation rate of Bank is updated during year when deemed necessary. The positive effect of the method applied for the period ended June 30, 2019 is 44,995 TRY.

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.

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VI. Explanations on Financial Assets (continued)

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- All recognized financial assets that are within the scope of IFRS 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 instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 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, IFRS 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, IFRS 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 IFRS 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 1 January 2018 on the basis of the facts and circumstances that exist at that date, it has been assessed that the impact of IFRS 9 to the Bank's unconsolidated financial statements as follows:

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VI. Explanations on Financial Assets (continued)

TFRS 9 Financial Instruments (continued)

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 standard has 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. The application of the existing provisions of TAS 39 for the classification and measurement of financial liabilities does not change substantially.

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

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 started 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:

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 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 has 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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VI. Explanations on Financial Assets (continued)

TFRS 9 Financial Instruments (continued)

Modeling discrepancies of expected loss provisions calculated by the Bank in accordance with TFRS 9 Communiqué have been determined. As of 1 January 2018, TFRS 9 transition effects have been calculated by reevaluating TFRS 9 in order to ensure that the expected loss provisions, which are approved by considering the known circumstances and events and are inconsistent, are consistent with TFRS 9 modeling. The impact of the re-evaluation on June 2018 is TRY 29,512.

Restated 1 January 2018 TFRS 9 transition effect on 30 June 2018 profit loss:

	June 2018	Restated June 2018	Adjustment
Equity Effect	562,102	554,457	7,645
Expected Credit Loss Expenses	(178,612)	(140,776)	(37,836)
Effect of Deferred Tax Expense	37,976	29,652	8,324
Net Period Profit/Loss	(133,918)	(104,406)	(29,512)

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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 1 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 Provisions" account.

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.

Calculation of expected credit losses

Expected credit losses are calculated based on a probability-weighted estimate of credit losses (ie the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics. Based on TFRS 9, two different PDs are used in order to calculate expected credit losses:

-12-month PD: as the estimated probability of default occurring within the next 12 months.

-Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Internal rating systems are used in the Bank.

Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage. LGD calculations are performed using historical data which best reflects current conditions, by formation of segments based on certain risk factors that are deemed important for each portfolio and inclusion of forward-looking information and macroeconomic expectations. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For cash loans, it corresponds to the amount of loan granted as of the reporting date. For non-cash loans and commitments, it is the value calculated through using credit conversion factors.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied by loss given default rate and discounted with the original effective interest rate.

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VII. Explanations on Impairment of Financial Assets (continued)

Stage 2: Lifetime expected credit losses are expected credit losses from all possible default events that can occur during the expected life of a financial instrument (the risk of a default occurring during the expected life of the financial instrument is estimated). In Stage 2, the provision is calculated for financial assets whose credit risk has deteriorated but not impaired.

Stage 3: The Bank evaluates all impaired accounts individually. The methodology is individual assessment and the probability of default is taken into account as 100%.

Default Definition: It means debt having past due more than 90 days. Whenever it is considered that an obligor is unlikely to pay its credit obligations, it should be considered as defaulted regardless of the existence of any past-due amount or of the number of days past due.

The Bank calculates the expected credit losses in Stage 1 and Stage 2 by groups based on the following criteria.

- Cash Products / Non-cash Products
- Customer Segments: Commercial and Retail / Corporate
- Product Types: Installment Credits, Renewable Loans (Rotative), Spot Loan, Overdraft Accounts and Other

VIII. Explanations on Offsetting of Financial Assets and Liabilities

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

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

The sales and purchase of government securities under repurchase agreements made with the customers are being recorded in balance sheet accounts in accordance with the Uniform Chart of Accounts. Accordingly in the financial statements, the government bonds and treasury bills sold to customers under repurchase agreements are classified under financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortized cost 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.

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 Money Market Transactions” and “Interest Expense on Money Market Transactions” accounts in the income statement.

As of June 30, 2019, the Bank has no reverse repo transactions (December 31, 2018: None).

As of June 30, 2019, the Bank does not have any marketable securities lending transaction (December 31, 2018: None).

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X. Explanations on Assets Held for Sale and Discontinued Operations

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

The Bank has assets held for sale amount of TRY 100,721 as of June 30, 2019 (December 31, 2018: TRY 107,551).

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

XI. Explanations on Goodwill and Other Intangible Assets

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

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

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

	%
Intangible Assets	7-33

XII. Explanations on Tangible Fixed Assets

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

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

	%
Financial Lease	2-50
Furniture, fixtures and office equipment and others	4-33

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

Normal maintenance and repair cost of the properties are expensed.

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

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XIII. Explanations on Leasing Transactions

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

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

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

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

TFRS 16 Leases

In accordance with TFRS 16, the Bank measures the lease obligation based on the present value of the lease payments, which were not paid at the date of the lease commencement. Lease payments are discounted using the reference rate of the Bank.

The Bank assesses whether the contract has the quality of a lease or whether the lease includes the transaction at the beginning of a contract. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

Right of use assets:

The right to use asset is first recognized by cost method and includes:

- a) The initial measurement amount of the lease obligation,
- b) The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease;
- c) All initial direct costs incurred by the Bank

When Bank applying the cost method, the existence of the right to use:

- a) accumulated depreciation and accumulated impairment losses are deducted and
- b) measures the restatement of the lease obligation at the restated cost. The Bank applies TAS 16 Property, Plant and Equipment while depreciating the right of use assets.

The Lease Obligations:

At the effective date of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at that time. Lease payments are discounted using the Bank's average borrowing interest rates.

The lease payments included in the measurement of the lease liability consist of the payments to be made for the right of use during the lease term of the underlying asset and the unpaid payments at the effective date of the lease.

After the effective date of the lease, the Bank measures the leasing liability as follows:

- a) Increase the book value to reflect the interest on the lease obligation
- b) Reduces the book value to reflect the lease payments made and
- c) The book value is measured to reflect reassessments and restructuring, or reflect to fixed lease payments as of revised nature.

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XIII. Explanations on Leasing Transactions (continued)

IFRS 16 Leases (continued)

The interest on the lease liability for each period in the lease period is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease liability.

1 January 2019 Transition Effect:

	Right of Use	Unpaid Rent Amount	Deferred Lease Interest Expense
Lease Obligations (Net)	42,714	57,663	14,949

XIV. Explanations on Provisions and Contingent Liabilities

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

According to the legal department of the Bank, the total number of ongoing cases against the Bank is 184. The total amount of those cases consists of TRY 16,378, USD 804 Thousand and EUR 193 Thousand. There is a provision of TRY 5,213 in the accompanying financial statements for these cases (December 31, 2018: TRY 4,709).

XV. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans:

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

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. As per the Official Gazette No. 28585 dated March 12, 2013, as of June 30, 2019, the actuarial gains recognized in equity amounts to TRY 2,718 (December 31, 2018: TRY 2,616 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.

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XVI. Explanations on Taxation

Corporate tax:

According to article 37 of the Corporate Tax Law, corporate income is taxed at the rate of 20% from 1 January 2006. According to regulation of Law Amending Certain Tax Laws and Certain Other Laws numbered 7061 this ratio has been identified at the rate of 22% to be applied to corporate income for the taxation periods of 2018, 2019 and 2020 and The Council of Ministers has been authorized to reduce this rate up to 20%.

The tax legislation requires advance tax of 22% 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, 2018: None).

Deferred Tax Liability / Asset:

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

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

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

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

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income/expense recorded under the tax provision expenses amounts to TRY 6,918 deferred tax expense in the accompanying income statement (June 30, 2018: TRY 37,976 deferred tax expense).

XVII. Additional Explanations on Borrowings

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

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

The Bank has not issued convertible bonds.

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XVIII. Explanations on Issued Share Certificates

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

XIX. Explanations on Acceptances

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

XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XXI. Explanations on Segment Reporting

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

XXII. Explanations on Other Matters

None.

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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 June 30, 2019 Bank’s total capital has been calculated as TRY 431,633, capital adequacy ratio is 13.60%. As of December 31, 2018, Bank’s total capital amounted to TRY 404,260, capital adequacy ratio was 13.08% calculated pursuant to former regulations.

Information related to the components of shareholders' equity:

	Current Period June 30, 2019 (*)
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	650,000
Share issue premiums	-
Retained earnings	-
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	28,149
Profit	-
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	2,807
Common Equity Tier 1 capital before regulatory adjustments	680,956
Common Equity Tier 1 capital: regulatory adjustments	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-
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	(402,842)
Improvement costs for operating leasing	(1,422)
Goodwill (net of related tax liability)	(9,621)
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)	(41,038)
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	(454,923)
Common Equity Tier 1 capital (CET1)	226,033

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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	172,569
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	172,569

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 **172,569**

Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital) **398,602**

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)	33,031
Tier 2 capital before regulatory adjustments	33,031

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 **33,031**

Total Capital (The sum of Tier 1 capital and Tier 2 capital) **431,633**

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	
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	431,633
Total Risk Weighted Assets	3,173,353
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	7.12
Tier 1 Capital Adequacy Ratio (%)	12.56
Capital Adequacy Ratio (%) (**)	13.60
BUFFERS	
Total buffer requirement	2.526
Capital conservation buffer requirement (%)	2.500
Bank specific countercyclical buffer requirement (%)	0.026
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	2,623
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	33,031
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 31,2018 (*)
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	650,000
Share premium	-
Legal reserves	-
Accumulated other comprehensive income in accordance with TAS	28,047
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	678,092
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	(245,924)
Leasehold Improvements on Operational Leases (-)	(2,513)
Goodwill and Intangible assets and related deferred tax liabilities	(10,327)
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)	(47,956)
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 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	(306,720)
Common Equity Core capital (CET1)	371,372

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I. Explanations Related to Equity (continued)

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 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)	371,372
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)	32,888
Tier 2 capital before regulatory adjustments	32,888
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 (ATI)	32,888
Tier 1 capital (T1 = CET1 + ATI)	404,260
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)

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	404,260
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	404,260
Total Risk Weighted Assets	3,091,471
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	12.01
Tier 1 Capital Adequacy Ratio (%)	12.01
Capital Adequacy Ratio (%)	13.08
BUFFERS	
Total buffer requirement	1.940
Capital conservation buffer requirement (%)	1.875
Bank specific countercyclical buffer requirement (%)	0.065
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 (%)	7.513
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	32,888
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 January 2018 and 1 January 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 June 30, 2019 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	June 21, 2019	June 24, 2019	June 25, 2019	June 26, 2019	June 27, 2019	June 28, 2019
USD	5.7912	5.8050	5.7605	5.7595	5.7610	5.7523
CHF	5.8963	5.9521	5.9198	5.8891	5.8901	5.8901
GBP	7.3336	7.3767	7.3274	7.2973	7.2986	7.3101
100 JPY	5.3800	5.3990	5.3820	5.3460	5.3350	5.3350
EURO	6.5537	6.6039	6.5583	6.5336	6.5382	6.5435

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before at June 30, 2019 are as follows:

	Monthly Average Foreign Exchange Rate
USD	5.8064
CHF	5.8650
GBP	7.3483
100 JPY	5.3665
EURO	6.5445

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II. Explanations Related to Currency Risk (continued)

June 30, 2019	EURO	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	11,867	207,782	-	-	219,649
Banks	12,680	422,788	807	2,456	438,731
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	6	-	-	6
Loans (*)	286,650	231,747	-	-	518,397
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	139	955	-	-	1,094
Total Assets	311,336	863,278	807	2,456	1,177,877
Liabilities					
Bank Deposits	-	965	-	-	965
Foreign Currency Deposits	273,018	728,151	2	574	1,001,745
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	1,965	173,786	-	-	175,751
Marketable Securities Issued	-	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	8,400	11,417	-	-	19,817
Total Liabilities	283,383	914,319	2	574	1,198,278
Net Balance Sheet Position	27,953	(51,041)	805	1,882	(20,401)
Net Off-Balance Sheet Position					
Financial Derivative Assets (***)	(5,954)	125,401	-	(513)	118,934
Financial Derivative Liabilities (***)	910	142,888	-	-	143,798
Financial Derivative Liabilities (***)	(6,864)	(17,487)	-	(513)	(24,864)
Non-Cash Loans (**)	534,328	325,508	-	950	860,786
December 31, 2018					
Total Assets(*) (****)	298,661	711,800	729	11,211	1,022,401
Total Liabilities	195,255	824,974	-	9,898	1,030,127
Net Balance Sheet Position	103,406	(113,174)	729	1,313	(7,726)
Net Off-Balance Sheet Position	(102,973)	109,459	-	-	6,486
Financial Derivative Assets (***)	5,149	130,943	-	-	136,092
Financial Derivative Liabilities (***)	(108,122)	(21,484)	-	-	(129,606)
Non-Cash Loans (**)	397,156	369,337	-	6,769	773,262

(*) Foreign currency indexed loans amounting to TRY 82,748 (December 31, 2018: TRY 115,606) are included in the loan portfolio.

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

(***) It includes also TRY 7,617 forward asset purchase & sale commitments (December 31, 2018: TRY 8,668 and TRY 2,120).

(****) 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: None (December 31, 2018: TRY 115).
- Derivative financial liabilities held for trading:None (December 31, 2018: TRY 209).

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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 EURO. 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	
		June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
USD	% 10 increase	7,436	(372)	-	-
USD	% 10 decrease	(7,436)	372	-	-
EURO	% 10 increase	2,200	43	-	-
EURO	% 10 decrease	(2,200)	(43)	-	-
Other Currency	% 10 increase	218	204	-	-
Other Currency	% 10 decrease	(218)	(204)	-	-

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
June 30, 2019							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	267,624	-	-	-	27,853	295,477
Banks	385,483	-	-	-	-	53,285	438,768
Financial Assets at Fair Value through Profit and Loss	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	-	6	138	144
Loans (*)	793,527	41,298	127,950	213,018	128,683	-	1,304,476
Financial Assets Measured at Amortized Cost	273,214	196,415	462,740	-	-	-	932,369
Other Assets (**)	-	-	-	-	-	669,377	669,377
Total Assets	1,452,224	505,337	590,690	213,018	128,689	750,653	3,640,611
Liabilities							
Bank Deposits	-	-	-	-	-	2,278	2,278
Other Deposits	1,925,443	702,080	122,879	406	-	165,987	2,916,795
Money Market Borrowings	139,310	-	-	-	-	-	139,310
Sundry Creditors	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	-	256	6,396	173,352	-	-	180,004
Other Liabilities (***)	65,990	411	-	-	-	335,823	402,224
Total Liabilities	2,130,743	702,747	129,275	173,758	-	504,088	3,640,611
Balance Sheet Long Position	-	-	461,415	39,260	128,689	246,565	875,929
Balance Sheet Short Position	(678,519)	(197,410)	-	-	-	-	(875,929)
Off-Balance Sheet Long Position	-	-	-	-	-	161,671	161,671
Off-Balance Sheet Short Position	-	-	-	-	-	(162,294)	(162,294)
Total Position	(678,519)	(197,410)	461,415	39,260	128,689	245,942	(623)

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

(**) The other assets line in the non interest column consist of tangible assets amounting to TRY 50,746, intangible assets amounting to TRY , 9,621, assets held for sale amounting to TRY 100,721, tax asset amounting to TRY 62,261, non-performing loans amounting to TRY 417,616, expexted credit losses amounting to TRY (53), ownership investments amounting to 7,659 TRY, derivative financial assets amounting to TRY 585, other assets amounting to TRY 20,221.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 250,754, provisions amounting to TRY 43,639 , finance lease payables amounting to TRY 39,692 and other liabilities amounting to 1,738.

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III. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	YEN %	TRY %
June 30, 2019				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	2.00	-	13.00
Banks	-	2.41	-	24.37
Financial Assets Measured at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	22.50
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	7.38	-	-
Loans	5.93	7.08	-	26.94
Financial Assets Measured at Amortized Cost (*)	-	-	-	2.62
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.67	3.83	-	22.50
Money Market Borrowings	-	-	-	24.08
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.19	-	-	-

(*) Financial Assets Measured at Amortized Cost include CPI indexed securities, which cover 99.99% 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, 2018							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	275,400	-	-	-	35,011	310,411
Banks	116,532	-	-	-	-	170,500	287,032
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	-	-	-	6	138	144
Loans (*)	927,411	101,200	186,813	227,253	7,009	-	1,449,686
Financial Assets Measured at Amortised Cost	336,652	242,923	432,012	1	-	-	1,011,588
Other Assets (**)	-	-	-	-	-	565,531	565,531
Total Assets	1,380,595	619,523	618,825	227,254	7,015	771,180	3,624,392
Liabilities							
Bank Deposits	-	-	-	-	-	1,097	1,097
Other Deposits	1,725,249	910,433	136,250	211	-	121,729	2,893,872
Money Market Borrowings	169,335	-	-	-	-	-	169,335
Sundry Creditors	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	257	3,488	7,398	-	-	-	11,143
Other Liabilities (***)	114,358	697	-	-	-	433,890	548,945
Total Liabilities	2,009,199	914,618	143,648	211	-	556,716	3,624,392
Balance Sheet Long Position	-	-	477,177	227,043	7,015	214,464	923,699
Balance Sheet Short Position	(628,604)	(295,095)	-	-	-	-	(923,699)
Off-Balance Sheet Long Position	-	-	-	-	-	148,630	148,630
Off-Balance Sheet Short Position	-	-	-	-	-	(148,680)	(148,680)
Total Position	(628,604)	(295,095)	475,177	227,043	7,015	214,414	(50)

(*) 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 11,031, intangible assets amounting to TRY 10,327, assets to be sold amounting to TRY 107,551, tax asset amounting to TRY 69,179, non-performing loans amounting to TRY 327,141, ownership investments amounting to 4,897 TRY, settlement accounts amounting to 21,829 TRY and other assets amounting to TRY 13,576.

(***) The other liabilities line in the non-interest column consists of shareholders' equity amounting to TRY 394,659, provisions amounting to TRY 39,159, other liabilities amounting to TRY 72.

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III. Explanations Related to Interest Rate Risk (continued)

	EURO %	USD %	YEN %	TRY %
December 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	-	1.60	-	7.44
Banks	-	1.75	-	16.75
Financial Assets At Fair Value Through Profit And Loss	-	-	-	-
Money Market Placements	-	-	-	16.97
Available-For-Sale Financial Assets(*)	-	7.38	-	3.00
Loans	5.26	6.62	-	21.18
Held-To-Maturity Investments	-	-	-	2.72
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	2.06	4.48	-	18.48
Money Market Borrowings	-	-	-	20.31
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.57	1.84	-	-

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

Interest rate risk arising from banking accounts:

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 June 30, 2019:

Type of Currency	Shocks Applied (+ / - basis points)*	Gains / Losses	Gains / Equity – Losses / Equity
TRY	500	(35,483)	(8)%
	(400)	31,375	7%
EURO	200	(3,812)	(1)%
	(200)	4,009	1%
USD	200	(8,792)	(2)%
	(200)	9,652	2%
Total (of negative shocks)		45,036	10%
Total (of positive shocks)		(48,087)	(11)%

*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 FC and all other variables were held constant, the Bank's:

- Net loss would decrease by TRY 5,094. The change in loss mainly is related to loans and deposits (December 31, 2018 : 7,983 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, 2018:None).

IV. Explanations Related to Equity Securities Risk

The Bank has no out standing 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 (207%) (02/04/2019) and the unconsolidated highest foreign currency is (390%) (28/06/2019) and total liquidity coverage ratios are (296%) (15/04/2019) at the lowest and (687%) (24/05/2019) 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 – June 30, 2019		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
	High Quality Liquid Assets			1,174,365	216,258
CASH OUTFLOWS					
2	Retail deposit	2,017,906	660,892	191,423	66,749
3	Stable deposit	249,705	1,646	12,625	83
4	Less stable deposit	1,768,201	659,246	178,798	66,666
5	Unsecured wholesale funding	809,032	334,187	440,223	195,381
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	617,242	234,157	245,311	93,284
8	Other unsecured funding	191,790	100,030	194,912	102,097
9	Secured funding			-	-
10	Other cash outflows	1,229,432	441,622	181,713	53,450
11	Derivatives cash outflows	841	633	859	647
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	1,228,591	440,989	180,854	52,803
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			813,359	315,580
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	657,250	501,746	598,217	481,160
19	Other cash inflows	405	87	413	89
20	TOTAL CASH INFLOWS	657,655	501,833	598,630	481,249
				Total Adjusted Value	
21	TOTAL STOCK OF HQLA			1,174,365	216,258
22	TOTAL NET CASH OUTFLOWS			214,729	78,895
23	LIQUIDITY COVERAGE RATIO (%)			546,91	274,11

(*) 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, 2018		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
1	High Quality Liquid Assets			962,581	208,710
CASH OUTFLOWS					
2	Retail deposit	2,045,502	621,905	190,557	58,730
3	Stable deposit	319,206	80,674	16,126	4,073
4	Less stable deposit	1,726,296	541,231	174,431	54,657
5	Unsecured wholesale funding	670,958	286,317	336,998	131,624
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	550,846	260,089	219,283	105,062
8	Other unsecured funding	120,112	26,228	117,715	26,562
9	Secured funding			-	-
10	Other cash outflows	1,483,606	571,658	213,014	74,241
11	Derivatives cash outflows	573	454	582	464
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	1,483,033	571,204	212,432	73,777
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			740,569	264,595
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	454,573	281,725	386,008	276,104
19	Other cash inflows	390	344	398	351
20	TOTAL CASH INFLOWS	454,963	282,069	386,406	276,455
				Total Adjusted Value	
21	TOTAL STOCK OF HQLA			962,581	208,710
22	TOTAL NET CASH OUTFLOWS			354,163	66,149
23	LIQUIDITY COVERAGE RATIO (%)			271.79	315.52

(*) 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 performed forward exchange, swap and option transactions with foreign financial institutions during 2019.

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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:

June 30, 2019	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 (****)	109,478	122,195	44,573	8,204	11,027	-	-	295,477
Banks	53,285	385,483	-	-	-	-	-	438,768
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	-	6	138	144
Loans (***)	-	793,527	41,298	127,950	213,018	128,683	-	1,304,476
Financial Assets Measured at Amortized Cost	-	-	-	63,572	744,964	123,833	-	932,369
Other Assets	-	1,964	585	-	-	-	666,828	669,377
Total Assets	162,763	1,303,169	86,456	199,726	969,009	252,522	666,966	3,640,611
Liabilities								
Bank Deposits	2,278	-	-	-	-	-	-	2,278
Other Deposits	165,987	1,925,443	702,080	122,879	406	-	-	2,916,795
Money Market Borrowings	-	139,310	-	-	-	-	-	139,310
Sundry Creditors	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	256	6,396	173,352	-	-	180,004
Other Liabilities (**)	-	65,990	411	-	-	-	335,823	402,224
Total Liabilities	168,265	2,130,743	702,747	129,275	173,758	-	335,823	3,640,611
Liquidity Gap	(5,502)	(827,574)	(616,291)	70,451	795,251	252,522	331,143	-
Net Off-Balance Position	-	(623)	-	-	-	-	-	(623)
Derivative Assets	-	161,671	-	-	-	-	-	161,671
Derivative Liabilities	-	162,294	-	-	-	-	-	162,294
Non-Cash Loans	-	95,965	204,001	563,821	103,191	622,257	-	1,589,235
December 31, 2018								
Total Assets	318,465	1,166,567	214,160	195,205	978,043	209,018	542,934	3,624,392
Total Liabilities	123,712	2,009,199	914,618	143,648	211	-	433,004	3,624,392
Liquidity Gap	194,753	(842,632)	(700,458)	51,557	977,832	209,018	109,930	-
Net Off-Balance Position	-	(58)	8	-	-	-	-	(50)
Derivative Assets	-	145,914	2,716	-	-	-	-	148,630
Derivative Liabilities	-	145,972	2,708	-	-	-	-	148,680
Non-Cash Loans	-	103,493	145,671	528,428	153,215	654,278	-	1,585,115

(*) 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 June 30, 2019, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 10.33% (December 31,2018: 10.99%). This ratio is above the minimum required. The regulation stipulated a minimum leverage ratio of 3%.

Disclosure of Leverage ratio template :

	On Balance Sheet Exposures	June 30, 2019 (*)	December 31, 2018 (*)
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	3,469,912	3,225,879
2	(Deductions from the capital)	(432,005)	(244,404)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	3,037,907	2,981,475
	Derivative exposures		
4	Replacement cost of derivative exposure	3,973	585
5	Potential credit risk of derivative exposures	14,051	1,852
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	18,024	2,437
	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	1,635,716	1,644,127
11	CCR adjustment amount	(566,394)	(643,524)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,069,322	1,000,603
	Capital and total risk		
13	Shareholders' Equity	424,271	433,228
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	4,125,253	3,984,515
	Leverage Ratio		
15	Leverage ratio	10.33%	10.99%

(*) 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:

- 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 3 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.).

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)**a. Overview of Risk Weighted Assets**

		RWA		Minimum capital requirements
		June 30, 2019	December 31, 2018	June 30, 2019
1	Credit risk (excluding counterparty credit risk) (CCR)	2,634,249	2,630,616	276,596
2	Of which standardized approach (SA)	2,634,249	2,630,616	276,596
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	5,518	430	579
5	Of which standardized approach for counterparty credit risk (SA-CCR)	5,518	430	579
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 – 1250% risk weighting 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	81,279	4,149	8,534
17	Of which standardized approach (SA)	81,279	4,149	8,534
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	452,306	456,276	47,492
20	Of which Basic Indicator Approach	452,306	456,276	47,492
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)	3,173,352	3,091,471	333,201

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VII. Explanations Related to Risk Management (continued)**b. Credit Quality of Assets**

		Gross carrying values of (according to TMS)		Allowances/ impairments	Net values (a+b-c)
		Defaulted exposures	Non-defaulted exposures		
1	Loans	1,025,430	1,304,476	(607,223)	1,722,683
2	Debt Securities	-	932,369	(126)	932,243
3	Off-balance sheet exposures	38,968	1,924,684	(22,384)	1,941,268
4	Total	1,064,398	4,161,529	(629,733)	4,596,194

c. Changes in stock of defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	863,323
2	Loans and debt securities that have defaulted since the last reporting period	180,561
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes (*)	(18,454)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	1,025,430

(*)It represents collections.

d. Credit risk mitigation techniques overview

		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	913,104	391,372	258,470	57,341	54,022	-	-
2	Debt securities	932,513	-	-	-	-	-	-
3	Total	1,845,617	391,372	258,470	57,341	54,022	-	-
4	Of which defaulted	580,886	444,544	217,785	-	-	-	-

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VII. Explanations Related to Risk Management (continued)**e. Standardised approach credit risk exposure and credit risk mitigation (CRM) effects**

	Assets classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1,265,271	144,181	1,265,271	144,181	5,462	0.39%
2	Exposures to regional governments or local authorities	193	-	187	-	187	100.00%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	613,498	188	526,275	188	136,614	25.95%
7	Exposures to corporates	2,288,010	-	1,901,843	-	1,611,042	84.71%
8	Retail exposures	42,589	174	21,603	174	13,032	59.84%
9	Exposures secured by residential property	43,045	-	38,690	-	13,526	34.96%
10	Exposures secured by commercial real estate	344,739	-	320,130	-	228,140	71.26%
11	Past-due loans	1,025,430	-	492,522	-	444,789	90.31%
12	Higher-risk categories by the Agency Board	38,988	-	9,878	-	6,722	68.05%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	210,460	-	210,307	-	172,457	82.00%
17	Investments in equities	7,796	-	7,796	-	7,796	100.00%
18	TOTAL	5,880,019	144,543	4,794,502	144,543	2,639,767	53.45%

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VII. Explanations Related to Risk Management (continued)**f. Standardised approach exposures by asset classes and risk weights**

	Asset classes/ Risk weight*	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit risk exposure amount (after CCF and CRM)
1	Exposures to central governments or central banks	1,285,228	-	-	-	-	-	5,462	-	-	1,290,690
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	187	-	-	187
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	438,640	-	77,873	-	9,949	-	-	526,462
7	Exposures to corporates	-	-	198,040	-	23,564	-	1,559,653	-	-	1,781,257
8	Retail exposures	-	-	-	-	158	17,271	-	-	-	17,429
9	Exposures secured by residential property	-	-	-	38,645	-	-	-	-	-	38,645
10	Exposures secured by commercial real estate	-	-	-	-	181,795	-	137,242	-	-	319,037
11	Past-due loans	-	-	-	-	154,664	-	275,588	61,246	-	491,498
12	Higher-risk categories by the Agency Board	-	-	-	-	4,121	-	4,534	85	-	8,740
13	Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-
16	Investments in equities	-	-	-	-	-	-	7,796	-	-	7,796
17	Other assets	37,850	-	-	-	-	-	172,457	-	-	210,307
18	Total	1,323,078	-	636,680	38,645	442,175	17,271	2,172,868	61,331	-	4,692,048

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VII. Explanations Related to Risk Management (continued)

g. Analysis of counterparty credit risk (CCR) exposure by approach

		Revaluation Cost	Potential credit risk exposure	EBPRT	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Starndart Approach-CCR	-	5,842	-	1,4	5,668	5,518
2	Internal Model Approach						
3	Simplified Standardised Approach for Credit Risk Mitigation						
4	Comprehensive Method for Credit Risk Mitigation	-	-	-	-	-	-
5	Value at Risk for Repo Transactions, Securities or Commodity lending or borrowing transactions						
6	Total	-	5,842	-	1,4	5,668	5,518

h. Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
1	Total portfolio value with comprehensive approach CVA capital adequacy		
2	(i) Value at risk component (3*multiplier included)	-	-
3	(ii) Stressed Value at Risk (3*multiplier included)	-	-
4	Total portfolio value with simplified approach CVA capital adequacy	15	15
5	Total amount of CVA capital adequacy	15	15

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VII. Explanations Related to Risk Management (continued)

i. Standardised approach – CCR exposures by regulatory portfolio and risk weights

Risk Weights/Risk Classes	%0	%10	%20	%50	%75	%100	%150	Other	Total credit risk*
Central governments and central banks receivables	139,310	-	-	-	-	4,871	-	-	144,181
Local governments and municipalities receivables	-	-	-	-	-	-	-	-	-
Administrative and non commercial receivables	-	-	-	-	-	-	-	-	-
Multilateral Development Bank receivables	-	-	-	-	-	-	-	-	-
International Organisations receivables	-	-	-	-	-	-	-	-	-
Banks and Intermediary Institutions receivables	-	-	188	-	-	-	-	-	188
Corporate receivables	-	-	-	-	-	609	-	-	609
Retail receivables	-	-	-	-	174	-	-	-	174
Mortgage receivables	-	-	-	-	-	-	-	-	-
Non performing receivables	-	-	-	-	-	-	-	-	-
High risk defined receivables	-	-	-	-	-	-	-	-	-
Mortgage backed securities	-	-	-	-	-	-	-	-	-
Securitisation Positions	-	-	-	-	-	-	-	-	-
Short term credit rated banks and Intermediary Institutions receivables	-	-	-	-	-	-	-	-	-
Collective investment undertaking investments	-	-	-	-	-	-	-	-	-
Equity investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets**	-	-	-	-	-	-	-	-	-
Total	139,310	-	188	-	174	5,480	-	-	145,152

(*) Total credit risk: Value of Capital Adequacy Calculations after Counterparty Credit Risk methods are applied

(**) Other Assets: Amount not reported under Template CCR8

j. Composition of collateral for CCR exposure: None.

k. Credit derivatives exposures: None.

l. Risk exposure to CCP:

	Collateral for derivative transactions				Collateral for other transactions	
	Fair value of collaterals received		Fair value of collateral given		Fair value of collaterals received	Fair value of collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash – domestic currency	-	-	-	-	-	-
Cash – foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	161,531
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	161,531

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VII. Explanations Related to Risk Management (continued)

m. Market Risk under standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	-
2	Equity risk (general and specific)	-
3	Foreign exchange risk	81,136
4	Commodity risk	-
5	Options	-
6	Simplified approach	-
7	Delta-plus method	143
8	Scenario approach	-
9	Securitisation	-
10	Total	81,279

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

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

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

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

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

The Bank has a system set reporting in accordance with the legislation and the standard shock method for measuring and evaluating the interest rate risk arising from on-balance sheet and off-balance sheet positions in the banking accounts by using the standard shock method. The Regulation on Measurement and Evaluation and the Regulation on Credit Risk Mitigation Techniques is intended to be reported on the basis of risk classes according to the procedures described. In addition, the liquidity coverage ratio calculated under Basel III is calculated using a separate reporting system and it is aimed to measure and monitor the balance between the Bank's net cash outflows and high quality liquid assets and total and foreign currency liquidity coverage ratios.

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

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VII. Explanations Related to Risk Management (continued)

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

The Bank updated its disclosures in accordance with the “Change in the Communique on the Financial 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.

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

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

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

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

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

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VII. Explanations Related to Risk Management (continued)

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

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

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

Hedging Risk and Process of Risk Mitigation Policies and Process Related to Control Their Effectiveness Continuously: Bank carries out risk mitigation processes and risk hedging for credit risk in accordance with credit risk policies.

Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect, the 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 quarterly.

Internal Loan Rating System

	Internal Rating Grade	June 30, 2019	(%)	December 31, 2018	(%)	
High						
	Risk rating class 1	A+ Excellent	1,200	0.09	6,002	0.40
	Risk rating class 2	A- Excellent	94,695	7.26	87,542	6.04
Good						
	Risk rating class 3	B+ Very Good	135,833	10.41	218,110	15.05
	Risk rating class 4	B- Very Good	130,683	10.02	147,910	10.20
Standard						
	Risk rating class 5	C+ Good	178,928	13.72	244,339	16.85
	Risk rating class 6	C- Good	485,017	37.18	337,178	23.26
Substandard						
	Risk rating class 7	D+ Ordinary	130,450	10.00	162,676	11.22
	Risk rating class 8	D- Ordinary	97,798	7.50	163,137	11.25
	Risk rating class 9	E Bad	37,066	2.84	70,514	4.90
	Risk rating class 10	F Very Bad	11,055	0.85	10,412	0.70
Unrated			1,751	0.13	1,866	0.13
Total			1,304,476	100.00	1,449,686	100.00

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

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VII. Explanations Related to Risk Management (continued)

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

“F” rating;

Number of clients with “F” rating is 2 with an outstanding risk of TRY 11,055 (December 31, 2018: TRY 10,412; 2 clients). 95% (2 clients) of these clients are granted against mortgage with outstanding risk of TRY 10,454 (December 31, 2018: 2 client; 100%)

“E” rating;

Number of clients with “E” rating is 10 and total outstanding risk is TRY 37,066 (December 31, 2018: TRY 70,514; 16 clients). 33% (6 clients) of these clients are granted against mortgage with outstanding risk of TRY 12,309 (December 31, 2018: TRY 37,972; 49%). 11% (2 clients) of these clients are granted against Customer Check/Note with outstanding risk of TRY 4,096 (December 31, 2018: TRY 14,290; 19%).

“D-” rating;

Number of clients with D- rating is 20 and total outstanding risk is TRY 97,798 (December 31, 2018: TRY 163,137; 37 clients). %16 (10 clients) of these clients granted against mortgage have outstanding risk of TRY 16,058 (December 31, 2018: TRY 36,593; 22%), %3 (2 clients) of these customers are granted against customer check/note with outstanding risk of TRY 3,350 (December 31, 2018: TRY 6,590, %4). %0,6 (2 clients) of these clients are granted against cash blockage provision with outstanding risk of TRY 600 (December 31, 2018: TRY 698; %0,4). %7 (2 clients) of these clients are granted against commodity collateral with outstanding risk of TRY 6,547 (December 31, 2018 : TRY 3,413; 2%). %24 (2 clients) of these clients are granted against vehicle pledge with outstanding risk of TRY 23,221 (December 31, 2018 : TRY 59;532 %36).

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:**

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	4,688	20,154	7,586	24,513
Balances with the Central Bank of Turkey	71,140	199,495	105,733	172,579
Total	75,828	219,649	113,319	197,092

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

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Unrestricted demand deposits	67,637	2,961	102,031	2,885
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	3,503	196,534	3,702	169,694
Total	71,140	199,495	105,733	172,579

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
15.0%	11.0%	Ratios for corresponding maturities	21.0%	16.0%	11.0%	7.0%	5.0%

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

c) Explanations related to reserve deposits (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
%7.0	%7.0	%7.0	%4.0	%2.0	%1.0	%7.0	%3.5	%1.0

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, 2018: None).

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

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Forward Transactions	101	-	110	-
Swap Transactions	-	-	-	115
Futures Transactions	-	-	-	-
Options	484	-	544	-
Other	-	-	-	-
Total	585	-	654	115

3. Information on banks:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Banks				
Domestic	37	85	28	106
Foreign	-	438,646	-	286,898
Branches and head office abroad	-	-	-	-
Total	37	438,731	28	287,004

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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:

None.

a.2) Information on financial assets available for sale subject to repurchase agreements: None.

Net book value of financial assets measured at fair value through other comprehensive income is TRY 138 (December 31, 2018: TRY 16,198; unquoted stocks amounting TRY 138).

b) Information on financial assets available for sale portfolio:

	June 30, 2019	December 31, 2018
Debt securities	6	6
Quoted on a stock exchange	-	-
Not quoted	6	6
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	-
Total	144	144

In line with the accounting policies of the Bank, all unquoted financial assets at fair value through other comprehensive income 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, 2018: 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:

	June 30, 2019		December 31, 2018	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	374	19,347	53,163	48,693
Corporate shareholders	374	19,347	53,163	48,693
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	3,246	-	3,014
Loans granted to employees	400	661	820	797
Total	774	23,254	53,983	52,504

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	854,079	-	-	205,721	244,676	-
Business loans	430,752	-	-	140,926	244,667	-
Export loans	105,633	-	-	60,553	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	223,407	-	-	-	-	-
Foreign loans	144	-	-	-	-	-
Consumer loans	1,503	-	-	68	9	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	92,640	-	-	4,174	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	854,079	-	-	205,721	244,676	-

Expected Credit Losses	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	8,513	-
Significant Increase in Credit Risk	-	66,447
Total	8,513	66,447

c) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	409,060	-	141,181	44,380
Non-specialized loans	409,060	-	141,181	44,380
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	445,019	-	64,540	200,296
Non-specialized loans	445,019	-	64,540	200,296
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	854,079	-	205,721	244,676

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

5. Information on loans (continued):

c) Loans according to their maturity structure (continued):

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables	Watching Loans and Other Receivables
1 or 2 times extended	-	244,676
3, 4 or 5 times extended	-	-
5 Over the extended	-	-
Total	-	244,676

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	-	173,195
6 – 12 Month	-	21,502
1 – 2 Year	-	42,815
2 – 5 Year	-	7,164
5 Years and Over	-	-
Total	-	244,676

As of June 30, 2019, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved” the Bank calculated general loan loss provision for standard loan.

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	747	510	1,257
Housing Loans	-	49	49
Car Loans	-	-	-
General Purpose Loans	747	461	1,208
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	19	159	178
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	19	159	178
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) (*)	145	-	145
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	911	669	1,580

(*) Overdraft Accounts includes TRY 141 personnel loans.

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

5. Information on loans (continued):

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TRY	3	158,872	158,875
Business Loans	-	-	-
Car Loans	-	1,468	1,468
General Purpose Loans	3	157,404	157,407
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	3,551	58,552	62,103
Business Loans	-	-	-
Car Loans	-	42,500	42,500
General Purpose Loans	3,551	16,052	19,603
Other	-	-	-
Commercial loans with installment facility - FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Legal Entities)	619	-	619
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	4,173	217,424	221,597

f) Domestic and foreign loans:

	June 30, 2019	December 31, 2018
Domestic loans	1,304,332	1,449,651
Foreign loans	144	35
Total	1,304,476	1,449,686

g) Loans granted to subsidiaries and associates: None.

h) Expected credit losses provided against loans (Stage 3)

	June 30, 2019	December 31, 2018
Expected Credit Losses		
Loans and other receivables with limited collectability	40,892	123,428
Loans and other receivables with doubtful collectability	140,819	91,756
Uncollectible loans and receivables	351,196	255,322
Total	532,907	470,506

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

5. Information on loans (continued):

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
June 30, 2019			
(Gross amount before provision) (*)	15,499	4,278	81,247
Restructured Loans and Other Receivables	15,499	4,278	81,247
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2018			
(Gross amount before specific provision)(*)	500	10	3,482
Restructured Loans and Other Receivables	500	10	3,482
Rescheduled Loans and Other Receivables	-	-	-

(*) As of June 30, 2019 total expected credit losses set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 42,634 (December 31, 2018: TRY 613).

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, 2018 Balance	208,815	202,855	451,653
Additions (+)	144,531	18,960	8,781
Transfers from other categories of non-performing loans (+)	-	136,965	221,862
Transfers to other categories of non-performing loans (-)	(238,372)	(112,166)	-
Collections (-)	(9,128)	(3,121)	(6,205)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
June 30, 2019 Balance	105,846	243,493	676,091
Provision (-)	(40,892)	(140,819)	(351,196)
Net Balances on Balance Sheet	64,954	102,674	324,895

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)

5. Information on loans (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
June 30, 2019 (Net)			
Loans to Real Persons and Legal Entities (Gross)	105,846	243,493	676,091
Provision (-)	(40,892)	(140,819)	(351,196)
Loans to Real Persons and Legal Entities (Net)	64,954	102,674	324,895
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2018 (Net)			
Loans to Real Persons and Legal Entities (Gross)	208,815	202,855	451,653
Specific provision (-)	(123,428)	(91,756)	(255,322)
Loans to Real Persons and Legal Entities (Net)	85,387	111,099	196,331
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:

As of June 30, 2019, TRY 38,677 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”; 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 June 30, 2019, there is no actuarial gain or loss on disposal of the Board of Directors (December 31, 2018: None).

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

6. Financial assets at amortized cost:

a.1) Information on financial assets at amortized cost investments given as collateral or blocked:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	244,171	-	285,941	-
Other	-	-	-	-
Total	244,171	-	285,941	-

As of June 30, 2019, collateral or blocked financial assets measured at amortised cost; stock exchange balance is TRY 60,947, Interbank balance is TRY 181,075, Takasbank balance is TRY 1,953, cheque clearing pledge is TRY 196. (December 31, 2018: collateral or blocked financial assets measured at amortised cost; stock exchange balance is TRY 56,903, Interbank balance is TRY 227,585, Takasbank balance is TRY 1,270, cheque clearing pledge is TRY 183.)

a.2) Financial assets measured at amortised cost subject to repurchase agreements:

	June 30, 2019
Share certificates	-
Bond, Treasury bill and similar securities	145,806
Other	-
Total	145,806

Financial assets at amortized cost amounting to TRY 542,392 are being held as unrestricted deposits.

b) Information on amortized financial assets:

	June 30, 2019	December 31, 2018
Government bonds	932,369	1,011,588
Treasury bills	-	-
Other public sector debt securities	-	-
Total	932,369	1,011,588

c) Information on amortized financial assets:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	932,369	-	1,011,588	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	932,369	-	1,011,588	-

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

d) Movement of amortized financial assets:

	June 30, 2019	December 31, 2018
Beginning balance	1,011,588	846,967
Foreign currency differences on monetary assets (*)	8,620	218,881
Purchases during year	-	-
Disposal through sales and redemptions	(87,839)	(54,260)
Impairment provision (-)	-	-
Closing Balance	932,369	1,011,588

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

7. Information on associates (Net):

The Bank has 1.4925% 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

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

15. Explanations on deferred tax assets:

- a) As of June 30, 2019, deferred tax asset calculated on financial loss is TRY 57,298 (December 31, 2018: deferred tax asset calculated on financial loss is TRY 69,662). Deferred tax liability calculated on the other temporary differences is TRY 4,963 (December 31, 2018: deferred tax expense calculated on other temporary differences is TRY 483).

The Bank's management is in the process of assessing the recoverability of the deferred tax asset based on an updated business plan that will be submitted for approval to the Board of Directors on the 26th of August 2019 and shortly after to the shareholders.

- 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:

As of June 30, 2019, the deferred tax assets related to provision for impairment for deferred tax and deferred tax assets resulting from the reversal of the provision for impairment are 48,493 TRY. (31 December 2018: TRY 29,769)

16. Information on assets held for sale and discontinued operations:

	June 30, 2019	December 31, 2018
End of Current Period		
Beginning of period	107,551	-
Acquisitions	6,025	148,673
Assets sold (Cost)	(11,060)	(23,640)
Impairment	(1,795)	(17,482)
Net Book Value	100,721	107,551

17. Information on other assets:

- a) Breakdown of other assets:

	June 30, 2019	December 31, 2018
Assets to be Sold	1,264	1,278
Settlement Accounts	1,964	21,829
Prepaid Expenses	10,241	9,410
Other	6,752	2,408
Total	20,221	34,925

- 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) June 30, 2019:**

	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	9,033	-	44,587	1,052,937	150,561	55,475	26,511	-	1,339,104
Foreign currency deposits	94,510	-	64,759	761,926	31,781	13,746	35,024	-	1,001,746
Residents in Turkey	91,213	-	56,164	740,774	28,517	13,224	3,230	-	933,122
Residents abroad	3,297	-	8,595	21,152	3,264	522	31,794	-	68,624
Public sector deposits	315	-	-	-	17,705	-	-	-	18,020
Commercial deposits	61,904	-	49,034	333,505	60,415	2,362	838	-	508,058
Other institutions deposits	224	-	528	48,300	65	750	-	-	49,867
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	2,278	-	-	-	-	-	-	-	2,278
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	138	-	-	-	-	-	-	-	138
Foreign Banks	2,140	-	-	-	-	-	-	-	2,140
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	168,264	-	158,908	2,196,668	260,527	72,333	62,373	-	2,919,073

a.2) December 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	10,603	-	43,437	1,108,934	205,154	66,698	20,444	-	1,455,270
Foreign currency deposits	55,098	-	29,076	799,980	40,672	29,471	37,797	-	992,094
Residents in Turkey	51,427	-	23,117	783,133	36,623	28,921	8,732	-	931,953
Residents abroad	3,671	-	5,959	16,847	4,049	550	29,065	-	60,141
Public sector deposits	2,108	-	-	-	15,594	-	-	-	17,702
Commercial deposits	53,705	-	39,442	243,460	9,408	4,266	31,835	-	382,116
Other institutions deposits	215	-	1,588	44,887	-	-	-	-	46,690
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,097	-	-	-	-	-	-	-	1,097
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	98	-	-	-	-	-	-	-	98
Foreign Banks	999	-	-	-	-	-	-	-	999
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	122,826	-	113,543	2,197,261	270,828	100,435	90,076	-	2,894,969

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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Saving deposits	264,973	298,733	1,064,780	1,130,091
Foreign currency saving deposits	70,724	64,131	574,588	610,937
Other deposits in the form of saving deposits	913	1,099	24,783	27,282
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	336,610	363,963	1,664,151	1,768,310

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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:

	June 30, 2019	December 31, 2018
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	3,158	1,525
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:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Forward Transactions	92	-	121	-
Swap Transactions	626	-	-	209
Futures Transactions	-	-	-	-
Options	484	-	544	-
Other	-	-	-	-
Total	1,202	-	665	209

3. Information on borrowings:

a) Information on banks and other financial institutions:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Credits from Central ban of the Republic of Turkey	4,253	2,399	1,583	1,529
From Domestic Banks and Institutions	-	-	-	8,031
From Foreign Banks, Institutions and Funds				
Total	4,253	2,399	1,583	9,560

b) Maturity analysis of borrowings:

	June 30, 2019		December 31, 2018	
	TRY	FC	TRY	FC
Short-term	4,253	2,399	1,583	8,830
Medium and long-term	-	-	-	730
Total	4,253	2,399	1,583	9,560

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

Bank diversifies its funding resources by customer deposits and domestic borrowings. 42% of bank deposits and 35% 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 2019, operational lease expenses amounting to TRY 4,295 have been recorded in the profit and loss accounts (December 31, 2018: TRY 20,105). 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: None.

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: None (December 31, 2018: None.)

c) The specific provisions of TRY 22,384 were provided for unindemnified non-cash loans. (December 31, 2018: TRY 22,069)

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) Information on employee termination benefits and unused vacation accrual (continued):

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

	June 30, 2019	December 31, 2018
Employee termination benefit provision	8,498	8,845
Unused vacation provision	3,145	3,098
Total of provision for employee benefits	11,643	11,943

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 2,718 as of June 30, 2019 (December 31, 2018: TRY 2,616 gain).

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

8. Information on provisions (continued)

e) Information on other provisions:

e.1) Provisions for possible losses: None.

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

	June 30, 2019	December 31, 2018
Specific provisions provided for unindemnified non cash loans	22,384	22,069
Other provisions (*)	9,612	5,147
Total	31,996	27,216

(*) Other provisions include TRY 438 of bonus provisions, TRY 5,213 of litigation provision and TRY 3,961 other provisions. (December 31, 2018: TRY 438 of bonus provisions, TRY 4,709 of litigation provision).

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of June 30, 2019, remaining tax liability after prepaid taxes are netted off:

	June 30, 2019	December 31, 2018
Current Period Tax Payable	-	-
Prepaid Tax	-	(41)
Total	-	(41)

9. Explanations on taxes payable:

a.2) Explanations on taxes payable:

	June 30, 2019	December 31, 2018
BITT	2,373	3,415
Taxation on Securities	5,423	3,167
Payroll Tax	1,109	1,401
Property Tax	604	613
Value Added Tax Payable	530	405
Stamp Tax	39	43
Corporate Tax Payable	-	-
Other	89	182
Total	10,167	9,226

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

a.3) Information on premiums:

	June 30, 2019	December 31, 2018
Social Security Premiums-Employer	759	729
Social Security Premiums-Employee	477	459
Bank Social Aid Pension Fund Premium-Employer	63	61
Bank Social Aid Pension Fund Premium-Employee	32	30
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	1,331	1,279

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

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of June 30, 2019 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares

	June 30, 2019	December 31, 2018
Common stock (*)	650,000	650,000
Preferred stock	-	-

(*) Nominal Capital

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

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

d) Information on share capital increases from revaluation funds in the current period: None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.

f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

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

g) Information on preferred shares: None.

h) Information on marketable securities value increase fund: None.

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	June 30, 2019	December 31, 2018
Loan granting commitments	1,668	2,592
Payment commitments for checks	33,526	32,496
Forward asset purchase and sales commitments	15,258	20,339
Other irrevocable commitments	-	625
Total	50,452	56,052

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:

	June 30, 2019	December 31, 2018
Bank acceptance loans	803	739
Letters of credit	44,014	47,770
Other guarantees and collaterals	527,689	392,471
Total	572,506	440,980

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

	June 30, 2019	December 31, 2018
Definite letter of guarantess	853,809	979,156
Temporary letter of guarantees	28,813	30,123
Other letter of guarantees	134,107	134,856
Total	1,016,729	1,144,135

c) Total amount of non-cash loans:

	June 30, 2019	December 31, 2018
Non-cash loans given against achieving cash loans	90,021	85,518
With maturity of 1 year or less than 1 year	32,133	21,280
With maturity of more than 1 year	57,888	64,238
Other non-cash loans	1,499,214	1,499,597
Total	1,589,235	1,585,115

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

	June 30, 2019		June 30, 2018	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	76,138	7,991	129,018	3,341
Medium and long term loans	28,461	6,609	59,974	6,012
Interest on non-performing loans	39,585	-	6,664	-
Total	144,184	14,600	195,656	9,353

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

b) Information on interest received from banks:

	June 30, 2019		June 30, 2018	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	26	-	40
Domestic banks	289	105	-	2,182
Foreign banks	-	4,883	-	233
Branches and head office abroad	-	-	-	-
Total	289	5,014	-	2,455

c) Interest received from marketable securities portfolio:

	June 30, 2019		June 30, 2018	
	TRY	FC	TRY	FC
Available for sale assets	-	-	-	-
Held to maturity assets	-	-	-	-
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	-	-	22	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortized cost	75,724	-	69,215	-
Total	75,724	-	69,237	-

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

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IV. Explanations and Disclosures Related to the Statement of Income (continued)**2. a) Information on interest on funds borrowed:**

Interest on funds borrowed (*)	June 30, 2019		June 30, 2018	
	TRY	FC	TRY	FC
Banks	165	852	341	1,986
The Central Bank of Turkey	-	-	-	-
Domestic banks	165	37	341	138
Foreign banks	-	815	-	1,848
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	165	852	341	1,986

(*) Includes fees and commission expenses for borrowings.

b) **Information on interest expense to associates and subsidiaries:** None.c) **Information on interest expense to marketable securities issued:** None.d) **Distribution of interest expense on deposits based on maturity of deposits:**

Account Name	June 30, 2019							Accumulating Deposits	Total
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TRY									
Bank deposits	-	-	-	-	-	-	-	-	
Saving deposits	-	6,608	122,665	14,050	7,437	2,681	-	153,441	
Public sector deposits	-	-	103	924	-	-	-	1,027	
Commercial deposits	-	7,149	32,203	1,748	407	470	-	41,977	
Other deposits	-	174	4,453	-	-	-	-	4,627	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	-	13,931	159,424	16,722	7,844	3,151	-	201,072	
Foreign Currency									
Foreign currency deposits	-	521	13,347	768	625	52	-	15,313	
Bank deposits	-	-	19	-	-	-	-	19	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	-	521	13,366	768	625	52	-	15,332	
Grand Total	-	14,452	172,790	17,490	8,469	3,203	-	216,404	

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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):**

June 30, 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	-	3,348	82,240	4,490	6,067	984	-	97,129
Public sector deposits	-	3	19	456	-	-	-	478
Commercial deposits	-	6,984	39,912	1,568	1,213	3,518	-	53,195
Other deposits	-	86	2,282	-	-	-	-	2,368
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	10,421	124,453	6,514	7,280	4,502	-	153,170
Foreign Currency								
Foreign currency deposits	-	1,455	17,040	676	1,416	161	-	20,748
Bank deposits	-	-	18	-	-	-	-	18
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,455	17,058	676	1,416	161	-	20,766
Grand Total	-	11,876	141,511	7,190	8,696	4,663	-	173,936

3. Information on Dividend Income: As of June 30, 2019 the dividend income amounts to 10 TRY. (June 30, 2018: None)

4. Information on net trading income:

	June 30, 2019	June 30, 2018
Income	115,643	324,127
Gains on capital market operations	-	-
Gains on derivative financial instruments	15,039	14,678
Foreign exchange gains	100,604	309,449
Losses (-)	(125,608)	(326,435)
Losses on capital market operations	(8,305)	(6)
Losses on derivative financial instruments	(22,287)	(20,360)
Foreign exchange losses	(95,016)	(306,069)
Total	(9,965)	(2,308)

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

5. Information on other operating income:

	June 30, 2019	June 30, 2018
Income of previous year	3,470	232
Income from sales of assets	572	2,070
Provisions for communication expense collected from customers	30	91
Provisions for expenditure collected from customers	8	67
Reversal of unindemnified non-cash loan provision	-	-
Reversal of general loan loss provisions	-	-
Reversal of specific provisions (cash)	-	-
Reversal of free provisions	-	-
Other	754	2,548
Total	4,834	5,008

6. Provision for impairment of loans and other receivables:

	June 30, 2019	June 30, 2018
Expected Credit Losses	68,325	140,776
<i>12 Month ECL (Stage 1)</i>	(2,987)	(6,218)
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	12,068	(71,272)
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	59,244	218,266
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	-	-
<i>Associates</i>	-	-
<i>Subsidiaries</i>	-	-
<i>Joint-ventures</i>	-	-
Other	-	-
Total	68,325	140,776

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

7. Information on other operating expenses:

	June 30, 2019	June 30, 2018
Provision for employee termination benefits	-	-
Taxes and duties	2,971	3,437
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	9,033	2,244
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	2,264	3,137
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	1,794	2,465
Depreciation expenses of assets to be disposed	14	78
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	22,179	28,236
Rent expenses	187	9,747
Maintenance expenses	6,416	4,520
Advertisement expenses	196	296
Other expenses (*)	15,380	13,673
Loss on sales of assets	1,238	375
Other (**)	13,218	4,303
Total	52,711	44,275

(*) Included in other operating expenses; vehicle expenses are TRY 2,947, communication expenses are TRY 2,765, heating-lightening expenses are TRY 873, stationery expenses are TRY 311, cleaning expenses are TRY 415, non-deductible expenses are TRY 98, computer usage expenses are TRY 2,171, subcontractor company expenses are TRY 2,453, expertise expenses are TRY 352, common expenses are TRY 934, insurance expenses are TRY 613, representation expenses are TRY 706, other expenses are TRY 742 (June 30, 2018; vehicle expenses are TRY 3,269, communication expenses are TRY 2,287, heating-lightening expenses are TRY 670, stationery expenses are TRY 385, cleaning expenses are TRY 475, non-deductible expenses are TRY 87, computer usage expenses are TRY 1,414, subcontractor company expenses are TRY 2,010, expertise expenses are TRY 433, common expenses are TRY 606, insurance expenses are TRY 530, representation expenses are TRY 267 and other expenses are TRY 1,240).

(**) Included in other assurance and financial consultancy expenses are TRY 1,959, Saving Deposit Insurance Fund is TRY 1,372, other expenses are TRY 8,844 and other provisions are TRY 1,043. (June 30, 2018: assurance and financial consultancy expenses are TRY 1,914, Saving Deposit Insurance Fund is TRY 1,367 and other expenses are TRY 1,022).

Convenience Translation of Financial Statements and Report Originally Issued in Turkish)
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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:

As of June 30, 2019 current tax expense: none. (June 30, 2018: TRY no tax expense) and TRY 6,918 deferred tax expense (June 30, 2018: TRY 29,652 deferred tax expense).

	June 30, 2019	December 31, 2018
Profit before tax	(139,850)	(292,205)
Tax 22%	30,767	64,285
Effect of change in tax rate	-	(5,844)
Deferred tax adjustment	(37,780)	(29,769)
Disallowables and other, net	95	(1,650)
Tax Calculated	(6,918)	27,022

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

- 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:

	June 30, 2019	June 30, 2018
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	376	467
Transfer commissions	8	19
Insurance commission	128	144
Cheque expenses	1	11
Safe-deposit commissions	6	26
Information expenses	-	35
Bill of credit commissions	2	8
Letter of credit commissions	2	19
Credit card commissions and fees	7	8
Collection item commissions	1	1
Other banking operations income (*)	941	1,634
Total	1,472	2,372

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

	June 30, 2019	June 30, 2018
<u>Other fees and commissions given</u>		
Commissions given to banks	354	389
EFT commissions	72	130
Bond exchange transaction fee	28	2
Transfer commissions	45	72
Settlement and custody commission	25	8
Credit card commission	30	53
ATM commission	4	4
Other	40	216
Total	598	874

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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) **June 30, 2019:**

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	-	-	53,163	48,693	-	3,014
Balance at end of period	-	-	374	19,347	-	3,246
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 230.

b) **December 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	-	-	53,163	48,693	-	3,014
Interest and commission income (*)	-	-	-	144	-	355

(*)Interest income and commission income are interest income for June 2018 respectively.

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 53,163.

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	
	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018	June 30, 2019	December 31, 2018
Deposits						
Balance at beginning of period	-	-	999	721	709	44,180
Balance at end of period	-	-	2,139	999	937	709
Interest on deposits (*)	-	-	-	-	-	4,292

(*) Deposit interest rate is the interest expense for June 2018 period respectively.

In addition, the Bank has no "Funds Borrowed" used from risk group of the Bank (December 31, 2018: None) and there is no interest expense due to the loans received in 2019 (June, 2018: TRY 995). The risk amount of "Subordinated Debt Instruments" used by the Bank from the risk group is TRY 173,352 and interest expense in 2019 is TRY 783.

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

d) As of June 30, 2019, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 5,600 (June, 2018: TRY 6,975)

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

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
Banks and other receivables	230	0.05
Loans	144	0.01
Non-cash loans	22,593	1.39
Deposits	3,076	0.11
Borrowings	173,352	100.00

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 disclosure.b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.52%. Details of these loans are explained in 1a above.

VI. Explanations Related to Subsequent Events

On August 2, 2019 the Bank obtained approval from the BRSA for the conversion of the additional capital amount of USD 30 million into core capital.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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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 June 30, 2019 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 August 9, 2019 is presented preceding the unconsolidated financial statements

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION SEVEN(*)

INFORMATION ON INTERIM ACTIVITY REPORT

Message of Chairman and General Manager

We are going into a period in which Turkish economy is struggling to leave behind high inflation- high interest-decreased growth spiral that it confronted after the fluctuations in the foreign exchange markets in the summer of 2018. That the high inflation figures realized in the second half of 2018 will be released from the index demonstrates that we will see single digit inflation figure in autumn and will close the year with a low double digit figure. That a difficult period in which inflation increased to 25% will end, brought the expectation of decrease in inflation rates. The markets project that CBRT will launch a front loading interest discount period in the meeting of 25th July. Accordingly, with the decrease in the interest rates, the economy is expected to have a revival trend, even it is slow.

In 2019, T-Bank aims to complete both restructuring process of the balance sheet and to increase its sound credit portfolio with its capital to be strengthened with new increases. T-Bank has achieved 11% growth in new credits since April 2019 via the relationships established with large groups of Turkey, as well as exporters with high credibility in their regions and sectors, and the credit proposals prepared in the light of these relationships. T-Bank continues to work for the continuation of this uptrend with a gradual increase.

Changes in the Articles of Association during the period:

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

Assessment of Financial Position:

In the first quarter of 2019; assets of Turkland Bank A.Ş. reached 3,641 million TRY, loans reached 1,723 million TRY, guarantee and bails are 1,589 million TRY.

In the first quarter of 2019, securities portfolio reached 932 million TRY. In the first quarter of 2019, deposit volume reached 2,919 million TRY.

In the first half of 2018, the Bank's net loss was 104 million TRY and in the first half of 2019 net loss was 147 million TRY.

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Information on Interim Activity Report (continued)

Summary Financial Highlights

Thousand TRY	June 30, 2019	December 31, 2018
Total Assets	3,640,611	3,624,392
Loans (net)	1,722,683	1,776,827
Loans (gross)	2,329,906	2,313,009
Marketable Securities (Net)	932,387	1,011,732
Banks/Money Market Placements	438,715	287,032
Deposits	2,919,073	2,894,969
Borrowings	6,652	11,143
Equity	250,754	394,659
Commitments and Contingencies	1,589,235	1,585,115

Thousand TRY	June 30, 2019	June 30, 2018
Net Interest Income	16,356	76,548
Net Commission Income	13,762	14,068
Profit Before Taxes	(139,850)	(134,058)
Net Profit/(Loss)	(146,768)	(104,406)

Summary Financial Ratios (%)

	June 30, 2019	December 31, 2018
Capital Adequacy Ratio	13.60	13.08
Loans/Deposits	59.01	61.38
Loans/Total Assets	47.32	49.02
Liquid Assets/Total Assets	12.82	8.89
Non-performing Loans (net)/Total Loans (net)	28.59	22.11
Non-performing Loans (gross)/Total Loans (gross)	44.01	37.32
Non-performing Loans (net)/Total Assets	13.53	10.84
Specific Provisions/Non-performing Loans	51.97	62.14

Turkland Bank at the end of the second quarter of 2019

T-Bank is presented in one of Turkey's leading financial and industrial centres with its 17 branch offices and a staff of 365 employees.

Determined to be a solution partner for its customers, T-Bank focuses on raising the quality of its services and products within the framework of its sustainable growth strategy. Thus, the Bank increases its satisfaction and loyalty rate every day and aims to provide its customers with a unique banking experience.

T-Bank manages to transform its effective and broad correspondent bank network in the Middle Eastern and North African region of its main shareholders into a competitive edge. The Bank also seeks to establish long-term relationships with banks that will add value to its services and further strengthen its financial structure.

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