

**TURKLAND BANK ANONİM ŐİRKETİ
INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR
THE PERIOD ENDED DECEMBER 31, 2018**

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

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Turkland Bank A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Turkland Bank A.Ş. ("the Bank"), which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of income and expense items accounted for under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis for Opinion

We conducted our audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
<p><i>First time adaptation of TFRS 9 Financial Instruments Standard and Impairment of loans in accordance with TFRS 9</i></p> <p>As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with the TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside” published in the Official Gazette dated 22 June 2016 numbered 29750.</p> <p>TFRS 9 standard introduced significant changes in accounting policies and required adjustments to be made to the amounts previously recognized in accordance with the transition rules. Impairment of loans is a key area of judgement for the management.</p> <p>The Bank has the total loans amounting to TRY 2,313,009 thousands, which comprise 63.82% of the Bank’s total assets in its financial statements and the total provision for impairment is TRY 563,182 as at 31 December 2018. The explanations relating to the impairment of loans are presented in Section 5 Note I.5.</p> <p>The Bank exercises significant decisions using judgement, interpretation and assumptions during calculating loan impairments. These judgements, interpretations and assumptions are key in the development of the financial models built to measure the expected credit losses on loans.</p> <p>There is a potential risk of not meeting the requirements of the TFRS 9. Failure in determining the loans that are impaired and not recording the adequate provision for these impaired loans is the aforementioned risk. Accordingly, impairment of loans is considered as a key audit matter.</p>	<p>As part of our audit work, the following procedures were performed:</p> <p>We reviewed the Bank's policy on the classification of financial assets and financial liabilities in accordance with TFRS 9 and compared with the requirements of TFRS 9.</p> <p>We reviewed the Bank's tests on contractual cash flows for its financial instruments; its criteria and results have been evaluated.</p> <p>We performed tests on the appropriateness of the opening balance adjustments and the disclosures presented were checked.</p> <p>We assessed and tested the design, implementation and operating effectiveness of key controls applied by the Bank with respect to classification of loans and determination and calculation of impairments.</p> <p>We read and analysed the relevant contract terms to assess management’s accounting policy and classification of the instrument for selected samples.</p> <p>We performed loan review procedures on selected samples of loans with the objective of identifying whether the loss event had occurred and whether the provision for impairment was recognized in a timely manner within the framework of the provisions of the relevant legislation.</p> <p>We tested relevant inputs and assumption used by the management in each stage of the expected credit loss calculation by considering whether the inputs and assumptions appear reasonable, the relationship between the assumptions and whether the assumptions are interdependent and internally consistent, whether the assumptions appropriately reflect current market information and collections, and whether the assumptions appear reasonable when considered collectively with other assumptions, including those for the same accounting estimates and those for other accounting estimates.</p> <p>We tested historical loss data to validate the completeness and accuracy of key parameters.</p> <p>We tested whether the model is applied to appropriate groupings of assets which share credit risk characteristics and whether the historical loss rates were incurred under economic conditions which are representatives of those</p>

	<p>that may exist during the assets' exposure periods.</p> <p>Based on our discussions with the Bank management, we evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable.</p> <p>Our specialists were involved in all procedures related to models and assumptions.</p> <p>We audited disclosures made within the TFRS 9 framework in the financial statements of the Bank with respect to loans and related impairment provisions.</p>
<p>Key Audit Matter</p>	<p>How the matter was addressed in the audit</p>
<p><i>Information Technologies Audit</i></p> <p>The Bank and its finance functions are dependent on the IT-infrastructure for the continuity of its operations, and the demand for technology-enabled business services is rapidly growing in the Bank. Controls over reliability and continuity of the electronic data processing are within the scope of the information systems internal controls audit. The reliance on information systems within the Bank means that the controls over access rights, continuity of systems, privacy and integrity of the electronic data are critical and found to be key area of focus as part of our risk based scoping.</p>	<p>Procedures within the context of our information technology audit work:</p> <p>We identified and tested the Banks' controls over information systems as part of our audit procedures.</p> <p>Information generation comprise all layers of information systems including applications, networks, transmission systems and database. The information systems controls tested are categorized in the following areas:</p> <ul style="list-style-type: none"> • Manage security • Manage changes • Manage operations <p>We selected high-risk areas as, database logging and change management control activities, to prevent and detect whether accesses to financial data had been identified in a timely manner.</p> <p>We tested the accesses and logging controls underlying all applications that have direct or indirect impacts on financial data generation.</p> <p>Automated controls and integration controls are tested to underly and detect changes and accesses in the process of financial data generation.</p> <p>We also tested the appropriateness and accuracy of the information produced by the entity and information used in controls reports as inputs to our controls and outputs generated by the IT components.</p> <p>Finally, we understood and tested the controls over database, network, application and operating system layers of applications.</p>

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the regulation on "Independent Auditing of Banks" published in the Official Gazette dated 2 April 2015 with No. 29314 and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Bank's set of accounts for the period 1 January-31 December 2018 does not comply with TCC and the provisions of the Bank's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Müjde Aslan.

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, 27 March 2019

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

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

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

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

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

Raoul NEHME	Marwan El ABİAD	M. Behçet PERİM	H. Efe İÇLİ
Chairman of the Board of Directors	General Manager	Assistant General Manager Financial Affairs	Manager Financial Affairs
Nadya Nabil Tawfik TALHOUNİ		Mustafa Selçuk TAMER	
Member of Audit Committee		Member of Audit Committee	

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

Name-Surname / Title: Sevgi Üstün / Assistant Manager

Telephone Number: (0212) 368 37 24

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018
(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 decree dated April 18, 2013, it has been decided to increase the Bank's paid in capital from TRY 300 million to TRY 500 million. The capital increase is committed to be paid in two equal installments, each one amounting to TRY 100 million, respectively by April 30, 2013 and October 30, 2013. BankMed SAL, shareholder of the Bank by 50%, has paid in cash TRY 50.0 million corresponding to its share for the capital increase; Arab Bank PLC, shareholder of the Bank by 28.3%, has paid in cash TRY 28.3 million corresponding to its share for the capital increase; Arab Bank (Switzerland), shareholder of the Company by 21.7%, has paid in cash TRY 21.7 million corresponding to its share for the capital increase in April 30, 2013. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated May 28, 2013 and numbered 13388.

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

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018

(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	216,666.67	33%	216,666.67	-
ARAB BANK (Switzerland)	108,333.33	16%	108,333.33	-
BANKMED, SAL	324,999.99	50%	324,999.99	-
Others	<1	0%	<1	-
Total	650,000.00	%100,0	650,000.00	-

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

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

<u>Title</u>	<u>Name and Surname(*)</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	RAOUL NEHME	Chairman	Bachelor's Degree
Members of the Board of Directors	MOHAMMAD ABDEL-FATTAH HAMAD AL GHANAMAH	Vice Chairman	Bachelor's Degree
	MUSTAFA SELÇUK TAMER	Member of Audit Committee	Bachelor's Degree
	MARWAN EL ABIAD(***)	Member of Audit Committee	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	MEHMET ŞAKİR GÜVENDİ	Member	Bachelor's Degree
	MOHAMED ASEM AHMED ABDELKHALEK	Member	Bachelor's Degree
	HAITHAM HELMI MOHAMMAD FOUDEH	Member	Bachelor's Degree
	SALIM CHAHINE	Member	PHD Degree
General Manager and Member of Board of Directors	FATEN MATAR(***)	Chief Executive Officer	Master Degree
Assistant General Mangers	BENAN BAŞAK	Loan Underwriting	Master Degree
	DORUK PARMAN	Corporate and Commercial Banking	PHD Degree
	EMRE DEMİRCAN	Operation and Information Technologies(**)	Master Degree
	MEHMET BEHÇET PERİM	Finance(**)	Master Degree
	MÜNEVVER ERÖZ	Treasury and Financial Institutions	Master Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree

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

(**) As of 14 April 2018, Assistant General Manager of Financial Affairs Mehmet Özgüner left his position, as of 1 June 2018, Assistant General Manager of Operation and Information Technology İlhan Zeki Köroğlu left his position and as of 1 November 2018, Assistant General Manager of Human Resources Hakkı Yıldırım left his position.

(***) As of 15 February 2019, Chief Executive Officer Faten Mater left his position and Marwan El Abiad was appointed as Chief Executive Officer.

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018
(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 December 31, 2018:

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

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

The Bank has 23 branches and 403 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2017: 33 branches, 523 personnel).

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

The Bank has no consolidated subsidiaries.

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

The Bank has no consolidated subsidiaries.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off Balance Items
- III. Statement of Income
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows
- VII. Profit Distribution Table

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF 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)	Audited		
		Current Period		
		31.12.2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		1,125,397	484,217	1,609,614
1.1 Cash and Cash Equivalents		113,347	484,096	597,443
1.1.1 Cash and Balances with Central Bank	I-1	113,319	197,092	310,411
1.1.2 Banks	I-3	28	287,004	287,032
1.1.3 Money Market Placements		-	-	-
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)		-	-	-
1.2.1 Government Securities		-	-	-
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	I-4	138	6	144
1.3.1 Government Securities		-	6	6
1.3.2 Equity Securities		138	-	138
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	I-6	1,011,588	-	1,011,588
1.4.1 Government Securities		1,011,588	-	1,011,588
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	I-2	654	115	769
1.5.1 Derivative Financial Assets Measured at FVTPL		654	115	769
1.5.2 Derivative Financial Assets Measured at FVOCI		-	-	-
1.6 Non Performing Financial Assets		-	-	-
1.7 Expected Credit Losses (-)		(330)	-	(330)
II. LOANS (Net)	I-5	1,354,264	422,563	1,776,827
2.1 Loans		1,027,123	422,563	1,449,686
2.1.1 Loans Measured at Amortised Cost		1,027,123	422,563	1,449,686
2.1.2 Loans Measured at FVTPL		-	-	-
2.1.3 Loans Measured at FVOCI		-	-	-
2.2 Lease Receivables	I-10	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at FVTPL		-	-	-
2.3.3 Factoring Receivables Measured at FVOCI		-	-	-
2.4 Non Performing Receivables		863,323	-	863,323
2.5 Expected Credit Losses (-)		(536,182)	-	(536,182)
2.5.1 12-Month ECL (Stage 1)		(11,357)	-	(11,357)
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)		(54,319)	-	(54,319)
2.5.3 Lifetime ECL Impaired Credits (Stage 3)		(470,506)	-	(470,506)
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	I-16	107,551	-	107,551
3.1 Asset Held for Resale		107,551	-	107,551
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENTS (Net)		4,897	-	4,897
4.1 Associates (Net)	I-7	4,897	-	4,897
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		4,897	-	4,897
4.2 Subsidiaries (Net)	I-8	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3 Joint Ventures (Net)	I-9	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
V. TANGIBLE ASSETS (Net)	I-12	11,031	-	11,031
VI. INTANGIBLE ASSETS (Net)	I-13	10,327	-	10,327
6.1 Goodwill		-	-	-
6.2 Others		10,327	-	10,327
VII. INVESTMENT PROPERTY (Net)	I-14	-	-	-
VIII. CURRENT TAX ASSET		41	-	41
IX. DEFERRED TAX ASSET	I-15	69,179	-	69,179
X. OTHER ASSETS	I-17	34,795	130	34,925
TOTAL ASSETS		2,717,482	906,910	3,624,392

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

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

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

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

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

ASSETS	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	115,237	391,202	506,439
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	3,426	91	3,517
2.1 Financial assets held for trading		3,426	91	3,517
2.1.1 Public sector debt securities		-	-	-
2.1.2 Share certificates		-	-	-
2.1.3 Derivative financial assets held for trading		3,426	91	3,517
2.1.4 Other marketable securities		-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	I-3	15	402,720	402,735
IV. MONEY MARKET PLACEMENTS		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	845,242	4	845,246
5.1 Share certificates		138	-	138
5.2 Public sector debt securities		845,104	4	845,108
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	I-5	2,611,939	306,403	2,918,342
6.1 Loans and receivables		2,413,012	306,403	2,719,415
6.1.1 Loans to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		2,413,012	306,403	2,719,415
6.2 Non-performing loans		350,792	-	350,792
6.3 Specific provisions (-)		(151,865)	-	(151,865)
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	1,909	-	1,909
8.1 Public sector debt securities		1,909	-	1,909
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	4,897	-	4,897
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		4,897	-	4,897
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		4,897	-	4,897
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial subsidiaries		-	-	-
11.2.2 Non-financial subsidiaries		-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-
13.1 Fair value hedge		-	-	-
13.2 Cash flow hedge		-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	13,746	-	13,746
XV. INTANGIBLE ASSETS (Net)	I-13	13,596	-	13,596
15.1 Goodwill		-	-	-
15.2 Other		13,596	-	13,596
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-
XVII. TAX ASSET	I-15	25,293	-	25,293
17.1 Current tax asset		4,575	-	4,575
17.2 Deferred tax asset		20,718	-	20,718
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED	I-16	-	-	-
18.1 Held for sale		-	-	-
18.2 Discontinued operations		-	-	-
XIX. OTHER ASSETS	I-17	139,128	369	139,497
TOTAL ASSETS		3,774,428	1,100,789	4,875,217

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF 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)	Audited		
		Current Period		
		31.12.2018		
		TL	FC	Total
I. DEPOSITS	II-1	1,901,987	992,982	2,894,969
II. FUNDS BORROWED	II-3	1,583	9,560	11,143
III. MONEY MARKET FUNDS		169,335	-	169,335
IV. SECURITIES ISSUED (NET)		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrowers' Funds		-	-	-
5.2 Others		-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-2	665	209	874
7.1 Derivative Financial Liabilities Measured at FVTPL		665	209	874
7.2 Derivative Financial Liabilities Measured at FVOCI		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES (Net)	II-6	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Others		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	II-8	37,500	1,659	39,159
10.1 Restructuring Reserves		-	-	-
10.2 Reserve for Employee Benefits		11,943	-	11,943
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		25,557	1,659	27,216
XI. CURRENT TAX LIABILITY	II-9	10,505	-	10,505
XII. DEFERRED TAX LIABILITY		-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS		-	-	-
13.1 OPERATIONS (Net)		-	-	-
13.2 Asset Held for Sale		-	-	-
XIV. Assets of Discontinued Operations		-	-	-
14.1 SUBORDINATED DEBTS		-	-	-
14.2 Borrowings		-	-	-
XV. OTHER LIABILITIES	II-5	77,822	25,926	103,748
XVI. SHAREHOLDERS' EQUITY	II-10	394,659	-	394,659
16.1 Paid-in Capital		650,000	-	650,000
16.2 Capital Reserves		25,476	-	25,476
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		25,476	-	25,476
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		2,616	-	2,616
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		-	-	-
16.5 Profit Reserves		(18,250)	-	(18,250)
16.5.1 Legal Reserves		5,332	-	5,332
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		31,347	-	31,347
16.5.4 Other Profit Reserves		(54,929)	-	(54,929)
16.6 Profit/Loss		(265,183)	-	(265,183)
16.6.1 Prior Periods' Profit/Loss		-	-	-
16.6.2 Current Period's Net Profit/Loss		(265,183)	-	(265,183)
16.7 Minority Shares		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,594,056	1,030,336	3,624,392

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

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

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

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

LIABILITIES AND SHAREHOLDERS EQUITY	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	Total
I. DEPOSITS	II-1	2,144,702	1,351,910	3,496,612
1.1 Deposits from risk group of the Bank		42,341	2,560	44,901
1.2 Other		2,102,361	1,349,350	3,451,711
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	1,175	73	1,248
III. FUNDS BORROWED	II-3	13,509	116,243	129,752
IV. MONEY MARKET BALANCES		400,425	-	400,425
4.1 Interbank money market takings		400,425	-	400,425
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Funds provided under repurchase agreements	II-4	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-
5.1 Bills		-	-	-
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS		-	-	-
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
VII. SUNDRY CREDITORS		26,954	5,613	32,567
VIII. OTHER LIABILITIES	II-5	34,095	424	34,519
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)	II-6	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-7	-	-	-
11.1 Fair value hedge		-	-	-
11.2 Cash flow hedge		-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-
XII. PROVISIONS	II-8	46,911	1,188	48,099
12.1 General loan loss provisions		14,023	-	14,023
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		13,574	-	13,574
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		19,314	1,188	20,502
XIII. TAX LIABILITY	II-9	14,644	-	14,644
13.1 Current tax liability		14,644	-	14,644
13.2 Deferred tax liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-
14.1 Held for sale		-	-	-
14.2 Discontinued operations		-	-	-
XV. SUBORDINATED LOANS		-	-	-
XVI. SHAREHOLDERS' EQUITY	II-10	717,351	-	717,351
16.1 Paid-in capital		650,000	-	650,000
16.2 Supplementary capital		785	-	785
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities value increase fund		(25,753)	-	(25,753)
16.2.4 Tangible assets revaluation differences		-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-
16.2.6 Investment property revaluation differences		-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		45	-	45
16.2.8 Hedging funds (Effective portion)		-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
16.2.10 Other capital reserves		26,493	-	26,493
16.3 Profit reserves		106,941	-	106,941
16.3.1 Legal reserves		5,332	-	5,332
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		88,694	-	88,694
16.3.4 Other profit reserves		12,915	-	12,915
16.4 Profit or loss		(40,375)	-	(40,375)
16.4.1 Prior years' income/(losses)		-	-	-
16.4.2 Current year income/(loss)		(40,375)	-	(40,375)
16.5 Minority shares		-	-	-
TOTAL LIABILITIES AND EQUITY		3,399,766	1,475,451	4,875,217

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE ITEMS
AND COMMITMENTS AS OF 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)	Audited Current Period 31.12.2018		
		TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		899,516	1,038,961	1,938,477
I. GUARANTEES AND SURETIES	III-1	811,853	773,262	1,585,115
1. Letters of guarantee		811,853	332,282	1,144,135
1.1. Guarantees subject to State Tender Law		7,821	210	8,031
1.1.2. Guarantees given for foreign trade operations		35,984	49,263	85,247
1.1.3. Other letters of guarantee		768,048	282,809	1,050,857
1.2. Bank acceptances		-	739	739
1.2.1. Import letter of acceptance		-	739	739
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	47,770	47,770
1.3.1. Documentary letters of credit		-	47,770	47,770
1.3.2. Other letters of credit		-	-	-
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	333,052	333,052
1.5.1. Endorsements to the Central Bank of Turkey		-	333,052	333,052
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	59,419	59,419
1.9. Other sureties		-	-	-
II. COMMITMENTS	III-1	45,264	10,788	56,052
2.1. Irrevocable commitments		45,264	10,788	56,052
2.1.1. Asset purchase and sale commitments		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		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		-	-	-
2.1.8. Tax and fund obligations on export commitments		32,496	-	32,496
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		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		42,399	254,911	297,310
3.2.1. Forward foreign currency purchases/sales		5,023	4,766	9,789
3.2.1.1. Forward foreign currency purchases		2,518	2,383	4,901
3.2.1.2. Forward foreign currency sales		2,505	2,383	4,888
3.2.2. Currency and interest rate swaps		-	211,943	211,943
3.2.2.1. Currency swaps-purchases		-	105,940	105,940
3.2.2.2. Currency swaps-sales		-	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		37,376	38,202	75,578
3.2.3.1. Currency call options		18,688	19,101	37,789
3.2.3.2. Currency put options		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)		13,393,151	2,495,634	15,888,785
IV. ITEMS HELD IN CUSTODY		228,577	19,256	247,833
4.1. Customers' securities held		-	-	-
4.2. Investment securities held in custody		302	477	779
4.3. Checks received for collection		221,642	17,348	238,990
4.4. Commercial notes received for collection		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		13,164,574	2,476,378	15,640,952
5.1. Securities		-	-	-
5.2. Guarantee notes		30,878	1,547	32,425
5.3. Commodities		1,646	-	1,646
5.4. Warranties		-	-	-
5.5. Real estates		1,796,126	111,842	1,907,968
5.6. Other pledged items		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)		14,292,667	3,534,595	17,827,262

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

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

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

II STATEMENT OFF-BALANCE SHEET ITEMS

	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1,616,396	1,803,362	3,419,758
I. GUARANTEES AND SURETIES	III-1	1,334,496	1,563,992	2,898,488
1.1. Letters of guarantee		1,334,496	499,603	1,834,099
1.1.1. Guarantees subject to State Tender Law		9,784	673	10,457
1.1.2. Guarantees given for foreign trade operations		69,634	110,172	179,806
1.1.3. Other letters of guarantee		1,255,078	388,758	1,643,836
1.2. Bank acceptances		-	2,732	2,732
1.2.1. Import letter of acceptance		-	2,732	2,732
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	250,141	250,141
1.3.1. Documentary letters of credit		-	250,141	250,141
1.3.2. Other letters of credit		-	-	-
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	652,408	652,408
1.5.1. Endorsements to the Central Bank of Turkey		-	652,408	652,408
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	159,108	159,108
1.9. Other sureties		-	-	-
II. COMMITMENTS	III-1	178,749	12,424	191,173
2.1. Irrevocable commitments		178,749	12,424	191,173
2.1.1. Asset purchase and sale commitments		1,533	1,534	3,067
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	-	-
2.1.4. Loan granting commitments		66,739	-	66,739
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		105,137	-	105,137
2.1.8. Tax and fund obligations on export commitments		-	-	-
2.1.9. Commitments for credit card limits		-	-	-
2.1.10. Commitments for credit cards and banking services related		-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		5,340	10,890	16,230
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		103,151	226,946	330,097
3.1. Derivative financial instruments held for risk management		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		103,151	226,946	330,097
3.2.1. Forward foreign currency purchases/sales		78,673	97,553	176,226
3.2.1.1. Forward foreign currency purchases		41,087	47,146	88,233
3.2.1.2. Forward foreign currency sales		37,586	50,407	87,993
3.2.2. Currency and interest rate swaps		78	91,775	91,853
3.2.2.1. Currency swaps-purchases		-	45,947	45,947
3.2.2.2. Currency swaps-sales		78	45,828	45,906
3.2.2.3. Interest rate swaps-purchases		-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-
3.2.3. Currency, interest rate and security options		24,400	37,618	62,018
3.2.3.1. Currency call options		12,200	18,809	31,009
3.2.3.2. Currency put options		12,200	18,809	31,009
3.2.3.3. Interest rate call options		-	-	-
3.2.3.4. Interest rate put options		-	-	-
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		-	-	-
3.2.4.1. Currency futures-purchases		-	-	-
3.2.4.2. Currency futures-sales		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-
3.2.6. Others		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		85,401,490	10,853,152	96,254,642
IV. ITEMS HELD IN CUSTODY		713,768	43,639	757,407
4.1. Customers' securities held		-	-	-
4.2. Investment securities held in custody		20,002	341	20,343
4.3. Checks received for collection		680,566	41,093	721,659
4.4. Commercial notes received for collection		13,200	2,205	15,405
4.5. Other assets received for collection		-	-	-
4.6. Assets received through public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		84,687,722	10,809,513	95,497,235
5.1. Securities		-	-	-
5.2. Guarantee notes		56,261	12,873	69,134
5.3. Commodities		1,646	-	1,646
5.4. Warranties		-	-	-
5.5. Real estates		2,168,042	106,054	2,274,096
5.6. Other pledged items		82,461,773	10,690,586	93,152,359
5.7. Pledged items-depository		-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		87,017,886	12,656,514	99,674,400

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF DECEMBER 31, 2018

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note Ref. (Section Five)	Audited
		Current Period 01.01-31.12.2018
I. INTEREST INCOME	IV-1	672,773
1.1 Interest on loans		422,019
1.2 Interest received from reserve deposits		11,646
1.3 Interest received from banks		5,452
1.4 Interest received from money market placements		283
1.5 Interest received from marketable securities portfolio		226,670
1.5.1 Financial assets at fair value through profit and loss		37
1.5.2 Fair value financial assets through other comprehensive income		-
1.5.3 Financial assets measured at amortized cost		226,633
1.6 Finance lease income		-
1.7 Other interest income		6,703
II. INTEREST EXPENSE (-)	IV-2	(474,596)
2.1 Interest on deposits		(398,778)
2.2 Interest on funds borrowed		(2,632)
2.3 Interest on money market borrowings		(73,144)
2.4 Interest on securities issued		-
2.5 Other interest expense		(42)
III. NET INTEREST INCOME (I - II)		198,177
IV. NET FEES AND COMMISSIONS INCOME		25,855
4.1 Fees and commissions received		27,862
4.1.1 Non-cash loans		23,612
4.1.2 Other	IV-10	4,250
4.2 Fees and commissions paid (-)		(2,007)
4.2.1 Non-cash loans		(159)
4.2.2 Other	IV-10	(1,848)
V. STAFF EXPENSES (-)		(79,527)
VI. DIVIDEND INCOME	IV-3	-
VII. NET TRADING INCOME	IV-4	(604)
7.1 Securities trading gains/ (losses)		(964)
7.2 Derivative financial instruments gain (losses)		(2,876)
7.3 Foreign exchange gains/ (losses)		3,236
VIII. OTHER OPERATING INCOME	IV-5	6,191
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		150,092
X. EXPECTED CREDIT LOSS PROVISIONS (-)	IV-6	(335,080)
XI. OTHER OPERATING EXPENSES (-)	IV-7	(107,217)
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		(292,205)
XIII. AMOUNT IN EXCESS RECOGNISED AS GAIN AFTER MERGER		-
XIV. PROFIT/(LOSS) ON EQUITY METHOD		-
XV. PROFIT/(LOSS) ON NET MONETARY POSITION		-
XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XV)		(292,205)
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-8	27,022
17.1 Provision for current income taxes		-
17.2 Income from deferred taxes (+)		27,022
17.3 Provision for deferred taxes (-)		-
XVIII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)		(265,183)
XIX. INCOME ON DISCONTINUED OPERATIONS		-
19.1 Income on assets held for sale		-
19.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
19.3 Income on other discontinued operations		-
XX. LOSS FROM 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. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)		-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
22.1 Provision for current income taxes		-
22.2 Income for deferred taxes (+)		-
22.3 Provision for deferred taxes (-)		-
XXIII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	IV-9	(265,183)
24.1 Profit / (Loss) of the Group		-
24.2 Minority Shareholders Profit / Loss (-)		-
Earnings Per Share Profit / Loss		-

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF DECEMBER 31, 2017

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

III. STATEMENT OF INCOME

	Note Ref. (Section Five)	Audited
		Prior Period 01.01-31.12.2017
I. INTEREST INCOME	IV-1	550,218
1.1 Interest on loans		423,622
1.2 Interest received from reserve deposits		9,055
1.3 Interest received from banks		4,400
1.4 Interest received from money market placements		-
1.5 Interest received from marketable securities portfolio		108,554
1.5.1 Held-for-trading financial assets		-
1.5.2 Financial assets at fair value through profit and loss		-
1.5.3 Available-for-sale financial assets		108,306
1.5.4 Investments held-to-maturity		248
1.6 Finance lease income		-
1.7 Other interest income		4,587
II. INTEREST EXPENSE	IV-2	(403,477)
2.1 Interest on deposits		(346,095)
2.2 Interest on funds borrowed		(6,125)
2.3 Interest on money market borrowings		(46,118)
2.4 Interest on securities issued		-
2.5 Other interest expense		(5,139)
III. NET INTEREST INCOME (I - II)		146,741
IV. NET FEES AND COMMISSIONS INCOME		25,753
4.1 Fees and commissions received		27,553
4.1.1 Non-cash loans		21,605
4.1.2 Other	IV-10	5,948
4.2 Fees and commissions paid		(1,800)
4.2.1 Non-cash loans		(96)
4.2.2 Other	IV-10	(1,704)
V. DIVIDEND INCOME	IV-3	10
VI. NET TRADING INCOME	IV-4	1,938
6.1 Securities trading gains/ (losses)		54
6.2 Gain/(losses) from derivative financial instruments		(516)
6.3 Foreign exchange gains/ (losses)		2,400
VII. OTHER OPERATING INCOME	IV-5	65,834
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		240,276
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	(100,153)
X. OTHER OPERATING EXPENSES (-)	IV-7	(197,470)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		(57,347)
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-
XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD		-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)		(57,347)
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)		16,972
16.1 Provision for current income taxes	IV-8	-
16.2 Provision for deferred taxes		16,972
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		(40,375)
XVIII. INCOME ON DISCONTINUED OPERATIONS		-
18.1 Income on assets held for sale		-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
18.3 Income on other discontinued operations		-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-
19.1 Loss from assets held for sale		-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-
19.3 Loss from other discontinued operations		-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-
21.1 Provision for current income taxes		-
21.2 Provision for deferred taxes		-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-9	(40,375)

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIODS ENDED
DECEMBER 31, 2018 AND 2017

(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	Audited Current Period 01.01 -31.12.2018
I. CURRENT PERIOD PROFIT/LOSS	(265,183)
II. OTHER COMPREHENSIVE INCOME	1,552
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	1,552
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	1,552
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.1 Translation Differences	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	-
2.2.3 Gains/losses from Cash Flow Hedges	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	(263,631)

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	Audited Prior Period 01.01 -31.12.2017
I. Additions to marketable securities revaluation differences for available for sale financial assets	2,199
II. Tangible assets revaluation differences	-
III. Intangible assets revaluation differences	-
IV. Foreign currency translation differences for foreign currency transactions	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-
VII. The effect of adjustment of errors and changes in accounting policies	-
VIII. Other profit loss items accounted for under equity due to TAS	(55)
IX. Deferred tax of valuation differences	(440)
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	1,704
XI. Profit/Loss	(40,375)
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(54)
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-
1.4 Other	(40,321)
XII. Total Profit/Loss accounted for in the period (X±XI)	(38,671)

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2018

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	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			Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity without Minority Shares	Minority Shares	Total Shareholders' Equity
					1	2	3	4	5	6						
CURRENT PERIOD 01.01 - 31.12.2018																
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	-	-	-	-	-	-	-	-	-	-	-	(265,183)	-	(265,183)	-	(265,183)
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	-	-	-	-	-	1,552	-	-	-	-	-	-	-	1,552	-	1,552
XI. Profit Distribution	-	-	-	(125,189)	-	-	-	-	-	-	-	125,189	-	-	-	-
11.1. Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves	-	-	-	(125,189)	-	-	-	-	-	-	-	125,189	-	-	-	-
11.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	650,000	-	-	1,894	-	2,616	-	-	-	-	5,332	-	(265,183)	394,659	-	394,659

- 1.Revaluation surplus on tangible and intangible assets
- 2.Defined benefit plans' actuarial gains/losses
- 3.Others
- 4.Translation Differences
- 5.Income/expenses from valuation and/or reclassification of financial assets measured at FVOCI
- 6.Others

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2017

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Audited	Note (Section Five)	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Marketable Securities Revaluation Reserve	Tangible/Intan- gible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Funds	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued Oper.	Total Equity Excluding Minority Interest	Minority Interests	Total Equity
Prior Period – 01.01-31.12.2017																			
I. Prior opening balance		650,000	26,548	-	-	4,645	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,022	-	756,022
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance		650,000	26,548	-	-	4,645	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,022	-	756,022
Changes in the period		-	-	-	-	-	-	-	-	(13,753)	13,753	-	-	-	-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	1,759	-	-	-	-	1,759	-	1,759
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	(55)	-	-	-	-	-	-	-	-	-	-	-	-	-	(55)	-	(55)
XIX. Period net income /(loss)		-	-	-	-	-	-	-	-	(40,375)	-	-	-	-	-	-	(40,375)	-	(40,375)
XX. Profit Distribution		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
20.1. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2. Transfers to reserves		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
20.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650,000	26,493	-	-	5,332	-	88,694	12,915	(40,375)	-	(25,753)	-	45	-	-	717,351	-	717,351

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2018

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

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Audited
		Current Period
		01.01 - 31.12.2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(482,880)
1.1.1 Interests received		572,286
1.1.2 Interests paid		(471,358)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		27,159
1.1.5 Other income		46,429
1.1.6 Collections from previously written-off receivables		74,719
1.1.7 Cash payments to personnel and service suppliers		(86,831)
1.1.8 Taxes paid		(4,575)
1.1.9 Others		(640,709)
1.2 Changes in operating assets and liabilities		298,920
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		-
1.2.2 Net (increase) decrease in due from banks		174,765
1.2.3 Net (increase) decrease in loans		817,716
1.2.4 Net (increase) decrease in other assets		117,648
1.2.5 Net increase (decrease) in bank deposits		(231,448)
1.2.6 Net increase (decrease) in other deposits		(1,000,795)
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(117,925)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		538,959
I. Net cash flow from banking operations		(183,960)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(59,090)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(7,206)
2.4 Sales of tangible assets		5,288
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		(54,214)
2.9 Others		(2,958)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for financial leases		-
3.6 Others		-
IV. Effect of translation differences on cash and cash equivalents		104,649
V. Net increase/(decrease) in cash and cash equivalents		(138,401)
VI. Cash and cash equivalents at beginning of period		562,403
VII. Cash and cash equivalents at end of period		424,002

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017

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

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Audited
		Prior Period 01.01 - 31.12.2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(128,113)
1.1.1 Interest received		414,346
1.1.2 Interest paid		(399,361)
1.1.3 Dividend received		10
1.1.4 Fees and commissions received		28,801
1.1.5 Other income		(47,812)
1.1.6 Collections from previously written off loans		67,445
1.1.7 Payments to personnel and service suppliers		(101,233)
1.1.8 Taxes paid		(4,575)
1.1.9 Others		(85,734)
1.2 Changes in operating assets and liabilities		(276,584)
1.2.1 Net (increase) decrease in financial assets held for trading		-
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(101,872)
1.2.4 Net (increase) decrease in loans		621,293
1.2.5 Net (increase) decrease in other assets		20,994
1.2.6 Net increase (decrease) in bank deposits		26,906
1.2.7 Net increase (decrease) in other deposits		(575,812)
1.2.8 Net increase (decrease) in funds borrowed		(252,998)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		(15,095)
I. Net cash provided from banking operations		(404,697)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		1,066
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		(4,897)
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-
2.3 Fixed assets purchases		(5,693)
2.4 Fixed assets sales		1,263
2.5 Cash paid for purchase of financial assets available for sale		(257)
2.6 Cash obtained from sale of financial assets available for sale		15,045
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others		(4,395)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Issued capital instruments		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		39,734
V. Net increase / (decrease) in cash and cash equivalents		(363,897)
VI. Cash and cash equivalents at the beginning of the period		926,300
VII. Cash and cash equivalents at the end of the period		562,403

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

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

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

VII. STATEMENT OF PROFIT DISTRIBUTION

	Audited Current Period 31.12.2018	Audited Prior Period 31.12.2017 (*)
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	(292,205)	(57,347)
1.2 TAXES AND DUTIES PAYABLE(-)	(27,022)	(16,972)
1.2.1 Corporate tax (Income tax)	-	-
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties(**)	(27,022)	(16,972)
A. NET INCOME FOR THE YEAR (1.1-1.2)	(265.183)	(40,375)
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	(265.183)	(40,375)
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	(40,375)
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNING PER SHARE (***)		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

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

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

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

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

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

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette No.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, 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 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 9 Financial Instruments

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

Key requirements of TFRS 9:

- All recognized financial assets that are within the scope of TFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt instruments and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

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

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

I. Basis of Presentation (continued)

IFRS 9 Financial Instruments (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, TFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under TAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, TFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under TAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in TAS 39. Under TFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Bank's financial assets and financial liabilities as at 1 January 2018 on the basis of the facts and circumstances that exist at that date, it has been assessed that the impact of TFRS 9 to the Bank's unconsolidated financial statements as follows:

Classification and measurement

Classification and measurement of financial assets in accordance with TFRS 9 standard 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.

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

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

I. Basis of Presentation (continued)**IFRS 9 Financial Instruments (continued)**

According to IFRS 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.

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

	Measurement Bases Before IFRS 9	Book Value Before IFRS 9	IFRS 9 Reclassification Effect	IFRS 9 Remeasurement Effect	Book Value After IFRS 9
		31 December 2017			1 January 2018
Financial Assets					
Cash and Balances with Central Bank	Amortized cost	506,439	-	-	506,439
Banks and Money Markets	Amortized cost	402,735	-	-	402,735
Fair value through profit and loss marketable securities	Fair value through profit and loss	3,517	-	-	3,517
Fair value through comprehensive income marketable securities	Fair value through comprehensive income	845,246	(845,246)	-	-
Marketable securities at amortised cost	Amortized cost	1,909	845,246	25,753	872,908
Loan	Amortized cost	2,719,415	-	-	2,719,415
Non Performing Loans		350,792			350,792
Expected Credit Losses		180,872	-	112,693	293,565
Equity Effect					
Net effect of Expected Credit Losses		-	-	(84,814)	-
Reclassification Effect of Available for Sales		-	-	25,753	-
Total				(59,061)	

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

Impairment:

In accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Reserved" published in the Official Gazette dated June 22, 2016 and numbered 29750, the Bank started to recognize provision for impairment in accordance with the provisions of IFRS 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 IFRS 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:

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

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

I. Basis of Presentation (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

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

	Book Value before IFRS 9 31 December 2017	IFRS 9 Remeasurement Effect	Book Value after IFRS 9 1 January 2018
Loans	163,308	98,611	261,919
Stage 1	6,220	25,341	31,561
Stage 2	5,223	98,086	103,309
Stage 3	151,865	(24,816)	127,049
Financial Assets (*)	564	(293)	271
Non-cash Loans (**)	17,000	14,375	31,375
Stage 1	1,862	6,476	8,338
Stage 2	154	477	631
Stage 3	14,984	7,422	22,406

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

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

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

"IFRS 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.

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

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

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 8.89% 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 27.91% of total assets are assets with low risk and high yield. Placements in banks are 7.92% 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.

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

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

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 and Loss

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

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

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.

Loans

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

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

Foreign currency indexed loans are converted into TRY from the foreign currency rate as of the opening date and followed in TRY accounts. Repayments are measured with the foreign currency rate at the payment date, the foreign currency gains and losses are reflected to the statement of income.

Foreign exchange gains and losses on the foreign currency indexed loans are presented under foreign exchange gains and losses.

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

VII. Explanations on Impairment of Financial Assets

At each balance sheet date, the Bank evaluates the carrying amounts of its financial asset or a group of financial assets to determine whether there is an objective indication that those assets have suffered an impairment loss. If any such indication exists, the Bank determines the related impairment.

A financial asset or a financial asset group incurs impairment loss only if there is an objective indicator related to the occurrence of one or more than one event (“loss event”) after the first journalization of that asset; and such loss event (or events) causes, an impairment as a result of the effect on the reliable estimate of the expected future cash flows of the related financial asset and asset group. Irrespective of high probability the expected losses for future events are not journalized.

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VII. Explanations on Impairment of Financial Assets (continued)

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 "IFRS 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 IFRS 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.

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%.

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VII. Explanations on Impairment of Financial Assets (continued)

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

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

X. Explanations on Assets Held for Sale and Discontinued Operations

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

The Bank has assets held for sale amount of 107,551 TRY as of December 31, 2018 (December 31, 2017: None).

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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.

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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.

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.

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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 125. The total amount of those cases consists of TRY 8,831, USD 804 Thousand and EUR 193 Thousand. There is a provision of TRY 4,709 in the accompanying financial statements for these cases (December 31, 2017: TRY 2,559).

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 December 31, 2018, the actuarial gains recognized in equity amounts to TRY 2,616 (December 31, 2017: TRY 1,064 actuarial gain).

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

Defined Contribution Plans:

The Bank pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Short-term Employee Benefits:

In accordance with TAS 19 "Turkish Accounting Standard on Employee Benefits"; defined liabilities that arise from unused leave payments are accrued in the related period and are not discounted.

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.

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XVI. Explanations on Taxation (continued)

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

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

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. Tax provision is in current period: none. (December 31, 2017: None).

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 27,022 deferred tax income in the accompanying income statement (December 31, 2017: TRY 16,972 deferred tax income).

XVII. Additional Explanations on Borrowings

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

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

The Bank has not issued convertible bonds.

XVIII. Explanations on Issued Share Certificates

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

XIX. Explanations on Acceptances

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

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XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XXI. Explanations on Segment Reporting

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

XXII. Explanations on Other Matters

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

Explanations on Financial Assets

Financial instruments; financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, credit and market risks in the Bank's balance sheet in all respects. The Bank purchases and sells these vehicles on behalf of its customers and on its own behalf.

Financial assets mainly constitute the commercial activities and operations of the Bank. These instruments are capable of revealing, affecting and reducing the liquidity, credit and interest risk in the financial statements.

The normal way of trading of financial instruments is accounted on the settlement date. The delivery date is the date that an asset is delivered to or delivered to the Bank. The settlement date accounting requires that (a) the asset is recognized at the date of acquisition by the entity, (b) the asset is derecognized as of the date of delivery and the gain or loss of the disposal as of the same date is recognized. In case of application of settlement date accounting, the entity recognizes changes in the fair value of the asset during the period between the trade date and the delivery date in accordance with the valuation basis of the purchased assets.

Normal purchase or sale is the purchase or sale of a financial asset in a contract that usually requires delivery within a period determined by legal regulations or relevant market principles.

The methods and assumptions used to record and measure each group of financial assets are presented below.

Cash, Banks, and Other Financial Institutions:

Cash and cash equivalents comprise cash on hand, demand deposits, and highly liquid short-term investments with maturity of 3 months or less following the purchase date, not bearing risk of significant value change, and that are readily convertible to a known amount of cash and are carried at amortized cost. The book values of these assets approximate their fair values.

Financial Assets at Fair Value Through Profit and Loss:

Trading securities are securities, which were acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio with a pattern of short-term profit taking.

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "Provision for Impairment of Marketable Securities".

Held to Maturity Investments:

Investments held to maturity include securities with fixed or determinable payments and fixed maturity where there is an intention of holding until maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

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XXII. Explanations on Other Matters (continued)

Explanations On Prior Period Accounting Policies Not Valid For The Current Period (continued)

Explanations on Financial Assets (continued)

Held to Maturity Investments (continued)

Held to maturity investments are initially recorded at cost including transactions costs. After initial recognition held to maturity investments are measured at amortized cost by using effective interest rate less impairment losses, if any.

Held-to-maturity securities are carried at “amortized cost” using the “effective interest method” after their initial recognition. Interest income related with held-to-maturity securities is recorded in “Interest income” and impairment arising from a decrease in cost or revalued amounts is recorded in “Provision for impairment of loans and other receivables” accounts.

Financial Assets Available for Sale:

Available for sale financial assets include all securities other than loans and receivables, securities held to maturity and securities held for trading.

The marketable securities are initially recognized at cost including the transaction costs (which represents the fair value at the time).

After the initial recognition, available for sale securities are measured at fair value and the unrealized gains/losses originating from the difference between the amortized cost and the fair value is recorded in “Marketable Securities Value Increase Fund” under the equity. Fair values of debt securities that are traded in an active market are determined based on quoted prices or current market prices. In the absence of prices formed in an active market, fair values of these securities are determined by using other valuation methods stated in TAS.

The Bank has an equity investment with participation rate of 0.0129% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is carried at cost.

The Bank classifies its securities as referred to above at the acquisition date of related assets.

Loans and receivables:

Loans are non-derivative financial assets that have fixed or determinable payments and are not traded in an active market.

The Bank recognizes the initial recognition of loans and receivables at cost including the transaction costs that reflect the fair value, and is subsequently measured at amortized cost using the effective interest method in accordance with TAS.

Foreign currency indexed loans are translated into Turkish Lira at the opening rate at the opening date and monitored in TRY accounts. The repayments are calculated at the exchange rate at the date of payment, and the resulting exchange differences are reflected in the income-expense accounts.

Foreign currency gains and losses arising from foreign currency indexed loans are included in foreign exchange gains and foreign exchange losses are recognized under foreign exchange losses.

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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 December 31, 2018 Bank’s total capital has been calculated as TRY 404,260, capital adequacy ratio is 13,08%. As of December 31, 2017, Bank’s total capital amounted to TRY 692,371, capital adequacy ratio was 14.05% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Information related to the components of shareholders' equity:

	Current Period December 31, 2018 (*)
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	28,047
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	45
Common Equity Tier 1 capital before regulatory adjustments	678,092
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	(245,924)
Improvement costs for operating leasing	(2,513)
Goodwill (net of related tax liability)	(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)	-
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	(306,720)
Common Equity Tier 1 capital (CET1)	371,372

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I. Explanations Related to Equity (continued)

Additional Tier 1 Capital

Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-

Additional Tier 1 capital before regulatory adjustments

Additional Tier 1 capital: regulatory adjustments

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

Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period

Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-

Total regulatory adjustments to Additional Tier 1 capital

Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	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 Tier 2 capital

Total Tier 2 capital	32,888
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	404,260

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	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
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	7.513
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	32,888
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

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

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I. Explanations Related to Equity (continued)

	Prior Period December 31,2017 (*)
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	650,000
Share premium	-
Legal reserves	106,941
Accumulated other comprehensive income in accordance with TAS	26,493
Profit	(40,375)
Net current period profit	(40,375)
Prior period profit	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	45
Common Equity Core capital before regulatory adjustments	743,104
Common Equity Core capital: regulatory adjustments	
Valuation adjustments calculated according to clause (I) of first paragraph of the 9th article of the Regulation on Owners'	
Equity of Banks	-
Loss (in excess of Reserves) and other comprehensive expenses	(25,753)
Leasehold Improvements on Operational Leases (-)	(4,689)
Goodwill and Intangible assets and related deferred tax liabilities	(10,877)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(11,553)
Cash-flow hedge reserve	-
-Shortfall of provisions to expected losses	-
Securitization gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
Amount exceeding the threshold of significant investments in the common stock of financials	-
Amount exceeding the threshold of mortgage servicing rights	-
Amount exceeding the threshold of mortgage servicing rights	-
Amount exceeding the threshold of deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
Total regulatory adjustments to Common equity Core Capital	(52,872)
Common Equity Core capital (CET1)	690,232

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I. Explanations Related to Equity (continued)

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 (-)	2,719
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	9,165
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier 1 capital	11,884
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	678,348
TIER 2 CAPITAL	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	14,023
Tier 2 capital before regulatory adjustments	14,023
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total regulatory adjustments to Additional Tier I capital	-
Additional Tier I capital (AT1)	14,023
Tier 1 capital (T1 = CET1 + AT1)	692,371
Deductions from the capital	
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period	
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the temporary paragraph 1 of the article numbered 2 of Own Fund Regulation (-)	-

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I. Explanations Related to Equity (continued)

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	692,371
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	692,371
Total Risk Weighted Assets	4,926,726
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.01
Tier 1 Capital Adequacy Ratio (%)	13.77
Capital Adequacy Ratio (%)	14.05
BUFFERS	
Total buffer requirement	2.032
Capital conservation buffer requirement (%)	1.250
Bank specific countercyclical buffer requirement (%)	0.782
The ratio of Additional Common Equity Tier 1 capital, which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation, and Countercyclical Capital buffers to Risk Weighted Assets (%)	9.510
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2 capital	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	14,023
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Capital instruments subject to phase-out arrangements (only applicable between 1 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 Credit Risk

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

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

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

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

For the forward transactions and other similar positions of the Bank, operational limits are set by the Board of Directors and the transactions take place within these limits

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

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

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

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

Qualitative Information About Credit Risk

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

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

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II.Explanations Related to Credit Risk (continued)

Qualitative Information About Credit Risk (continued)

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

The scope of the reporting consists of various concentrations in the loan portfolio (debtor / group, business line, sector, maturity, currency, collateral, debt rating, etc.), analyzes on the portfolio of default loans and stress tests and analyzes on capital adequacy. In addition, analyzes on the status and development of loans in the banking sector are also included.

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are 1,236,859TL and TRY 1,396,960 (December 31, 2017: TRY 1,789,397 and TRY 2.199.317), the share of total cash loans are 53.47% and 60.40% as of December 31, 2018 (December 31, 2017: 58.28% and 71.63%).

The share of non-cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,214,969 and TRY 1,429,341 (December 31, 2017: TRY 1,842,416 and TRY 2,311,857), the share of total non-cash loans are 74.96% ve 88.19% as of December 31, 2018 (December 31, 2017: 59.69% and 74.90%).

The share of cash and non-cash receivables of the Bank from its top 100 and 200 customers respectively in the total balance sheet and non-cash risks are 39.41% and 47.74% as of December 31, 2018 (December 31, 2017: 35.71% and 47.38%).

As of December 31, 2018, expected credit loss for Stage 1 and Stage 2 loans related with the credit risk is TRY 65,676 (December 31, 2017: TRY 14,023).

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II.Explanations Related to Credit Risk (continued)

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

Current Period

	Due from Central Governments or Central Banks	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Banks and Capital Market Intermediary	Contingent and Non-contingent Corporate Receivables	Contingent and Non-contingent Retail Receivables	Contingent and Non-contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Share investments	Other Receivables	Total
Domestic	1,536,149	253	77,439	1,862,254	135,846	340,269	392,816	9,548	5,034	194,866	4,554,474
European Union Countries	-	-	17,800	-	35	-	-	-	-	-	17,835
OECD Countries	-	-	1,133	-	1	-	-	-	-	-	1,134
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	154,817	-	-	-	-	-	-	-	154,817
Other Countries	-	-	142,204	-	-	-	-	-	-	-	142,204
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total	1,536,149	253	393,393	1,862,254	135,882	340,269	392,816	9,548	5,034	194,866	4,870,464

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II.Explanations Related to Credit Risk (continued)

Prior Period	Due from Central Governments or Central Banks	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Banks and Capital Market Intermediary	Contingent and Non-Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent and Non-Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Share Investments	Other Receivables	Total
December, 31 2017											
Domestic	1,326,783	215	77,526	2,940,219	637,508	907,143	198,927	16,668	5,034	216,122	6,326,145
European Union Countries	-	-	162,704	1	98	-	-	-	-	-	162,803
OECD Countries	-	-	649	-	1	-	-	-	-	-	650
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	241,201	-	-	-	-	-	-	-	241,201
Other Countries	-	-	24,533	-	-	-	-	-	-	-	24,533
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-
Total	1,326,783	215	506,613	2,940,220	637,607	907,143	198,927	16,668	5,034	216,122	6,755,332

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II.Explanations Related to Credit Risk (continued)**Risk profile by sectors or counterparties:**

Sectors/Counterparties	Due from Central Governments or Central Banks	Receivables on Administrative Units and Non- commercial Enterprises	Receivables on Banks and Capital Market Intermediary	Other Corporate Receivables	SME Corporate Receivables	Other Retail Receivables	SME Retail Receivables	Receivables from collateralized by real estate mortgage for residence	Receivables from collateralized by commercial real estate mortgage	Past Due Receivables	Receivables efined in high risk category by BRSA	Share investments	Other Receivables	TRY	FC	Total
1 Agriculture	-	-	-	30,643	2,241	5	646	-	1,071	6,442	35	-	-	9,331	31,752	41,083
1.1 Farming and Raising Livestock	-	-	-	1,108	-	-	146	-	-	6,260	26	-	-	7,540	-	7,540
1.2 Forestry, Wood and Paper	-	-	-	24	-	-	500	-	1,071	182	9	-	-	1,786	-	1,786
1.3 Fishery	-	-	-	29,511	2,241	5	-	-	-	-	-	-	-	5	31,752	31,757
2 Manufacturing	-	-	26,477	396,750	71,781	241	37,213	2,261	28,659	41,286	546	-	-	323,461	281,753	605,214
2.1 Mining and Quarry	-	-	26,477	41,264	3,278	11	3,128	143	848	6,713	284	-	-	51,339	30,807	82,146
2.2 Production	-	-	-	284,668	56,311	230	32,005	2,118	27,586	34,573	262	-	-	198,949	238,804	437,753
2.3 Electricity, Gas and Water	-	-	-	70,818	12,192	-	2,080	-	225	-	-	-	-	73,173	12,142	85,315
3 Construction	-	-	-	256,643	297,157	2,202	26,652	42,884	151,251	128,816	5,914	-	-	599,890	311,629	911,519
4 Services	-	253	366,916	511,877	135,562	297	49,080	13,312	66,462	187,150	1,583	5,034	194,866	951,476	580,916	1,532,392
4.1 Wholesale and Retail Trade	-	-	-	142,264	33,124	250	27,783	437	24,574	38,633	391	-	-	218,739	48,717	267,456
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	14,696	13,736	-	2,868	1,923	34,209	89,482	47	-	-	116,927	40,034	156,961
4.3 Transportation and Communication	-	-	-	110,734	56,536	5	4,562	4,886	1,784	21,697	207	-	-	82,869	117,542	200,411
4.4 Financial Institutions	-	-	366,916	67,665	4,357	-	1,371	112	-	4,696	900	5,034	194,866	329,158	316,759	645,917
4.5 Real Estate and Renting Services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Self-Employment Services	-	-	-	159,329	11,539	2	2,679	4,195	5,857	24,550	32	-	-	154,184	53,999	208,183
4.7 Education Services	-	-	-	8	-	-	1	-	-	4,990	-	-	-	4,999	-	4,999
4.8 Health and Social Services	-	253	-	17,181	16,270	40	9,816	1,759	38	3,102	6	-	-	44,600	3,865	48,465
5 Other	1,536,149	-	-	138,517	21,083	3,627	15,919	6,078	28,291	29,122	1,470	-	-	1,478,717	301,539	1,780,256
6 Total	1,536,149	253	393,393	1,334,430	527,824	6,372	129,510	64,535	275,734	392,816	9,548	5,034	194,866	3,362,875	1,507,589	4,870,464

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II.Explanations Related to Credit Risk (continued)**Average Amounts of Risks Incurred After Offsetting Transactions, Regardless of Credit Risk Reduction**

Risk Types December 31, 2018	Current Year Net Credit Risk Amount After Provisions	Average Net Credit Risk Amount After Provisions
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,567,532	1,536,148
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	570	258
Contingent and Non-Contingent Receivables on Multilateral Development Banks	-	-
Contingent and Non-Contingent Receivables on International Organizations	-	-
Contingent and Non-Contingent Receivables on Banks and Capital Market Intermediary	512,180	497,547
Contingent and Non-Contingent Corporate Receivables	2,456,314	1,631,207
Contingent and Non-Contingent SME Corporate Receivables	706,685	603,454
Contingent and Non-Contingent Retail Receivables	24,934	10,967
Contingent and Non-Contingent SME Retail Receivables	427,184	198,241
Contingent and Non-Contingent Receivables Secured by Mortgages	136,104	74,802
Contingent and Non-Contingent Receivables Secured by Corporate Mortgages	530,011	306,299
Past Due Receivables	286,828	392,817
Receivables defined in high risk category by BRSA	23,778	21,795
Collateralized Mortgage Marketable Securities	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate Investment similar to collective investment funds	-	-
Other Receivables	216,237	199,900
	-	-
Total	6,888,357	5,473,435

Maturity Distribution of Remaining Maturities of time exposures:

Risk Types December 31, 2018	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Due from central governments or central banks	60,894	58,807	-	-	1,199,029
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	252	-	-	1
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	118,357	328	15,408	9,054	79,748
Other Corporate Receivables	206,517	181,561	262,122	244,710	439,520
Other SME Receivables	30,706	65,932	82,735	77,095	271,356
Other Retail Receivables	592	614	334	628	4,203
SME Retail Receivables	11,098	21,093	21,303	28,070	47,946
Receivables Secured by Mortgages					
Receivables Secured by Corporate Mortgage	4,751	9,053	8,325	17,851	24,555
Past Due Receivables	34,976	14,886	30,574	38,433	158,867
Receivables defined in high risk category by BRSA	13,735	48,231	12,209	30,888	287,755
Collateralized Mortgage Marketable Securities	9	276	431	2,227	6,605
Short-Term Receivables from Banks, brokerage houses and Corporate Investment similar to collective investment funds	-	-	-	-	-
Share Investments	-	-	-	-	5,034
Other Receivables	32,098	-	-	-	90,217
Total	513,733	401,033	433,441	448,956	2,612,836

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II.Explanations Related to Credit Risk (continued)**Risk by Risk Weight Balances:**

	Risk Weights(*)	Risk Weights								Deductions from Equity	
		0%	10%	20%	35%	50%	75%	100%	150%		200%
1	Amount before the credit risk mitigation	1,600,024	-	284,477	-	239,451	144,913	2,490,962	110,637	-	-
2	Amount after the credit risk mitigation	1,457,044	-	283,600	64,390	440,230	121,509	2,172,383	45,440	-	-

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

Important sectors or type of information according to counterparty

Sectors/ Counterparties	Impaired(*)	Loans		Value Adjustments	Provisions
		Non-Performing			
1 Agricultural	489	36,870		8	25,611
1.1 Farming and Raising Livestock	489	36,236		8	25,159
1.2 Forestry, Wood and Paper	-	634		-	452
1.3 Fishery	-	-		-	-
2 Manufacturing	4,738	211,039		88	150,533
2.1 Mining and Quarry	-	8,359		-	1,646
2.2 Production	4,738	202,674		88	148,881
2.3 Electricity, Gas and Water	-	6		-	6
3 Construction	40,490	251,901		699	123,099
4 Services	73,776	354,087		1,108	171,124
4.1 Wholesale and Retail Trade	9,278	57,548		127	32,373
4.2 Hotel, Tourism, Food and Beverage Services	45,929	172,590		688	83,108
4.3 Transportation and Communication	6,040	44,212		111	26,022
4.4 Financial Institutions	104	5,751		3	1,055
4.5 Real Estate and Renting Services	-	41,585		-	17,035
4.6 Self-Employment Services	10,737	23,677		159	10,898
4.7 Education Services	-	5,299		-	309
4.8 Health and Social Services	1,688	3,425		20	324
5 Other	35	9,426		2	139
Total	119,528	863,323		1,905	470,506

(*) Rescheduled loans.

Information on Credit Value Adjustments and Change in loan loss provisions

	Opening Balance(**)	The amount of provision in the period	Reversal of Provision	Other Provisions(*)	Closing Balance
1 Stage 3 Provisions	151,865	439,544	(96,087)	(24,816)	470,506
2 Stage 1 & Stage 2 Provisions	14,023	-	(72,564)	130,087	71,546

(*) TFRS 9 transition, exchange rate differences, business combinations, acquisitions and those set by the disposal of subsidiaries.

(**) The opening balances for 1 January 2018, Stage 3 provisions include specific provisions and Stage 1 & Stage 2 provisions include general provisions.

Risks Involved in Countercyclical Capital Buffer Calculation

Country of ultimate risk	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	3,879,412	326	3,879,738
Jordan	32,808	-	32,808
England	2,894	665	3,559
Germany	35	1,485	1,520
Korea	2	-	2
Lebanon	15,885	-	15,885
Qatar	2,224	-	2,224

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II.Explanations Related to Credit Risk (continued)

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

Gross Maximum Exposure	December 31, 2018	December 31, 2017
Due from Central Bank	278,312	454,486
Due from banks	287,032	402,735
Due from Money market transactions	-	-
Financial assets held for trading	-	-
Derivative financial instruments	769	3,517
Financial assets at fair value through other comprehensive income(*)	6	845,108
Financial assets measured at amortised cost (**)	1,011,588	1,909
Loans	1,449,686	2,918,342
Total	3,027,393	4,626,097
Contingent liabilities	1,585,115	2,898,488
Irrevocable commitments	56,032	191,173
Total	1,641,147	3,089,661
Total credit risk exposure	4,668,540	7,715,758

(*) Information on 2017 includes available for sale financial assets.

(**) Information on 2017 includes held to maturity investments.

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II.Explanations Related to Credit Risk (continued)

Credit quality per class of financial assets as of December 31, 2018 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	287,032	-	287,032
Financial assets designated at fair value through profit or loss	-	-	-
Loans given to customers			
<i>Corporate lending</i>	984,625	612,930	1,597,555
<i>Small business lending loans</i>	55,775	187,629	243,404
<i>Retail loans</i>	1,529	15	1,544
<i>Other</i>	-	-	-
Total	1,328,961	800,574	2,129,535
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	1,011,594	-	1,011,594
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	1,011,594	-	1,011,594
Total	2,340,555	800,574	3,141,129

Credit quality per class of financial assets as of December 31, 2017 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	402,735	-	402,735
Financial assets designated at fair value through profit or loss	3,517	-	3,517
Loans given to customers			
<i>Corporate lending loans</i>	1,887,876	490,428	2,378,304
<i>Small business lending loans</i>	255,269	281,463	536,732
<i>Retail loans</i>	3,288	18	3,306
<i>Other</i>	-	-	-
Total	2,552,685	771,909	3,324,594
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	847,017	-	847,017
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	847,017	-	847,017
Total	3,399,702	771,909	4,171,611

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II.Explanations Related to Credit Risk (continued)

	Internal Rating Grade	December 31, 2018	(%)	December 31, 2017	(%)	
High						
	Risk rating class 1	A+ Excellent	6,002	0.40	131,827	4.85
	Risk rating class 2	A- Excellent	87,542	6.04	215,886	8.00
Good						
	Risk rating class 3	B+ Very Good	218,110	15.05	526,106	19.30
	Risk rating class 4	B- Very Good	147,910	10.20	495,775	18.20
Standard						
	Risk rating class 5	C+ Good	244,339	16.85	358,783	13.20
	Risk rating class 6	C- Good	337,178	23.26	543,305	20.00
Substandard						
	Risk rating class 7	D+ Ordinary	162,676	11.22	263,008	9.70
	Risk rating class 8	D- Ordinary	163,137	11.25	125,696	4.60
	Risk rating class 9	E Bad	70,514	4.90	49,396	1.80
	Risk rating class 10	F Very Bad	10,412	0.70	3,620	0.13
Unrated			1,866	0.13	6,013	0.22
Total			1,449,686	100.00	2,719,415	100.00

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

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

“F” rating;

Number of clients with “F” rating is 2 with an outstanding risk of TRY 10,412 (December 31, 2017: TRY 3,620; 6 clients). 100% (2 clients) of these clients are granted against mortgage with outstanding risk of TRY 10,412 (December 31, 2017: 1 client; 1%)

“E” rating;

Number of clients with “E” rating is 16 and total outstanding risk is TRY 70,514 (December 31, 2017: TRY 49,396; 33 clients). 49% (9 clients) of these clients are granted against mortgage with outstanding risk of TRY 37,972 (December 31, 2017: TRY 23,549; 48%). 19% (3 clients) of these clients are granted against Customer Check/Note with outstanding risk of TRY 14,290 (December 31, 2017: TRY 13,100; 27%).

“D-” rating;

Number of clients with D- rating is 37 and total outstanding risk is TRY 163,137 (December 31, 2017 : TRY 125,696; 78 clients). 22% (18 clients) of these clients granted against mortgage have outstanding risk of TRY 36,593 (December 31, 2017 : TRY 58,276 46%).

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II.Explanations Related to Credit Risk (continued)

4% (4 clients) of these clients are granted against Customer check/note with outstanding risk of TRY 6,590 (December 31, 2017 : TRY 23,266; 19%). 0,4% (3 clients) of these clients are granted against cash blockage with outstanding risk of TRY 698 (December 31, 2017: TRY 5,998; 5%). 2% (2 clients) of these clients is granted against to commodity collateral with outstanding risk of TRY 3,413 (December 31, 2017 TRY 6,550, %5), 36% (4 clients) of these clients is granted against car pledge with outstanding risk of TRY 59,532 (December 31, 2017 TRY 23, %0,02).

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

Credit Quality of Assets

				Allowances/ impairments	Net values
		Defaulted exposures	Non-defaulted exposures		
1	Loans	863,323	1,449,686	(536,182)	1,776,827
2	Debt Securities	-	1,011,594	(137)	1,011,417
3	Off-balance sheet receivables	37,932	1,582,896	(16,198)	1,604,630
4	Total	901,255	4,044,176	(552,517)	4,393,914

Changes in Deferred Receivables and Debt Securities Inventory

1	Defaulted loans and debt securities at end of the previous reporting period	350,792
2	Loans and debt securities that have defaulted since the last reporting period	658,517
3	Returned to non-defaulted status	-
4	Amounts written off(*)	(71,535)
5	Other changes(**)	(74,451)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	863,323

(*) All amounts that waived from assets includes the sales agreements with Mega Varlık Yönetimi A.Ş according to the BOD numbered 555 and dated December 21, 2017 and sales agreements with Sümer Varlık Yönetimi A.Ş. according to BOD numbered 566/B and dated September 7, 2018.

(**)Expresses the collections.

Additional Explanations of the Credit Quality of Assets

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

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II.Explanations Related to Credit Risk (continued)

Additional Explanations of the Credit Quality of Assets (continued)

In addition; In accordance with provisional Article 13 of the "Regulation on the Amendment of the Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks and Other Receivables and Provisions to be Issued" published in the Official Gazette dated December 14, 2016 and numbered 29918, if the real persons and legal entities that are closed under the state of emergency declared by the Decree of the of Ministers numbered 9064 and transferred to the General Directorate of Foundations or to the Treasury, the creditors appointed as Saving Deposits Insurance Fund as trustees and the public officials and assets issued for their duties, the delay periods Beginning from January 21, 2017 has been introduced. As of December 31, 2018, the bank has no 90-day delay period and there is no information regarding the provisional provision.

In accordance with the regulation, in the event that the fulfillment of the obligation to the Bank related to loans and other receivables arises due to the temporary liquidity shortage, to provide liquidity power to the debtor and to collect the receivable of the Bank, loans and other receivables, including the delayed interest rates can be restructured or linked to a new payment plan.

As of December 31, 2018 restructured loans and other receivables amount to TRY 3,992 (December 31, 2017: TRY 6,615). Total amounts of expected credit loss made by the Bank for relevant credits and other receivables is TRY 613 (December 31, 2017: TRY 3,696).

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II.Explanations Related to Credit Risk (continued)

Aging Analysis for Delayed Receivables

	1-30 days	31-60 days	61-90 days	Over 90 days	Total
Delayed Receivables	143,377	35,529	31,419	33	210,358

Information On Credit Risk Mitigation Techniques

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

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

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

Information On Credit Risk Mitigation Techniques

	December 31, 2018	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	659,911	789,775	294,025	112,441	70,991	-	-
2	Debt securities	1,011,732	-	-	-	-	-	-
3	Total	1,671,643	789,775	294,025	112,441	70,991	-	-
4	Of which defaulted	224,009	639,314	136,059	-	-	-	-

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II.Explanations Related to Credit Risk (continued)

Qualitative Information about ratings

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

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

The credit rating of the borrower is applied in the same way to the other assets that are from the debtor in the banking accounts.

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

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

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II.Explanations Related to Credit Risk (continued)**Standard approach – credit risk exposure and credit risk mitigation (CRM) effects**

December 31, 2018		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Risk classes	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	1,366,813	169,335	1,366,814	169,335	2,891	0.19%
2	Exposures to regional governments or local authorities	258	-	253	-	253	100.11%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	495,397	2,149	391,243	2,149	164,292	41.76%
7	Exposures to corporates	2,234,526	135	1,862,119	135	1,690,233	90.76%
8	Retail exposures	209,018	190	135,692	190	91,142	67.07%
9	Exposures secured by residential property	74,804	-	64,536	-	22,537	34.92%
10	Exposures secured by commercial real estate	306,299	-	275,734	-	180,440	65.44%
11	Past-due loans	863,323	-	392,816	-	338,793	86.25%
12	Higher-risk categories by the Agency Board	37,991	-	9,548	-	6,902	72.28%
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	194,866	-	194,866	-	128,099	65.74%
17	Investments in equities	5,034	-	5,034	-	5,034	100.00%
18	TOTAL	5,788,329	171,809	4,698,655	171,809	2,630,616	54.01%

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II.Explanations Related to Credit Risk (continued)**Standard approach – exposures by asset classes and risk weights**

	Asset classes/ Risk weight December 31, 2018	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	1,390,277	-	-	-	-	-	2,891	-	-	1,393,168
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	253	-	-	253
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	233,727	-	79,941	-	77,577	-	-	391,245
7	Exposures to corporates	-	-	47,724	-	17,768	-	1,671,805	-	-	1,737,297
8	Retail exposures	-	-	-	-	18	121,509	-	-	-	121,527
9	Exposures secured by residential property	-	-	-	64,390	-	-	-	-	-	64,390
10	Exposures secured by commercial real estate	-	-	-	-	185,657	-	87,612	-	-	273,269
11	Past-due loans	-	-	-	-	153,125	-	194,222	45,339	-	392,686
12	Higher-risk categories by the Agency Board	-	-	-	-	3,721	-	4,890	101	-	8,712
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	-	-	-	-	-	-	5,034	-	-	5,034
17	Other assets	66,767	-	-	-	-	-	128,099	-	-	194,866
18	Total	1,457,044	-	281,451	64,390	440,230	121,509	2,172,383	45,440	-	4,582,447

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III. Explanations Related to Counterparty Credit Risk

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

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

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

There are no rules for risk reversal.

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

Analysis of counterparty credit risk (CCR) exposure by approach

		Revaluation Cost	Potential credit risk exposure	EEPRA(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	-	2,475	-	1.4	2,149	430
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	-	2,475	-	-	2,149	430

(*) Effective expected positive risk amount

Credit valuation adjustment (CVA) capital charge

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
	Total portfolio value with comprehensive approach CVA capital adequacy		
1	(i) Value at risk component (3*multiplier included)	-	-
2	(ii) Stressed Value at Risk (3*multiplier included)	-	-
3	Total portfolio value with standard approach CVA capital adequacy	23	23
4	Total amount of CVA capital adequacy	23	23

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III. Explanations Related to Counterparty Credit Risk (continued)**Standard approach – counterparty credit risk (CCR) exposures by regulatory portfolio and risk weights**

Risk Weights/Risk Classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk (*)
Receivables from Central governments and central banks	169,335	-	-	-	-	-	-	-	169,335
Receivables from Local governments and municipalities	-	-	-	-	-	-	-	-	-
Receivables from Administrative and non commercial	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Bank	-	-	-	-	-	-	-	-	-
Receivables from International Organisations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Intermediary Institutions	-	-	2,149	-	-	-	-	-	2,149
Corporate receivables	-	-	-	-	-	135	-	-	135
Retail receivables	-	-	-	-	190	-	-	-	190
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 Credit Risk	169,335	-	2,149	-	190	135	-	-	171,809

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

Collaterals for counterparty credit risk

None.

Credit derivatives exposures

None.

Risk exposure to central counterparty (CCP)

	Derivative financial instrument collaterals				Other transaction collaterals	
	Received collaterals		Given collaterals		Received collaterals	Given collaterals
	Reserved	Not reserved	Reserved	Not reserved		
Cash – Local currency	-	-	-	-	-	-
Cash – Foreign currency	-	-	-	-	-	-
Government bond - local	-	-	-	-	-	182,723
Government bond - other	-	-	-	-	-	-
Public bond	-	-	-	-	-	-
Corporate bond	-	-	-	-	-	-
Stock	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	182,723

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IV. Explanations Related to Currency Risk

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

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

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

	December 24, 2018	December 25, 2018	December 26, 2018	December 27, 2018	December 28, 2018	December 31, 2018
USD	5.2914	5.2974	5.2794	5.2819	5.2654	5.2950
CHF	5.3454	5.3841	5.3258	5.3461	5.3773	5.3800
GBP	6.7123	6.7331	6.6965	6.6706	6.6756	6.7692
100 JPY	4.7830	4.8030	4.7760	4.7700	4.7720	4.8110
EURO	6.0383	6.0166	6.0104	6.0175	6.0360	6.0573

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

	Monthly Average Foreign Exchange Rate
USD	5.3029
CHF	5.3464
GBP	6.7192
100 JPY	4.7252
EUR	6.0311

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IV. Explanations Related to Currency Risk (continued)

December 31, 2018	EUR	USD	YEN	OTHER	TOTAL
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	10,739	186,353	-	-	197,092
Banks	3,513	271,551	729	11,211	287,004
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	6	-	-	6
Loans (*)	284,286	253,883	-	-	538,169
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (****)	123	7	-	-	130
Total Assets	298,661	711,800	729	11,211	1,022,401
Liabilities					
Bank Deposits	-	888	-	-	888
Foreign Currency Deposits	178,892	810,838	-	2,364	992,094
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	8,031	1,529	-	-	9,560
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	-	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	8,332	11,719	-	7,534	27,585
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
December 31, 2017					
Total Assets(*) (****)	357,978	1,109,642	426	6,401	1,474,447
Total Liabilities	331,471	1,139,245	-	4,662	1,475,378
Net Balance Sheet Position	26,507	(29,603)	426	1,739	(931)
Net Off-Balance Sheet Position	(45,816)	42,674	-	-	(3,142)
Financial Derivative Assets (***)	10,096	97,966	-	3,840	111,902
Financial Derivative Liabilities (***)	(55,912)	(55,292)	-	(3,840)	(115,044)
Non-Cash Loans (**)	787,124	761,057	-	15,811	1,563,992

(*) Foreign currency indexed loans amounting to TRY 115,606 (December 31, 2017: TRY 373,749) are included in the loan portfolio.

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

(***) It includes also TRY 8,668 and TRY 2,120 forward asset purchase & sale commitments (December 31, 2017: TRY 776 and TRY 758).

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

- Derivative financial assets held for trading: TRY 115 (31 December 2017: TRY 91).
- Derivative financial liabilities held for trading: TRY 209 (31 December 2017: TRY 73).

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IV. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

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

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
USD	% 10 increase	(372)	1,307	-	-
USD	% 10 decrease	372	(1,307)	-	-
EUR	% 10 increase	43	(1,931)	-	-
EUR	% 10 decrease	(43)	1,931	-	-
Other Currency	% 10 increase	204	217	-	-
Other Currency	% 10 decrease	(204)	(217)	-	-

V. Explanations Related to Interest Rate Risk

Interest rate risk shows the probability of loss related to the changes in interest rates depending on the Bank's position, and 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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V. Explanations Related to Interest Rate Risk (continued)**Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):**

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 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 Amortized 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	-	-	475,177	227,043	7,015	214,464	923,669
Balance Sheet Short Position	(628,604)	(295,095)	-	-	-	-	(923,669)
Off-Balance Sheet Long Position	-	-	-	-	-	148,630	143,630
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 held for sale 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, clearing amounting to 21,829 TRY and other assets amounting to TRY 13,576.

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

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V. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EUR %	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 Measured at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	16.97
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	7.38	-	3.00
Loans	5.26	6.62	-	21.18
Financial Assets Measured at Amortized Cost (*)	-	-	-	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	-	-

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

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

(**) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 13,746, intangible assets amounting to TRY 13,596, assets to be sold amounting to TRY 109,753, tax asset amounting to TRY 25,293, prepaid expenses amounting to TRY 6,768, non-performing loans amounting to TRY 198,927, settlement account amounting to TRY 7,853 and other assets amounting to TRY 20,020.

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

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V. Explanations Related to Interest Rate Risk (continued)

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

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

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

Interest rate 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 December 31, 2018:

Type of Currency	Shocks Applied (+ / - basis points)*	Gains / Losses	Gains / Equity – Losses / Equity
TRY	500	(37,881)	(9%)
	(400)	34,178	8%
EURO	200	(4,233)	(1%)
	(200)	4,489	1%
USD	200	(6,895)	(2%)
	(200)	7,371	2%
Total (of negative shocks)		46,039	11%
Total (of positive shocks)		(49,009)	(12%)

*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 7,983. The change in loss mainly is related to loans and deposits (December 31, 2017 : TRY 9,882 TRY).
- Possible changes in the interest rates does not effect the equity as a result of the revaluation of the assets measured at amortized cost. (December 31, 2017 possible changes in the interest rates effects the equity as a result of the revaluation of the available-for-sale assets decreases equity by TRY 240).

VI. Explanations Related to Equity Securities Risk

The Bank has no outstanding stock position.

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VII. 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 (266%) (29/10/2018) and the unconsolidated highest foreign currency is (387%) (21/12/2018) and total liquidity coverage ratios are (182%) (04/10/2018) at the lowest and (447%) (26/12/2018) at the highest while which are calculated weekly for the last three months.

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

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

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

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

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

Liquidity Coverage Ratio:

Current Period – December 31, 2018		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
	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

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

Liquidity Coverage Ratio (continued):

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

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

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

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

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

The Bank has performed forward exchange, swap and option transactions with foreign financial institutions in 2018.

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

Presentation of assets and liabilities according to their remaining maturities:

December 31, 2018	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	147,827	100,794	53,386	8,392	12	-	-	310,411
Banks	170,500	116,532	-	-	-	-	-	287,032
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	138	-	-	-	-	6	-	144
Loans (***)	-	927,411	101,200	186,813	227,253	7,009	-	1,449,686
Financial Assets Measured at Amortized Cost	-	-	58,807	-	750,778	202,003	-	1,011,588
Other Assets	-	21,830	767	-	-	-	542,934	565,531
Total Assets	318,465	1,166,567	214,160	195,205	978,043	209,018	542,934	3,624,392
Liabilities								
Bank Deposits	1,097	-	-	-	-	-	-	1,097
Other Deposits	121,729	1,725,249	910,433	136,250	211	-	-	2,893,872
Money Market Borrowings	-	257	3,488	7,398	-	-	-	11,143
Sundry Creditors	-	169,335	-	-	-	-	-	169,335
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-	-	-
Other Liabilities (**)	886	114,358	697	-	-	-	433,004	548,946
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								
Derivative Assets	-	(58)	8	-	-	-	-	(50)
Derivative Liabilities	-	145,914	2,716	-	-	-	-	148,630
Non-Cash Loans	-	145,972	2,708	-	-	-	-	148,680
Non-Cash Loans	-	103,493	145,671	528,458	153,215	654,278	-	1,585,115
December 31, 2017								
Total Assets	219,391	1,933,266	372,605	513,374	1,214,136	235,431	387,014	4,875,217
Total Liabilities	198,220	2,781,479	902,995	227,055	1,563	-	763,905	4,875,217
Liquidity Gap	21,171	(848,213)	(530,390)	286,319	1,212,573	235,431	(376,891)	-
Net Off-Balance Position								
Derivative Assets	-	24	149	108	-	-	-	281
Derivative Liabilities	-	103,282	48,913	12,994	-	-	-	165,189
Derivative Liabilities	-	103,258	48,764	12,886	-	-	-	164,908
Non-Cash Loans	-	30,835	389,478	1,287,422	386,680	804,073	-	2,898,488

(*) The assets, which are necessary to provide banking services and cannot be liquidated in the short term, such as tangible assets, investments in subsidiaries and associates and non-performing loans are classified under undistributed.

(**) Shareholders' equity is shown under other liabilities in undistributed column.

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

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

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

Analysis of financial liabilities by remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
As of December 31, 2018							
Bank Deposits	-	-	-	-	-	-	-
Other deposits	1,725,249	910,433	136,250	211	-	(35,982)	2,736,161
Funds provided from other financial institutions	169,335	-	-	-	-	(531)	168,804
Money market borrowings	257	3,488	7,398	-	-	(60)	11,083
Total	1,894,841	913,921	143,648	211	-	(36,573)	2,916,048
As of December 31, 2017							
Bank Deposits	-	-	-	-	-	-	-
Other deposits	2,291,084	883,408	125,518	-	-	(32,166)	3,267,844
Funds provided from other financial institutions	400,425	-	-	-	-	(197)	400,228
Money market borrowings	7,643	19,009	101,537	1,563	-	(743)	129,009
Total	2,699,152	902,417	227,055	1,563	-	(33,106)	3,797,081

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

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

December 31, 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Trading Derivatives Instruments						
Foreign Exchange Derivatives	(58)	8	-	-	-	(50)
- Addition	145,914	2,716	-	-	-	148,630
- Disposal (-)	(145,972)	(2,708)	-	-	-	(148,680)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Trading Derivatives Instruments						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Total cash inflow	145,914	2,716	-	-	-	148,630
Total cash outflow	(145,972)	(2,708)	-	-	-	(148,680)
December 31, 2017						
Trading Derivatives Instruments						
Foreign Exchange Derivatives	24	149	108	-	-	281
- Addition	103,282	48,913	12,994	-	-	165,189
- Disposal (-)	(103,258)	(48,764)	(12,886)	-	-	(164,908)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Trading Derivatives Instruments						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Total cash inflow	103,282	48,913	12,994	-	-	165,189
Total cash outflow	(103,258)	(48,764)	(12,886)	-	-	(164,908)

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VIII. Explanations Related to Leverage Ratio

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

As of December 31, 2018, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 10.99% (31 December 2017: 10.30%). 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	December 31, 2018 (*)	December 31, 2017 (*)
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	3,225,879	5,741,929
2	(Deductions from the capital)	(244,404)	(58,501)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	2,981,475	5,683,428
	Derivative exposures		
4	Replacement cost of derivative exposure	585	2,122
5	Potential credit risk of derivative exposures	1,852	1,637
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	2,437	3,759
	Securities financing transaction exposures		
7	The risk amount of Securities financing transaction exposures (excluding on balance sheet exposures)	-	-
8	The risk amount of transactions bank acting as agent	-	-
9	Total risk amount of Securities financing transaction exposures (Total of 7th ve 8th rows)	-	-
	Off Balance sheet items		
10	The gross nominal amount of off balance sheet items	1,644,127	2,745,217
11	CCR adjustment amount	(643,524)	(1,509,578)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,000,603	1,235,639
	Capital and total risk		
13	Shareholders' Equity	433,228	710,237
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	3,984,515	6,922,826
	Leverage Ratio		
15	Leverage ratio	10.99%	10.30%

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

IX. Explanations Related to Market Risk

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

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

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

General Market Risk: It causes by adverse market conditions.

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

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

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IX. Explanations Related to Market Risk (continued)

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

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

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

Weekly market risk reports are prepared and presented to ALCO. On a quarterly basis, the Audit Committee and the Board of Directors are informed by reports. Value at Risk (VAR) calculations are made through the market risk module and reported to the relevant departments/units. For these calculations, market data is withdrawn at the same period and transferred to the market risk module. VAR calculations include market sensitive instruments such as securities in the Bank's portfolio (TRY/FC) and foreign exchange position.

Market risk under standardised approach

		RWA
	Outright products	
1	Interest rate risk (general and specific)	75
2	Equity risk (general and specific)	-
3	Foreign exchange risk	3,978
4	Commodity risk	-
5	Options	-
6	Simplified approach	-
7	Delta-plus method	96
8	Scenario approach	-
9	Securitisation	-
10	Total	4,149

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X. Explanations Related to Operational Risk

Basic indicators approach:

	2 PY Amount	1 PY Amount	CY Amount	Total/Postive number of years	Rate (%)	Total
Gross income	230,865	263,828	235,349	243,347	15	36,502
The amount subject to operational risk (Total*12.5)						456,276

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

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

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

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

Implementation steps of business processes are passed through and actions are suggested for improvement in case of necessity. Relevant departments are continuously monitoring whether these actions are put into effect.

XI. Risk Management Objectives and Policies

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of December 31, 2018:

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

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XI. Risk Management Objectives and Policies (continued)

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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XI. Risk Management Objectives and Policies (continued)**Overview of Risk Weighted Assets**

		RWA		Minimum capital requirements
		Current Period December 31, 2018	Prior Period December 31, 2017	Current Period December 31, 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	2,630,616	4,454,203	259,773
2	Of which standardized approach (SA)	2,630,616	4,454,203	259,773
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	430	3,182	42
5	Of which standardized approach for counterparty credit risk (SA-CCR)	430	3,182	42
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	4,149	6,323	410
17	Of which standardized approach (SA)	4,149	6,323	410
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	456,276	463,018	45,057
20	Of which Basic Indicator Approach	456,276	463,018	45,057
21	Of which Standardized Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	3,091,471	4,926,726	305,282

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XI. Risk Management Objectives and Policies (continued)

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

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

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

Risk management regularly reports to Senior Management and the Audit Committee all the risks the bank is exposed to and concentrations, and the Bank's own internal limits of the legal limits are monitored daily, weekly, monthly and quarterly. These reports consist of VAR analysis, market risk limits, stress testing and scenario analysis, liquidity and interest rate, economic capital and capital adequacy analysis. These reports (daily value at risk (VAR) analysis, weekly interest rate risk, 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.

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

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the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

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XI. Risk Management Objectives and Policies (continued)

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

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

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

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

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

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

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

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

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

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XI. Risk Management Objectives and Policies (continued)

The fair values of the Bank's financial assets and liabilities are shown below;

	Book Value		Fair Value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial Assets	2,748,450	4,168,094	2,722,686	4,196,756
Receivables From Money Markets	-	-	-	-
Banks	287,032	402,735	287,032	402,735
Financial Assets at Fair Value Through Other Comprehensive Income (*)	144	845,108	-	845,108
Financial Assets Measured at Amortised Cost(**)	1,011,588	1,909	927,557	1,896
Loans	1,449,686	2,918,342	1,508,097	2,947,017
Financial Liabilities	3,179,195	4,059,356	3,182,228	4,060,913
Bank Deposits	1,097	798	1,097	798
Other Deposits	2,893,872	3,495,814	2,896,924	3,496,275
Funds Borrowed From Other Financial Institutions	11,143	129,752	11,124	130,848
Debts to Money Markets	169,335	400,425	169,335	400,425
Sundry Creditors	103,748	32,567	103,748	32,567

(*) Fair value is not calculated for stocks not traded on the stock exchange amounting to TRY 138. Column for 2017 includes information about available for sale assets.

(**) Column 2017 includes information about assets held to maturity.

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

i. Financial assets:

Money market placements and banks are carried at amortised cost values on the face of the financial statements and due to their short term nature, their fair values are considered to be approximate to their respective carrying values. The discount rate used to calculate the fair value of held to maturity investments and loans and receivables as of December 31, 2018 is the market rates available for the loan and security types.

ii. Financial liabilities:

The fair value of bank deposits, money market borrowings and sundry creditors are considered to approximate their respective carrying values amortised cost values due to their short term nature. The discount rate used to calculate the fair value of other deposits and funds borrowed as of December 31, 2018 is the market rates available for the borrowing and deposits types.

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

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

December 31, 2018	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	-	769	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-	-	138
Financial Assets Measured at Amortized Cost	-	-	-	-
Loans	-	-	-	-
Financial Liabilities	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities	-	(874)	-	-

December 31, 2017	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	-	3,517	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	845,108	-	-	138
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
Financial Liabilities	-	-	-	-
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(1,248)	-	-

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

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

XIV. Explanations on Securitization Positions

None.

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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:**

	December 31, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	7,586	24,513	10,976	40,977
Balances with the Central Bank of Turkey	105,733	172,579	104,261	350,225
Other	-	-	-	-
Total	113,319	197,092	115,237	391,202

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

	December 31, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Unrestricted demand deposits	102,031	2,885	101,990	5,765
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	3,702	169,694	2,271	344,460
Total	105,733	172,579	104,261	350,225

c) Explanations related to reserve deposits:

According to the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey numbered 2011/11 and 2011/13 reserve deposit rates applied to TRY and FC liabilities has changed. The current required reserve rates as of the date of approval of the financial statements are as follows:

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities 1-2 year maturity (including 2-year)	FX liabilities 2- 3 year maturity (including 3-year)	Other liabilities up to 3-5 year maturity (including 5-year)	Other liabilities longer than 5 years
12.0%	8.0%	Ratios for corresponding maturities	20.0%	15.0%	10.0%	6.0%	4.0%

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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
8.0%	8.0%	8.0%	5.0%	3.0%	1.5%	8.0%	4.5%	1.5%

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

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

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

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

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

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	110	-	3,426	91
Swap Transactions	-	115	-	-
Futures Transactions	-	-	-	-
Options	544	-	-	-
Other	-	-	-	-
Total	654	115	3,426	91

3. Information on banks:

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Banks				
Domestic	28	106	15	364,019
Foreign	-	286,898	-	38,701
Branches and head office abroad	-	-	-	-
Total	28	287,004	15	402,720

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
European Union Countries	14,106	8,943	-	-
USA and Canada	154,817	28,909	-	-
OECD Countries (*)	1,133	691	-	-
Other	116,842	158	-	-
Total	286,898	38,701	-	-

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

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

4. Information on 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:

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

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

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

a.2) Information on 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, 2017: TRY 16,198) and unquoted stocks amounting TRY 138).

b) Information on financial assets available for sale portfolio:

	December 31, 2018	December 31, 2017
Debt securities (*)	6	845,108
Quoted on a stock exchange	-	845,108
Not quoted	6	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	-
Total	144	845,246

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

In line with the accounting policies of the Bank, all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TRY 138 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2017: TRY 138).

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

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

	December 31, 2018		December 31, 2017	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	53,163	48,693	159	44,498
Corporate shareholders	53,163	48,693	159	44,498
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	3,014	-	46,106
Loans granted to employees	820	797	1,448	1,234
Total	53,983	52,504	1,607	91,838

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	979,077	62,853	-	351,081	56,675	-
Business loans	682,690	62,853	-	319,290	56,639	-
Export loans	175,833	-	-	29,939	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	57,753	-	-	-	-	-
Foreign loans	35	-	-	-	-	-
Consumer loans	1,662	-	-	76	36	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	61,104	-	-	1,776	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	979,077	62,853	-	351,081	56,675	-

Expected Credit Losses	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	11,357	-
Significant Increase in Credit Risk	-	54,319
Total	11,357	54,319

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	523,085	-	121,432	31,725
Non-specialized loans	523,085	-	121,432	31,725
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	455,992	62,853	229,649	24,950
Non-specialized loans	455,992	62,853	229,649	24,950
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	979,077	62,853	351,081	56,675

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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	62,853	56,675
3, 4 or 5 times extended	-	-
5 Over the extended	-	-
Total	62,853	56,675

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	15,161	41,218
6 – 12 Month	-	1,503
1 – 2 Year	37,942	8,812
2 – 5 Year	9,750	5,142
5 Years and Over	-	-
Total	62,853	56,675

As of December 31, 2018, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved” the Bank calculated general loan loss provision for standard loan, which the payments are rescheduled, amounting to TRY 865.

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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	324	700	1,024
Housing Loans	-	62	62
Car Loans	-	-	-
General Purpose Loans	324	638	962
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	86	429	515
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	86	429	515
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) (*)	235	-	235
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	645	1,129	1,774

(*) Overdraft Accounts includes TRY 232 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	9,374	211,111	220,485
Business Loans	2,431	-	2,431
Car Loans	-	5,220	5,220
General Purpose Loans	6,943	205,891	212,834
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	4,927	105,993	110,920
Business Loans	-	-	-
Car Loans	-	78,075	78,075
General Purpose Loans	4,927	27,918	32,845
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)	2,099	-	2,099
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	16,400	317,104	333,504

f) Domestic and foreign loans:

	December 31, 2018	December 31, 2017
Domestic loans	1,449,651	2,719,317
Foreign loans	35	98
Total	1,449,686	2,719,415

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans (Stage 3)

	December 31, 2018	December 31, 2017
Specific provisions (*)		
Loans and other receivables with limited collectability	123,428	3,638
Loans and other receivables with doubtful collectability	91,756	47,352
Uncollectible loans and receivables	255,322	100,875
Total	470,506	151,865

(*)Includes expected credit losses for stage 3 loans in 2018.

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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
December 31, 2018			
(Gross amount before provision) (*)	500	10	3,482
Restructured Loans and Other Receivables	500	10	3,482
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2017			
(Gross amount before specific provision)(*)	106	364	6,145
Restructured Loans and Other Receivables	106	364	6,145
Rescheduled Loans and Other Receivables	-	-	-

(*) As of December 31, 2018 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 613 (December 31, 2017: TRY 3,696).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
December 31, 2017 Balance	42,553	122,143	186,096
Additions (+)	616,251	30,122	12,144
Transfers from other categories of non-performing loans (+)	-	197,184	361,581
Transfers to other categories of non-performing loans (-)	(430,180)	(128,585)	-
Collections (-)	(19,809)	(12,670)	(41,972)
Write-offs (-)	-	(5,339)	(66,196)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
December 31, 2018 Balance	208,815	202,855	451,653
Provision (-)	(123,428)	(91,756)	(255,322)
Net Balances on Balance Sheet	85,387	111,099	196,331

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
December 31, 2018 (Net)			
Loans to Real Persons and Legal Entities (Gross)	208,815	202,855	451,653
Provision (-)	(123,428)	(91,756)	(255,322)
Loans to Real Persons and Legal Entities (Net)	85,387	111,099	196,331
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2017 (Net)			
Loans to Real Persons and Legal Entities (Gross)	42,553	122,143	186,096
Specific provision (-)	(3,638)	(47,352)	(100,875)
Loans to Real Persons and Legal Entities (Net)	38,915	74,791	85,221
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

As of December 31 2018, TRY 26,898 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 December 31, 2018, there is no actuarial gain or loss on disposal of the Board of Directors (31 December 2017: None).

The act of deleting actively for customers who are documented as having no solvency by the request of the Department of Law and Credits is assessed within the framework of the authorities granted by the Board of Directors. The following loan amounting to TRY 17,845 with 100% provision booked in lending and other receivables category was excluded from the records after being sold to Mega Varlık Yönetimi A.Ş. by the Board of Directors resolution, numbered 555 dated 21 December 2017 and loan amounting to TRY 53,690 booked in lending and other receivables category was excluded from the records after being sold to Sümer Varlık Yönetimi A.Ş. by the Board of Directors resolution, numbered 566/B dated 7 September 2018

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

5. Information on loans (continued):

m) Other explanations

December 31, 2018	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	725,311	42,990	1,529	-	769,830
Past due not impaired	165,510	18,826	15	-	184,351
Restructured loans (*)	470,205	25,300	-	-	495,505
Individually impaired	586,618	276,694	11	-	863,323
Total gross	1,947,644	363,810	1,555	-	2,313,009
Less: allowance for individually impaired loans	(350,089)	(120,406)	(11)	-	(470,506)
Total net	1,597,555	243,404	1,544	-	1,842,503

December 31, 2017	Corporate	SME	Retail	Other	Total
Neither past due nor impaired	1,887,876	255,269	3,288	-	2,146,433
Past due not impaired	344,370	226,295	10	-	570,675
Restructured loans (*)	381	1,926	-	-	2,307
Individually impaired	265,179	85,594	19	-	350,792
Total gross	2,497,806	569,084	3,317	-	3,070,207
Less: allowance for individually impaired loans	(119,502)	(32,352)	(11)	-	(151,865)
Total net	2,378,304	536,732	3,306	-	2,918,342

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

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

	Total
At January 1, 2018	151,865
Additions in the period	526,818
Non-performing loan sales	(71,535)
The effect of collections in the period	(136,642)
Write off	-
At December 31, 2017	470,506

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2018 is TRY 393,923 (December 31, 2017: TRY 270,286).

Properties amounting to TRY 57,179 are transferred to the ownership of the Bank in 2018 and in the same period TRY 1,505 has been sold. In addition, in 2018 property transferred to the ownership of the Bank before 2017 year has been sold amounting to TRY 41,419.

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

5. Information on loans (continued):

m) Other explanations (continued):

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

December 31, 2018	Less than 31 Days (*)	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and advances to customers					
<i>Corporate Loans</i>	321,786	31,626	22,955	33	376,400
<i>Small Business Loans</i>	18,974	3,903	8,464	-	31,341
<i>Consumer Loans</i>	15	-	-	-	15
<i>Other</i>	-	-	-	-	-
Total	340,775	35,529	31,419	33	407,756

December 31,2017	Less than 31 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and advances to customers					
<i>Corporate Loans</i>	243,368	91,804	9,578	-	344,750
<i>Small Business Loans</i>	163,556	44,701	19,965	-	228,222
<i>Consumer Loans</i>	10	-	-	-	10
<i>Other</i>	-	-	-	-	-
Total	406,934	136,505	29,543	-	572,982

(*) Includes total risks of watchlist firms.

Fair value of past due but not impaired loans and other receivable as of December 31, 2018 is TRY 562,068. (December 31, 2017: TRY 733,117).

Loans and advances amounting to TRY 811,006 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2017: TRY 967,283) and the remaining TRY 638,680 have fixed interest rates (December 31, 2017: TRY 1,752,132 TL).

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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:

	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	285,941	-	1,909	-
Other	-	-	-	-
Total	285,941	-	1,909	-

As of 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. (December 31, 2017: (*) Collateral or blocked investments held-to-maturity stock exchange balance is TRY 1,909).

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

	December 31, 2018
Share certificates	-
Bond, Treasury bill and similar securities	182,723
Other	-
Total	182,723

Financial assets at amortized cost amounting to TRY 542,924 are being held as unrestricted deposits.

b) Information on amortized financial assets:

	December 31, 2018	December 31, 2017(*)
Government bonds	1,011,588	1,909
Treasury bills	-	-
Other public sector debt securities	-	-
Total	1,011,588	1,909

(*)Amounts of held to maturity debt securities.

c) Information on amortized financial assets:

	December 31, 2018		December 31, 2017(*)	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	1,011,588	-	1,909	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	1,011,588	-	1,909	-

(*)Amounts of held to maturity debt securities.

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

d) Movement of amortized financial assets:

	December 31, 2018	December 31, 2017(*)
Beginning balance (***)	846,967	1,730
Foreign currency differences on monetary assets (**)	218,881	179
Purchases during year	-	-
Disposal through sales and redemptions	(54,260)	-
Impairment provision (-)	-	-
Closing Balance	1,011,588	1,909

(*) Amounts of held to maturity debt securities

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

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

7. Information on associates (Net):

The Bank has 1.5384% participation in the Credit Guarantee Fund.

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

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

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

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

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

12. Information on tangible assets (Net):

	Balance December 31, 2017	Additions	Disposals	Other	Change in estimate	Balance December 31, 2018
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	3,840	92	(1,123)	-	-	2,809
Vehicles	-	-	-	-	-	-
Other	46,940	4,308	(6,932)	-	-	44,316
Total Cost	50,780	4,400	(8,055)	-	-	47,125
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(3,815)	(5)	1,033	-	-	(2,787)
Vehicles	-	-	-	-	-	-
Other	(33,219)	(4,537)	4,449	-	-	(33,307)
Total Accumulated Depreciation	(37,034)	(4,542)	5,482	-	-	(36,094)
Net Book Value	13,746	(142)	(2,573)	-	-	11,031

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

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

13. Information on intangible assets:

	Closing Balance December 31, 2017	Additions	Disposals	Other	Change in Estimate	Ending Balance December 31, 2018
Cost:						
Software cost	48,743	2,957	-	-	-	51,700
Total Cost	48,743	2,957	-	-	-	51,700
Accumulated Depreciation:						
Software cost	(35,147)	(6,226)	-	-	-	(41,373)
Total Accumulated Depreciation	(35,147)	(6,226)	-	-	-	(41,373)
Net Book Value	13,596	(3,269)	-	-	-	10,327

14. Investment Property (Net): None

15. Explanations on deferred tax assets:

- a) As of December 31, 2018, deferred tax asset calculated on financial loss is TRY 69,662 (December 31, 2017: deferred tax asset calculated on financial loss is TRY 15,999). Deferred tax liability calculated on the other temporary differences is TRY 483 (December 31, 2017: deferred tax asset calculated on other temporary differences is TRY 4,719).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- b) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

	December 31, 2018		December 31, 2017	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	14,551	2,910	14,637	2,927
Other provisions	133,975	26,794	7,719	1,544
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	3,738	748	2,757	551
Deferred Commission	5,123	1,025	5,894	1,179
Financial Assets	5,025	1,005	376	75
Tax Losses	348,309	69,662	79,992	15,999
Deferred Tax Assets		102,144		22,275
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	70,541	14,108	5,506	1,101
Financial Assets	93,830	18,766	2,282	456
Other	454	91	-	-
Deferred tax liability (-)		32,965		1,557
Deferred tax Asset (Net)		69,179		20,718

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

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

	December 31, 2018	December 31, 2017
End of Current Period		
Beginning of period	-	-
Acquisitions	148,673	-
Assets sold (Cost)	(23,640)	-
Impairment	(27,482)	-
Net Book Value	107,551	-

17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2018	December 31, 2017
Assets to be Sold	1,278	109,753
Settlement Accounts	21,829	7,853
Prepaid Expenses	9,410	6,768
Other	2,408	15,123
Total	34,925	139,497

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

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

a.2) December 31, 2017:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	14,755	-	38,077	1,129,086	42,151	82,309	18,819	-	1,325,197
Foreign currency deposits	90,772	-	164,538	926,784	30,853	106,471	31,857	-	1,351,275
Residents in Turkey	87,018	-	66,312	900,385	22,664	104,989	2,799	-	1,184,167
Residents abroad	3,754	-	98,226	26,399	8,189	1,482	29,058	-	167,108
Public sector deposits	263	-	-	-	-	-	-	-	263
Commercial deposits	89,652	-	93,087	492,965	15,309	56,641	51,994	-	799,648
Other institutions deposits	362	-	356	18,713	-	-	-	-	19,431
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	798	-	-	-	-	-	-	-	798
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	75	-	-	-	-	-	-	-	75
Foreign Banks	723	-	-	-	-	-	-	-	723
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	196,602	-	296,058	2,567,548	88,313	245,421	102,670	-	3,496,612

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

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2018	December 31,2017	December 31, 2018	December 31, 2017
Saving deposits	298,733	290,882	1,130,091	1,017,170
Foreign currency saving deposits	64,131	80,663	610,937	648,855
Other deposits in the form of saving deposits	1,099	796	27,282	16,132
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	363,963	372,341	1,768,310	1,682,157

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

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

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

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

	December 31, 2018	December 31, 2017
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	1,525	3,521
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

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

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	121	-	1,172	61
Swap Transactions	-	209	3	12
Futures Transactions	-	-	-	-
Options	544	-	-	-
Other	-	-	-	-
Total	665	209	1,175	73

3. Information on borrowings:

a) Information on banks and other financial institutions:

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Credits from Central ban of the Republic of Turkey	1,583	1,529	13,509	19,551
From Domestic Banks and Institutions	-	8,031	-	96,692
From Foreign Banks, Institutions and Funds				
Total	1,583	9,560	13,509	116,243

b) Maturity analysis of borrowings:

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Short-term	1,583	8,830	13,509	72,308
Medium and long-term	-	730	-	43,935
Total	1,583	9,560	13,509	116,243

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

Bank diversifies its funding resources by customer deposits and domestic borrowings. 81% 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 2018, operational lease expenses amounting to TRY 20,105 have been recorded in the profit and loss accounts (December 31, 2017: TRY 20,041). The lease periods vary between 5 and 10 years.

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

7. Information on derivative financial liabilities for hedging purposes:

None.

8. Information on provisions:

- a) Information on general provisions:

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

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: There is no foreign exchange provision (December 31, 2017: TRY 128) on the foreign currency indexed loans.

- c) The specific provisions of TRY 22,069 (December 31, 2017: TRY 14,984) were provided for unindemnified non-cash loans.

- d) Information on employee termination benefits and unused vacation accrual:

The Bank has calculated the reserve for employee termination benefits by using actuarial valuation methods as set out in the TAS No:19 and reflected this in the financial statements.

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

8. Information on provisions (continued)

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

d.1) Movement of employee termination benefits:

	December 31, 2018	December 31, 2017
As of January 1	10,183	9,268
Service cost	1,655	1,774
Interest cost	1,367	1,057
Actuarial gain/ (loss)	(1,552)	55
Benefits paid	(2,808)	(1,971)
Total of provision for employee benefits	8,845	10,183

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

	December 31, 2018	December 31, 2017
Employee termination benefit provision	8,845	10,183
Unused vacation provision	3,098	3,391
Total of provision for employee benefits	11,943	13,574

In accordance with TAS 19 “Turkish Accounting Standard on Employee Benefits”; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement. According to communique numbered 28585 dated March 12, 2013 published in Turkish Trade Registry Gazette, as per TAS 19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 2,616 as of December 31, 2018 (December 31, 2017: TRY 1,064 gain).

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

	Assumptions
Discount rate	16.00%
Inflation rate	11.30%

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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:

	December 31, 2018	December 31, 2017
Specific provisions provided for unindemnified non cash loans	22,069	14,984
Other provisions (*)	5,147	5,518
Total	27,216	20,502

(*) Other provisions include TRY 438 of bonus provisions, TRY 4,709 of litigation provision. (December 31, 2017: TRY 438 of bonus provisions before 2017, TRY 1,472 of loan provision, TRY 1,049 of provisions for other assets, TRY 2,559 of litigation provision).

f) Liabilities on pension rights: None.

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

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

9. Explanations on taxes payable:

a) Information on current tax liability:

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

	December 31, 2018	December 31, 2017
Current Period Tax Payable	-	-
Prepaid Tax	(41)	(4,575)
Total	(41)	(4,575)

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

9. Explanations on taxes payable:

a.2) Explanations on taxes payable:

	December 31, 2018	December 31, 2017
BITT	3,415	3,458
Taxation on Securities	3,167	4,787
Payroll Tax	1,401	3,611
Property Tax	613	553
Value Added Tax Payable	405	238
Stamp Tax	43	103
Corporate Tax Payable	-	-
Other	182	157
Total	9,226	12,907

a.3) Information on premiums:

	December 31, 2018	December 31, 2017
Social Security Premiums-Employer	729	986
Social Security Premiums-Employee	459	625
Bank Social Aid Pension Fund Premium-Employer	61	84
Bank Social Aid Pension Fund Premium-Employee	30	42
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	1,279	1,737

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

10. Information on liabilities regarding assets held for sale and discontinued operations:

None.

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

The bank does not have subordinated loans.

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

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

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

(*) Nominal Capital

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

12. Information on Shareholders' Equity (continued):

- 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:

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

Information on legal reserves :

	December 31, 2018	December 31, 2017
First Legal Reserves	5,332	5,332
Second Legal Reserves	-	-
Other legal reserves appropriated in accordance with special legislation		
Total	5,332	5,332

Information on extraordinary reserves:

	December 31, 2018	December 31, 2017
Reserves appropriated by the General Assembly	-	-
Retained earnings	31,347	88,694
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Total	31,347	88,694

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

13. Information on minority shares: None.

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:

	December 31, 2018	December 31, 2017
Loan granting commitments	2,592	66,739
Payment commitments for checks	32,496	105,137
Forward asset purchase and sales commitments	20,339	3,067
Other irrevocable commitments	625	16,230
Total	56,052	191,173

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

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

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

	December 31, 2018	December 31, 2017
Bank acceptance loans	739	2,732
Letters of credit	47,770	250,141
Other guarantees and collaterals	392,471	811,516
Total	440,980	1,064,389

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

	December 31, 2018	December 31, 2017
Definite letter of guarantess	979,156	1,522,786
Temporary letter of guarantees	30,123	173,195
Other letter of guarantees	134,856	138,118
Total	1,144,135	1,834,099

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

	December 31, 2018	December 31, 2017
Non-cash loans given against achieving cash loans	85,518	145,795
With maturity of 1 year or less than 1 year	21,280	112,895
With maturity of more than 1 year	64,238	32,900
Other non-cash loans	1,449,597	2,752,693
Total	1,585,115	2,898,488

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

1. Information on off-balance sheet liabilities (continued):

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

	December 31, 2018				December 31, 2017			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	8,936	1.05	31,043	4.01	19,393	1.28	215,494	13.68
Farming and raising livestock	8,536	1.01	28,014	3.62	18,287	1.21	207,554	13.18
Forestry	384	0.05	-	-	1,072	0.07	-	-
Fishery	16	0.00	3,029	0.39	34	0.00	7,940	0.50
Manufacturing	184,202	21.73	351,475	45.45	352,741	23.33	846,414	53.74
Mining	5,443	0.64	-	-	22,862	1.51	55,119	3.50
Production	175,129	20.66	350,629	45.34	323,881	21.42	772,653	49.06
Electric, gas and water	3,630	0.43	846	0.11	5,998	0.40	18,642	1.18
Construction	270,091	31.87	189,103	24.46	445,696	29.48	179,603	11.40
Services	375,618	44.32	201,589	26.07	651,098	43.07	333,098	21.15
Wholesale and retail trade	94,891	11.20	41,832	5.41	178,396	11.80	96,563	6.13
Hotel, food and beverage services	2,159	0.25	1,090	0.14	4,678	0.31	817	0.05
Transportation and telecommunication	36,033	4.25	63,505	8.21	60,249	3.99	138,689	8.81
Financial institutions	174,164	20.55	58,909	7.62	212,546	14.06	67,523	4.29
Real estate and renting services	7,572	0.9	12,528	1.62	49,497	3.27	14,054	0.89
Self-employment services	25,138	2.97	22,227	2.88	77,263	5.11	14,302	0.91
Education services	20	0.00	-	-	245	0.02	-	-
Health and social services	35,641	4.20	1,498	0.19	68,224	4.51	1,150	0.07
Other	8,719	1.03	52	0.01	42,784	2.84	273	0.03
Total	847,566	100.00	773,262	100.00	1,511,712	100.00	1,574,882	100.00

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

Commitments and contingencies	I st Group (*)		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	788,723	291,397	23,130	40,885
Bank acceptances	-	739	-	-
Letters of credit	-	47,770	-	-
Endorsements	-	317,909	-	15,143
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	-	59,419	-	-
Total	788,723	717,234	23,130	56,028

(*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TRY 37,944 for non-cash loans not yet indemnified amounting to TRY 16,199.

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

2. Information related to derivative financial instruments:

	Derivative transactions according to purposes			
	Trading		Hedging	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Types of trading transactions				
Foreign currency related derivative transactions (I):				
Forward transactions	9,789	176,226	-	-
Swap transactions	211,943	91,853	-	-
Futures transactions	-	-	-	-
Option transactions	75,578	62,018	-	-
Interest related derivative transactions (II) :				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)				
A. Total trading derivative transactions (I+II+III)	297,310	330,097	-	-
Types of hedging transactions				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
Total Derivative Transactions (A+B)	297,310	330,097	-	-

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

As of December 31, 2018 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2018								
TRY	2,518	2,505	-	-	18,688	18,688	-	-
USD	2,383	2,383	105,940	-	19,101	19,101	-	-
EUR	-	-	-	106,003	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	4,901	4,888	105,940	106,003	37,789	37,789	-	-
December 31, 2017								
TRY	41,087	37,586	-	78	12,200	12,200	-	-
USD	36,645	39,906	45,947	-	18,809	18,809	-	-
EUR	6,661	6,661	-	45,828	-	-	-	-
Other	3,840	3,840	-	-	-	-	-	-
Total	88,233	87,993	45,947	45,906	31,009	31,009	-	-

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

None

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

4. Explanations on contingent liabilities and assets:

a.1) The Bank's share in contingent liabilities arising from entities under common control (joint ventures) together with other venturer: None.

a.2) Share of jointly controlled entity (joint venture) in its own contingent liabilities: None.

a.3) The Bank's contingent liabilities resulting from liabilities of other venturers in jointly controlled entities (joint ventures): None.

b) Accounting and presentation of contingent assets and liabilities in the financial statements:

b.1) Contingent assets are accounted for, if probability of realization is almost certain. If probability of realization is high, then it is explained in the footnotes. As of December 31, 2018 and 2017 there are no contingent assets that need to be explained.

b.2) A provision is made for contingent liabilities, if realization is probable and the amount can reliably be determined. If realization is remote or the amount cannot be determined reliably, then it is explained in the footnotes: Contingent liabilities as of December 31, 2018 and 2017 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

5. Custodian and intermediary services:

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

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

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	270,534	9,619	182,497	9,734
Medium and long term loans	99,629	11,852	211,575	14,964
Interest on non-performing loans	30,385	-	4,852	-
Total	400,548	21,471	398,924	24,698

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

b) Information on interest received from banks:

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	72	-	46
Domestic banks	8	2,497	3	4,042
Foreign banks	-	2,875	-	309
Branches and head office abroad	-	-	-	-
Total	8	5,444	3	4,397

c) Interest received from marketable securities portfolio:

	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Available for sale assets	-	-	108,306	-
Held to maturity assets	-	-	248	-
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	37	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortized cost	226,633	-	-	-
Total	226,670	-	108,554	-

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 (*)	December 31, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Banks	477	2,155	1,140	4,985
The Central Bank of Turkey	-	-	-	-
Domestic banks	477	214	1,140	499
Foreign banks	-	1,941	-	4,486
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	477	2,155	1,140	4,985

(*) 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	December 31, 2018							Total
	Time Deposits							
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	
TRY								
Bank deposits	-	-	-	-	-	-	-	-
Saving deposits	-	11,987	207,407	14,479	11,049	2,295	-	247,217
Public sector deposits	-	3	40	517	-	-	-	560
Commercial deposits	-	14,162	75,924	1,788	1,614	5,749	-	99,237
Other deposits	-	264	7,892	-	-	-	-	8,156
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	26,416	291,263	16,784	12,663	8,044	-	355,170
Foreign Currency								
Foreign currency deposits	-	2,758	35,806	2,267	2,354	372	-	43,557
Bank deposits	-	-	51	-	-	-	-	51
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	2,758	35,857	2,267	2,354	372	-	43,608
Grand Total	-	29,174	327,120	19,051	15,017	8,416	-	398,778

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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):**

Account Name	December 31, 2017						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	-	15	-	-	-	-	-	15
Saving deposits	-	5,706	150,932	10,238	11,620	2,241	-	180,737
Public sector deposits	-	3	857	1,031	-	-	-	1,891
Commercial deposits	-	12,708	75,627	6,078	9,124	5,974	-	109,511
Other deposits	-	187	5,707	1,166	-	-	-	7,060
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	18,619	233,123	18,513	20,744	8,215	-	299,214
Foreign Currency								
Foreign currency deposits	-	2,041	38,695	2,478	3,624	43	-	46,881
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	2,041	38,695	2,478	3,624	43	-	46,881
Grand Total	-	20,660	271,818	20,991	24,368	8,258	-	346,095

3. Information on Dividend Income: None.**4. Information on net trading income:**

	December 31, 2018	December 31, 2017
Income	813,388	680,940
Gains on capital market operations	11	54
Gains on derivative financial instruments	30,526	20,721
Foreign exchange gains	782,851	660,165
Losses (-)	(813,992)	(679,002)
Losses on capital market operations	(975)	-
Losses on derivative financial instruments	(33,402)	(21,237)
Foreign exchange losses	(779,615)	(657,765)
Total	(604)	1,938

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

5. Information on other operating income:

	December 31, 2018	December 31, 2017
Income from sales of assets	2,705	3,436
Income of previous year	232	537
Provisions for communication expense collected from customers	129	99
Provisions for expenditure collected from customers	94	165
Reversal of unindemnified non-cash loan provision	-	970
Reversal of general loan loss provisions	-	27,299
Reversal of specific provisions (cash)	-	27,723
Reversal of free provisions	-	5,152
Other	3,031	453
Total	6,191	65,834

6. Provision for impairment of loans and other receivables:

	December 31,2018
Expected Credit Losses	335,080
12 Month ECL (Stage 1)	(25,032)
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	(48,675)
Lifetime ECL Impaired Credits (Stage 3)	408,787
Impairment Losses on Securities	-
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
Associates	-
Subsidiaries	-
Joint-ventures	-
Other	-
Total	335,080

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

6. Provision for impairment of loans and other receivables (continued):

	December 31, 2017
Specific provisions for loans and other receivables	89,941
III. Group Loans and Receivables	25,031
IV. Group Loans and Receivables	35,203
V. Group Loans and Receivables	29,707
General loan loss provision expenses	-
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	-
Impairment provision expense on investments	-
Associates	-
Subsidiaries	-
Jointly controlled entities	-
Investments held to maturity	-
Other	10,212
Total	100,153

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

7. Information on other operating expenses:

	December 31, 2018	December 31, 2017
Personnel expenses	-	95,762
Provision for employee termination benefits	-	860
Taxes and duties	5,693	5,936
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,398	4,436
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	6,226	5,377
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	17,482	-
Depreciation expenses of assets to be disposed	28	1,546
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	60,126	56,988
Rent expenses	20,105	20,041
Maintenance expenses	10,712	9,035
Advertisement expenses	513	573
Other expenses (*)	28,796	27,339
Loss on sales of assets (***)	876	15,031
Other (**)	12,388	11,534
Total	107,217	197,470

(*) Included in other operating expenses; vehicle expenses are TRY 6,502, communication expenses are TRY 4,882, heating-lightening expenses are TRY 1,547, stationery expenses are TRY 696, cleaning expenses are TRY 906, non-deductible are expenses TRY 1,329, computer usage expenses are TRY 3,050, subcontractor company expenses are TRY 3,657, expertise expenses are TRY 1,038, common expenses are TRY 1,225, insurance expenses are TRY 1,067, representation expenses are TRY 813, other expenses are TRY 2,084 (December 31, 2017; vehicle expenses are TRY 5,471, communication expenses are TRY 4,230, heating-lightening expenses are TRY 1,486, stationery expenses are TRY 776, cleaning expenses are TRY 1,035, non-deductible expenses are TRY 838, computer usage expenses are TRY 2,927, subcontractor company expenses are TRY 3,752, expertise expenses are TRY 1,002, common expenses are TRY 1,067, insurance expenses are TRY 1,003, representation expenses are TRY 1,449, and other expenses are TRY 3,370).

(**) Included in other assurance and financial consultancy expenses are TRY 4,428, Saving Deposit Insurance Fund is TRY 3,014 and other expenses are TRY 4,946. (December 31, 2017: assurance and financial consultancy expenses are TRY 2,416, free provision expenses are TRY 1,663, Saving Deposit Insurance Fund is TRY 2,308 and other expenses are TRY 5,147).

(***) As of December 31, 2017, according to the Board of Directors Decision dated December 21, 2017 non-performing loans with a principal amount of TRY 14,771 to Mega Asset Management Company that are sold.

(****) Personnel expenses are included on a separate line in the profit and loss statement.

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

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

The Bank has TRY 57,347 before tax as of December 31, 2017 and TRY 292,205 loss before tax as of December 31, 2018.

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

- a) As of December 31, 2018 current tax expense: none. (December 31, 2017: TRY no tax expense) and TRY 27,022 deferred tax income (December 31, 2016: TRY 16,972 deferred tax income).
- b) Deferred tax income on temporary differences and carried forward tax loss is amounting to TRY 69,662 (December 31, 2017: TRY 15,999 deferred tax income).
- c) Deferred tax expense for temporary differences and carried forward tax loss is amounting to TRY 483 (December 31, 2017: TRY 10,754 deferred tax expense).
- d) Tax reconciliation:

	December 31, 2018	December 31, 2017
Profit before tax	(292,205)	(57,347)
Tax at the domestic income tax rate of 22% (2017: 20%)	64,285	11,469
Effect of change in tax rate	(5,844)	-
Deferred tax adjustment	(29,769)	-
Disallowables and other, net	(1,650)	5,503
Tax Calculated	27,022	16,972

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

The Bank has TRY 40,375 net profit as of December 31, 2017 and TRY 265,183 net loss as of December 31, 2018.

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

- a) The nature amount of certain income and expense items from ordinary operations is disclosed if the disclosure for nature, amount and repetition rate of such items is required for the understanding of the Bank's performance for the period : None.
- b) Financial Effect of changes in accounting estimates on income statement for the current and, if any, for subsequent periods: None.
- c) Profit or loss attributable to minority shares: None.

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

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

	December 31, 2018	December 31, 2017
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	1,043	1,185
Transfer commissions	34	46
Insurance commission	460	315
Cheque expenses	14	180
Safe-deposit commissions	39	67
Information expenses	35	174
Bill of credit commissions	14	47
Letter of credit commissions	20	11
Credit card commissions and fees	14	14
Collection item commissions	5	5
Other banking operations income (*)	2,572	3,904
Total	4,250	5,948

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

	December 31, 2018	December 31, 2017
<u>Other fees and commissions given</u>		
Commissions given to banks	951	871
EFT commissions	227	310
Bond exchange transaction fee	64	66
Transfer commissions	182	185
Settlement and custody commission	41	22
Credit card commission	99	127
ATM commission	8	11
Other	276	112
Total	1,848	1,704

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

a) There is no increase resulting from revaluation of financial assets at through other comprehensive income. (December 31, 2017: Revaluation amount of available for sale assets is TRY 1,759 decrease).

b) Increase in cash flow risk hedging items: None.

b.1) Reconciliation of beginning and ending balances: None.

b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or nonderivative financial asset is accounted for under shareholders' equity: None.

c) The reconciliation related with foreign currency translation differences at the beginning and end of the period: None.

d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.

e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.

f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.

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

g) Amounts transferred to legal reserves: None (December 31, 2017: TRY 687)

h) Information on shares issued:

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

VI. Explanations and Disclosures Related to Statement of Cash Flows

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

“Other items” amounting to TRY 640,709 in “Operating profit before changes in operating assets and liabilities” in essence consist of fees and commissions paid, gain/losses from derivative financial instruments and other operating expenses (except for personnel expenses, provision for employee termination benefits, depreciation expenses and taxes paid).

“Net increase/decrease in other liabilities” amounting to TRY 58,225 in “Changes in operating assets and liabilities” in essence consists of changes in sundry creditors, other liabilities and tax liability.

“Net increase/decrease in other assets” amounting to TRY 117,648 in “Changes in operating assets and liabilities” in essence consists of changes in sundry debtors and other assets.

The effect of the change in the foreign exchange rate on the cash and cash equivalents is calculated as approximately TRY 104,649 and it represents the effect of the change in the foreign exchange rates over the foreign currency cash and cash equivalents

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

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

Beginning of the period	December 31,2017	December 31,2016
Cash		
Cash in TRY/Foreign Currency	51,952	47,575
The Central Bank of Turkey	107,756	318,415
Other		
Cash equivalents		
Banks and receivables from financial institutions	402,695	560,310
Money market placements	-	-
Total cash and cash equivalents	562,403	926,300
End of the period	December 31, 2018	December 31, 2017
Cash		
Cash in TRY/Foreign Currency	32,098	51,952
The Central Bank of Turkey	104,914	107,756
Other		
Cash equivalents		
Banks and receivables from financial institutions	286,990	402,695
Money market placements	-	-

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Total cash and cash equivalents	424,002	562,403
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VII. Explanations on the Risk Group of the Bank

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

a) December 31, 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	-	161

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 53,163.

b) December 31, 2017:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	132	14,451	-	51,223
Balance at end of period	-	-	159	44,498	-	46,156
Interest and commission income (*)	-	-	-	14	-	776

(*)Interest income and commission income are interest income for December 2017 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 159.

c.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Deposits						
Balance at beginning of period	-	-	721	1,333	44,180	81,827
Balance at end of period	-	-	999	721	709	44,180
Interest on deposits (*)	-	-	-	-	4,365	9,146

(*) Deposit interest rate is the interest expense for December 2017 period respectively.

In addition, the Bank has no "Funds Borrowed" used from risk group of the Bank (December 31, 2017: TRY 37,933) and TRY 995 (December 31, 2017: TRY 2,184) interest expense was incurred from funds borrowed in 2018.

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

d) As of December 31, 2018, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 11,261 (December 31, 2017: TRY 13,030)

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

2. Disclosures for related parties:

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

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

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

	Amount	% Compared to the Amounts in the Financial Statements
Banks and other receivables	53,163	18.52
Non-cash loans	51,707	3.19
Deposits	1,708	0.06
Borrowings	-	-

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 2.52%. Details of these loans are explained in 1a above.

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

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

	Number	Employees			
Domestic branches	23	403			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

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

None.

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IX. Explanations and disclosures related to subsequent events

On 15 January 2019, 30 mio USD provided by Bank's shareholders as additional capital instrument is accounted in a temporary account. The Bank made an application to the BRSA to be evaluated within the scope of the Regulation on Equity of Banks and correspondence with BRSA is in progress as of date of this report.

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SECTION SIX

OTHER EXPLANATIONS

I. Other Explanations on the Operations of the Bank:

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

SECTION SEVEN

INDEPENDENT AUDITOR’S REPORT

I. Explanations on the Independent Auditor’s Report:

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

The independent auditor’s report dated March 27, 2019 is presented preceding the financial statements and notes to the financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.