

**TURKLAND BANK ANONİM ŐİRKETİ**

**INDEPENDENT AUDITOR'S REPORT,  
UNCONSOLIDATED  
FINANCIAL STATEMENTS AND NOTES FOR  
THE PERIOD ENDED DECEMBER 31, 2017**

*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 Board of Directors 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 balance sheet as at 31 December 2017, and the statement of income, statement of income and expense items accounted under shareholders' equity, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and 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 2017, 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 Turkish Accounting Standards 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) Other Matter**

The unconsolidated financial statements of the Bank for the year ended December 31, 2016 were audited by another auditor who expressed an unqualified opinion on February 14, 2017.

#### **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.

## **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 2017 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 Mjde 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 BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ş.**  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Mjde Aslan  
Partner

İstanbul, February 28, 2018

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

**THE UNCONSOLIDATED FINANCIAL AUDIT REPORT OF TURKLAND BANK A.Ş.  
FOR THE PERIOD ENDED DECEMBER 31, 2017**

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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.

January 31, 2018

Nehme SABBAGH

A. Dinçer ALPMAN

Mehmet ÖZGÜNER

H. Efe İçli

Chairman of the Board of  
Directors

General Manager

Financial Reporting  
Executive Vice President

Manager  
Financial Affairs

Mustafa Selçuk TAMER

Faten MATAR

Nadya Nabil Tawfik TALHOUNİ

Member of Audit Committee

Member of Audit Committee

Member of Audit Committee

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

Name-Surname / Title: Sevgi Üstün / Assistant Manager

Telephone Number: (0212) 368 37 24

Fax Number: (0212) 368 35 35

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

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(Convenience Translation of Financial Statements and Report Originally Issued in Turkish)  
**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

(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 Doğuş Group in 1992. After the change in the name of the bank as "Garanti Yatırım ve Ticaret Bankası Anonim Şirketi" in 1994, Mehmet Nazif Günel (the main shareholder of MNG Group Companies) has acquired the Bank in 1997 and the name of the Bank has been changed as "MNG Bank Anonim Şirketi".

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

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

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

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170 million to TRY 300 million, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TRY 65 million have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

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

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

According to the Ordinary General Assembly decree dated April 15, 2014, it has been decided to increase the Bank's paid in capital from TRY 500 million to TRY 650 million. In April, 2015, TRY 150 million has been paid in cash. The capital commitments paid by the shareholders were transferred into the share capital accounts with the approval of Banking Regulation and Supervision Agency dated August 28, 2015 and numbered 20637.

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

**II. Explanations Regarding Bank's Shareholding Structure, Shareholders Holding Directly or Indirectly, Collectively or Individually, the Managing and Controlling Power and Changes in Current Year**

As of December 31, 2017, the shareholders' structure and their ownerships are summarized as follows:

<b>Name of shareholders</b>	<b>Share Amount</b>	<b>Share Ratios %</b>	<b>Paid up Shares</b>	<b>Unpaid Shares</b>
ARAB BANK PLC	216,666.67	33.3%	216,666.67	-
ARAB BANK (Switzerland)	108,333.33	16.7%	108,333.33	-
BANKMED, SAL	324,999.99	50.0%	324,999.99	-
Others	<1	0.0%	<1	-
<b>Total</b>	<b>650,000.00</b>	<b>%100,0</b>	<b>650,000.00</b>	<b>-</b>

As of December 31, 2017 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

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

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

<u>Title</u>	<u>Name and Surname(*)</u>	<u>Responsibility</u>	<u>Education</u>
Chairman of the Board of Directors	NEHME SABBAGH	Chairman	Master Degree
Members of the Board of Directors	MOHAMED ALI BEYHUM	Vice Chairman	Master Degree
	MUSTAFA SELÇUK TAMER	Member of Audit Committee	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	MEHMET BEHÇET PERİM	Member	Master Degree
	NADYA NABIL TAWFIK TALHOUNI	Member of Audit Committee	Bachelor's Degree
	FATEN MATAR	Member of Audit Committee	Master Degree
	HAITHAM HELMI MOHAMMAD FOUDEH	Member	Master Degree
General Manager and Member of Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Mangers	BENAN BAŞAK	Loan Underwriting	Master Degree
	DORUK PARMAN	Marketing Sales	PHD Degree
	EMRE DEMİRCAN	Strategic Planning	Master Degree
	HAKKI YILDIRMAZ	Human Resources	PHD Degree
	İLHAN ZEKİ KÖROĞLU	Operation and Information Technologies	Bachelor's Degree
	MEHMET ÖZGÜNER	Finance	Bachelor's Degree
	MÜNEVVER ERÖZ	Treasury and Financial Institutions	Master Degree
	YURDAKUL ÖZDOĞAN	Credit & Follow up	Bachelor's Degree

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

**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, 2017:

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

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

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

The Bank has 33 branches and 523 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2016: 33 branches, 608 personnel).

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

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

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

The Bank has no consolidated subsidiaries.

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

The Bank has no consolidated subsidiaries.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

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

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**UNCONSOLIDATED FINANCIAL STATEMENTS**

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**TURKLAND BANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016**

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

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
<b>I. CASH AND BALANCES WITH THE CENTRAL BANK</b>	I-1	115,237	391,202	506,439	329,982	280,691	610,673
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)</b>	I-2	3,426	91	3,517	2,129	651	2,780
2.1 Financial assets held for trading		3,426	91	3,517	2,129	651	2,780
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	2,129	651	2,780
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
<b>III. BANKS</b>	I-3	15	402,720	402,735	141	560,187	560,328
<b>IV. MONEY MARKET PLACEMENTS</b>		-	-	-	-	-	-
4.1 Interbank money market placements		-	-	-	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-	-	-	-
<b>V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	I-4	845,242	4	845,246	756,126	4	756,130
5.1 Share certificates		138	-	138	138	-	138
5.2 Public sector debt securities		845,104	4	845,108	755,988	4	755,992
5.3 Other marketable securities		-	-	-	-	-	-
<b>VI. LOANS AND RECEIVABLES</b>	I-5	2,611,939	306,403	2,918,342	3,079,976	549,184	3,629,160
6.1 Loans and receivables		2,413,012	306,403	2,719,415	2,929,594	549,184	3,478,778
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	2,929,594	549,184	3,478,778
6.2 Non-performing loans		350,792	-	350,792	240,029	-	240,029
6.3 Specific provisions (-)		(151,865)	-	(151,865)	(89,647)	-	(89,647)
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD TO MATURITY INVESTMENTS (Net)</b>	I-6	1,909	-	1,909	1,730	-	1,730
8.1 Public sector debt securities		1,909	-	1,909	1,730	-	1,730
8.2 Other marketable securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	I-7	4,897	-	4,897	-	-	-
9.1 Accounted for under equity method		4,897	-	4,897	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		4,897	-	4,897	-	-	-
<b>X. INVESTMENTS IN SUBSIDIARIES (Net)</b>	I-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
<b>XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)</b>	I-9	-	-	-	-	-	-
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Uneamed income (-)		-	-	-	-	-	-
<b>XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES</b>	I-11	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XIV. TANGIBLE ASSETS (Net)</b>	I-12	13,746	-	13,746	12,308	-	12,308
<b>XV. INTANGIBLE ASSETS (Net)</b>	I-13	13,596	-	13,596	13,266	-	13,266
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		13,596	-	13,596	13,266	-	13,266
<b>XVI. INVESTMENT PROPERTY (Net)</b>	I-14	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>	I-15	25,293	-	25,293	6,259	-	6,259
17.1 Current tax asset		4,575	-	4,575	1,104	-	1,104
17.2 Deferred tax asset		20,718	-	20,718	5,155	-	5,155
<b>XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>	I-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	I-17	139,128	369	139,497	162,809	18	162,827
<b>TOTAL ASSETS</b>		<b>3,774,428</b>	<b>1,100,789</b>	<b>4,875,217</b>	<b>4,364,726</b>	<b>1,390,735</b>	<b>5,755,461</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>	II-1	2,144,702	1,351,910	3,496,612	2,581,301	1,486,203	4,067,504
1.1 Deposits from risk group of the Bank		42,341	2,560	44,901	79,070	4,090	83,160
1.2 Other		2,102,361	1,349,350	3,451,711	2,502,231	1,482,113	3,984,344
<b>II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	II-2	1,175	73	1,248	3,425	314	3,739
<b>III. FUNDS BORROWED</b>	II-3	13,509	116,243	129,752	22,422	361,336	383,758
<b>IV. MONEY MARKET BALANCES</b>		400,425	-	400,425	373,315	-	373,315
4.1 Interbank money market takings		400,425	-	400,425	-	-	-
4.2 İstanbul Stock Exchange money market takings		-	-	-	-	-	-
4.3 Funds provided under repurchase agreements	II-4	-	-	-	373,315	-	373,315
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset backed securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		-	-	-	-	-	-
6.1 Borrower funds		-	-	-	-	-	-
6.2 Other		-	-	-	-	-	-
<b>VII. SUNDRY CREDITORS</b>		26,954	5,613	32,567	29,427	12,634	42,061
<b>VIII. OTHER LIABILITIES</b>	II-5	34,095	424	34,519	45,208	2,097	47,305
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	II-6	-	-	-	-	-	-
10.1 Finance lease payables		-	-	-	-	-	-
10.2 Operating lease payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-	-	-	-
<b>XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES</b>	II-7	-	-	-	-	-	-
11.1 Fair value hedge		-	-	-	-	-	-
11.2 Cash flow hedge		-	-	-	-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	II-8	46,911	1,188	48,099	67,228	1,101	68,329
12.1 General loan loss provisions		14,023	-	14,023	41,321	-	41,321
12.2 Restructuring reserves		-	-	-	-	-	-
12.3 Reserve for employee benefits		13,574	-	13,574	12,346	-	12,346
12.4 Insurance technical reserves (Net)		-	-	-	-	-	-
12.5 Other provisions		19,314	1,188	20,502	13,561	1,101	14,662
<b>XIII. TAX LIABILITY</b>	II-9	14,644	-	14,644	13,429	-	13,429
13.1 Current tax liability		14,644	-	14,644	13,429	-	13,429
13.2 Deferred tax liability		-	-	-	-	-	-
<b>XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	II-12	717,351	-	717,351	756,021	-	756,021
16.1 Paid-in capital		650,000	-	650,000	650,000	-	650,000
16.2 Supplementary capital		785	-	785	(919)	-	(919)
16.2.1 Share premium		-	-	-	-	-	-
16.2.2 Share cancellation profits		-	-	-	-	-	-
16.2.3 Marketable securities value increase fund		(25,753)	-	(25,753)	(27,512)	-	(27,512)
16.2.4 Tangible assets revaluation differences		-	-	-	-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-	-	-	-
16.2.6 Investment property revaluation differences		-	-	-	-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		45	-	45	45	-	45
16.2.8 Hedging funds (Effective portion)		-	-	-	-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-	-	-	-
16.2.10 Other capital reserves		26,493	-	26,493	26,548	-	26,548
16.3 Profit reserves		106,941	-	106,941	93,187	-	93,187
16.3.1 Legal reserves		5,332	-	5,332	4,644	-	4,644
16.3.2 Statutory reserves		-	-	-	-	-	-
16.3.3 Extraordinary reserves		88,694	-	88,694	76,825	-	76,825
16.3.4 Other profit reserves		12,915	-	12,915	11,718	-	11,718
16.4 Profit or loss		(40,375)	-	(40,375)	13,753	-	13,753
16.4.1 Prior years' income/(losses)		-	-	-	-	-	-
16.4.2 Current year income/(loss)		(40,375)	-	(40,375)	13,753	-	13,753
16.5 Minority shares		-	-	-	-	-	-
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,399,766</b>	<b>1,475,451</b>	<b>4,875,217</b>	<b>3,891,776</b>	<b>1,863,685</b>	<b>5,755,461</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**UNCONSOLIDATED OFF-BALANCE SHEET ITEMS**  
**AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

	Note Ref. (Section Five)	Audited Current Period 31.12.2017			Audited Prior Period 31.12.2016		
		TL	FC	Total	TL	FC	Total
<b>A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-II+III)</b>		<b>1,616,396</b>	<b>1,803,362</b>	<b>3,419,758</b>	<b>1,814,088</b>	<b>990,517</b>	<b>2,804,605</b>
<b>I. GUARANTEES</b>	III-1	<b>1,334,496</b>	<b>1,563,992</b>	<b>2,898,488</b>	<b>1,518,131</b>	<b>755,344</b>	<b>2,273,475</b>
1.1. Letters of guarantee		1,334,496	499,603	1,834,099	1,514,885	375,961	1,890,846
1.1.1. Guarantees subject to State Tender Law		9,784	673	10,457	12,506	1,560	14,066
1.1.2. Guarantees given for foreign trade operations		69,634	110,172	179,806	70,178	31,600	101,778
1.1.3. Other letters of guarantee		1,255,078	388,758	1,643,836	1,432,201	342,801	1,775,002
1.2. Bank loans		-	2,732	2,732	-	6,465	6,465
1.2.1. Import letter of acceptance		-	2,732	2,732	-	6,465	6,465
1.2.2. Other bank acceptances		-	-	-	-	-	-
1.3. Letters of credit		-	250,141	250,141	189	234,288	234,477
1.3.1. Documentary letters of credit		-	250,141	250,141	189	234,288	234,477
1.3.2. Other letters of credit		-	-	-	-	-	-
1.4. Prefinancing given as guarantee		-	-	-	-	-	-
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. Securities issue purchase guarantees		-	-	-	-	-	-
1.7. Factoring guarantees		-	-	-	-	-	-
1.8. Other guarantees		-	159,108	159,108	3,057	138,630	141,687
1.9. Other collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>	III-1	<b>178,749</b>	<b>12,424</b>	<b>191,173</b>	<b>207,522</b>	<b>34,837</b>	<b>242,359</b>
2.1. Irrevocable commitments		178,749	12,424	191,173	207,522	34,837	242,359
2.1.1. Forward asset purchase and sales commitments		1,533	1,534	3,067	26,452	33,615	60,067
2.1.2. Forward deposit purchase and sales commitments		-	-	-	-	-	-
2.1.3. Share capital commitment to associates and subsidiaries		-	-	-	-	-	-
2.1.4. Loan granting commitments		66,739	-	66,739	66,907	-	66,907
2.1.5. Securities underwriting commitments		-	-	-	-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7. Payment commitment for checks		105,137	-	105,137	108,953	-	108,953
2.1.8. Tax and fund liabilities from export commitments		-	-	-	-	-	-
2.1.9. Commitments for credit card expenditure limits		-	-	-	-	-	-
2.1.10. Commitments for promotions related with credit cards and banking activities		-	-	-	-	-	-
2.1.11. Receivables from short sale commitments		-	-	-	-	-	-
2.1.12. Payables for short sale commitments		-	-	-	-	-	-
2.1.13. Other irrevocable commitments		5,340	10,890	16,230	5,210	1,222	6,432
2.2. Revocable commitments		-	-	-	-	-	-
2.2.1. Revocable loan granting commitments		-	-	-	-	-	-
2.2.2. Other revocable commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	III-2	<b>103,151</b>	<b>226,946</b>	<b>330,097</b>	<b>88,435</b>	<b>200,336</b>	<b>288,771</b>
3.1. Derivative financial instruments for hedging purposes		-	-	-	-	-	-
3.1.1. Fair value hedge		-	-	-	-	-	-
3.1.2. Cash flow hedge		-	-	-	-	-	-
3.1.3. Hedge of net investment in foreign operations		-	-	-	-	-	-
3.2. Held for trading transactions		103,151	226,946	330,097	88,435	200,336	288,771
3.2.1. Forward foreign currency buy/sell transactions		78,673	97,553	176,226	64,889	69,102	133,991
3.2.1.1. Forward foreign currency transactions-buy		41,087	47,146	88,233	33,321	33,570	66,891
3.2.1.2. Forward foreign currency transactions-sell		37,586	50,407	87,993	31,568	35,532	67,100
3.2.2. Swap transactions related to foreign currency, and interest rates		78	91,775	91,853	7,546	102,144	109,690
3.2.2.1. Foreign currency swaps-buy		-	45,947	45,947	-	54,714	54,714
3.2.2.2. Foreign currency swaps-sell		78	45,828	45,906	7,546	47,430	54,976
3.2.2.3. Interest rate swaps-buy		-	-	-	-	-	-
3.2.2.4. Interest rate swaps-sell		-	-	-	-	-	-
3.2.3. Foreign currency, interest rate and securities options		24,400	37,618	62,018	16,000	29,090	45,090
3.2.3.1. Foreign currency options-buy		12,200	18,809	31,009	8,000	14,545	22,545
3.2.3.2. Foreign currency options-sell		12,200	18,809	31,009	8,000	14,545	22,545
3.2.3.3. Interest rate options-buy		-	-	-	-	-	-
3.2.3.4. Interest rate options-sell		-	-	-	-	-	-
3.2.3.5. Securities options-buy		-	-	-	-	-	-
3.2.3.6. Securities options-sell		-	-	-	-	-	-
3.2.4. Foreign currency futures		-	-	-	-	-	-
3.2.4.1. Foreign currency futures-buy		-	-	-	-	-	-
3.2.4.2. Foreign currency futures-sell		-	-	-	-	-	-
3.2.5. Interest rate futures		-	-	-	-	-	-
3.2.5.1. Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2. Interest rate futures-sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)</b>		<b>85,401,490</b>	<b>10,853,152</b>	<b>96,254,642</b>	<b>82,566,008</b>	<b>9,015,194</b>	<b>91,581,202</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>713,768</b>	<b>43,639</b>	<b>757,407</b>	<b>558,830</b>	<b>32,531</b>	<b>591,361</b>
4.1. Assets under management		-	-	-	-	-	-
4.2. Investment securities held in custody		20,002	341	20,343	2	316	318
4.3. Checks received for collection		680,566	41,093	721,659	548,143	31,732	579,875
4.4. Commercial notes received for collection		13,200	2,205	15,405	10,685	483	11,168
4.5. Other assets received for collection		-	-	-	-	-	-
4.6. Assets received for public offering		-	-	-	-	-	-
4.7. Other items under custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGED ITEMS</b>		<b>84,687,722</b>	<b>10,809,513</b>	<b>95,497,235</b>	<b>82,007,178</b>	<b>8,982,663</b>	<b>90,989,841</b>
5.1. Marketable securities		-	-	-	-	-	-
5.2. Guarantee notes		56,261	12,873	69,134	70,876	22,423	93,299
5.3. Commodities		1,646	-	1,646	1,646	-	1,646
5.4. Warrants		-	-	-	-	-	-
5.5. Properties		2,168,042	106,054	2,274,096	2,561,824	135,150	2,696,974
5.6. Other pledged items		82,461,773	10,690,586	93,152,359	79,372,832	8,825,090	88,197,922
5.7. Pledged items-depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)</b>		<b>87,017,886</b>	<b>12,656,514</b>	<b>99,674,400</b>	<b>84,380,096</b>	<b>10,005,711</b>	<b>94,385,807</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENT OF UNCONSOLIDATED INCOME FOR THE PERIODS**  
**ENDED DECEMBER 31, 2017 AND 2016**

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

**III. STATEMENT OF INCOME**

	Note Ref. (Section Five)	Audited Current 01.01- 31.12.2017	Audited Prior Period 01.01- 31.12.2016
<b>I. INTEREST INCOME</b>	IV-1	<b>550,218</b>	<b>547,951</b>
1.1 Interest on loans		423,622	467,600
1.2 Interest received from reserve deposits		9,055	7,479
1.3 Interest received from banks		4,400	1,557
1.4 Interest received from money market placements		-	977
1.5 Interest received from marketable securities portfolio		108,554	65,566
1.5.1 Held-for-trading financial assets		-	2
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		108,306	64,808
1.5.4 Investments held-to-maturity		248	756
1.6 Finance lease income		-	-
1.7 Other interest income		4,587	4,772
<b>II. INTEREST EXPENSE</b>	IV-2	<b>(403,477)</b>	<b>(357,615)</b>
2.1 Interest on deposits		(346,095)	(326,812)
2.2 Interest on funds borrowed		(6,125)	(6,441)
2.3 Interest on money market borrowings		(46,118)	(22,850)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(5,139)	(1,512)
<b>III. NET INTEREST INCOME (I - II)</b>		<b>146,741</b>	<b>190,336</b>
<b>IV. NET FEES AND COMMISSIONS INCOME</b>		<b>25,753</b>	<b>25,950</b>
4.1 Fees and commissions received		27,553	27,530
4.1.1 Non-cash loans		21,605	19,491
4.1.2 Other	IV-12	5,948	8,039
4.2 Fees and commissions paid		(1,800)	(1,580)
4.2.1 Non-cash loans		(96)	(73)
4.2.2 Other	IV-12	(1,704)	(1,507)
<b>V. DIVIDEND INCOME</b>	IV-3	<b>10</b>	<b>10</b>
<b>VI. NET TRADING INCOME</b>	IV-4	<b>1,938</b>	<b>(1,151)</b>
6.1 Securities trading gains/ (losses)		54	74
6.2 Gain/(losses) from derivative financial instruments		(516)	(5,675)
6.3 Foreign exchange gains/ (losses)		2,400	4,450
<b>VII. OTHER OPERATING INCOME</b>	IV-5	<b>65,834</b>	<b>52,163</b>
<b>VIII. NET OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>240,276</b>	<b>267,308</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	IV-6	<b>(100,153)</b>	<b>(60,929)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	IV-7	<b>(197,470)</b>	<b>(188,941)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>		<b>(57,347)</b>	<b>17,438</b>
<b>XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER</b>		-	-
<b>XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		-	-
<b>XIV. GAIN / (LOSS) ON NET MONETARY POSITION</b>		-	-
<b>XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)</b>	IV-8	<b>(57,347)</b>	<b>17,438</b>
<b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	IV-9	<b>16,972</b>	<b>(3,685)</b>
16.1 Provision for current income taxes		-	(4,882)
16.2 Provision for deferred taxes		16,972	1,197
<b>XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)</b>	IV-10	<b>(40,375)</b>	<b>13,753</b>
<b>XVIII. INCOME ON DISCONTINUED OPERATIONS</b>		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
<b>XIX. LOSS FROM DISCONTINUED OPERATIONS (-)</b>		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
<b>XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)</b>		-	-
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
<b>XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)</b>		-	-
<b>XXIII. NET PROFIT/LOSS (XVII+XXII)</b>	IV-11	<b>(40,375)</b>	<b>13,753</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENT OF UNCONSOLIDATED PROFIT AND LOSS**  
**ACCOUNTED FOR UNDER EQUITY**  
**FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

	Audited Current Period 01.01-31.12.2017	Audited Prior Period 01.01-31.12.2016
I. Additions to marketable securities revaluation differences for available for sale financial assets	2,199	(1,725)
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)	834
IX. Deferred tax of valuation differences	(440)	345
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	1,704	(546)
XI. Profit/Loss	(40,375)	13,753
11.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(54)	51
11.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
11.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
11.4 Other	(40,321)	13,702
XII. Total Profit/Loss accounted for in the period (X±XI)	(38,671)	13,207

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN UNCONSOLIDATED SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016**

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

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

Audited	Note	Paid-in	Paid-in	Share	Share	Legal	Statutory	Extraordinary	Other	Current	Prior Period	Marketable	Tangible and Intangible	Bonus Shares	Hedge	Accumulated Rev.	Total Equity	Minority	Total
Prior Period – 01.01-31.12.2016	(Section	Capital	Capital	Premium	Cancellation	Reserves	Reserves	Reserves	Reserves	Period	Profit/Loss	Securities	Assets Revaluation Reserve	from Equity	Funds	Reserve on Assets	Excluding	Interests	Equity
	Five)		Inflation		Profits					Profit/Loss	Profit/Loss	Revaluation	Assets Revaluation Reserve	Participations		Held for Sale and	Minority		
			Adjustment									Reserve				Discontinued Oper.	Interest		
I. Prior opening balance		650,000	25,714	-	-	3,919	-	63,044	11,718	14,506	-	(26,132)	-	45	-	-	742,814	-	742,814
II. Changes in accounting policies according to		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of adjustments		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I-II)		650,000	25,714	-	-	3,919	-	63,044	11,718	14,506	-	(26,132)	-	45	-	-	742,814	-	742,814
Changes in the period		-	-	-	-	-	-	-	-	(14,506)	14,506	-	-	-	-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(1,380)	-	-	-	-	(1,380)	-	(1,380)
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,		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other (*)		-	834	-	-	-	-	-	-	-	-	-	-	-	-	-	834	-	834
XIX. Period net income/(loss)		-	-	-	-	-	-	-	-	13,753	-	-	-	-	-	-	13,753	-	13,753
XX. Profit distribution		-	-	-	-	725	-	13,781	-	-	(14,506)	-	-	-	-	-	-	-	-
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	725	-	13,781	-	-	(14,506)	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650,000	26,548	-	-	4,644	-	76,825	11,718	13,753	-	(27,512)	-	45	-	-	756,021	-	756,021

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

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF CHANGES IN UNCONSOLIDATED SHAREHOLDERS' EQUITY**  
**FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016**

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

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

Audited Current Period – 01.01-31.12.2017	Note (Section Five)	Paid-in Capital	Paid-in Capital Inflation	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Marketable Securities Revaluation	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Funds	Accumulated Rev. Reserve on Assets Held for Sale and	Total Equity Excluding Minority	Minority Interests	Total Equity
I. Prior opening balance 31.12.2016		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	-	-	-	-	-	-	-	-
II. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	1,759	-	-	-	-	1,759	-	1,759
IV. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other (*)		-	(55)	-	-	-	-	-	-	-	-	-	-	-	-	-	(55)	-	(55)
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	(40,375)	-	-	-	-	-	-	(40,375)	-	(40,375)
XVIII. Profit distribution		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	687	-	11,869	1,197	-	(13,753)	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Balance (I+II+III+...+XVI+XVII+XVIII)</b>		<b>650,000</b>	<b>26,493</b>	<b>-</b>	<b>-</b>	<b>5,332</b>	<b>-</b>	<b>88,694</b>	<b>12,915</b>	<b>(40,375)</b>	<b>-</b>	<b>(25,753)</b>	<b>-</b>	<b>45</b>	<b>-</b>	<b>-</b>	<b>717,351</b>	<b>-</b>	<b>717,351</b>

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

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF UNCONSOLIDATED CASH FLOWS**  
**FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**VI. STATEMENT OF CASH FLOWS**

	Note (Section Five)	Audited Current Period 01.01-31.12.2017	Audited Priod Period 01.01-31.12.2016
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>(128,113)</b>	<b>38,470</b>
1.1.1 Interest received		414,346	431,761
1.1.2 Interest paid		(399,361)	(351,737)
1.1.3 Dividend received		10	10
1.1.4 Fees and commissions received		28,801	28,466
1.1.5 Other income		(47,812)	(95,436)
1.1.6 Collections from previously written off loans		67,445	100,329
1.1.7 Payments to personnel and service suppliers		(101,233)	(84,572)
1.1.8 Taxes paid		(4,575)	(5,986)
1.1.9 Others		(85,734)	15,635
<b>1.2 Changes in operating assets and liabilities</b>		<b>(276,584)</b>	<b>196,428</b>
1.2.1 Net (increase) decrease in financial assets held for trading		-	25
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-	-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(101,872)	225,993
1.2.4 Net (increase) decrease in loans		621,293	144,896
1.2.5 Net (increase) decrease in other assets		20,994	(88,202)
1.2.6 Net increase (decrease) in bank deposits		26,906	152,826
1.2.7 Net increase (decrease) in other deposits		(575,812)	(398,059)
1.2.8 Net increase (decrease) in funds borrowed		(252,998)	158,270
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities		(15,095)	679
<b>I. Net cash provided from banking operations</b>		<b>(404,697)</b>	<b>234,898</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net cash provided from investing activities</b>		<b>1,066</b>	<b>9,481</b>
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)	(1,308)
2.4 Fixed assets sales		1,263	887
2.5 Cash paid for purchase of financial assets available for sale		(257)	(60,641)
2.6 Cash obtained from sale of financial assets available for sale		15,045	56,986
2.7 Cash paid for purchase of investment securities		-	-
2.8 Cash obtained from sale of investment securities		-	19,857
2.9 Others		(4,395)	(6,300)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net cash provided from financing activities</b>		<b>-</b>	<b>-</b>
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Issued capital instruments		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>39,734</b>	<b>98,833</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(363,897)</b>	<b>343,212</b>
<b>VI. Cash and cash equivalents at the beginning of the period</b>		<b>926,300</b>	<b>583,088</b>
<b>VII. Cash and cash equivalents at the end of the period</b>		<b>562,403</b>	<b>926,300</b>

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

**TURKLAND BANK ANONİM ŞİRKETİ**  
**STATEMENTS OF UNCONSOLIDATED PROFIT DISTRIBUTION**  
**FOR THE PERIODS ENDED DECEMBER 31, 2017 AND 2016**  
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

**VII. PROFIT DISTRIBUTION TABLE**

	Audited Current Period 31.12.2017 (*)	Audited Prior Period 31.12.2016
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1 CURRENT YEAR INCOME	(57,347)	17,438
1.2 TAXES AND DUTIES PAYABLE(-)	(16,972)	3,685
1.2.1 Corporate tax (Income tax)	-	4,882
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties(**)	(16,972)	(1,197)
<b>A. NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>(40,375)</b>	<b>13,753</b>
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	687
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+)</b>	<b>(40,375)</b>	<b>13,066</b>
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 nights)	-	-
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 nights)	-	-
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	-	11,869
1.13 OTHER RESERVES	-	1,197
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
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 nights)	-	-
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 (-)	-	-
<b>III. EARNING PER SHARE (***)</b>		
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 ( % )	-	-
<b>IV. DIVIDEND PER SHARE</b>		
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.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

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

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

**I. Basis of Presentation**

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

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

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

***TFRS 9 Financial Instruments***

TFRS 9 issued in November 2009 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 investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under TFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

**TURKLAND BANK ANONİM ŞİRKETİ**  
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2017**

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

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

**Classification and measurement**

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

On initial adoption in the financial statements, each financial asset can be classified as a financial asset measured at amortized cost, or at fair value through profit or loss, or as measured at fair value through other comprehensive income. The application of the existing provisions of TAS 39 for the classification and measurement of financial liabilities does not change substantially.

**Impairment:**

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

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**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 a an objective evidence of impairment does not exists. For these assets, expected lifetime credit losses are accounted.

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

As of 1 January 2018, on the date of first transition, the negative effect of IFRS 9 on shareholders' equity is expected to be between 2.5% and 4.5%. As of the date of the first transition, implementation by the Bank of accounting policies, related to the relevant processes and internal controls is in progress. Within this framework, changes can be made until the first financial statements are disclosed that includes the date January 1, 2018 and the estimated effects of IFRS 9 on the financial statements may vary. The Bank will apply 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 will be 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.

**Additional paragraph for convenience translation:**

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

**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions**

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 26.79% 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 17.38% of total assets are assets with low risk and high yield. Placements in banks are 8.26% of the total assets and these assets provide liquidity with low risk and yield.

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**II. Explanations on Usage Strategy of Financial Assets and Foreign Currency Transactions (continued)**

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

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

**III. Explanations on Forward and Option Contracts and Derivative Instruments**

The Bank's derivative instruments consist of foreign currency swaps, forward foreign currency buy/sell transactions and options. Derivative instruments are accounted for at their fair values as at the contract date and subsequently valued at fair value. Certain derivative instruments, although economical hedges, are accounted as trading transactions since they are not qualified to be a hedging instrument as per "Financial Instruments: Recognition and Measurement" ("TAS 39"). Realized gains or losses on these instruments are reflected in the statement of income. Unrealized gains or losses arising from the change in the fair value are recorded in disallowable expenses or income according to the current tax legislation.

Contract amounts of derivatives are recorded in off the balance sheet contingencies and commitments.

There are no embedded derivatives separated from the host contract or that are designated as hedging instruments as of the balance sheet date.

**IV. Explanations on Interest Income and Expenses**

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette numbered 26333 dated November 1, 2006, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

**V. Explanations on Fees and Commission Income and Expenses**

All fees and commission income/expenses are recognized as income at the time of realization and during the service is provided. Loan related fees and commissions paid to or received from the other institutions are considered as transaction costs and accounted using the effective interest method.

**VI. Explanations on Financial Assets**

Financial instruments comprise financial assets, financial liabilities and derivative instruments. Financial instruments affect liquidity, market, and credit risks on the Bank's balance sheet in all 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.

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

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

*Cash, Banks, and Other Financial Institutions:*

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

*Financial Assets at Fair Value Through Profit and Loss:*

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

Trading securities are initially recognized at cost (which represents the fair value at the time). The positive difference between the cost and fair value of such securities in the accounts is accounted for as interest and income accrual, and the negative difference is accounted for as "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 till maturity and the relevant conditions for fulfillment of such intention, including the funding ability and excluding loans and receivables.

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

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

*Financial Assets Available for Sale:*

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

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

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

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

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

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

*Loans and receivables:*

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

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

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

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

**VII. Explanations on Impairment of Financial Assets**

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

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

Specific reserves are provided for non performing loans in accordance with the regulation on “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” published in the Official Gazette No. 26333 dated November 1, 2006 which was amended with communiqué published in the Official Gazette No. 27119 dated January 23, 2009. In this context, the management estimates are determined, on the basis of the Bank credit risk policies, considering the general structure of the loan portfolio, the financial conditions of the customers, non-financial information and the economic conjuncture. These provisions are reflected in the income statement under “Provision and Impairment Expenses - Special Provision Expense”.

The collections made related to loans for which provision is made in the current period are reversed from the “Provision for Loans and Other Receivables” account in the income statement. The collections made related to loans written off or provisioned in prior years are recorded to “Collections Related to the Prior Period Expenses” under “Other Operating Income” account and related interest income is credited to the “Interest Received from Non-performing Loans” account.

In addition to specific loan loss provisions, within the framework of the regulation and principles referred to above; Bank records general loan loss provisions for loans and other receivables. Together with the change in the same regulation made on February 6, 2008, the Bank started to book general loan loss provision of 2% for cash loans under watch-list and 0.4% for non-cash loans under watch-list. On January 23, 2009 the Article 7 of the regulation has been amended such that the specified rates are applied at one fourth for payment commitments for checks related to checkbooks extended five years ago or earlier.

In accordance with the change in the Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside (published in the Official Gazette numbered 27947 dated May 28, 2011); general provision loans which are classified in the first group has to be set at least 5 folds of the general provision rate due to the change in the payment plans of those first group loans. General Provision for loans that are classified in the second group has to be set at least 2.5 folds of the general provision rate due to the change in the payment plans of those second group loans. Information related to standard and close monitoring loans whose payment plans have changed is disclosed in the note 5c under the “Explanations and Disclosures Related to the Assets” section.

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

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

As of December 31, 2017 the provision rates determined for the non-cash loans do not exceed the required ratios therefore standard rates which are stated in the regulation have been used for the non-cash loans.

In accordance with the change in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”(published in the Official Gazette numbered 27968 dated June 18, 2011), The banks whose total consumer loans to total loans more than 25 % and the auto and housing loans, vehicle classed as non-performing loans consumer loans and consumer loans, housing loans, other than the banks that over 8% of the overall response rate observed in the first group auto and housing for maturities of loans for consumer loans other than loans at 4% in the second group followed the vehicle for consumer loans and mortgage loans, except for maturities of 8% applies” rulling is given as of December 31, 2017 with regard to performing consumer loans, the additional general loan loss provision is reserved amounted none.

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

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

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

In accordance with the change in the “Regulation and Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”(published in the Official Gazette numbered 28789 dated October 08, 2013 and numbered 29267 dated February 14, 2016), banks may apply 0% for cash loans that are used for standardized cash and non-cash transit commercialization, sales and deliveries considered as exports and foreign exchange earning services and activities, 0.5% for cash loans granted to small and medium-sized enterprises and 0.1% for non-cash loans

As of December 31, 2017, the Bank has applied 0% for cash loans that are used for standardized cash and non-cash transit commercialization, sales and deliveries considered as exports and foreign exchange earning services and activities, 0% for cash loans granted to small and medium-sized enterprises and 0.1% for non-cash loans.

**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.

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

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

Funds given against securities purchased under agreements to resell (“reverse repo”) are accounted under “Receivables from reverse repurchase agreements” on the balance sheet. The difference between the purchase and determined resell price is accrued over the life of repurchase agreements using the effective interest method. The Bank does not have any securities that are subject to any payment.

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

As of December 31, 2017, the Bank has no reverse repo transactions (December 31, 2016: None).

As of December 31, 2017, the Bank does not have any marketable securities lending transaction (December 31, 2016: None).

**X. Explanations on Assets Held for Sale and Discontinued Operations**

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

The Bank does not have any assets held for sale as of December 31, 2017 (December 31, 2016: None).

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

**XI. Explanations on Goodwill and Other Intangible Assets**

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

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

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

	%
Intangible Assets	7-33

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**XII. Explanations on Tangible Fixed Assets**

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

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

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

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

Normal maintenance and repair cost of the properties are expensed.

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

**XIII. Explanations on Leasing Transactions**

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

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

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

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

**XIV. Explanations on Provisions and Contingent Liabilities**

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

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 118. The total amount of those cases consists of TRY 11,398, USD 1,604 Thousand and EUR 193 Thousand. There is a provision of TRY 2,559 in the accompanying financial statements for these cases (December 31, 2016: TRY 2,286).

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**XV. Explanations on Liabilities Regarding Employee Benefits**

*Defined Benefit Plans:*

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

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. As per the Official Gazette No. 28585 dated March 12, 2013, as of December 31, 2017, the actuarial gains recognized in equity amounts to TRY 1,064 (December 31, 2016: TRY 1,119 actuarial gain).

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

*Defined Contribution Plans:*

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

*Short-term Employee Benefits:*

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

**XVI. Explanations on Taxation**

*Corporate tax:*

According to the Article 32 of the Corporate Tax Law No 5520, accepted in the meeting of Grand National Assembly of Turkey (TBMM) on June 13, 2006 and announced in the Official Gazette dated June 21, 2006, the corporate tax rate has been decreased from 30% to 20%, effective from January 1, 2006 as per the Article 37 of the Corporate Tax Law.

The tax legislation, requires advance tax of 20% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offsetted against the final tax liability for the year.

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

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

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. Tax provision is in current period: none. (December 31, 2016: TRY 4,882).

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

*Deferred Tax Liability / Asset:*

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

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

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

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

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income/expense recorded under the tax provision expenses amounts to TRY 16,972 deferred tax income in the accompanying income statement (December 31, 2016: TRY 1,197 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.

**XX. Explanations on Government Incentives**

There are no government incentives utilized by the Bank.

**XXI. Explanations on Segment Reporting**

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

**XXII. Explanations on Other Matters**

None, other than above explanations.

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**SECTION FOUR**  
**INFORMATION ON FINANCIAL STRUCTURE**

**I. Explanations Related to Equity**

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

As of December 31 2017 Bank’s total capital has been calculated as TRY 692,371, capital adequacy ratio is 14.05%. As of December 31, 2016, Bank’s total capital amounted to TRY 779,719, capital adequacy ratio was 15.96% 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:**

	<b>Current Period December 31, 2017 (* )</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-up Capital	650,000
Share issue premiums	-
Retained earnings	106,941
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	26,493
Profit	(40,375)
Net profit of the period	(40,375)
Profit of the previous years	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	45
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>743,104</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>	
Prudential valuation adjustments	-
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	(25,753)
Improvement costs for operating leasing	(4,689)
Goodwill (net of related tax liability)	(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	-
Securitisation gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-

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

Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
of which: significant investments in the common stock of financials	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>(52,872)</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>690,232</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	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	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>11,884</b>
<b>Total Additional Tier 1 capital</b>	<b>-</b>
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>678,348</b>
<b>TIER 2 CAPITAL</b>	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions	14,023
<b>Tier 2 capital before regulatory adjustments</b>	<b>14,023</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments	-
Reciprocal cross-holdings in Tier 2 instruments	-

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

Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-
<b>Total Tier 2 capital</b>	<b>14,023</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>692,371</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>	
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	<b>-</b>
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
<b>OWN FUNDS</b>	
<b>Capital</b>	<b>692,371</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>692,371</b>
<b>Total Risk Weighted Assets</b>	<b>4,926,726</b>
<b>CAPITAL ADEQUACY RATIOS</b>	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.01
Tier 1 Capital Adequacy Ratio (%)	13.77
Capital Adequacy Ratio (%)	14.05

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

<b>BUFFERS</b>	
Total buffer requirement	2.032
of which: capital conservation buffer requirement (%)	1.250
of which: bank specific countercyclical buffer requirement (%)	0.782
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.095
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	-
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
Cap on inclusion of provisions in Tier 2 under standardised approach	14,023
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	-
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

(\*) There is no amounts in this 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)**

	<b>Prior Period December 31, 2016 (* )</b>
<b>Common Equity Core Capital (CET 1)</b>	
Paid-in capital	650,000
Share premium	-
Legal reserves	93,187
Accumulated other comprehensive income in accordance with TAS	26,548
Profit	13,753
Net current period profit	13,753
Prior period profit	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	45
<b>Common Equity Core capital before regulatory adjustments</b>	<b>783,533</b>
<b>Common Equity Core capital: regulatory adjustments</b>	
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 (-)	(27,512)
Leasehold Improvements on Operational Leases (-)	(4,248)
Goodwill and Intangible assets and related deferred tax liabilities (-)	(7,960)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitisation gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
Amount exceeding the threshold of significant investments in the common stock of financials	-
Amount exceeding the threshold of mortgage servicing rights	-
Amount exceeding the threshold of deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
<b>Total regulatory adjustments to Common equity Core Capital</b>	<b>(39,720)</b>
<b>Common Equity Core capital (CET1)</b>	<b>743,813</b>

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

	<b>December 31, 2016</b>
<b>Additional Tier 1 capital: instruments</b>	
Prevalaged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (before 1.1.2014)	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	-
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Investments in own Additional Tier 1 instruments (-)	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold) (-)	-
National specific regulatory adjustments (-)	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-
<b>Additional Tier 1 capital (AT1)</b>	-
<b>Regulatory adjustments to Common Equity</b>	
Amount of goodwill and Intangible assets and related deferred tax liabilities that are not covered as regulatory adjustment in Common Equity in accordance with the temporary article 2 of the Own Fund Regulation (-)	5,306
Amount of net deferred tax assets / liabilities that are not covered as regulatory adjustment in Common Equity in accordance with the temporary article 2 of the Own Fund Regulation (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions(-)	-
<b>Total regulatory adjustments to Additional Tier I capital</b>	<b>5,306</b>
<b>Additional Tier I capital (AT1)</b>	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>738,507</b>
<b>Tier 2 capital: instruments and provisions</b>	
Directly issued qualifying Tier 2 instruments (that are approved by the regülatör) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Tier 2 instruments (that are approved by the regülatör) plus related stock surplus (before 1.1.2014)	-
Generic Provisions	41,321
<b>Tier 2 capital before regulatory adjustments</b>	<b>41,321</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments (-)	-
Reciprocal cross-holdings in Tier 2 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-
National specific regulatory adjustments (-)	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-
<b>Tier 2 capital (T2)</b>	<b>41,321</b>
<b>Total capital (TC = T1 + T2)</b>	<b>779,828</b>

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

	<b>December 31, 2016</b>
<b>Deductions from the capital</b>	
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	109
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the temporary paragraph 1 of the article numbered 2 of Own Fund Regulation (-)	-
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
Un-adjusted total amount from Common Equity, (in accordance with the paragraph 1 and 2 of temporary article numbered 2 of the Own Fund Regulation) due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
<b>OWN FUNDS</b>	
<b>Capital</b>	<b>779,719</b>
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	779,828
Total Risk Weighted Assets	4,884,687
<b>CAPITAL ADEQUACY RATIOS</b>	
Common Equity Tier 1 Capital Adequacy Ratio (%)	15.23
Tier 1 Capital Adequacy Ratio (%)	15.12
Capital Adequacy Ratio (%)	15.96
<b>BUFFERS</b>	
Total buffer requirement	0.718
Capital conservation buffer requirement (%)	0.625
Bank specific countercyclical buffer requirement (%)	0.093
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.107
<b>Amounts below the thresholds for deduction (before risk weighting)</b>	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
<b>Katkı Sermaye Hesaplamasında Dikkate Alınan Karşılıklara İlişkin Sınırlar</b>	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	-
Cap on inclusion of provisions in Tier 2 under standardised approach	41,321
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

(\*) There 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)**

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

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

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 1,789,397 and TRY 2,199,317 (December 31, 2016: TRY 1,969,039 and TRY 2,480,801), the share of total cash loans are 58.28% and 71.63% as of December 31, 2017 (December 31, 2016: 52.95% and 66.71%).

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 1,842,416 and TRY 2,311,857 (December 31, 2016: TRY 1,417,191 and TRY 1,813,765), the share of total non-cash loans are 59.69% ve 74.90% as of December 31, 2017 (December 31, 2016: 57.71% and 73.86%).

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 35.71% and 47.38% as of December 31, 2017 (December 31, 2016: 32.66% and 43.37%).

As of December 31, 2017, the general loan loss provision related with the credit risk is TRY 14,023 (December 31, 2016: TRY 41,321).

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

**Current Period**

	Due from Central Government 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	1,326,783	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	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,326,783</b>	<b>215</b>	<b>506,613</b>	<b>2,940,220</b>	<b>637,607</b>	<b>907,143</b>	<b>198,927</b>	<b>16,668</b>	<b>5,034</b>	<b>216,122</b>	<b>6,755,332</b>

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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		Contingent and Non-Contingent		Receivables defined in high risk category by BRSA	Share Investments	Other Receivables	Total
				Contingent Corporate Receivables	Non-Contingent Retail Receivables	Contingent Receivables Secured by Mortgages	Past Due Receivables				
Domestic	1,329,822	235	858,459	2,499,867	705,684	1,187,612	150,382	24,035	-	3,628,704	10,384,800
European Union Countries	-	-	20,954	1	44	-	-	-	-	-	20,999
OECD Countries	-	-	338	-	-	-	-	-	-	-	338
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	12,040	-	-	-	-	-	-	-	12,040
Other Countries	-	-	8,361	-	-	-	-	-	-	-	8,361
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1,329,822</b>	<b>235</b>	<b>900,152</b>	<b>2,499,868</b>	<b>705,728</b>	<b>1,187,612</b>	<b>150,382</b>	<b>24,035</b>	<b>-</b>	<b>3,628,704</b>	<b>10,426,538</b>

**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 defined in high risk category by BRSA	Share investments	Other Receivables	TRY	FC	Total
<b>1 Agriculture</b>	-	-	-	13,544	1,815	39	4,344	487	3,252	4,757	38	-	-	15,916	12,360	28,276
1.1 Farming and Raising Livestock	-	-	-	2,613	-	35	3,363	379	1,701	4,636	30	-	-	10,350	2,407	12,757
1.2 Forestry, Wood and Paper	-	-	-	2,791	-	-	981	108	1,551	121	6	-	-	5,558	-	5,558
1.3 Fishery	-	-	-	8,140	1,815	4	-	-	-	-	2	-	-	8	9,953	9,961
<b>2 Manufacturing</b>	-	-	-	714,089	166,627	498	166,464	9,749	100,314	39,101	470	-	-	587,142	610,170	1,197,312
2.1 Mining and Quarry	-	-	-	156,298	4,311	49	9,474	1,406	2,955	6,290	13	-	-	122,203	58,593	180,796
2.2 Production	-	-	-	507,943	136,985	442	153,781	8,330	97,359	32,811	454	-	-	410,468	527,637	938,105
2.3 Electricity, Gas and Water	-	-	-	49,848	25,331	7	3,209	13	-	-	3	-	-	54,471	23,940	78,411
<b>3 Construction</b>	-	-	-	275,101	215,074	1,939	133,750	111,369	219,484	48,622	12,793	-	-	818,268	199,864	1,018,132
<b>4 Services</b>	-	215	506,613	809,917	436,616	3,155	193,867	27,009	384,430	57,282	1,441	5,034	216,122	1,750,948	890,753	2,641,701
4.1 Wholesale and Retail Trade	-	-	-	279,635	87,685	938	112,604	5,523	42,850	43,463	378	-	-	439,721	133,355	573,076
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	529	24,821	71	5,222	6,842	186,922	1,223	33	-	-	190,992	34,671	225,663
4.3 Transportation and Communication	-	14	-	201,339	70,219	253	11,931	7,692	27,483	5,358	105	-	-	132,119	192,275	324,394
4.4 Financial Institutions	-	-	506,613	100,155	181,125	1	17,200	214	11,723	-	900	5,034	216,122	538,215	500,872	1,039,087
4.5 Real Estate and Renting Services.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.6 Self-Employment Services	-	-	-	214,346	24,083	3	10,348	5,458	113,892	27	-	-	-	342,650	25,507	368,157
4.7 Education Services	-	-	-	43	-	-	222	-	-	5,025	7	-	-	5,297	-	5,297
4.8 Health and Social Services	-	201	-	13,870	48,683	1,889	36,340	1,280	1,560	2,186	18	-	-	101,954	4,073	106,027
<b>5 Other</b>	1,326,783	-	-	223,374	84,063	11,374	122,177	11,987	39,062	49,165	1,926	-	-	1,293,806	576,105	1,869,911
<b>6 Total</b>	<b>1,326,783</b>	<b>215</b>	<b>506,613</b>	<b>2,036,025</b>	<b>904,165</b>	<b>17,005</b>	<b>620,602</b>	<b>160,601</b>	<b>746,542</b>	<b>198,927</b>	<b>16,668</b>	<b>5,034</b>	<b>216,122</b>	<b>4,466,080</b>	<b>2,289,252</b>	<b>6,755,332</b>

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

<b>Risk Types</b> <b>December 31, 2017</b>	<b>Current Year Net Credit Risk Amount After Provisions</b>	<b>Average Net Credit Risk Amount After Provisions</b>
Contingent and Non-Contingent Receivables from Central Governments or Central Banks	1,301,978	1,326,783
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	383	380
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	855,156	607,203
Contingent and Non-Contingent Corporate Receivables	6,339,461	2,638,653
Contingent and Non-Contingent SME Corporate Receivables	1,079,927	1,059,014
Contingent and Non-Contingent Retail Receivables	34,599	36,499
Contingent and Non-Contingent SME Retail Receivables	942,608	857,976
Contingent and Non-Contingent Receivables Secured by Mortgages	240,565	176,029
Contingent and Non-Contingent Receivables Secured by Corporate Mortgages	767,123	786,027
Past Due Receivables	160,824	198,927
Receivables defined in high risk category by BRSA	31,344	37,720
Collateralized Mortgage Marketable Securities	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-
Investment similar to collective investment funds	-	-
Other Receivables	1,995,036	221,156
<b>Total</b>	<b>13,749,004</b>	<b>7,946,367</b>

**Maturity Distribution of Remaining Maturities of time exposures:**

<b>Risk Types</b> <b>December 31, 2017</b>	<b>Time to Maturity</b>				
	<b>1 Month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>Over 1 Year</b>
Due from central governments or central banks	170,055	-	-	-	872,246
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	-	-	167	48
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	364,967	5,878	96	17,631	79,233
Other Corporate Receivables	240,479	263,078	446,159	568,150	518,160
Other SME Receivables	151,421	89,236	136,265	208,307	318,965
Other Retail Receivables	1,835	965	918	3,249	10,039
SME Retail Receivables	38,943	66,900	134,240	236,452	144,066
Receivables Secured by Mortgages	15,129	10,988	18,711	49,695	66,079
Receivables Secured by Corporate Mortgage	46,423	57,199	32,291	91,233	519,396
Past Due Receivables	22,830	7,064	13,034	14,340	141,659
Receivables defined in high risk category by BRSA	349	1,070	295	2,287	12,667
Collateralized Mortgage Marketable Securities	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	5,034
Share Investments	-	-	-	-	-
Other Receivables	51,952	-	-	-	76,622
<b>Total</b>	<b>1,104,383</b>	<b>502,378</b>	<b>782,009</b>	<b>1,191,511</b>	<b>2,764,214</b>

**Risk by Risk Weight Balances:**

	<b>Risk Weights(*)</b>										<b>Deductions from Equity</b>
	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>35%</b>	<b>50%</b>	<b>75%</b>	<b>100%</b>	<b>150%</b>	<b>200%</b>		
1 Amount before the credit risk mitigation	1,399,104	-	58,887	-	329,041	675,524	4,235,141	57,635	-	-	-
2 Amount after the credit risk mitigation	1,436,198	-	58,787	160,278	809,609	587,372	3,493,282	33,943	-	-	-

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

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**II.Explanations Related to Credit Risk (continued)****Important sectors or type of information according to counterparty**

Sectors/ Counterparties	Impaired(*)	Loans		Value Adjustments	Provisions
		Non-Performing			
1 Agricultural	2,761	30,176		51	14,887
1.1 Farming and Raising Livestock	2,761	29,500		51	14,333
1.2 Forestry, Wood and Paper	-	676		-	554
1.3 Fishery	-	-		-	-
2 Manufacturing	65,674	124,706		1,089	57,420
2.1 Mining and Quarry	-	8,450		-	2,160
2.2 Production	65,674	116,256		1,089	55,260
2.3 Electricity, Gas and Water	-	-		-	-
3 Construction	38,916	87,373		676	39,735
4 Services	121,561	99,121		1,970	37,395
4.1 Wholesale and Retail Trade	38,564	55,624		726	23,515
4.2 Hotel, Tourism, Food and Beverage Services	61,114	1,508		1,008	285
4.3 Transportation and Communication	516	5,353		5	3,960
4.4 Financial Institutions	868	9		17	9
4.5 Real Estate and Renting Services	17,726	1,062		175	1,035
4.6 Self-Employment Services	1,018	27,834		20	8,022
4.7 Education Services	-	5,290		-	264
4.8 Health and Social Services	1,755	2,441		19	305
5 Other	269	9,416		4	2,428
<b>Total</b>	<b>229,181</b>	<b>350,792</b>		<b>3,790</b>	<b>151,865</b>

(\*) Rescheduled loans

**Information on Credit Value Adjustments and Change in loan loss provisions**

	Opening Balance	The amount of provision in the period	Reversal of Provision	Other Provisions(*)	Closing Balance
1 Specific Provisions	89,647	89,941	(27,723)	-	151,865
2 General Provisions	41,321	-	(27,298)	-	14,023

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

**Risks Involved in Countercyclical Capital Buffer Calculation**

Country of ultimate risk	Private sector credit exposures in banking book	Risk weighted equivalent trading book	Total
Turkey	6,109,996	1,186	6,111,182
Jordan	25,545	-	25,545
England	2,168	487	2,655
Germany	98	515	613
Korea	2	-	2
Lebanon	18,953	2,125	21,078
Malta	3	-	3

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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:

<b>Gross Maximum Exposure</b>	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Due from Central Bank	454,486	563,098
Due from banks	402,735	560,328
Due from Money market transactions	-	-
Financial assets held for trading	-	-
Derivative financial instruments	3,517	2,780
Financial assets available-for-sale	845,108	755,992
Held to maturity investment	1,909	1,730
Loans	2,918,342	3,629,160
<b>Total</b>	<b>4,626,097</b>	<b>5,513,088</b>
Contingent liabilities	2,898,488	2,273,475
Irrevocable commitments	191,173	242,359
<b>Total</b>	<b>3,089,661</b>	<b>2,515,834</b>
<b>Total credit risk exposure</b>	<b>7,715,758</b>	<b>8,028,922</b>

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

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</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>	-	-	-
<b>Total</b>	<b>2,552,685</b>	<b>771,909</b>	<b>3,324,594</b>
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>	-	-	-
<b>Total</b>	<b>847,017</b>	<b>-</b>	<b>847,017</b>
<b>Total</b>	<b>3,399,702</b>	<b>771,909</b>	<b>4,171,611</b>

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

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

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

	Internal Rating Grade	December 31, 2017	(%)	December 31, 2016	(%)	
High						
	Risk rating class 1	A+ Excellent	131,827	4.85	96,283	2.77
	Risk rating class 2	A- Excellent	215,886	8.00	218,043	6.27
Good						
	Risk rating class 3	B+ Very Good	526,106	19.30	708,051	20.35
	Risk rating class 4	B- Very Good	495,775	18.20	451,418	12.98
Standard						
	Risk rating class 5	C+ Good	358,783	13.20	549,541	15.80
	Risk rating class 6	C- Good	543,305	20.00	694,570	19.96
Substandard						
	Risk rating class 7	D+ Ordinary	263,008	9.70	453,903	13.05
	Risk rating class 8	D- Ordinary	125,696	4.60	179,402	5.16
	Risk rating class 9	E Bad	49,396	1.80	117,427	3.38
	Risk rating class 10	F Very Bad	3,620	0.13	920	0.03
Unrated			6,013	0.22	9,220	0.25
<b>Total</b>			<b>2,719,415</b>	<b>100.00</b>	<b>3,478,778</b>	<b>100.00</b>

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

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

**“F” rating;**

Number of clients with “F” rating is 6 with an outstanding risk of TRY 3,620 (December 31, 2016: TRY 920; 8 client). 3% (1 client) of these clients are granted against mortgage with outstanding risk of TRY 109 and 1% (1 client) of these clients granted against cash blockage with outstanding risk of TRY 32. (December 31, 2016: 3 clients; 78%)

**“E” rating;**

Number of clients with “E” rating is 33 and total outstanding risk is TRY 49,396 (December 31, 2016: TRY 117,427; 75 clients). 48% (15 clients) of these clients are granted against mortgage with outstanding risk of TRY 23,549 (December 31, 2016: TRY 58,654; 50%). 27% (4 clients) of these clients are granted against Customer Check/Note with outstanding risk of TRY 13,100 (December 31, 2016: TRY 26,842; 23%). 2% (2 clients) of these clients are granted against cash blockage with outstanding risk of TRY 866 (December 31, 2016: TRY 3,125, 3%) and 1% (3 clients) of these clients are granted against assignment with outstanding risk of TRY 729. (December 31, 2016: TRY 898, 1%).

**“D-” rating;**

Number of clients with D- rating is 78 and total outstanding risk is TRY 125,696 (December 31, 2016 : TRY 179,402; 136 client). 46% (32 clients) of these clients granted against mortgage have outstanding risk of TRY 58,276 (December 31, 2016 : TRY 11,267; 62%).

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

19% (11 clients) of these clients are granted against Customer check/note with outstanding risk of TRY 23,266 (December 31, 2016 : TRY 14,754; 8%). 5% (11 clients) of these clients are granted against cash blockage with outstanding risk of TRY 5,998 (December 31, 2016 : TRY 2,525; 1%). 5% ( 3 clients) of these clients is granted against to commodity collateral with outstanding risk of TRY 6,550 0,02% (1 clients) of these clients is granted against car pledge with outstanding risk of TRY 23.

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	350,792	2,719,415	(151,865)	2,918,342
2	Debt Securities	-	847,017	-	847,017
3	Off-balance sheet receivables	52,656	3,033,938	(14,984)	3,071,610
4	<b>Total</b>	<b>403,448</b>	<b>6,600,370</b>	<b>(166,849)</b>	<b>6,836,969</b>

**Changes in Deferred Receivables and Debt Securities Inventory**

1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>240,029</b>
2	Loans and debt securities that have defaulted since the last reporting period	192,758
3	Returned to non-defaulted status	-
4	Amounts written off(*)	(14,771)
5	Other changes(**)	(67,224)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)</b>	<b>350,792</b>

(\*) 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.

(\*\*)Expresses the collections.

**Additional Explanations of the Credit Quality of Assets**

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

As of December 31, 2016, there was no specific provision for the risk of two customers which were delayed more than ninety days from their due, cause of negotiations between the Banks and costumers were not complete. In January 2017, the protocol process was completed for of both customers.

In 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 Council.

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

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 2017 has been introduced. As of December 31, 2017, the bank has no 90-day delay period and there is no information regarding the provisional provision.

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

As of December 31, 2017 restructured loans and other receivables amount to TRY 6,615 (December 31, 2016: TRY 4,547). Total amounts of special provision made by the Bank for relevant credits and other receivables is TRY 3,696 (December 31, 2016: TRY 1,136).

**Aging Analysis for Delayed Receivables**

	1-31 days	31-60 days	61-90 days	Over 90 days	Total
Delayed Receivables	3,083	136,505	29,543	-	169,131

**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, 2017	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	428,832	2,489,510	713,685	57,368	57,368	-	-
2	Debt securities	847,155	-	-	-	-	-	-
3	<b>Total</b>	<b>1,275,987</b>	<b>2,489,510</b>	<b>713,685</b>	<b>57,368</b>	<b>57,368</b>	-	-
4	Of which defaulted	115,967	234,825	217,785	-	-	-	-

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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.

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, 2017	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Exposures to central governments or central banks	1,326,783	-	1,361,627	2,250	5,770	0.42%
2	Exposures to regional governments or local authorities	237	143	181	25	205	100.00%
3	Exposures to public sector entities	-	-	-	-	-	-
4	Exposures to multilateral development banks	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-
6	Exposures to institutions	420,366	183,612	412,843	90,545	433,310	86.08%
7	Exposures to corporates	2,508,804	1,188,373	2,158,709	610,175	2,647,722	95.62%
8	Retail exposures	533,882	359,995	453,165	148,912	448,124	74.43%
9	Exposures secured by residential property	151,467	24,562	149,120	11,158	56,097	35.00%
10	Exposures secured by commercial real estate	708,499	77,528	701,954	40,756	506,953	68.26%
11	Past-due loans	350,792	-	197,265	-	197,635	100.19%
12	Higher-risk categories by the Agency Board	-	52,704	-	15,315	15,322	100.04%
13	Exposures in the form of covered bonds	-	-	-	-	-	-
14	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-
15	Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-
16	Other assets	216,122	-	216,122	-	138,031	63.87%
17	Investments in equities	5,034	-	5,034	-	5,034	100.00%
18	<b>TOTAL</b>	<b>6,221,986</b>	<b>1,886,917</b>	<b>5,656,020</b>	<b>919,136</b>	<b>4,454,203</b>	<b>67.74%</b>

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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, 2017	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	1,358,107	-	-	-	-	-	5,770	-	-	1,363,877
2	Exposures to regional governments or local authorities	-	-	-	-	-	-	-	-	-	-
3	Exposures to public sector entities	-	-	-	-	-	-	206	-	-	206
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
5	Exposures to international organisations	-	-	-	-	-	-	-	-	-	-
6	Exposures to institutions	-	-	38,557	-	78,466	-	386,366	-	-	503,389
7	Exposures to corporates	-	-	19,277	-	211,613	-	2,538,060	-	-	2,768,950
8	Retail exposures	-	-	-	-	14,697	586,893	606	-	-	602,196
9	Exposures secured by residential property	-	-	-	160,278	-	-	-	-	-	160,278
10	Exposures secured by commercial real estate	-	-	-	-	471,514	-	271,196	-	-	742,710
11	Past-due loans	-	-	-	-	31,291	-	133,943	32,031	-	197,265
12	Higher-risk categories by the Agency Board	-	-	-	-	1,899	-	11,504	1,912	-	15,315
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	78,091	-	-	-	-	-	138,031	-	-	216,122
18	<b>Total</b>	<b>1,436,198</b>	<b>-</b>	<b>57,834</b>	<b>160,278</b>	<b>809,480</b>	<b>586,893</b>	<b>3,490,716</b>	<b>33,943</b>	<b>-</b>	<b>6,575,342</b>

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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	EEPR(*)	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard Approach-CCR	-	4,313	-	1,4	4,128	3,182
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	<b>Total</b>	-	<b>4,313</b>	-	-	<b>4,128</b>	<b>3,182</b>

(\*) Effective expected positive risk amount

**Credit valuation adjustment (CVA) capital charge**

		Exposure (After credit risk mitigation methods)	Risk Weighted Amounts
1	Total portfolio value with comprehensive approach CVA capital adequacy		
2	(i) Value at risk component (3*multiplier included)	-	-
3	(ii) Stressed Value at Risk (3*multiplier included)	-	-
4	Total portfolio value with standard approach CVA capital adequacy	4,128	3,182
5	Total amount of CVA capital adequacy	4,128	3,182

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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	-	-	-	-	-	-	-	-	-
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	-	-	953	129	-	2,142	-	-	3,224
Corporate receivables	-	-	-	-	-	490	-	-	490
Retail receivables	-	-	-	-	598	-	-	-	598
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	-	-	-	-	-	-	-	-	-
<b>Total Credit Risk</b>	-	-	<b>953</b>	<b>129</b>	<b>598</b>	<b>2,632</b>	-	-	<b>4,312</b>

(\*) 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)**

None.

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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, 2017 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	<b>December 22, 2017</b>	<b>December 25, 2017</b>	<b>December 26, 2017</b>	<b>December 27, 2017</b>	<b>December 28, 2017</b>	<b>December 29, 2017</b>
<b>USD</b>	3.8142	3.8023	3.8055	3.8215	3.7746	3.7905
<b>CHF</b>	3.8496	3.8447	3.8412	3.8620	3.8505	3.8774
<b>GBP</b>	5.0987	5.0809	5.0783	5.1256	5.0694	5.1201
<b>100 JPY</b>	3.3610	3.3550	3.3590	3.3750	3.3440	3.3640
<b>EUR</b>	4.5161	4.5136	4.5092	4.5457	4.5073	4.5374

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before at December 31, 2017 are as follows:

	<b>Monthly Average Foreign Exchange Rate</b>
<b>USD</b>	3.8386
<b>CHF</b>	3.8838
<b>GBP</b>	5.1427
<b>100 JPY</b>	3.3979
<b>EUR</b>	4.5419

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

<b>December 31, 2017</b>	<b>EUR</b>	<b>USD</b>	<b>YEN</b>	<b>OTHER</b>	<b>TOTAL</b>
<b>Assets</b>					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	26,165	365,037	-	-	391,202
Banks	2,915	392,978	426	6,401	402,720
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Receivables from Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	4	-	-	4
Loans (*)	328,539	351,613	-	-	680,152
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (****)	359	10	-	-	369
<b>Total Assets</b>	<b>357,978</b>	<b>1,109,642</b>	<b>426</b>	<b>6,401</b>	<b>1,474,447</b>
<b>Liabilities</b>					
Bank Deposits	1	636	-	-	637
Foreign Currency Deposits	308,466	1,038,186	-	4,621	1,351,273
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	22,098	94,145	-	-	116,243
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	787	4,826	-	-	5,613
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	119	1,452	-	41	1,612
<b>Total Liabilities</b>	<b>331,471</b>	<b>1,139,245</b>	<b>-</b>	<b>4,662</b>	<b>1,475,378</b>
<b>Net Balance Sheet Position</b>	<b>26,507</b>	<b>(29,603)</b>	<b>426</b>	<b>1,739</b>	<b>(931)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(45,816)</b>	<b>42,674</b>	<b>-</b>	<b>-</b>	<b>(3,142)</b>
Receivables from Financial Derivative Instruments (***)	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
<b>December 31, 2016</b>					
<b>Total Assets(*) (****)</b>	<b>493,755</b>	<b>1,336,793</b>	<b>121</b>	<b>4,038</b>	<b>1,834,707</b>
<b>Total Liabilities</b>	<b>449,004</b>	<b>1,411,240</b>	<b>-</b>	<b>3,127</b>	<b>1,863,371</b>
<b>Net Balance Sheet Position</b>	<b>44,751</b>	<b>(74,447)</b>	<b>121</b>	<b>911</b>	<b>(28,664)</b>
<b>Net Off-Balance Sheet Position</b>	<b>(44,930)</b>	<b>72,277</b>	<b>-</b>	<b>(108)</b>	<b>27,239</b>
Receivables from Financial Derivative Instruments (***)	19,236	111,359	-	-	130,595
Financial Derivative Liabilities (***)	(64,166)	(39,082)	-	(108)	(103,356)
Non-Cash Loans (**)	265,057	486,565	-	3,722	755,344

(\*) Foreign currency indexed loans amounting to TRY 373,749 (December 31, 2016: TRY 444,623) are included in the loan portfolio.

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

(\*\*\*) It includes also TRY 776 and TRY 758 forward asset purchase &amp; sale commitments (December 31, 2016: TRY 27,766 and TRY 5,849).

(\*\*\*) 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 91 (31 December 2016: TRY 651).
- Derivative financial liabilities held for trading: TRY 73 (31 December 2016: TRY 314).

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

**Foreign currency sensitivity:**

The Bank is exposed to exchange rate risk in EURO and US dollar. 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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
USD	% 10 increase	1,307	(217)	-	-
USD	% 10 decrease	(1,307)	217	-	-
EUR	% 10 increase	(1,931)	(18)	-	-
EUR	% 10 decrease	1,931	18	-	-
Other Currency	% 10 increase	217	92	-	-
Other Currency	% 10 decrease	(217)	(92)	-	-

**V. Explanations Related to Interest Rate Risk**

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

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

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

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

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

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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
<b>December 31, 2017</b>							
<b>Assets</b>							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	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
<b>Total Assets</b>	<b>1,968,246</b>	<b>985,455</b>	<b>822,391</b>	<b>585,060</b>	<b>17,398</b>	<b>496,667</b>	<b>4,875,217</b>
<b>Liabilities</b>							
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
<b>Total Liabilities</b>	<b>2,700,119</b>	<b>902,995</b>	<b>227,055</b>	<b>1,563</b>	<b>-</b>	<b>1,043,485</b>	<b>4,875,217</b>
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)
<b>Total Position</b>	<b>(731,873)</b>	<b>82,460</b>	<b>595,336</b>	<b>583,497</b>	<b>17,398</b>	<b>(546,537)</b>	<b>281</b>

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

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 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, real estate acquired due to receivables amounting to TRY 7,853 and other assets amounting to TRY 20,020.

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

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

	EUR %	USD %	YEN %	TRY %
<b>December 31, 2017 (**)</b>				
<b>Assets</b>				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	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
<b>Liabilities</b>				
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.

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

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

(\*\*) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 12,308, intangible assets amounting to TRY 13,266, assets to be sold amounting to TRY 116,533, tax asset amounting to TRY 6,259, prepaid expenses amounting to TRY 6,685, non-performing loans amounting to TRY 150,382, settlement account amounting to TRY 18,720 and other assets amounting to TRY 20,889.

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

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

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

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

(\*\*) 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.

**Nature of interest rate risk resulted from banking book:**

Economic value differences resulted from interest rate instabilities calculated according to Regulation on Measurement and Evolution of Interest Rate Risk Resulted from Banking Book as per Standard Shock Method divided different currencies is mentioned at the table below: as of December 31, 2017:

Type of Currency	Shocks Applied (+ / - basis points)*	Gains / Losses	Gains / Equity – Losses / Equity
TRY	500	(41,126)	(6%)
	(400)	37,081	5%
EURO	200	(5,519)	(1%)
	(200)	5,880	1%
USD	200	(3,763)	(1%)
	(200)	3,993	1%
<b>Total (of negative shocks)</b>		<b>46,954</b>	<b>7%</b>
<b>Total (of positive shocks)</b>		<b>(50,408)</b>	<b>(7%)</b>

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

If interest rates had been increased by 0.5% in TRY and by 0.5% in FC and all other variables were held constant, the Bank's:

- Net profit/loss would decrease by TRY 9,882. The change in profit mainly is related to loans and deposits (December 31, 2016 : TRY 10,144).
- Possible changes in the interest rates effects the equity as a result of the revaluation of the available-for-sale assets decreases equity by TRY 240 (December 31, 2016: 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, liquidity risk analysis form is reported weekly to BRSA by the Bank in 2013.

The unconsolidated lowest foreign currency is (393%) (20/10/2017) and the unconsolidated highest foreign currency is (501%) (24/11/2017) and total liquidity coverage ratios are (177%) (01/12/2017) at the lowest and (210%) (22/12/2017) 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 taking related currencies into consideration in order to meet its obligation to pay.

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

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

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

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

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

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

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

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

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

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

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

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

Current Period – December 31, 2017		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>					
	High Quality Liquid Assets			915,849	413,973
<b>CASH OUTFLOWS</b>					
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	<b>TOTAL CASH OUTFLOWS</b>			<b>1,031,678</b>	<b>376,892</b>
<b>CASH INFLOWS</b>					
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	<b>TOTAL CASH INFLOWS</b>	<b>664,191</b>	<b>447,524</b>	<b>550,040</b>	<b>436,962</b>
				<b>Total Adjusted Value</b>	
21	<b>TOTAL STOCK OF HQLA</b>			<b>915,849</b>	<b>413,973</b>
22	<b>TOTAL NET CASH OUTFLOWS</b>			<b>481,638</b>	<b>94,223</b>
23	<b>LIQUIDITY COVERAGE RATIO (%)</b>			<b>190.15</b>	<b>439.35</b>

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

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

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

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

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

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

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

The Bank has performed forward exchange, swap and option transactions with foreign financial institutions in 2017.

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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:**

<b>December 31, 2017</b>	<b>Demand</b>	<b>Up to 1 Month</b>	<b>1-3 Month</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Undistributed (*)</b>	<b>Total</b>
<b>Assets</b>								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	180,583	218,399	85,737	21,572	148	-	-	506,439
Banks	38,808	363,927	-	-	-	-	-	402,735
Financial Assets at Fair Value Through Profit and Loss	-	-	3,517	-	-	-	-	3,517
Money Market Placements	-	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	-	52	-	-	627,019	218,037	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	-	9,080	-	-	-	-	386,876	395,956
<b>Total Assets</b>	<b>219,391</b>	<b>1,933,266</b>	<b>372,605</b>	<b>513,374</b>	<b>1,214,136</b>	<b>235,431</b>	<b>387,014</b>	<b>4,875,217</b>
<b>Liabilities</b>								
Bank Deposits	798	-	-	-	-	-	-	798
Other Deposits	195,804	2,291,084	883,408	125,518	-	-	-	3,495,814
Funds Borrowed From Other Financial Institutions	-	400,425	-	-	-	-	-	400,425
Money Market Borrowings	-	32,567	-	-	-	-	-	32,567
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	7,643	19,009	101,537	1,563	-	-	129,752
Other Liabilities (**)	1,618	49,760	578	-	-	-	763,905	815,861
<b>Total Liabilities</b>	<b>198,220</b>	<b>2,781,479</b>	<b>902,995</b>	<b>227,055</b>	<b>1,563</b>	<b>-</b>	<b>763,905</b>	<b>4,875,217</b>
<b>Liquidity Gap</b>	<b>21,171</b>	<b>(848,213)</b>	<b>(530,390)</b>	<b>286,319</b>	<b>1,212,573</b>	<b>235,431</b>	<b>(376,891)</b>	<b>-</b>
<b>Net Off-Balance Position</b>	<b>-</b>	<b>24</b>	<b>149</b>	<b>108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>281</b>
Derivative Assets	-	103,282	48,913	12,994	-	-	-	165,189
Derivative Liabilities	-	103,258	48,764	12,886	-	-	-	164,908
<b>Non-Cash Loans</b>	<b>-</b>	<b>30,835</b>	<b>389,478</b>	<b>1,287,422</b>	<b>386,680</b>	<b>804,073</b>	<b>-</b>	<b>2,898,488</b>
<b>December 31, 2016</b>								
<b>Total Assets</b>	<b>409,767</b>	<b>2,558,676</b>	<b>308,312</b>	<b>657,622</b>	<b>1,096,215</b>	<b>398,500</b>	<b>326,369</b>	<b>5,755,461</b>
<b>Total Liabilities</b>	<b>161,565</b>	<b>3,043,818</b>	<b>1,325,488</b>	<b>397,892</b>	<b>3,263</b>	<b>-</b>	<b>823,435</b>	<b>5,755,461</b>
<b>Liquidity Gap</b>	<b>248,202</b>	<b>(485,142)</b>	<b>(1,017,176)</b>	<b>259,730</b>	<b>1,092,952</b>	<b>398,500</b>	<b>(497,066)</b>	<b>-</b>
<b>Net Off-Balance Position</b>	<b>-</b>	<b>(251)</b>	<b>48</b>	<b>(263)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(466)</b>
Derivative Assets	-	72,031	28,332	43,787	-	-	-	144,150
Derivative Liabilities	-	72,282	28,284	44,050	-	-	-	144,616
<b>Non-Cash Loans</b>	<b>-</b>	<b>16,765</b>	<b>66,098</b>	<b>902,197</b>	<b>461,352</b>	<b>827,063</b>	<b>-</b>	<b>2,273,475</b>

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

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

(\*\*\*) Rotative loans are classified in up to 1 month column.

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

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**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
<b>As of December 31, 2017</b>							
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
<b>Total</b>	<b>2,699,152</b>	<b>902,417</b>	<b>227,055</b>	<b>1,563</b>	<b>-</b>	<b>(33,106)</b>	<b>3,797,081</b>
<b>As of December 31, 2016</b>							
Bank Deposits	-	-	-	-	-	-	-
Other deposits	2,507,232	1,230,565	207,014	6	-	(37,894)	3,906,923
Funds provided from other financial institutions	373,445	-	-	-	-	(130)	373,315
Money market borrowings	47,838	53,210	283,322	3,339	-	(3,951)	383,758
<b>Total</b>	<b>2,928,515</b>	<b>1,283,775</b>	<b>490,336</b>	<b>3,345</b>	<b>-</b>	<b>(41,975)</b>	<b>4,663,996</b>

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>December 31, 2017</b>						
<b>Trading Derivatives Instruments</b>	24	149	108	-	-	281
Foreign Exchange Derivatives	103,282	48,913	12,994	-	-	165,189
- Addition	(103,258)	(48,764)	(12,886)	-	-	(164,908)
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Trading Derivatives Instruments</b>	-	-	-	-	-	-
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>103,282</b>	<b>48,913</b>	<b>12,994</b>	<b>-</b>	<b>-</b>	<b>165,189</b>
<b>Total cash outflow</b>	<b>(103,258)</b>	<b>(48,764)</b>	<b>(12,886)</b>	<b>-</b>	<b>-</b>	<b>(164,908)</b>

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>December 31, 2016</b>						
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	(299)	67	(239)	-	-	(471)
- Addition	47,131	33,215	63,804	-	-	144,150
- Disposal (-)	(47,430)	(33,148)	(64,043)	-	-	(144,621)
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Trading Derivatives Instruments</b>						
Foreign Exchange Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
Interest Rate Derivatives	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal (-)	-	-	-	-	-	-
<b>Total cash inflow</b>	<b>47,131</b>	<b>33,215</b>	<b>63,804</b>	<b>-</b>	<b>-</b>	<b>144,150</b>
<b>Total cash outflow</b>	<b>(47,430)</b>	<b>(33,148)</b>	<b>(64,043)</b>	<b>-</b>	<b>-</b>	<b>(144,621)</b>

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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, 2017, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 10.30% (31 December 2016: 10.57%). This ratio is above the minimum required. minimum level of leverage is declared 3% for the banks.

**Disclosure of Leverage ratio template :**

	<b>On Balance Sheet Exposures</b>	<b>December 31, 2017 (*)</b>	<b>December 31, 2016 (*)</b>
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	5,741,929	5,842,004
2	(Deductions from the capital)	(58,501)	(40,681)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	5,683,428	5,801,323
	<b>Derivative exposures</b>		
4	Replacement cost of derivative exposure	2,122	1,960
5	Potential credit risk of derivative exposures	1,637	1,382
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	3,759	3,342
	<b>Securities financing transaction exposures</b>		
7	The risk amount of Securities financing transaction exposures (excluding on balance sheet exposures)	-	-
8	The risk amount of transactions bank acting as agent	-	-
9	Total risk amount of Securities financing transaction exposures (Total of 7th ve 8th rows)	-	-
	<b>Off Balance sheet items</b>		
10	The gross nominal amount of off balance sheet items	2,745,217	2,393,661
11	CCR adjustment amount	(1,509,578)	(1,213,446)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,235,639	1,180,215
	<b>Capital and total risk</b>		
13	Shareholders' Equity	710,237	738,404
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	6,922,825	6,984,880
	<b>Leverage Ratio</b>		
15	Leverage ratio	10.30%	% 10.57

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

**IX. Explanations Related to Market Risk**

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

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

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

General Market Risk: It causes by adverse market conditions.

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

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

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

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**IX. Explanations Related to Market Risk (continued)**

factors in different scenarios to the market risk is analyzed by using stress tests. The changes in the currency and interest rate in TRY and FC are the basic parameters of the stress tests and scenario analysis.

There is an economic capital limit determined by Board Decision for stress tests. The effect of one point difference in interest rate to the all assets and liabilities of the Bank which are sensitive to the interest rate is calculated for TRY and FC separately. The results of the stress tests and scenario analysis are presented to the ALCO weekly, the Board of Directors and the Audit Committee quarterly. The results are taken into account in decision-making processes.

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

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

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

**Market risk under standardised approach**

		RWA
	<b>Outright products</b>	
1	Interest rate risk (general and specific)	425
2	Equity risk (general and specific)	-
3	Foreign exchange risk	5,866
4	Commodity risk	-
5	Options	-
6	Simplified approach	-
7	Delta-plus method	32
8	Scenario approach	-
9	Securitisation	-
10	<b>Total</b>	<b>6,323</b>

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**X. Explanations Related to Operational Risk**

**Basic indicators approach:**

	2 PY Amount	1 PY Amount	CY Amount	Total/Postive gı number of years	Rate (%)	Total
Gross income	246,136	230,865	263,828	246,943	15	37,041
The amount subject to operational risk (Total*12.5)						463,018

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. The following tables, which should be given in quarterly periods in accordance with the related communiqué, are not presented as of December 31, 2017 as the standard approach is used in the calculation of capital adequacy of the Bank:

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

**Bank's Risk Management Approach**

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

The structure and organization of the risk management system in terms of the function and responsibilities of the Risk Management Group depends on the Board of Directors. Loyalty to the Board of Directors takes place through the Audit Committee. Risk Management conducts its activities under the supervision of the Audit Committee within the framework of the provisions of the "Regulation on Internal Systems of Banks and Internal Capital".

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**XI. Risk Management Objectives and Policies (continued)**

Adequacy Assessment Process" published by BRSA. Risk management considers credit, market, interest rate, concentration, liquidity risks and operational risks in their works as the basic principle to establish the limits of these risks and control processes. The Bank has established a stress-test-driven management by taking into account

The changes in the market, as well as the maximum amount of loss that may arise in Credit Risk, Operational Risk, Market Risk and other risks within the scope of internal capital management.

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

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

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

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

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

	Risk weighted asset	Minimum capital requirements		
		Current Period December 31, 2017	Prior Period December 31, 2016	Current Period December 31, 2017
1	Credit risk (excluding counterparty credit risk) (CCR)	4,454,203	4,483,182	412,014
2	Of which standardised approach (SA)	4,454,203	4,483,182	412,014
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	3,182	5,173	294
5	Of which standardised approach for counterparty credit risk (SA-CCR)	3,182	5,173	294
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	6,323	1,743	585
17	Of which standardised approach (SA)	6,323	1,743	585
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	463,018	394,589	42,829
20	Of which Basic Indicator Approach	463,018	394,589	42,829
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>4,926,726</b>	<b>4,884,687</b>	<b>455,722</b>

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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.

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

Liquidity Risk is the risk that the Bank cannot fulfill its payment obligations fully and on time due to its insufficient cash inflow or due to inadequate available cash resulting from the mismatch between cash inflows and outflows.

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**XI. Risk Management Objectives and Policies (continued)**

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 limits are allocated by the Board of Directors. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

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

	Book Value		Fair Value	
	December 31, 2017	December 31,2016	December 31, 2017	December 31,2016
<b>Financial Assets</b>	<b>4,168,094</b>	<b>4,947,210</b>	<b>4,196,756</b>	<b>4,995,896</b>
Receivables From Money Markets	-	-	-	-
Banks	402,735	560,328	402,735	560,328
Available-For-Sale Financial Assets(*)	845,108	755,992	845,108	755,992
Held-To-Maturity Investments	1,909	1,730	1,896	1,720
Loans	2,918,342	3,629,160	2,947,017	3,677,856
<b>Financial Liabilities</b>	<b>4,059,356</b>	<b>4,866,638</b>	<b>4,060,913</b>	<b>4,867,509</b>
Bank Deposits	798	1,616	798	1,616
Other Deposits	3,495,814	4,065,888	3,496,275	4,066,150
Funds Borrowed From Other Financial Institutions	129,752	383,758	130,848	384,367
Debts to Money Markets	400,425	373,315	400,425	373,315
Sundry Creditors	32,567	42,061	32,567	42,061

(\*)Fair value is not calculated for stocks not traded on the stock exchange amounting to TRY 138.

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, 2017 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, 2017 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(continued)**

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, 2017	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
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	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(1,248)	-	-
<hr/>				
December 31, 2016	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
<b>Financial Assets</b>				
Financial Assets at Fair Value through Profit and Loss	-	2,780	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	755,992	-	-	138
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
<b>Financial Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(3,739)	-	-

**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, 2017		December, 31 2016	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	10,976	40,977	14,169	33,406
Balances with the Central Bank of Turkey	104,261	350,225	315,813	247,285
Other	-	-	-	-
<b>Total</b>	<b>115,237</b>	<b>391,202</b>	<b>329,982</b>	<b>280,691</b>

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

	December 31, 2017		December, 31 2016	
	TRY	FC	TRY	FC
Unrestricted demand deposits	101,990	5,765	313,717	4,698
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	2,271	344,460	2,096	242,587
<b>Total</b>	<b>104,261</b>	<b>350,225</b>	<b>315,813</b>	<b>247,285</b>

**c) Explanations related to reserve deposits:**

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

FC reserve deposits rates:

FX demand deposits, notice deposits and FX private current accounts, FX deposits/FX participation accounts up to 1-month, up to 3-month, up to 6-month and up to 1-year maturities	FX deposits/FX participation accounts with 1-year and longer maturity and cumulative FX deposits/ FX participation accounts	FX Special fund pools	FX liabilities up to 1-year maturity (including 1-year)	FX liabilities 1-2 year maturity (including 2-year)	FX liabilities 2- 3 year maturity (including 3-year)	Other liabilities up to 3-5 year maturity (including 5-year)	Other liabilities longer than 5 years
12.0%	8.0%	Ratios for corresponding maturities	24.0%	19.0%	14.0%	6.0%	4.0%

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

TRY reserve deposits rates:

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

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

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

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

The Bank does not have net book value of unrestricted financial assets at fair value through profit and loss (December 31, 2016: None).

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

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Forward Transactions	3,426	91	2,129	587
Swap Transactions	-	-	-	64
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>3,426</b>	<b>91</b>	<b>2,129</b>	<b>651</b>

**3. a) Information on banks:**

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Banks				
Domestic	15	364,019	141	527,620
Foreign	-	38,701	-	32,567
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>15</b>	<b>402,720</b>	<b>141</b>	<b>560,187</b>

**b) Information on foreign bank accounts:**

	Unrestricted Amount		Restricted Amount	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
European Union Countries	8,943	20,045	-	-
USA and Canada	28,909	12,040	-	-
OECD Countries (*)	691	337	-	-
Other	158	145	-	-
<b>Total</b>	<b>38,701</b>	<b>32,567</b>	<b>-</b>	<b>-</b>

(\*) 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 financial assets available-for-sale:**

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

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	829,048	-	142,991	-
Other	-	-	-	-
<b>Total</b>	<b>829,048</b>	<b>-</b>	<b>142,991</b>	<b>-</b>

Available-for-sale securities given as collateral for Borsa Istanbul, Interbank money market, foreign currency market and Takasbank are TRY 36,905, TRY 789,198, TRY 1,420 and TRY 1,525 respectively (December 31, 2016: Available-for-sale securities given as collateral for open market transaction is TRY 26,028, TRY 33,001 hold for Borsa Istanbul, TRY 82,601 hold for Interbank money market, and TRY 1,361 hold for Takasbank respectively).

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

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	-	-	385,779	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>385,779</b>	<b>-</b>

Net book value of unrestricted financial assets available-for-sale is TRY 16,198 (December 31, 2016: TRY 227,360) and included in this amount there are unquoted stocks amounting TRY 138 (December 31, 2016: TRY 138).

b) Information on financial assets available for sale portfolio:

	December 31, 2017	December 31, 2016
Debt securities	845,108	756,001
Quoted on a stock exchange	845,108	756,001
Not quoted	-	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	(9)
<b>Total</b>	<b>845,246</b>	<b>756,130</b>

In line with the accounting policies of the Bank, all unquoted available for sale equities are recorded at fair value except for the Bank's investment of TRY 138 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2016: 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, 2017		December 31, 2016	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	159	44,498	132	14,451
Corporate shareholders	159	44,498	132	14,451
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	46,106	-	51,145
Loans granted to employees	1,448	1,234	1,960	1,447
<b>Total</b>	<b>1,607</b>	<b>91,838</b>	<b>2,092</b>	<b>67,043</b>

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Cash Loans	Loans and Other Receivables	Restructured or Rescheduled or Other	Loans and Other Receivables	Restructured or Rescheduled or Other	Other
Non-specialized loans	2,109,978	36,455	-	380,256	192,726	-
Business loans	1,493,980	36,353	-	371,347	192,557	-
Export loans	222,275	-	-	1,780	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	252,240	-	-	2,888	-	-
Foreign loans	98	-	-	-	-	-
Consumer loans	4,185	102	-	147	169	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	136,700	-	-	4,094	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>2,109,978</b>	<b>36,455</b>	<b>-</b>	<b>380,256</b>	<b>192,726</b>	<b>-</b>

c) Loans according to their maturity structure:

	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring		
	Cash Loans	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	1,200,317	25,781	82,564	58,038	
Non-specialized loans	1,200,317	25,781	82,564	58,038	
Specialized loans	-	-	-	-	
Other Receivables	-	-	-	-	
Medium and long-term loans and other receivables	909,661	10,674	297,692	134,688	
Non-specialized loans	909,661	10,674	297,692	134,688	
Specialized loans	-	-	-	-	
Other Loans	-	-	-	-	
<b>Total</b>	<b>2,109,978</b>	<b>36,455</b>	<b>380,256</b>	<b>192,726</b>	

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<b>Number of Changes for the Payment Plan Extension</b>	<b>Standard Loans and Other Receivables</b>	<b>Watching Loans and Other Receivables</b>
1 or 2 times extended	36,455	186,655
3, 4 or 5 times extended	-	6,071
5 Over the extended	-	-
<b>Total</b>	<b>36,455</b>	<b>192,726</b>

  

	<b>Standard Loans and Other Receivables</b>	<b>Watching Loans and Other Receivables</b>
0 – 6 Month	1,304	7,615
6 – 12 Month	24,477	50,423
1 – 2 Year	1,750	40,136
2 – 5 Year	6,640	66,686
5 Years and Over	2,284	27,866
<b>Total</b>	<b>36,455</b>	<b>192,726</b>

As of December 31, 2017, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved” (published in the Official Gazette on May 28, 2011, numbered 27947) the bank calculated general loan loss provision for standard loan, which the payments are rescheduled, amounting to TRY 350 and for watchlist-loans, amounting to TRY 3,440.

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

	<b>Short Term</b>	<b>Medium and Long Term</b>	<b>Total</b>
<b>Consumer Loans-TRY</b>	<b>482</b>	<b>2,136</b>	<b>2,618</b>
Housing Loans	-	669	669
Car Loans	-	29	29
General Purpose Loans	482	1,438	1,920
Other	-	-	-
<b>Consumer Loans –Indexed to FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Individual Credit Cards-TRY</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Individual Credit Cards-FC</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Loans-TRY</b>	<b>389</b>	<b>720</b>	<b>1,109</b>
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	389	720	1,109
Other	-	-	-
<b>Personnel Loans- Indexed to FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Personnel Credit Cards-FC</b>	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY (Real Persons) (*)</b>	<b>876</b>	-	<b>876</b>
<b>Overdraft Accounts-FC (Real Persons)</b>	-	-	-
<b>Total</b>	<b>1,747</b>	<b>2,856</b>	<b>4,603</b>

(\*) Overdraft Accounts includes TRY 249 personnel loans.

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

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

	Short Term	Medium and Long Term	Total
<b>Commercial loans with installment facility-TRY</b>	<b>28,011</b>	<b>683,233</b>	<b>711,244</b>
Business Loans	5,233	2,008	7,241
Car Loans	3,029	12,106	15,135
General Purpose Loans	19,749	669,119	688,868
Other	-	-	-
<b>Commercial loans with installment facility - Indexed to FC</b>	<b>7,450</b>	<b>263,824</b>	<b>271,274</b>
Business Loans	-	-	-
Car Loans	2,799	128,239	131,038
General Purpose Loans	4,651	135,585	140,236
Other	-	-	-
<b>Commercial loans with installment facility - FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
<b>Corporate Credit Cards-TRY</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Corporate Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installments	-	-	-
Without Installments	-	-	-
<b>Overdraft Accounts-TRY (Legal Entities)</b>	<b>9,227</b>	<b>-</b>	<b>9,227</b>
<b>Overdraft Accounts-FC (Legal Entities)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Toplam</b>	<b>44,688</b>	<b>947,057</b>	<b>991,745</b>

f) Domestic and foreign loans:

	December 31, 2017	December 31, 2016
Domestic loans	2,719,317	3,478,778
Foreign loans	98	-
<b>Total</b>	<b>2,719,415</b>	<b>3,478,778</b>

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2017	December 31, 2016
Specific provisions		
Loans and other receivables with limited collectability	3,638	1,777
Loans and other receivables with doubtful collectability	47,352	14,088
Uncollectible loans and receivables	100,875	73,782
<b>Total</b>	<b>151,865</b>	<b>89,647</b>

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

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>December 31, 2017</b>			
(Gross amount before specific provision) (*)	106	364	6,145
Restructured Loans and Other Receivables	106	364	6,145
Rescheduled Loans and Other Receivables	-	-	-
<b>December 31, 2016</b>			
(Gross amount before specific provision)	-	2,647	1,900
Restructured Loans and Other Receivables	-	2,647	1,900
Rescheduled Loans and Other Receivables	-	-	-

(\*) As of December 31, 2017 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 3,696 (December 31, 2016: TRY 1,136).

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>December 31, 2016 balance</b>	<b>17,040</b>	<b>54,439</b>	<b>168,550</b>
Additions (+)	112,713	79,566	479
Transfers from other categories of non-performing loans (+)	-	84,915	77,534
Transfers to other categories of non-performing loans (-)	(84,915)	(77,534)	-
Collections (-)	(2,285)	(18,663)	(46,276)
Write-offs (-) (*)	-	(580)	(14,191)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
<b>December 31, 2017 balance</b>	<b>42,553</b>	<b>122,143</b>	<b>186,096</b>
Specific provision (-)	(3,638)	(47,352)	(100,875)
<b>Net Balances on Balance Sheet</b>	<b>38,915</b>	<b>74,791</b>	<b>85,221</b>

(\*) NPL portfolio amounting to TRY 14,771 sold to Mega Varlık Yönetimi A.Ş. according to BOD numbered 555 and dated December 21, 2017.

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

None.

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

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	<b>Loans and receivables with limited collectability</b>	<b>Loans and receivables with doubtful collectability</b>	<b>Uncollectible loans and receivables</b>
<b>December 31, 2017 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	<b>42,553</b>	<b>122,143</b>	<b>186,096</b>
Specific provision (-)	(3,638)	(47,352)	(100,875)
Loans to Real Persons and Legal Entities (Net)	<b>38,915</b>	<b>74,791</b>	<b>85,221</b>
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>December 31, 2016 (Net)</b>			
Loans to Real Persons and Legal Entities (Gross)	17,040	54,439	168,550
Specific provision (-)	(1,777)	(14,088)	(73,782)
Loans to Real Persons and Legal Entities (Net)	15,263	40,351	94,768
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

l) Explanations on write-off policy:

As of December 31, 2017, there is no actuarial gain or loss on disposal of the Board of Directors (31 December 2016: None).

The act of deleting actively for customers who are documented as having no solvency by the request of the Department of Law and Credits is assessed within the framework of the authorities granted by the Board of Directors. The following loan amounting to TL 14,771 with 100% provision booked in lending and other receivables category was excluded from the records after being sold to Mega Varlık Yönetimi AŞ. by the Board of Directors resolution numbered 555 dated 21 December 2017.

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

m) Other explanations and disclosures:

<b>December 31, 2017</b>	<b>Corporate</b>	<b>SME</b>	<b>Retail</b>	<b>Other</b>	<b>Total</b>
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
<b>Total gross</b>	<b>2,497,806</b>	<b>569,084</b>	<b>3,317</b>	<b>-</b>	<b>3,070,207</b>
Less: allowance for individually impaired loans	(119,502)	(32,352)	(11)	-	(151,865)
<b>Total net</b>	<b>2,378,304</b>	<b>536,732</b>	<b>3,306</b>	<b>-</b>	<b>2,918,342</b>

  

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

(\*) 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;

	<b>Total</b>
At January 1, 2017	<b>89,647</b>
Additions in the period	89,941
Non-performing loan sales	(14,771)
The effect of collections in the period	(12,952)
Write off	-
<b>At December 31, 2017</b>	<b>151,865</b>

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2017 is TRY 270,286 (December 31, 2016: TRY 235,138).

Properties amounting to TRY 59,517 are transferred to the ownership of the Bank in 2017 and in the same period TRY 29,905 has been sold. In addition, property transferred to the ownership of the Bank before 2017 year has been sold amounting to TRY 36,470.

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

<b>December 31, 2017</b>	<b>Less than 30 Days</b>	<b>31- 60 Days</b>	<b>61- 90 Days</b>	<b>More than 91 Days(*)</b>	<b>Total</b>
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>	-	-	-	-	-
<b>Total</b>	<b>406,934</b>	<b>136,505</b>	<b>29,543</b>	<b>-</b>	<b>572,982</b>

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

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

Fair value of past due but not impaired loans and other receivable as of December 31, 2017 is TRY 733,117. (December 31, 2016: TRY 794,235).

Loans and advances amounting to TRY 967,283 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2016: TRY 1,470,326) and the remaining TRY 1,752,132 have fixed interest rates (December 31, 2016: TRY 2,088,452).

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

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

	<b>December 31, 2017</b>		<b>December 31, 2016</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	1,909	-	1,730	-
Other	-	-	-	-
<b>Total</b>	<b>1,909</b>	<b>-</b>	<b>1,730</b>	<b>-</b>

As of December 31, 2017, collateral or blocked investments held-to-maturity; stock exchange balance is TRY 1,909 (December 31, 2016 : Stock exchange balance is TRY 1,730).

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

The Bank does not have the book value of held to maturity investments classified as unrestricted financial assets (December 31, 2016: None).

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

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

	December 31, 2017	December 31, 2016
Government bonds	1,909	1,730
Treasury bills	-	-
Other public sector debt securities	-	-
<b>Total</b>	<b>1,909</b>	<b>1,730</b>

c) Information on held to maturity investments:

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	1,909	-	1,730	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
<b>Total</b>	<b>1,909</b>	<b>-</b>	<b>1,730</b>	<b>-</b>

d) Movement of held to maturity investments:

	December 31, 2017	December 31, 2016
Beginning balance	1,730	22,080
Foreign currency differences on monetary assets (*)	179	(493)
Purchases during year	-	-
Disposal through sales and redemptions	-	(19,857)
Impairment provision (-)	-	-
<b>Closing Balance</b>	<b>1,909</b>	<b>1,730</b>

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

**7. Information on associates (Net):**

The Bank has 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,				Change in estimate	Balance
	2016	Additions	Disposals	Other		December 31, 2017
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,683	-	(1,843)	-	-	3,840
Vehicles	-	-	-	-	-	-
Other	44,523	5,693	(3,276)	-	-	46,940
<b>Total Cost</b>	<b>50,206</b>	<b>5,693</b>	<b>(5,119)</b>	<b>-</b>	<b>-</b>	<b>50,780</b>
	Balance December 31,				Change in estimate	Balance
	2016	Additions	Disposals	Other		December 31, 2017
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(5,621)	(70)	1,876	-	-	(3,815)
Vehicles	-	-	-	-	-	-
Other	(32,277)	(2,922)	1,980	-	-	(33,219)
<b>Total Accumulated Depreciation</b>	<b>(37,898)</b>	<b>(2,992)</b>	<b>3,856</b>	<b>-</b>	<b>-</b>	<b>(37,034)</b>
<b>Net Book Value</b>	<b>12,308</b>	<b>2,701</b>	<b>(1,263)</b>	<b>-</b>	<b>-</b>	<b>13,746</b>

- 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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**13. Information on intangible assets:**

	Closing Balance December 31, 2016	Additions	Disposals	Other	Change in Estimate	Ending Balance December 31, 2017
Cost:						
Software cost	47,789	5,705	(4,751)	-	-	48,743
<b>Total Cost</b>	<b>47,789</b>	<b>5,705</b>	<b>(4,751)</b>	<b>-</b>	<b>-</b>	<b>48,743</b>

	Closing Balance December 31, 2016	Additions	Disposals	Other	Change in Estimate	Ending Balance December 31, 2017
Accumulated Depreciation:						
Software cost	(34,523)	(4,065)	3,441	-	-	(35,147)
<b>Total Accumulated Depreciation</b>	<b>(34,523)</b>	<b>(4,065)</b>	<b>3,441</b>	<b>-</b>	<b>-</b>	<b>(35,147)</b>
<b>Net Book Value</b>	<b>13,266</b>	<b>1,640</b>	<b>(1,310)</b>	<b>-</b>	<b>-</b>	<b>13,596</b>

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

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

- As of December 31, 2017, deferred tax asset calculated on financial loss is TRY 15,999 (December 31, 2016: None). Deferred tax asset calculated on the other temporary differences is TRY 4,719 (December 31, 2016: TRY 5,155 deferred tax asset).
- Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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

	December 31, 2017		December 31, 2016	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	14,637	2,927	13,464	2,693
Other provisions	7,719	1,544	9,469	1,894
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	2,757	551	1,663	333
Deferred Commission	5,894	1,179	4,646	929
Financial Assets	376	75	983	196
Tax Losses	79,992	15,999	-	-
<b>Deferred Tax Assets</b>		<b>22,275</b>		<b>6,045</b>
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	5,506	1,101	4,440	888
Financial Assets	2,282	456	10	2
Other	-	-	-	-
<b>Deferred tax liability (-)</b>		<b>1,557</b>		<b>890</b>
<b>Deferred tax Asset (Net)</b>		<b>20,718</b>		<b>5,155</b>

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

17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2017	December 31, 2016
Assets to be Sold	109,753	116,533
Settlement Accounts	7,853	18,720
Prepaid Expenses	6,768	6,685
Other	15,123	20,889
<b>Toplam</b>	<b>139,497</b>	<b>162,827</b>

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

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**II. Explanations and Disclosures Related to the Liabilities****1. Information on maturity structure of deposits:****a.1) 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	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>196,602</b>	<b>-</b>	<b>296,058</b>	<b>2,567,548</b>	<b>88,313</b>	<b>245,421</b>	<b>102,670</b>	<b>-</b>	<b>3,496,612</b>

**a.2) December 31, 2016:**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	16,765	-	62,213	1,203,363	55,669	120,400	12,798	-	1,471,208
Foreign currency deposits	71,218	-	89,106	1,148,130	110,613	63,278	3,267	-	1,485,612
Residents in Turkey	69,152	-	87,924	1,109,410	104,081	61,141	1,577	-	1,433,285
Residents abroad	2,066	-	1,182	38,720	6,532	2,137	1,690	-	52,327
Public sector deposits	732	-	-	48,246	-	-	-	-	48,978
Commercial deposits	69,860	-	119,448	627,860	94,148	34,808	54,134	-	1,000,258
Other institutions deposits	390	-	2,233	29,402	13,907	13,900	-	-	59,832
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,616	-	-	-	-	-	-	-	1,616
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	52	-	-	-	-	-	-	-	52
Foreign Banks	1,564	-	-	-	-	-	-	-	1,564
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>160,581</b>	<b>-</b>	<b>273,000</b>	<b>3,057,001</b>	<b>274,337</b>	<b>232,386</b>	<b>70,199</b>	<b>-</b>	<b>4,067,504</b>

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

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Saving deposits	290,882	299,418	1,017,170	1,157,830
Foreign currency saving deposits	80,663	68,964	648,855	739,598
Other deposits in the form of saving deposits	796	602	16,132	13,062
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
<b>Total</b>	<b>372,341</b>	<b>368,984</b>	<b>1,682,157</b>	<b>1,910,490</b>

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

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

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

	December 31, 2017	December 31, 2016
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	3,521	2,673
Deposits obtained through illegal acts defined in the 282 <sup>nd</sup> Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

**2. Information on derivative financial liabilities:**

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

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Forward Transactions	1,172	61	3,425	8
Swap Transactions	3	12	-	306
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,175</b>	<b>73</b>	<b>3,425</b>	<b>314</b>

**3. Information on borrowings:**

a) Information on banks and other financial institutions:

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Credits from Central Bank of the Republic of Turkey	-	-	-	80,686
From Domestic Banks and Institutions	13,509	19,551	22,422	36,495
From Foreign Banks, Institutions and Funds	-	96,692	-	244,155
<b>Total</b>	<b>13,509</b>	<b>116,243</b>	<b>22,422</b>	<b>361,336</b>

b) Maturity analysis of borrowings:

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Short-term	13,509	72,308	22,422	251,351
Medium and long-term	-	43,935	-	109,985
<b>Total</b>	<b>13,509</b>	<b>116,243</b>	<b>22,422</b>	<b>361,336</b>

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

Bank diversifies its funding resources by customer deposits and domestic borrowings.

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

**4. Information on funds provided from repurchase agreement transactions:**

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
<b>From domestic transactions</b>	-	-	<b>373,315</b>	-
Financial institutions and organizations	-	-	373,313	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	2	-
<b>From foreign transactions</b>	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
<b>Total</b>	-	-	<b>373,315</b>	-

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

	December 31, 2017		December 31, 2016	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	-	-	268,377	373,312
Held to Maturity Investments	-	-	2	3
Financial assets held for trading	-	-	-	-
<b>Total</b>	-	-	<b>268,379</b>	<b>373,315</b>

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

None.

**6. Explanations on lease obligations (Net):**

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

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

- b) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In 2017, operational lease expenses amounting to TRY 20,041 have been recorded in the profit and loss accounts (December 31, 2016: TRY 19,268). The lease periods vary between 5 and 10 years.

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

**7. Information on derivative financial liabilities for hedging purposes:**

None.

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**II. Explanations and Disclosures Related to the Liabilities: (continued)****8. Information on provisions:**

## a) Information on general provisions:

As of 31 December 2017, the bank has made provision in accordance with the amendments published in the Official Gazette No. 29840 dated September 27, 2016 and published in the Official Gazette No. 29918 dated December 14, 20.16 made by the BRSA to the regulation of “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved”. The current period effect of this change has been TL 19.753.

	December 31, 2017	December 31, 2016
General Provisions		
Provisions for First Group Loans and Receivables	6,783	19,569
- Additional provision for extended loans	-	661
Provisions for Second Group Loans and Receivables	5,223	10,510
- Additional provision for extended loans	-	6,178
Provisions for Non-cash Loans	2,017	4,403
<b>Total</b>	<b>14,023</b>	<b>41,321</b>

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

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
<b>January 1, 2017</b>	<b>20,230</b>	<b>16,688</b>	<b>4,403</b>
Additions	-	-	-
Disposals	(13,447)	(11,465)	(2,836)
<b>December 31, 2017</b>	<b>6,783</b>	<b>5,223</b>	<b>2,017</b>

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 128 (December 31, 2016: TRY 1) on the foreign currency indexed loans are netted off from loans on the balance sheet.

c) The specific provisions of TRY 14,984 (December 31, 2016: TRY 7,213) were provided for unindemnified non cash loans.

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

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

d.1) Movement of employee termination benefits:

	December 31, 2017	December 31, 2016
As of January 1	9,268	8,198
Service cost	1,774	1,825
Interst cost	1,057	876
Actuarial gain/ (loss)	55	(834)
Benefits paid	(1,971)	(797)
<b>Total of provision for employee benefits</b>	<b>10,183</b>	<b>9,268</b>

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

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

	December 31, 2017	December 31, 2016
Employee termination benefit provision	10,183	9,268
Unused vacation provision	3,391	3,078
<b>Total of provision for employee benefits</b>	<b>13,574</b>	<b>12,346</b>

In accordance with TAS 19 “Turkish Accounting Standard on Employee Benefits”; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement. According to communique numbered 28585 dated March 12, 2013 published in Turkish Trade Registry Gazette, as per TAS 19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 1,064 as of December 31, 2017 (December 31, 2016: TRY 1,119 gain).

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

	Assumptions
Discount rate	11.50%
Inflation rate	8.30%

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, 2017	December 31, 2016
Specific provisions provided for unindemnified non cash loans	14,984	7,213
Other provisions (*)	5,518	7,449
<b>Total</b>	<b>20,502</b>	<b>14,662</b>

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

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
<b>December 31, 2017</b>	<b>7,213</b>	<b>7,449</b>
Additions	8,741	3,221
Disposals	(970)	(5,152)
<b>December 31, 2017</b>	<b>14,984</b>	<b>5,518</b>

(\*) Other provisions include TRY 438 of bonus provisions before 2017, TRY 1,472 of loan provision, TRY 1,049 of provision for other assets, TRY 2,559 of litigation provision. (December 31, 2016 other provision include TRY 4000 bonus provisions, TRY 769 bonus provisions before 2016, TRY 394 of provisions for other assets, TRY 2,286 of litigation provision).

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

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, 2017, remaining tax liability after prepaid taxes are netted off:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Current Period Tax Payable	-	4,882
Prepaid Tax	(4,575)	(5,986)
<b>Total</b>	<b>(4,575)</b>	<b>(1,104)</b>

a.2) Explanations on taxes payable:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Taxation on Securities	4,787	5,346
BITT	3,458	4,240
Corporate Tax Payable	-	-
Payroll Tax	3,611	1,378
Property Tax	553	510
Value Added Tax Payable	238	343
Stamp Tax	103	43
Other	157	81
<b>Total</b>	<b>12,907</b>	<b>11,941</b>

a.3) Information on premiums:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Social Security Premiums-Employer	986	840
Social Security Premiums-Employee	625	539
Bank Social Aid Pension Fund Premium-Employer	84	73
Bank Social Aid Pension Fund Premium-Employee	42	36
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
<b>Total</b>	<b>1,737</b>	<b>1,488</b>

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

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

**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, 2017 the nominal value of the Bank's capital is amounting to TRY 650 million and consists of 6,500 million shares.

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Common stock (*)	650,000	650,000
Preferred stock	-	-

(\*) Nominal Capital

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

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

- g) Information on preferred shares: None.

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

h) Information on marketable securities value increase fund:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Valuation Difference	(25,753)	(27,512)
Foreign Exchange Difference	-	-
<b>Total</b>	<b>(25,753)</b>	<b>(27,512)</b>

**Information on legal reserves :**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
First Legal Reserves	5,332	4,644
Second Legal Reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
<b>Total</b>	<b>5,332</b>	<b>4,644</b>

**Information on extraordinary reserves:**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Reserves appropriated by the General Assembly	-	-
Retained earnings	88,694	76,825
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
<b>Total</b>	<b>88,694</b>	<b>76,825</b>

**13. Information on minority shares:** None.

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

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

a) Nature and amount of irrevocable loan commitments:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Loan granting commitments	66,739	66,907
Payment commitments for checks	105,137	108,953
Forward asset purchase and sales commitments	3,067	60,067
Other irrevocable commitments	16,230	6,432
<b>Total</b>	<b>191,173</b>	<b>242,359</b>

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

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

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Bank acceptance loans	2,732	6,465
Letters of credit	250,141	234,477
Other guarantees and collaterals	811,516	141,687
<b>Total</b>	<b>1,064,389</b>	<b>382,629</b>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Definite letter of guarantess	1,522,786	1,465,493
Temporary letter of guarantees	173,195	300,238
Other letter of guarantees	138,118	125,115
<b>Total</b>	<b>1,834,099</b>	<b>1,890,846</b>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Non-cash loans given against achieving cash loans	145,795	139,872
With maturity of 1 year or less than 1 year	112,895	114,780
With maturity of more than 1 year	32,900	25,092
Other non-cash loans	2,752,693	2,133,603
<b>Total</b>	<b>2,898,488</b>	<b>2,273,475</b>

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

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

	December 31, 2017				December 31, 2016			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	19,393	1.28	215,494	13.68	27,110	1.60	37,079	4.90
Farming and raising livestock	18,287	1.21	207,554	13.18	26,159	1.54	33,414	4.42
Forestry	1,072	0.07	-	-	918	0.05	3,665	0.48
Fishery	34	0.00	7,940	0.50	33	-	-	-
Manufacturing	352,741	23.33	846,414	53.74	391,123	23.02	425,608	56.26
Mining	22,862	1.51	55,119	3.50	19,999	1.18	21,906	2.90
Production	323,881	21.42	772,653	49.06	355,046	20.89	390,709	51.64
Electric, gas and water	5,998	0.40	18,642	1.18	16,078	0.95	12,993	1.72
Construction	445,696	29.48	179,603	11.40	645,333	37.98	160,681	21.24
Services	651,098	43.07	333,098	21.15	600,359	35.33	131,934	17.44
Wholesale and retail trade	178,396	11.80	96,563	6.13	144,357	8.50	48,368	6.39
Hotel, food and beverage services	4,678	0.31	817	0.05	6,893	0.41	667	0.09
Transportation and telecommunication	60,249	3.99	138,689	8.81	46,398	2.73	10,180	1.35
Financial institutions	212,546	14.06	67,523	4.29	218,661	12.87	30,420	4.02
Real estate and renting services	49,497	3.27	14,054	0.89	30,606	1.80	10,585	1.40
Self-employment services	77,263	5.11	14,302	0.91	94,107	5.54	30,956	4.09
Education services	245	0.02	-	-	348	0.02	-	-
Health and social services	68,224	4.51	1,150	0.07	58,989	3.47	758	0.10
Other	42,784	2.84	273	0.03	35,276	2.08	1,264	0.17
<b>Total</b>	<b>1,511,712</b>	<b>100.00</b>	<b>1,574,882</b>	<b>100.00</b>	<b>1,699,201</b>	<b>100.00</b>	<b>756,566</b>	<b>100.00</b>

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	1,305,721	485,466	28,775	14,137
Bank acceptances	-	2,732	-	-
Letters of credit	-	250,141	-	-
Endorsements	-	652,408	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	-	159,076	-	32
<b>Total</b>	<b>1,305,721</b>	<b>1,549,823</b>	<b>28,775</b>	<b>14,169</b>

(\*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TRY 52,646 for non-cash loans not yet indemnified amounting to TRY 14,984.

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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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Types of trading transactions</b>				
Foreign currency related derivative transactions (I):				
Forward transactions	176,226	133,991	-	-
Swap transactions	91,853	109,690	-	-
Futures transactions	-	-	-	-
Option transactions	62,018	45,090	-	-
Interest related derivative transactions (II) :				
Forward rate transactions	-	-	-	-
Interest rate swap transactions	-	-	-	-
Interest option transactions	-	-	-	-
Futures interest transactions	-	-	-	-
Other derivative transactions for trade (III)				
A. Total trading derivative transactions (I+II+III)	330,097	288,771	-	-
<b>Types of hedging transactions</b>				
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
<b>Total Derivative Transactions (A+B)</b>	<b>330,097</b>	<b>288,771</b>	<b>-</b>	<b>-</b>

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, 2017 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
<b>December 31, 2017</b>								
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	-	-	-	-	-	-
<b>Total</b>	<b>88,233</b>	<b>87,993</b>	<b>45,947</b>	<b>45,906</b>	<b>31,009</b>	<b>31,009</b>	<b>-</b>	<b>-</b>
<b>December 31, 2016</b>								
TRY	33,321	31,568	-	7,546	8,000	8,000	-	-
USD	21,100	25,009	54,714	-	11,483	11,483	-	-
EUR	12,470	10,523	-	47,430	3,062	3,062	-	-
Other	-	-	-	-	-	-	-	-
<b>Total</b>	<b>66,891</b>	<b>67,100</b>	<b>54,714</b>	<b>54,976</b>	<b>22,545</b>	<b>22,545</b>	<b>-</b>	<b>-</b>

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

None.

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**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, 2017 and 2016 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, 2017 and 2016 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, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	182,497	9,734	122,908	7,061
Medium and long term loans	211,575	14,964	305,291	26,301
Interest on non-performing loans	4,852	-	6,039	-
<b>Total</b>	<b>398,924</b>	<b>24,698</b>	<b>434,238</b>	<b>33,362</b>

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

**b) Information on interest received from banks:**

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	46	-	-
Domestic banks	3	4,042	134	1,394
Foreign banks	-	309	3	26
Branches and head office abroad	-	-	-	-
<b>Total</b>	<b>3</b>	<b>4,397</b>	<b>137</b>	<b>1,420</b>

**c) Interest received from marketable securities portfolio:**

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Trading securities	-	-	2	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	108,306	-	64,808	-
Held-to-maturity securities	248	-	756	-
<b>Total</b>	<b>108,554</b>	<b>-</b>	<b>65,566</b>	<b>-</b>

**d) Information on interest income received from associates and subsidiaries: None.****2. a) Information on interest on funds borrowed:**

	December 31, 2017		December 31, 2016	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)				
Banks	1,140	4,985	1,188	5,253
The Central Bank of Turkey	-	-	-	-
Domestic banks	1,140	499	1,188	440
Foreign banks	-	4,486	-	4,813
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
<b>Total</b>	<b>1,140</b>	<b>4,985</b>	<b>1,188</b>	<b>5,253</b>

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

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

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

December 31 , 2017								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
<b>TRY</b>								
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	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>18,619</b>	<b>233,123</b>	<b>18,513</b>	<b>20,744</b>	<b>8,215</b>	<b>-</b>	<b>299,214</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	2,041	38,695	2,478	3,624	43	-	46,881
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>2,041</b>	<b>38,695</b>	<b>2,478</b>	<b>3,624</b>	<b>43</b>	<b>-</b>	<b>46,881</b>
<b>Grand Total</b>	<b>-</b>	<b>20,660</b>	<b>271,818</b>	<b>20,991</b>	<b>24,368</b>	<b>8,258</b>	<b>-</b>	<b>346,095</b>
December 31 , 2016								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
<b>TRY</b>								
Bank deposits	-	29	-	-	-	-	-	29
Saving deposits	-	5,252	139,069	17,106	13,987	2,486	-	177,900
Public sector deposits	-	30	1,517	426	-	-	-	1,973
Commercial deposits	-	8,178	60,340	8,615	6,072	8,999	-	92,204
Other deposits	-	5,065	5,815	359	-	-	-	11,239
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>18,554</b>	<b>206,741</b>	<b>26,506</b>	<b>20,059</b>	<b>11,485</b>	<b>-</b>	<b>283,345</b>
<b>Foreign Currency</b>								
Foreign currency deposits	-	1,727	36,323	3,317	1,940	26	-	43,333
Bank deposits	-	-	134	-	-	-	-	134
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1,727</b>	<b>36,457</b>	<b>3,317</b>	<b>1,940</b>	<b>26</b>	<b>-</b>	<b>43,467</b>
<b>Grand Total</b>	<b>-</b>	<b>20,281</b>	<b>243,198</b>	<b>29,823</b>	<b>21,999</b>	<b>11,511</b>	<b>-</b>	<b>326,812</b>

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

**3. Information on Dividend Income:**

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Trading Securities	-	-
Financial Assets at fair value through profit and loss	-	-
Available for sale securities	10	10
Other	-	-
<b>Total</b>	<b>10</b>	<b>10</b>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Income</b>	<b>680,940</b>	<b>656,459</b>
Gains on capital market operations	54	74
Gains on derivative financial instruments	20,721	43,603
Foreign exchange gains	660,165	612,782
<b>Losses (-)</b>	<b>(679,002)</b>	<b>(657,610)</b>
Losses on capital market operations	-	-
Losses on derivative financial instruments	(21,237)	(49,278)
Foreign exchange losses	(657,765)	(608,332)
<b>Total</b>	<b>1,938</b>	<b>(1,151)</b>

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

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Reversal of specific provisions (cash)	27,723	38,029
Reversal of general loan loss provisions (*)	27,299	5,580
Reversal of unindemnified non-cash loan provision	970	3,396
Income from sales of assets	3,436	2,865
Income of previous year	537	1,607
Provisions for expenditure collected from customers	165	62
Reversal of free provisions	5,152	41
Provisions for communication expense collected from customers	99	31
Other	453	552
<b>Total</b>	<b>65,834</b>	<b>52,163</b>

(\*)As of December 31, 2017, according to the Board of Directors Decision dated December 21, 2017 numbered 555, non-performing loans with a principal amount of TRY 14,771 that sold are included.

(\*) As of 31 December 2017, the bank has made provision in accordance with the amendments published in the Official Gazette No. 29840 dated September 27, 2016 and published in the Official Gazette No. 29918 dated December 14, 2016 made by the BRSA to the regulation of "Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be reserved". The current period effect of this change has been TL 19.753.

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**IV. Explanations and Disclosures Related to the Statement of Income (continued)****6. Provision for impairment of loans and other receivables:**

	December 31, 2017	December 31, 2016
Specific provisions for loans and other receivables	89,941	50,276
III. Group Loans and Receivables	25,031	11,071
IV. Group Loans and Receivables	35,203	14,366
V. Group Loans and Receivables	29,707	24,839
General loan loss provision expenses	-	7,499
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	3,154
<b>Total</b>	<b>100,153</b>	<b>60,929</b>

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

	December 31, 2017	December 31, 2016
Personnel expenses	95,762	79,731
Provision for employee termination benefits	860	1,904
Taxes and duties	5,936	4,499
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,436	4,337
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	5,377	5,750
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	1,546	1,060
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	56,988	56,437
Rent expenses	20,041	19,268
Maintenance expenses	9,035	6,670
Advertisement expenses	573	455
Other expenses (*)	27,339	30,044
Loss on sales of assets (***)	15,031	27,548
Other (**)	11,534	7,675
<b>Total</b>	<b>197,470</b>	<b>188,941</b>

(\*) Included in other operating expenses; vehicle expenses are TRY 5,471, communication expenses are TRY 4,230, cleaning expenses are TRY 1,035, non-deductible are expenses TRY 838, heating-lightening expenses are TRY 1,486, stationery expenses are TRY 776, computer usage expenses are TRY 2,927, insurance expenses are TRY 1,003, expertise expenses are TRY 1,002, representation expenses are TRY 1,449, subcontractor company expenses are TRY 3,752, other expenses are TRY 3,370 (December 31, 2016; vehicle expenses are TRY 4,841, communication expenses are TRY 3,923, cleaning expenses are TRY 1,003, non-deductible expenses are TRY 799, heating-lightening expenses are TRY 1,413, stationery expenses are TRY 765, free provision expenses are TRY 4,802, computer usage expenses are TRY 2,860, insurance expenses are TRY 801, other provision expenses are TRY 887, expertise expenses are TRY 1,455, representation expenses are TRY 1,325, subcontractor company expenses are TRY 3,488, and other expenses are TRY 1,682).

(\*\*) Included in other; Saving Deposit Insurance Fund is TRY 2,308, assurance and financial consultancy expenses are TRY 2,416, free provisions are TRY 1,663, and other expenses are TRY 5,147. (December 31, 2016: Saving Deposit Insurance Fund is TRY 2,284 assurance and financial consultancy expenses are TRY 3,564, and other expenses are TRY 1,827).

(\*\*\*) 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.

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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 17,438 profit before tax as of December 31, 2016 and TRY 57,347 loss before tax as of December 31, 2017.

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

- a) As of December 31, 2017 current tax expense: none. (December 31, 2016: TRY 4,882 tax expense) and TRY 16,972 deferred tax income (December 31, 2016: TRY 1,197 deferred tax income).
- b) Deferred tax income on temporary differences and carried forward tax loss is amounting to TRY 15,999 (December 31, 2016: TRY 11,951 deferred tax income).
- c) Deferred tax expense for temporary differences and carried forward tax loss is amounting to TRY 4,719 (December 31, 2016: TRY 10,754 deferred tax expense).
- d) Tax reconciliation:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Profit before tax</b>	<b>(57,347)</b>	<b>17,438</b>
Tax at the domestic income tax rate of 20% (2016: 20%)	11,469	(3,488)
Disallowables and other, net	5,503	(197)
<b>Tax Calculated</b>	<b>16,972</b>	<b>(3,685)</b>

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

The Bank has TRY 13,753 net profit as of December 31, 2016 and TRY 40,375 net loss as of December 31, 2017.

**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, 2017	December 31, 2016
Other fees and commissions received		
Expertise fees collected from customers	1,185	1,652
Transfer commissions	46	469
Insurance commission	315	327
Cheque expenses	180	298
Safe-deposit commissions	67	68
Information expenses	174	63
Bill of credit commissions	47	61
Letter of credit commissions	11	11
Credit card commissions and fees	14	7
Collection item commissions	5	6
Other banking operations income (*)	3,904	5,077
<b>Total</b>	<b>5,948</b>	<b>8,039</b>

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

	December 31, 2017	December 31, 2016
Other fees and commissions given		
Commissions given to banks	871	666
EFT commissions	310	293
Bond exchange transaction fee	66	237
Transfer commissions	185	177
Settlement and custody commission	22	34
Credit card commission	127	22
ATM commission	11	10
Other	112	68
<b>Total</b>	<b>1,704</b>	<b>1,507</b>

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

a) Increase resulting from revaluation of financial assets available for sale is amounting to TRY 1,759 (December 31, 2016: TRY 1,380 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 is amounting to TRY 688 (December 31, 2016: TRY 725)

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 85,734 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 24,245 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 20,994 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 39,734 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 31,2016	December 31,2015
<b>Cash</b>		
Cash in TRY/Foreign Currency	47,575	43,205
The Central Bank of Turkey	318,415	101,530
Other	-	-
<b>Cash equivalents</b>		
Banks and receivables from financial institutions	560,310	388,353
Money market placements	-	50,000
<b>Total cash and cash equivalents</b>	<b>926,300</b>	<b>583,088</b>
End of the period	December 31, 2017	December 31, 2016
<b>Cash</b>		
Cash in TRY/Foreign Currency	51,952	47,575
The Central Bank of Turkey	107,756	318,415
Other	-	-
<b>Cash equivalents</b>		
Banks and receivables from financial institutions	402,695	560,310
Money market placements	-	-
<b>Total cash and cash equivalents</b>	<b>562,403</b>	<b>926,300</b>

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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, 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
<b>Loans and other receivables</b>						
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

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 159.

**b) December 31, 2016:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
<b>Loans and other receivables</b>						
Balance at beginning of period	-	-	112	63	-	18,459
Balance at end of period	-	-	132	14,451	-	51,223
Interest and commission income	-	-	-	-	173	584

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 132.

**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, 2017	December 31, 2016	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
<b>Deposits</b>						
Balance at beginning of period	-	-	1,333	844	81,827	19,194
Balance at end of period	-	-	721	1,333	44,180	81,827
<b>Interest on deposits</b>	-	-	-	-	9,146	6,511

In addition, the Bank has "Funds Borrowed" at an amount of TRY 37,933 used from risk group of the Bank (December 31, 2016: TRY 71,478) and TRY 2,184 (December 31, 2016: TRY 3,273) interest expense was incurred from funds borrowed in 2017.

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

**d) As of December 31, 2017, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 13,030 (December 31, 2016: TRY 7,239)**

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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:

	<b>Amount</b>	<b>% Compared to the Amounts in the Financial Statements</b>
Cash loans	-	-
Banks and other receivables	159	0.04
Non-cash loans	90,654	2.94
Deposits	44,901	1.28
Borrowings	37,933	29.23

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

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

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

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

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

	Number	Employees			
Domestic branches	33	523			
			Country		
Rep-offices abroad	-	-	-		
				Total Assets	Capital
Branches abroad	-	-	-	-	-
Off-shore branches	-	-	-	-	-

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

None.

**IX. Explanations and disclosures related to subsequent events**

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income belonging to the taxation periods of 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To financial years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.

In accordance with the Board of Directors decision taken on 21 December 2017, nine branches of the Bank have been closed via mergers and as a result, the total number of branches of the bank have decreased to twenty four.

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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, 2017 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 February 28, 2018 is presented preceding the financial statements and notes to the financial statements.

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

None.