

TURKLAND BANK ANONİM ŐİRKETİ

**INDEPENDENT AUDITOR'S REPORT, UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED
DECEMBER 31, 2012**

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

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Turkland Bank Anonim Şirketi

**INDEPENDENT AUDITOR’S REPORT
FOR THE YEAR JANUARY 1,2012- DECEMBER 31,2012**

We have audited the accompanying balance sheet of Turkland Bank A.Ş. as at December 31, 2012, and the related statements of income, cash flows and changes in shareholders’equity for the year ended, and a summary of significant accounting policies and other explanatory notes.

Responsibility of the Bank’s Board of Directors for the Financial Statements

The Board of Directors of the Bank is responsible for the preparation and fair presentation of the financial statements in accordance with the “Communiqué on Banks’ Accounting Practice and Maintaining Documents” published in the Official Gazette dated November 1, 2006 and numbered 26333 and Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the Banking Regulation and Supervision Agency (“BRSA”). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulation on “Licensing and Operations of Audit Firms in Banking” published in the Official Gazette dated November 1, 2006 and numbered 26333 and the International Standards on Auditing. We planned and performed our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor’s Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as per the Article No: 37 of the Banking Act No: 5411, and other regulations, communiqués, circulars and pronouncements made by the BRSA in respect of accounting and financial reporting.

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

Ayşe Zeynep Deldag
Partner

İstanbul, Turkey
February 22, 2013

Translated into English from the original Turkish report and financial statements

**THE UNCONSOLIDATED FINANCIAL REPORT OF TURKLANDBANK A.Ş.
FOR THE YEAR ENDED DECEMBER 31, 2012**

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The unconsolidated financial report for the year designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures consists of the sections listed below:

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

The unconsolidated audited 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, 2013

Nehme SABBAGH	A. Dinçer ALPMAN	Mehmet ÖZGÜNER	Gülçin SU
Chairman of the Board of Directors	General Manager	Executive Vice President	Manager Financial Affairs
Mehmet Behçet PERİM	Mohamed Ali BEYHUM	Amin Rasheed Sa'id HUSSEINI	
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

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012

(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 170,000 to TRY 300,000, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA Approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TRY 65,000 have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

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

As of December 31, 2012, the shareholders' structure and their ownerships are summarized as follows:

Name of shareholders	Share Amount	Share Ratios %	Paid up Shares	Unpaid Shares
ARAB BANK PLC	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65,000.00	-
BANKMED, SAL	149,999.99	%50	149,999.99	-
Total	300,000.00	%100	300,000.00	-

As of December 31, 2012 the nominal value of the Bank's capital is amounting to TRY 300,000 and consists of 3,000 million shares.

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TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS AS OF DECEMBER 31, 2012

(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 and Member of Audit Committee	Master Degree
	MEHMET BEHÇET PERİM	Member of Audit Committee	Master Degree
	AMIN RASHEED SA'İD HUSSEINI	Member of Audit Committee	Master Degree
	HENRI MARIE RENE JACQUAND	Member	Master Degree
	MUSTAFA SELÇUK TAMER	Member	Bachelor's Degree
	RIAD BURHAN TAHER KAMAL	Member	Master Degree
	NADYA NABİL TAWFİK TALHOUNI	Member	Bachelor's Degree
	FATEN MATAR	Member	Master Degree
General Manager and Member of Board of Directors	A.DİNÇER ALPMAN	Chief Executive Officer	Bachelor's Degree
Assistant General Mangers	DORUK PARMAN	Marketing Sales	PHD 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
Statutory Auditors	OSMAN BAYDOĞAN	Auditor	Bachelor's Degree
	ÖZGÜR ÇELİK	Auditor	Bachelor's Degree

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

(**) According to Board of Directors' decision dated September 26, 2012 numbered 507, Mohamed Ali Beyhum was appointed as Vice Chairman of the Board of Directors.

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, 2012:

<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	84,999.99	%28,3	84,999.99	-
ARAB BANK (Switzerland)	65,000.00	%21,7	65,000.00	-
BANKMED, SAL	149,999.99	%50	149,999.99	-

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012

(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 27 branches and 524 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2011: 27 branches, 496 personnel).

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

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

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

The Bank has no consolidated subsidiaries.

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

The Bank has no consolidated subsidiaries.

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UNCONSOLIDATED FINANCIAL STATEMENTS

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TURKLAND BANK ANONİM ŞİRKETİ

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

(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 31.12.2012			Audited Prior Period 31.12.2011		
		TRY	FC	Total	TRY	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	91,249	199,347	290,596	69,498	131,417	200,915
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	182	5	187	186	57	243
2.1 Financial assets held for trading		182	5	187	186	57	243
2.1.1 Public sector debt securities		182	-	182	177	-	177
2.1.2 Share certificates		-	-	-	-	-	-
2.1.3 Derivative financial assets held for trading		-	5	5	9	57	66
2.1.4 Other marketable securities		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.2.1 Public sector debt securities		-	-	-	-	-	-
2.2.2 Share certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other marketable securities		-	-	-	-	-	-
III. BANKS	I-3	13	97,513	97,526	17	80,353	80,370
IV. MONEY MARKET PLACEMENTS		152,025	-	152,025	80,043	-	80,043
4.1 Interbank money market placements		72,010	-	72,010	-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-	-	-	-
4.3 Receivables from reverse repurchase agreements		80,015	-	80,015	80,043	-	80,043
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	278,948	2	278,950	238,886	44,451	283,337
5.1 Share certificates		75	-	75	75	-	75
5.2 Public sector debt securities		278,873	2	278,875	238,811	44,451	283,262
5.3 Other marketable securities		-	-	-	-	-	-
VI. LOANS AND RECEIVABLES	I-5	1,750,867	266,043	2,016,910	1,239,341	229,377	1,468,718
6.1 Loans and receivables		1,717,791	266,043	1,983,834	1,215,999	229,377	1,445,376
6.1.1 Loans to risk group of the Bank		6,954	-	6,954	-	69	69
6.1.2 Public sector debt securities		-	-	-	-	-	-
6.1.3 Other		1,710,837	266,043	1,976,880	1,215,999	229,308	1,445,307
6.2 Non-performing loans		68,544	-	68,544	39,333	-	39,333
6.3 Specific provisions (-)		(35,468)	-	(35,468)	(15,991)	-	(15,991)
VII. FACTORING RECEIVABLES		-	-	-	-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	70,959	-	70,959	53,738	-	53,738
8.1 Public sector debt securities		70,959	-	70,959	53,738	-	53,738
8.2 Other marketable securities		-	-	-	-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	-	-	-	-	-	-
9.1 Accounted for under equity method		-	-	-	-	-	-
9.2 Unconsolidated associates		-	-	-	-	-	-
9.2.1 Financial investments		-	-	-	-	-	-
9.2.2 Non-financial investments		-	-	-	-	-	-
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-	-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-	-	-	-
11.1 Accounted for under equity method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial subsidiaries		-	-	-	-	-	-
11.2.2 Non-financial subsidiaries		-	-	-	-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-	-	-	-
12.1 Finance lease receivables		-	-	-	-	-	-
12.2 Operating lease receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned income (-)		-	-	-	-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-	-	-	-
13.1 Fair value hedge		-	-	-	-	-	-
13.2 Cash flow hedge		-	-	-	-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	11,379	-	11,379	11,720	-	11,720
XV. INTANGIBLE ASSETS (Net)	I-13	1,037	-	1,037	1,244	-	1,244
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		1,037	-	1,037	1,244	-	1,244
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-	-	-	-
XVII. TAX ASSET	I-15	2,758	-	2,758	2,579	-	2,579
17.1 Current tax asset		-	-	-	172	-	172
17.2 Deferred tax asset		2,758	-	2,758	2,407	-	2,407
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	I-16	-	-	-	-	-	-
18.1 Held for sale		-	-	-	-	-	-
18.2 Discontinued operations		-	-	-	-	-	-
XIX. OTHER ASSETS	I-17	43,679	244	43,923	20,178	248	20,426
TOTAL ASSETS		2,403,096	563,154	2,966,250	1,717,430	485,903	2,203,333

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

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TURKLAND BANK ANONİM ŞİRKETİ

BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

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

		Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TRY	FC	Total	TRY	FC	Total
I.	DEPOSİTS						
1.1	Deposits from risk group of the Bank	1,366,022	783,291	2,149,313	920,201	675,379	1,595,580
1.2	Other	1,370	142	1,512	16,748	592	17,340
		1,364,652	783,149	2,147,801	903,453	674,787	1,578,240
II.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING		203	203		39	39
III.	FUNDS BORROWED	24,704	107,791	132,495	15,926	88,805	104,731
IV.	MONEY MARKET BALANCES	209,986		209,986	97,725		97,725
4.1	Interbank money market takings	-	-	-	-	-	-
4.2	Istanbul Stock Exchange money market takings	-	-	-	-	-	-
4.3	Funds provided under repurchase agreements	209,986	-	209,986	97,725	-	97,725
V.	MARKETABLE SECURITIES ISSUED (Net)						
5.1	Bills	-	-	-	-	-	-
5.2	Asset backed securities	-	-	-	-	-	-
5.3	Bonds	-	-	-	-	-	-
VI.	FUNDS						
6.1	Borrower funds	-	-	-	-	-	-
6.2	Other	-	-	-	-	-	-
VII.	SUNDRY CREDITORS	10,790	1,252	12,042	11,989	582	12,571
VIII.	OTHER LIABILITIES	49,193	1,613	50,806	22,098	328	22,426
IX.	FACTORING PAYABLES						
X.	LEASE PAYABLES (Net)						
10.1	Finance lease payables	-	-	-	-	-	-
10.2	Operating lease payables	-	-	-	-	-	-
10.3	Other	-	-	-	-	-	-
10.4	Deferred finance lease expenses (-)	-	-	-	-	-	-
XI.	DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES						
11.1	Fair value hedge	-	-	-	-	-	-
11.2	Cash flow hedge	-	-	-	-	-	-
11.3	Hedge of net investment in foreign operations	-	-	-	-	-	-
XII.	PROVISIONS	36,148	787	36,935	25,901	721	26,622
12.1	General loan loss provisions	21,994	-	21,994	14,388	-	14,388
12.2	Restructuring reserves	-	-	-	-	-	-
12.3	Reserve for employee benefits	7,051	-	7,051	4,901	-	4,901
12.4	Insurance technical reserves (Net)	-	-	-	-	-	-
12.5	Other provisions	7,103	787	7,890	6,612	721	7,333
XIII.	TAX LIABILITY	7,866		7,866	5,557		5,557
13.1	Current tax liability	7,866	-	7,866	5,557	-	5,557
13.2	Deferred tax liability	-	-	-	-	-	-
XIV.	PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS						
14.1	Held for sale	-	-	-	-	-	-
14.2	Discontinued operations	-	-	-	-	-	-
XV.	SUBORDINATED LOANS						
XVI.	SHAREHOLDERS' EQUITY	366,604		366,604	340,144	(2,062)	338,082
16.1	Paid-in capital	300,000	-	300,000	300,000	-	300,000
16.2	Supplementary capital	34,255	-	34,255	20,504	(2,062)	18,442
16.2.1	Share premium	-	-	-	-	-	-
16.2.2	Share cancellation profits	-	-	-	-	-	-
16.2.3	Marketable securities value increase fund	8,824	-	8,824	(4,927)	(2,062)	(6,989)
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.)	-	-	-	-	-	-
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	25,431	-	25,431	25,431	-	25,431
16.3	Profit reserves	19,640	-	19,640	16,079	-	16,079
16.3.1	Legal reserves	967	-	967	789	-	789
16.3.2	Statutory reserves	-	-	-	-	-	-
16.3.3	Extraordinary reserves	15,927	-	15,927	12,544	-	12,544
16.3.4	Other profit reserves	2,746	-	2,746	2,746	-	2,746
16.4	Profit or loss	12,709	-	12,709	3,561	-	3,561
16.4.1	Prior years' income/ (losses)	-	-	-	-	-	-
16.4.2	Current year income/ (loss)	12,709	-	12,709	3,561	-	3,561
16.5	Minority shares	-	-	-	-	-	-
TOTAL LIABILITIES AND EQUITY		2,071,313	894,937	2,966,250	1,439,541	763,792	2,203,333

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
BALANCE SHEETS AS OF DECEMBER 31, 2012 AND DECEMBER 31, 2011

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Audited Current Period 31.12.2012			Audited Prior Period 31.12.2011		
		TRY	FC	Total	TRY	FC	Total
A. OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS (I-III)		6,280,576	408,773	6,689,349	6,054,489	409,896	6,464,385
I. GUARANTEES	III-1	779,826	299,083	1,078,909	675,751	354,877	1,030,628
1.1 Letters of guarantee		779,664	158,827	938,491	675,751	165,353	841,104
1.1.1 Guarantees subject to State Tender Law		30,542	6,408	36,950	29,571	5,549	35,120
1.1.2 Guarantees given for foreign trade operations		-	34,789	34,789	-	33,768	33,768
1.1.3 Other letters of guarantee		749,122	117,630	866,752	646,180	126,036	772,216
1.2 Bank loans		-	5,372	5,372	-	11,597	11,597
1.2.1 Import letter of acceptance		-	5,372	5,372	-	11,597	11,597
1.2.2 Other bank acceptances		-	-	-	-	-	-
1.3 Letters of credit		-	52,105	52,105	-	92,948	92,948
1.3.1 Documentary letters of credit		-	52,105	52,105	-	92,948	92,948
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Prefinancing given as guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of Turkey		-	-	-	-	-	-
1.5.2 Other endorsements		-	-	-	-	-	-
1.6 Securities issue purchase guarantees		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		162	82,779	82,941	-	84,979	84,979
1.9 Other collaterals		-	-	-	-	-	-
II. COMMITMENTS	III-1	5,500,750	63,208	5,563,958	5,374,917	48,723	5,423,640
2.1 Irrevocable commitments		123,188	63,208	186,396	121,606	48,723	170,329
2.1.1 Forward asset purchase and sales commitments		6,879	34,194	41,073	12,442	28,873	41,315
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		32,554	-	32,554	38,849	-	38,849
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Commitments for reserve deposit requirements		-	-	-	-	-	-
2.1.7 Payment commitment for checks		81,885	-	81,885	67,900	-	67,900
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		1,870	29,014	30,884	2,415	19,850	22,265
2.2 Revocable commitments		5,377,562	-	5,377,562	5,253,311	-	5,253,311
2.2.1 Revocable loan granting commitments		5,377,562	-	5,377,562	5,253,311	-	5,253,311
2.2.2 Other revocable commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	III-2	46,482	46,482	46,482	3,821	6,296	10,117
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		-	46,482	46,482	3,821	6,296	10,117
3.2.1 Forward foreign currency buy/sell transactions		-	-	-	3,821	6,296	10,117
3.2.1.1 Forward foreign currency transactions-buy		-	-	-	1,921	3,151	5,072
3.2.1.2 Forward foreign currency transactions-sell		-	-	-	1,900	3,145	5,045
3.2.2 Swap transactions related to foreign currency. and interest rates		-	46,482	46,482	-	-	-
3.2.2.1 Foreign currency swaps-buy		-	23,142	23,142	-	-	-
3.2.2.2 Foreign currency swaps-sell		-	23,340	23,340	-	-	-
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		-	-	-	-	-	-
3.2.3.1 Foreign currency options-buy		-	-	-	-	-	-
3.2.3.2 Foreign currency options-sell		-	-	-	-	-	-
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. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		7,371,545	1,384,508	8,756,053	5,975,782	1,275,127	7,250,909
IV. ITEMS HELD IN CUSTODY		442,251	69,280	511,531	422,581	53,906	476,487
4.1 Assets under management		-	-	-	-	-	-
4.2 Investment securities held in custody		26,292	5,467	31,759	28,973	1,216	30,189
4.3 Checks received for collection		392,655	51,778	444,433	386,521	47,115	433,636
4.4 Commercial notes received for collection		23,304	11,683	34,987	7,087	3,935	11,022
4.5 Other assets received for collection		-	340	340	-	411	411
4.6 Assets received for public offering		-	-	-	-	-	-
4.7 Other items under custody		-	12	12	-	1,229	1,229
4.8 Custodians		-	-	-	-	-	-
V. PLEDGED ITEMS		6,929,294	1,315,228	8,244,522	5,553,201	1,221,221	6,774,422
5.1 Marketable securities		-	-	-	-	-	-
5.2 Guarantee notes		36,482	23,602	60,084	22,138	19,949	42,087
5.3 Commodities		1,646	-	1,646	-	-	-
5.4 Warrants		-	-	-	-	-	-
5.5 Properties		2,117,686	301,444	2,419,130	1,435,502	213,204	1,648,706
5.6 Other pledged items		4,773,480	990,182	5,763,662	4,095,561	988,068	5,083,629
5.7 Pledged items-depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET ACCOUNTS (A+B)		13,652,121	1,793,281	15,445,402	12,030,271	1,685,023	13,715,294

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF INCOME FOR THE PERIODS
ENDED DECEMBER 31, 2012 AND 2011

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

III. STATEMENT OF INCOME

	Note (Section Five)	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
I. INTEREST INCOME	IV-1	263,797	170,718
1.1 Interest on loans		229,596	142,520
1.2 Interest received from reserve deposits		-	-
1.3 Interest received from banks		389	411
1.4 Interest received from money market placements		3,633	1,197
1.5 Interest received from marketable securities portfolio		29,524	25,634
1.5.1 Held-for-trading financial assets		24	18
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		24,183	21,631
1.5.4 Investments held-to-maturity		5,317	3,985
1.6 Finance lease income		-	-
1.7 Other interest income		655	956
II. INTEREST EXPENSE	IV-2	(153,728)	(100,508)
2.1 Interest on deposits		(139,048)	(90,736)
2.2 Interest on funds borrowed		(7,726)	(6,053)
2.3 Interest on money market borrowings		(6,946)	(3,578)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(8)	(141)
III. NET INTEREST INCOME (I - II)		110,069	70,210
IV. NET FEES AND COMMISSIONS INCOME		21,795	19,338
4.1 Fees and commissions received		22,748	20,238
4.1.1 Non-cash loans		11,117	10,455
4.1.2 Other	IV-12	11,631	9,783
4.2 Fees and commissions paid		(953)	(900)
4.2.1 Non-cash loans		(51)	(41)
4.2.2 Other	IV-12	(902)	(859)
V. DIVIDEND INCOME	IV-3	7	5
VI. NET TRADING INCOME	IV-4	3,672	4,902
6.1 Securities trading gains/ (losses)		3,088	5,945
6.2 Gain/(losses) from derivative financial instruments		(1,498)	4
6.3 Foreign exchange gains/ (losses)		2,082	(1,047)
VII. OTHER OPERATING INCOME	IV-5	9,679	11,375
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		145,222	105,830
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	(30,227)	(13,414)
X. OTHER OPERATING EXPENSES (-)	IV-7	(97,136)	(86,798)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		17,859	5,618
XII. AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER		-	-
XIII. PROFIT / (LOSS) ON INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD		-	-
XIV. GAIN / (LOSS) ON NET MONETARY POSITION		-	-
XV. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XIV)	IV-8	17,859	5,618
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-9	(5,150)	(2,057)
16.1 Provision for current income taxes		(9,455)	-
16.2 Provision for deferred taxes		4,305	(2,057)
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)	IV-10	12,709	3,561
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18.1 Income on assets held for sale		-	-
18.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18.3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19.1 Loss from assets held for sale		-	-
19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21.1 Provision for current income taxes		-	-
21.2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-11	12,709	3,561

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF PROFIT LOSS ACCOUNTED FOR UNDER EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

	Audited Current Period 01.01-31.12.2012	Audited Prior Period 01.01-31.12.2011
I. Additions to marketable securities revaluation differences for available for sale financial assets	22,776	(13,599)
II. Tangible assets revaluation differences	-	-
III. Intangible assets revaluation differences	-	-
IV. Foreign currency translation differences for foreign currency transactions	-	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-	-
VII. The effect of corrections of errors and changes in accounting policies	-	-
VIII. Other profit loss items accounted for under equity due to TAS	-	-
IX. Deferred tax of valuation differences	(3,954)	3,684
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	18,822	(9,915)
XI. Profit/Loss	9,700	(1,259)
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	(3,009)	(4,820)
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-	-
1.4 Other	12,709	3,561
XII. Total Profit/Loss accounted for in the period (X±XI)	28,522	(11,174)

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note (Section Five)	Paid-in Capital	Effect Of Inflation Accounting On Other Capital Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordina ry Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I. Prior Period – 01.01-31.12.2011																			
Prior period balance -31.12.2010		170,000	25,431	-	-	666	-	10,204	2,746	2,463	-	7,746	-	-	-	-	219,256	-	219,256
II. Changes in accounting policies according to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 The effect of corrections of errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 The effects of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance (I+II)		170,000	25,431	-	-	666	-	10,204	2,746	2,463	-	7,746	-	-	-	-	219,256	-	219,256
IV. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(14,735)	-	-	-	-	(14,735)	-	(14,735)
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1 Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2 Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital increase	II-12	130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	130,000	-	130,000
14.1 Cash		130,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Period net income/(loss)		-	-	-	-	-	-	-	-	3,561	-	-	-	-	-	-	3,561	-	3,561
XX. Profit distribution		-	-	-	-	123	-	2,340	-	(2,463)	-	-	-	-	-	-	-	-	-
20.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2 Transfers to reserves		-	-	-	-	123	-	2,340	-	(2,463)	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance (III+IV+V+.....+XVIII+XIX+XX)		300,000	25,431	-	-	789	-	12,544	2,746	3,561	-	(6,989)	-	-	-	-	338,082	-	338,082

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

v. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Note (Section Five)	Paid-in Capital	Effect Of Inflation Accounting On Capital and Other Reserves	Share Premium	Share Certificate Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordina ry Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Value Increase Fund	Tangible And Intangible Assets Revaluation Differences	Bonus Shares Obtained from Associates	Hedging Funds	Acc. Valuation Diff. from Assets Held for Sale and Assets from Disc. Op.	Total Equity Before Minority Shares	Minority Shares	Total Equity
I. Current Period – 01.01-31.12.2012																			
Prior period balance – 31.12.2011		300,000	25,431	-	-	789	-	12,544	2,746	3,561	-	(6,989)	-	-	-	-	338,082	-	338,082
Changes in the period																			
II. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	15,813	-	-	-	-	15,813	-	15,813
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		II-12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Inflation adjustment to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Period net income/(loss)		-	-	-	-	-	-	-	-	12,709	-	-	-	-	-	-	12,709	-	12,709
XVIII. Profit distribution		-	-	-	-	178	-	3,383	-	(3,561)	-	-	-	-	-	-	-	-	-
18.1 Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to reserves		-	-	-	-	178	-	3,383	-	(3,561)	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing Balance																			
(I+II+III+...+XVI+XVII+XVIII)		300,000	25,431	-	-	967	-	15,927	2,746	12,709	-	8,824	-	-	-	-	366,604	-	366,604

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED DECEMBER 31, 2012 AND 2011
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note (Section Five)	Reviewed Current Period 01.01-31.12.2012	Reviewed Prior Period 01.01-31.12.2011
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities		79,217	(19,168)
1.1.1 Interest received		280,286	133,355
1.1.2 Interest paid		(151,761)	(96,191)
1.1.3 Dividend received		7	5
1.1.4 Fees and commissions received		22,910	21,105
1.1.5 Other income		14,382	(11,005)
1.1.6 Collections from previously written off loans		8,655	5,981
1.1.7 Payments to personnel and service suppliers		(54,874)	(46,436)
1.1.8 Taxes paid		(7,879)	(729)
1.1.9 Others	VI-1	(32,509)	(25,253)
1.2 Changes in operating assets and liabilities		41,647	33,180
1.2.1 Net (increase) decrease in financial assets held for trading		(1)	223
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		(61,671)	(66,152)
1.2.4 Net (increase) decrease in loans		(593,773)	(456,368)
1.2.5 Net (increase) decrease in other assets	VI-1	(23,505)	(5,395)
1.2.6 Net increase (decrease) in bank deposits		133,542	92,552
1.2.7 Net increase (decrease) in other deposits		531,589	453,498
1.2.8 Net increase (decrease) in funds borrowed		26,659	12,307
1.2.9 Net increase (decrease) in matured payables		-	-
1.2.10 Net increase (decrease) in other liabilities	VI-1	28,807	2,515
I. Net cash provided from banking operations		120,864	14,012
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net cash provided from investing activities		2,012	(74,602)
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		-	-
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-	-
2.3 Fixed assets purchases		(1,935)	(1,166)
2.4 Fixed assets sales		1,418	1,018
2.5 Cash paid for purchase of financial assets available for sale		(253,172)	(259,182)
2.6 Cash obtained from sale of financial assets available for sale		273,850	191,448
2.7 Cash paid for purchase of investment securities		(67,307)	(28,554)
2.8 Cash obtained from sale of investment securities		49,623	22,992
2.9 Others		(465)	(1,158)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net cash provided from financing activities		-	129,991
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Capital increase (*)		-	130,000
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	(9)
3.6 Other		-	-
IV. Effect of change in foreign exchange rate on cash and cash equivalents	VI-1	(5,709)	18,389
V. Net increase / (decrease) in cash and cash equivalents		117,167	87,790
VI. Cash and cash equivalents at beginning of the period		241,771	153,981
VII. Cash and cash equivalents at end of the period		358,938	241,771

*Represents capital increase amount during 2011.

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

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2012

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

VII. PROFIT DISTRIBUTION TABLE

	Audited Current Period 31.12.2012 (*)	Audited Prior Period 31.12.2011
I. DISTRIBUTION OF CURRENT YEAR INCOME		
1.1 CURRENT YEAR INCOME	17,859	5,618
1.2 TAXES AND DUTIES PAY ABLE (-)	(5,150)	(2,057)
1.2.1 Corporate tax (Income tax)	(9,455)	-
1.2.2 Income withholding tax		
1.2.3 Other taxes and duties(**)	4,305	(2,057)
A. NET INCOME FOR THE YEAR (1.1-1.2)	12,709	3,561
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(178)
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To owners of ordinary shares	-	-
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (preemptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (preemptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	(3,383)
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION OF RESERVES		
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (preemptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE (***)		
3.1 TO OWNERS OF ORDINARY SHARES	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
3.3 TO OWNERS OF PREFERRED SHARES	-	-
3.4 TO OWNERS OF PREFERRED SHARES (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PREFERRED SHARES	-	-
4.4 TO OWNERS OF PREFERRED SHARES (%)	-	-

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

(**) Deferred Tax Credit / Expense amounts shown in other taxes and duties are not subject to profit distribution.

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

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2012

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

SECTION THREE
ACCOUNTING PRINCIPLES

I. Basis of Presentation

The Bank prepares financial statements and notes according to Communiqué on Banks' Accounting Practice and Maintaining Documents (published in the Official Gazette numbered 26333 dated November 1, 2006), Communiqué on Financial Statements to be Publicly Announced and the Related Policies and Disclosures (published in the Official Gazette numbered 28337 dated June 28, 2012), Turkish Accounting Standards (TAS), Turkish Financial Reporting Standards (TFRS), other regulations, communiques, circulars and pronouncements made by Banking Regulation and Supervision Agency (BRSA) in respect of accounting and financial reporting.

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, 2011 and changes of TAS/IFRS that have come into effect as from January 1, 2012 (IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment), IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)) do not have any 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.

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of December 31, 2012 as follows.

IAS 1 Presentation of Financial Statements (Amended)- Presentation of Items of Other Comprehensive Income, IAS 27 Separate Financial Statements (Amended), IAS 28 Investments in Associates and Joint Ventures (Amended), IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended) , IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 13 Fair Value Measurement, IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine, Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12), Improvements to IFRSs, IFRS 10 Consolidated Financial Statements (Amendment) – Investment Company (The bank will not have any impact on financial position or the performance of the company), IAS 19 Employee Benefits (Amended), IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended), IFRS 9 Financial Instruments – Classification and Measurement (The bank is in the process of assessing the impact of the new standards on the financial position or performance). Except for trading and available for sale assets and derivatives that are shown at fair values, financial statements are prepared based on historical cost.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2012

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

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

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 18.66 % 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 11.80% of total assets are assets with low risk and high yield. Placements in domestic banks and abroad are 8.41% of the total assets and these assets provide liquidity with low risk and yield.

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

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

III. Explanations on Forward and Option Contracts and Derivative Instruments

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

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

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

IV. Explanations on Interest Income and Expenses

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

V. Explanations on Fees and Commission Income and Expenses

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2012

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

VI. Explanations on Financial Assets

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

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

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

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

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

Cash, Banks, and Other Financial Institutions

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

Financial Assets at Fair Value Through Profit and Loss

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

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

Held to Maturity Investments

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

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

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

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2012

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

VI. Explanations on Financial Assets (continued)

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 0.0025% in the available for sale financial assets portfolio. Since this equity investment does not have fair value, it is carried at cost.

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

Loans and receivables

Loans are non-derivative financial assets 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".

TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2012

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

VII. Explanations on Impairment of Financial Assets (continued)

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

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

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

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, 2012 the provision rates determined for the non-cash loans are not exceeded and standard rates which are determined in the regulation have been used for the non-cash loans

In accordance with the change in “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside”(published in the Official Gazette numbered 27968 dated June 18, 2011), The banks whose total consumer loans to total loans more than 20% and the auto and housing loans, vehicle classed as non-performing loans consumer loans and consumer loans, housing loans, other than the banks that over 8% of the overall response rate observed in the first group auto and housing for maturities of loans for consumer loans other than loans at 4% in the second group followed the vehicle for consumer loans and mortgage loans, except for maturities of 8% applies” rulling is given.

As of December 31,2012 the rates determined above for consumer loans are not exceed, consumer loans is used for the standard rates specified in the regulations.

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.

Translated into English from the original Turkish report and financial statements

TURKLAND BANK ANONİM ŞİRKETİ **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **AS OF DECEMBER 31, 2012**

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

VII. Explanations on Impairment of Financial Assets (continued)

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.

VIII. Explanations on Offsetting of Financial Assets and Liabilities

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

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

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

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

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

As of December 31, 2012, the Bank has TRY 80,015 of reverse repo transactions.. (December 31, 2011: TRY 80,043).

As of December 31, 2012, the Bank does not have any marketable securities lending transaction.(December 31, 2011: 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, 2012 (December 31, 2011: 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.

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TURKLAND BANK ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) AS OF DECEMBER 31, 2012

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

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.

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:

	%
Motor vehicles	20
Furniture, fixtures and office equipment and others	6 – 35

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

Normal maintenance and repair cost of the properties are expensed.

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

XIII. Explanations on Leasing Transactions

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

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

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

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

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XIV. Explanations on Provisions and Contingent Liabilities

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

According to the legal department of the Bank; the total number of ongoing cases against the Bank is 83. The total amount of those cases consists of TRY 380, USD 1,604 Thousand and EURO 299 Thousand. There is a provision of TRY 582 in the accompanying financial statements for these cases (December 31, 2011: TRY 933).

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. All actuarial gains and losses are recognized in the income statement.

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 No: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 offset 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.

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XVI. Explanations on Taxation (continued)

The Bank makes necessary provisions over results of current period operations related with Income Tax and Corporate Tax liabilities. The Bank has made corporate tax provision amounted to TRY 9,455 in current period (December 31, 2011: None).

Deferred Tax Liability / Asset:

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

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

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

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

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax charge stated under the tax provision amounted to TRY 4,305 in the income statement (December 31, 2011: TRY 2,057 deferred tax charge).

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.

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XXII. Explanations on Other Matters

None, other than above explanations.

Explanation for convenience translation to English

The accounting principles used in the preparation of the accompanying financial statements differ from International Financial Reporting Standards (IFRS). The effects of the differences between these accounting principles and the accounting principles generally accepted in the countries in which the accompanying financial statements are to be used and IFRS have not been quantified in the accompanying financial statements.

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SECTION FOUR

INFORMATION ON FINANCIAL STRUCTURE

I. Explanations Related to the Capital Adequacy Standard Ratio

The method used for risk measurement in determining capital adequacy standard ratio : The capital adequacy ratio is calculated in accordance with the “Regulation Regarding the Measurement and Evaluation of Banks’ Capital Adequacy Ratio” (the “Regulation”), “Regulation Credit Risk Mitigation Techniques”, “Regulation on calculation of Risk-Weighted Amounts of Securitizations” published in the Official Gazette No. 28337 dated June 28, 2012 (“Regulation”) and “Regulation Regarding Banks’ Shareholders’ Equity” published in the Official Gazette No. 26333 as of November 1, 2006“. The Bank’s capital adequacy ratio in accordance with the related communiqué is 15.18%. (December 31, 2011: 17.55% calculated in accordance with “Regulation on Equity of Banks” published in the Official Gazette dated November 1, 2006 numbered).

The Bank manages its capital assessment under integrated and structured style. The Bank under internal capital assessments manages its maximum loss exposures that may arise from credit, operation, market and other risks taking into consideration the market developments with stress tests approach. Such stress test analysis are reviewed independently.

In the computation of capital adequacy standard ratio, the information prepared in accordance with statutory accounting requirements is used. Additionally, the market risk amount is calculated in accordance with the communiqué on the "Measurement and Assessment of Capital Adequacy of Banks" and is taken into consideration in the capital adequacy standard ratio calculation.

In the computation of credit risk amount, the bank classifies its loans in relevant risk weighted assets taking into considerations its risk class, ratings and the remaining risk mitigating items. In taking into consideration of risk mitigation items, comprehensive financial collateral method is used.

The values deducted from the capital base in the shareholders’ equity computation are excluded while calculating credit risk-weighted assets, non-cash loans and contingent liabilities. Assets subject to depreciation and impairment among risk-weighted assets are included in the calculations over their net book values after deducting the relative depreciations and provisions.

While calculating the basis of non-cash loans and transactions regarding with foreign currency and interest rates subject to credit risk, the net receivable amount from the counter parties net of provision amount set in accordance with the “Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves” is multiplied by the loan conversion rates presented in the Article 5, the Clause 3 of the Communiqué on "Measurement and Assessment of Capital Adequacy of Banks", and calculated by applying the risk weights presented in the Capital Adequacy Analysis Form.

Counterparty credit risk calculations are calculated in accordance with Fair Value Valuation Method defined in the Article 5 of regulations.

In the calculation of the value at credit risk for the derivative financial instruments and credit derivatives, the receivables from counterparties are multiplied by the rates stated in the Regulation, reduced as per the “Regulation on Credit Risk Mitigation Techniques” and then included in the relevant exposure category defined in Regulation.

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I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

Information related to the capital adequacy ratio:

	Risk Weight							
	0%	10%	20%	%50	75%	100%	150%	200%
The amount subject to credit risk								
Risk Types								
Contingent and Non-Contingent Receivables on Sovereigns	687,755	-	-	1,239	-	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	205	-	-	-	-	15,389	-	-
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	12,266	-	50,201	152,503	-	1,656	-	-
Contingent and Non-Contingent Corporate Receivables	56,079	-	-	-	-	1,548,621	-	-
Contingent and Non-Contingent Retail Receivables	7,098	-	-	-	174,967	110,349	-	-
Contingent and Non-Contingent Receivables Secured by Mortgages	-	-	-	444,210	-	100,951	-	-
Past Due Receivables	1	-	-	4,025	-	21,647	7,403	-
Receivables defined in high risk category by BRSA	1,248	-	-	-	-	8	15,261	20,384
Collateralized Mortgage Marketable Securities	-	-	-	-	-	-	-	-
Securitisation positions	-	-	-	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-	-	-	-
Other Receivables	1,925,253	-	-	-	-	26,870	-	-

*Exposures with physical security is stated at 0% risk weights as its fully collateralized, (excluding central banks and Claims on Central Government) is shown in the relevant risk class; deposit of risk-weighted asset.

Summary information related to the capital adequacy ratio:

	December 31, 2012	December 31, 2011*
Required Capital Liabilities for Credit Risk (Main related with Credit Risk *0.08) (RCLCR)	187,401	143,446
Required Capital Liabilities for Market Risk (RCLMR)	80	3,293
Required Capital Liabilities for Operational (RCLOR)	12,789	11,485
Shareholders' Equity	380,128	347,022
Shareholders' Equity/((RCLCR +RCLMR+RCLOR)*12,5*100)	15.18	17.55

* As of December 31, 2011 the capital adequacy calculations have been computed within the framework of "Regulations of Measurement and Assessment of Capital Adequacy of Banks" which was published in Official Gazette dated November 1, 2006 numbered 26333, and " Regulation Regarding Changes on Regulations of Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette dated October 10, 2007 numbered 26669.

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I. Explanations Related to the Capital Adequacy Standard Ratio (continued)

Information related to the components of shareholders' equity:

	December 31, 2012	December 31, 2011
CORE CAPITAL		
Paid up Capital	300,000	300,000
Nominal capital	300,000	300,000
Capital commitments (-)	-	-
Inflation adjustment to share capital	25,431	25,431
Share premium	-	-
Cancellation profits	-	-
Legal reserves, status reserves and extraordinary reserves	19,640	16,079
Inflation adjustment of legal reserves, status reserves and extraordinary reserves	-	-
Profit	12,709	3,561
Current period net profit	12,709	3,561
Prior years' profits	-	-
Provision for possible losses up to 25% of the Core Capital	-	-
Profit on disposal of associates, subsidiaries and immovables	-	-
Primary subordinated debts up to 15% of the Core Capital	-	-
Losses that cannot be covered by reserves (-)	-	-
Current period loss (net)	-	-
Prior years' losses	-	-
Leasehold improvements (-)	(2,523)	(4,204)
Intangible assets (-)	(1,037)	(1,244)
Deferred tax asset exceeding 10% of the Core Capital (-)	-	-
Excess amount in the Article 56, Clause 3 of the Banking Law (-)	-	-
Total Core Capital	354,220	339,623
SUPPLEMENTARY CAPITAL	25,965	7,399
General loan loss reserves	21,994	14,388
45% of the revaluation reserve for movable fixed assets	-	-
45% of the of revaluation reserve for properties	-	-
Bonus shares of investment in associates, subsidiaries and joint ventures	-	-
Primary subordinated loans excluded in the calculation of the Core Capital	-	-
Secondary subordinated loans	-	-
45% value increase of available for sale financial assets and associates and subsidiaries	3,971	(6,989)
Inflation adjustment of capital reserve, profit reserve and prior years' income or loss (except inflation adjustment of legal reserves, status reserves and extraordinary reserves)	-	-
Total Supplementary Capital	25,965	7,399
CAPITAL	380,185	347,022
DEDUCTIONS FROM THE CAPITAL	(57)	-
Investments in Unconsolidated Financial Institutions (Domestic, Foreign) and Banks	-	-
The Secondary Subordinated Loans extended to Banks, Financial Institutions (Domestic or Foreign) or Significant Shareholders of the Bank and Debt Instruments That Have Primary Secondary Subordinated Loan Nature Purchased From Them	-	-
Investment in Financial Institutions (Domestic, Foreign) and Banks, in which less than 10% equity interest is exercised and that exceeds 10% and more of the total core and supplementary capital of the Bank	-	-
Loans extended as contradictory to the articles 50 and 51 of the law	-	-
The net book value of Bank's Immovables that are 50% of shareholders' equity and immovables or commodities that are received on behalf of the receivables from customers and are to be disposed according to banking law article 57 as they have been held for more than five years from the acquisition date	3)	-
Other	(54)	-
Total Shareholders' Equity	380,128	347,022

Explanations on Internal Capital Management

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. Stress test and scenario analysis results are reported on a daily, weekly and monthly basis by Risk Management Group. Capital adequacy ratio is calculated by Risk Management Group on a monthly basis, when requested by Senior Management capital requirement according to strategic plans is explained and studies on internal capital management is conducted. Capital requirement internal assessment process is designed and conducted by Risk Management Group. Risk Management Group informs Senior Management about these issues directly or through High Level Risk Committee.

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

II. Explanations Related to Credit Risk

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

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

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

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.

Risk Types(*)	Average Net Loan Amount After Provisions
Contingent and Non-Contingent Receivables on Sovereigns	592,763
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	15,800
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	226,339
Contingent and Non-Contingent Corporate Receivables	7,375,342
Contingent and Non-Contingent Retail Receivables	348,822
Contingent and Non-Contingent Receivables Secured by Mortgages	473,938
Past Due Receivables	34,248
Receivables defined in high risk category by BRSA	40,470
Collateralized Mortgage Marketable Securities	-
Securitisation positions	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-
Investment similar to collective investment funds	-
Other Receivables	1,934,388
Total	11,042,110

* In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28/06/2012, from July 2012 on, Basel 2 has been applied in terms of capital adequacy. Up until July 2012, for capital adequacy calculations have been computed within the framework of "Regulations of Measurement and Assessment of Capital Adequacy of Banks" which was published in Official Gazette dated November 1, 2006 numbered 26333, and "Regulation Regarding Changes on Regulations of Measurement and Assessment of Capital Adequacy of Banks" published in Official Gazette dated October 10, 2007 numbered 26669.

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.

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II. Explanations Related to Credit Risk (continued)

Financial institutions abroad and country risks of the Bank are generally taken for the financial institutions and countries whose investment level is rated by international rating agencies and which do not have the risk of failing to meet minimum obligations. Therefore, the probable risks are not material when the financial structure of the Bank is concerned.

The share of cash loans of the Bank from its top 100 and top 200 customers respectively in the total balance sheet are TRY 938,608 and TRY 1,251,563(December 31, 2011: 638,392 and 910,701) , the share of total cash loans are % 45,73 and % 60,98 as of December 31, 2012. (December 31, 2011: %46.23 and % 61.34.)

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 720,913 and TRY 905,585 (December 31, 2011: 646,275 and 822,613) , the share of total non-cash loans are % 58,89 and %73,97 as of December 31,2012. (December 31, 2011: %55.73 and % 70.94.)

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 % 30.75 and %42.77. (December 31, 2011: %29.95 and % 42.01).

As of December 31, 2012, the general loan loss provision related with the credit risk is TRY 21,994 (December 31, 2011: TRY 14,388).

Significant Risks that are significant on the profile of the regions

	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non- commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Contingent and Non- Contingent Corporate Receivables	Contingent and Non-Contingent Retail Receivables	Contingent Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Short-Term Receivables from Banks, brokerage houses and Corporate	Investment similar to collective investment funds	DiOthe Receivables	Total
Domestic	688,994	-	15,594	-	-	210,193	1,604,590	292,400	545,161	33,076	36,823	-	-	-	1,952,123	5,378,954
European Union Countries	-	-	-	-	-	2,770	5	14	-	-	78	-	-	-	-	2,867
OECD Countries(*)	-	-	-	-	-	331	-	-	-	-	-	-	-	-	-	331
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	3,238	105	-	-	-	-	-	-	-	-	3,343
Other Countries	-	-	-	-	-	94	-	-	-	-	-	-	-	-	-	94
Associates, Subsidiaries and Jointly Controlled Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/ Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	688,994	-	15,594	-	-	216,626	1,604,700	292,414	545,161	33,076	36,901	-	-	-	1,952,123	5,385,589

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II. Explanations Related to Credit Risk (continued)

Sector concentrations for cash loans:

Sectors/Counterparties	Due from Central Governments or Central Banks	Regional Governments or Local Government Receivables	Receivables on Administrative Units and Non-commercial Enterprises	Receivables on Multilateral Development Banks	Receivables on International Organizations	Receivables on Banks and Capital Market Intermediary	Corporate Receivables	Retail Receivables	Receivables Secured by Mortgages	Past Due Receivables	Receivables defined in high risk category by BRSA	Collateralized Mortgage Marketable Securities	Securitisation Positions	Short-Term Receivables from Banks, brokerage houses and Inv	Other		TRY	FC	Total	
															Receivables	Receivables				
1 Agriculture	-	-	-	-	-	-	36,004	5,201	7,609	-	424	-	-	-	-	-	33,601	15,636	49,237	
1.1 Farming and Raising Livestock	-	-	-	-	-	-	33,131	2,648	5,776	-	403	-	-	-	-	-	26,888	15,071	41,958	
1.2 Forestry, Wood and Paper	-	-	-	-	-	-	2,869	2,553	1,833	-	20	-	-	-	-	-	6,709	565	7,275	
1.3 Fishery	-	-	-	-	-	-	4	-	-	-	1	-	-	-	-	-	4	-	4	
2 Manufacturing	-	-	121	-	-	-	855,092	151,762	209,706	27,228	4,572	-	-	-	-	21,259	837,339	432,400	1,269,739	
2.1 Mining and Quarry	-	-	121	-	-	-	107,400	28,432	34,043	206	2,546	-	-	-	-	-	153,798	18,949	172,747	
2.2 Production	-	-	-	-	-	-	739,787	123,005	175,663	27,022	2,024	-	-	-	21,259	682,432	406,329	1,088,761		
2.3 Electricity, Gas and Water	-	-	-	-	-	-	7,905	325	-	-	2	-	-	-	-	-	1,109	7,122	8,231	
3 Construction	-	-	-	-	-	-	286,212	53,074	122,611	2,755	1,184	-	-	-	-	3,620	371,428	98,029	469,456	
4 Services	-	-	3	-	-	-	119,483	373,641	66,169	188,046	3,037	11,159	-	-	-	2,242	545,272	218,507	763,779	
4.1 Wholesale and Retail Trade	-	-	-	-	-	-	28,622	4,184	16,650	1,623	188	-	-	-	-	-	50,728	537	51,265	
4.2 Hotel, Tourism, Food and Beverage Services	-	-	-	-	-	-	38,704	879	72,268	370	128	-	-	-	-	-	40,118	72,232	112,349	
4.3 Transportation and Communication	-	-	-	-	-	-	109,312	10,202	31,047	656	143	-	-	-	-	-	117,330	34,029	151,359	
4.4 Financial Institutions	-	-	-	-	-	-	119,483	126,501	40,083	49,945	388	10,608	-	-	2,242	276,824	72,430	349,254		
4.5 Real Estate and Renting Services.	-	-	-	-	-	-	43,087	3,780	3,468	-	14	-	-	-	-	-	13,601	36,747	50,348	
4.6 Self-Employment Services	-	-	-	-	-	-	27	-	450	-	-	-	-	-	-	-	477	-	477	
4.7 Education Services	-	-	-	-	-	-	2,857	53	-	-	31	-	-	-	-	-	2,941	-	2,941	
4.8 Health and Social Services	-	-	3	-	-	-	24,531	6,988	14,218	-	47	-	-	-	-	-	43,253	2,532	45,786	
5 Other	688,994	-	15,470	-	-	-	97,143	53,751	16,208	17,189	56	19,562	-	-	-	1,925,002	2,526,567	306,809	2,833,378	
																		1,071,38		
6 Total	688,994	-	15,594	-	-	-	216,626	1,604,700	292,414	545,161	33,076	36,901	-	-	-	1,952,123	4,314,207	1	5,385,589	

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
AS OF DECEMBER 31, 2012

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II. Explanations Related to Credit Risk (continued)

Maturity Distribution of Remaining Maturities of time exposures:

Risk Types	Time to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Due from central governments or central banks	339,050	41,409	12,771	24,130	271,635
Regional Governments or Local Government Receivables	-	-	-	-	-
Receivables on Administrative Units and Non-commercial Enterprises	-	30	-	-	15,564
Receivables on Multilateral Development Banks	-	-	-	-	-
Receivables on International Organizations	-	-	-	-	-
Receivables on Banks and Capital Market Intermediary	147,939	10,159	3,487	6,904	48,136
Corporate Receivables	279,146	106,596	161,271	450,176	607,512
Retail Receivables	12,149	18,158	42,180	121,214	98,714
Receivables Secured by Mortgages	21,794	45,048	77,107	171,009	230,202
Past Due Receivables	-	-	-	-	33,076
Receivables defined in high risk category by BRSA	-	-	-	-	36,899
Collateralized Mortgage Marketable Securities Securitisation positions	-	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-	-
Investment similar to collective investment funds	-	-	-	-	-
Other Receivables	1,925,123	-	-	-	-
Total	2,752,201	221,400	296,816	773,430	1,341,739

Risk by Risk Weights Balances:

Risk Weights		0%	10%	20%	50%	75%	100%	150%	200%	1250%	
1	Amount before the credit risk mitigation	2,613,010	-	59,078	161,779	234,592	2,272,833	22,866	21,431	-	58
2	Amount after the credit risk mitigation	2,689,905	-	50,201	601,977	174,967	1,825,491	22,664	20,384	-	58

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

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)

Important sectors or type of information according to counterparty

Sectors/ Counterparties	Loans		Value Adjustments	Provisions
	Impaired(*)	Non-Performing		
1 Agricultural	250	88	12	88
1.1 Farming and Raising Livestock	250	87	12	87
1.2 Forestry, Wood and Paper	-	1	-	1
1.3 Fishery	-	-	-	-
2 Manufacturing	23,375	45,455	1,139	18,227
2.1 Mining and Quarry	3,792	1,054	183	848
2.2 Production	19,540	44,392	955	17,370
2.3 Electricity, Gas and Water	43	9	2	9
3 Construction	4,435	11,057	207	8,301
4 Services	19,770	9,937	985	6,900
4.1 Wholesale and Retail Trade	1,571	4,036	79	2,415
4.2 Hotel, Tourism, Food and Beverage Services	7,469	504	359	134
4.3 Transportation and Communication	308	1,605	15	949
4.4 Financial Institutions	9,467	3,743	488	3,353
4.5 Real Estate and Renting Services	-	-	-	-
4.6 Self-Employment Services	-	-	-	-
4.7 Education Services	-	10	-	10
4.8 Health and Social Services	956	39	45	39
5 Other	231	2,007	11	1,952
Total	48,060	68,544	2,354	35,468

*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	15,991	21,071	(1,594)	-	35,468
2 General Provisions	14,388	7,606	-	-	21,994

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

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

Gross Maximum Exposure	December 31, 2012	December 31, 2011
Central Banks	266,804	184,542
Due from banks	97,526	80,370
Due from Money market transactions	152,025	80,043
Financial assets held for trading	182	177
Derivative financial instruments	5	66
Financial assets available-for-sale	278,875	283,262
Held to maturity investment	70,959	53,738
Loans	2,016,910	1,468,718
Total	2,883,286	2,150,916
Contingent liabilities	1,078,909	1,030,628
Irrevocable commitments	186,396	170,329
Total	1,265,305	1,200,957
Total credit risk exposure	4,148,591	3,351,873

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II. Explanations Related to Credit Risk (continued)

Credit quality per class of financial assets as of December 31, 2012 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	97,526	-	97,526
Financial assets designated at fair value through profit or loss	187	-	187
Loans to customers			
<i>Corporate lending</i>	1,411,240	94,749	1,505,989
<i>Small business lending</i>	452,265	45,698	497,963
<i>Retail loans</i>	10,853	2,105	12,958
<i>Other</i>	-	-	-
Total	1,972,071	142,552	2,114,623
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	349,834	-	349,834
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	349,834	-	349,834
Total	2,321,905	142,552	2,464,457

The above distribution has been made based on the management information systems and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

Credit quality per class of financial assets as of December 31, 2011 is as follows:

	Neither past due nor impaired	Past due or individually impaired	Total
Due from banks	80,370	-	80,370
Financial assets designated at fair value through profit or loss	243	-	243
Loans to customers			
<i>Corporate lending</i>	984,254	35,648	1,019,902
<i>Small business lending</i>	407,162	22,915	430,077
<i>Retail loans</i>	18,068	671	18,739
<i>Other</i>	-	-	-
Total	1,490,097	59,234	1,549,331
Financial Investments			
Quoted on a stock exchange - <i>domestic public sector debt securities</i>	337,000	-	337,000
Quoted on a stock exchange - <i>Other debt securities</i>	-	-	-
Unquoted on a stock exchange - <i>Debt securities</i>	-	-	-
Total	337,000	-	337,000
Total	1,827,097	59,234	1,886,331

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II. Explanations Related to Credit Risk (continued)

The above distribution has been made based on the management information systems and the distributions on the note 5b under the 5th Section 1st Part has been made based on the account codes.

	Internal Rating Grade	December 31, 2012	(%)	December 31, 2011	(%)	
High						
	Risk rating class 1	A+ Excellent	10,501	0.53	1,989	0.14
	Risk rating class 2	A- Excellent	107,026	5.39	78,437	5.43
Good						
	Risk rating class 3	B+ Very Good	225,864	11.39	182,285	12.61
	Risk rating class 4	B- Very Good	260,625	13.14	194,910	13.49
Standard						
	Risk rating class 5	C+ Good	316,798	15.97	272,114	18.83
	Risk rating class 6	C- Good	483,323	24.36	265,302	18.36
Substandard						
	Risk rating class 7	D+ Ordinary	321,414	16.20	246,218	17.03
	Risk rating class 8	D- Ordinary	150,591	7.59	145,255	10.05
	Risk rating class 9	E Bad	59,699	3.01	41,403	2.86
	Risk rating class 10	F Very Bad	21,554	1.09	204	0.01
Unrated			26,439	1.33	17,259	1.19
Total			1,983,834	100.00	1,445,376	100.00

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

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

“F” rating;

Number of clients with “F” rating is 13 with an outstanding risk of TRY 21,554 (December 31,2011 : TRY 204; 1 client). 4 of these clients are granted against mortgage with outstanding risk of TRY 6.185 and covers 29% of total risk, 3 of these clients are granted against customer check with outstanding risk of TRY 5.697 and covers 26% of total risk. 1 of these clients is granted against credit letter of guarantee with outstanding risk of TRY 579 and covers 3% of total risk. (December 31,2011: 1client, 90%). Moreover, parent company of two clients, which have risk of TRY 2,270 , have ratings of C+ and above (ratio is 11%).

“E” rating;

Number of clients with “E” rating is 47 and total outstanding risk is TRY 59.699 (December 31,2011 : TRY 41.403; 21 client).16 of these clients are granted against mortgage with outstanding risk of TRY 24.744 and covers 41% of total “E” Rating Risk.(December 31,2011 : TRY 25,832; 62%) 17 of these clients are granted against Customer Check/Note with outstanding risk of TRY 9.394 and covers 16% of total “E” Rating Risk(December 31,2011 : TRY 6,236; 15%). Moreover, parent company of four clients, which have risk of TRY 6,745 , have ratings of C- and above (ratio is 11%).

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II. Explanations Related to Credit Risk (continued)

“D-” rating;

Number of clients with D- rating is 123 and total outstanding risk is TRY 150.591 (December 31, 2011 : TRY 145.255; 139 client). Clients granted against mortgage have outstanding risk of TRY 39.988 and covers 27% of total “D-” Rating Risk (December 31,2011 : TRY 41,155; 28%).

56 of these clients are granted against Customer check/note with outstanding risk of TRY 56.496 and covers 38% of total “D-” Rating Risk. (December 31,2011 : TRY 35,221; 74 client, %24). 4 of these clients are granted against vehicle pledge with outstanding risk of TRY 10.008 and covers 7% of “D-” rating risk. (December 31,2011 : TRY 9,265; 2 client, 6%)

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

III. Explanations Related to Market Risk

The Bank has established market risk management operations and taken the necessary precautions in order to hedge market risk within its financial risk management purposes, in accordance with the Communiqué on “Measurement and Assessment of Capital Adequacy of Banks” which was published in the Official Gazette on June 28, 2012 numbered 28337and “Regulation Regarding Banks’ Shareholders’ Equity”.

The Board of Directors determines the limits for the basic risk that the Bank is exposed to. Those limits are revised periodically in line with the market forces and strategies of the Bank. Additionally, the Board of Directors has ensured that the risk management division and senior management has taken necessary precautions to describe, evaluate, control and manage risks faced by the Bank.

Interest rate and exchange rate risks, arising from the volatility in the financial markets are measured, and in the computation of capital adequacy, the amount subject to VAR calculated by using the standard method (summarized below) is taken into consideration. Beside the standard method, market risk (VAR) is calculated by using internal model as supported by scenario analysis and stress tests. VAR is calculated daily by three different methods which are Monte Carlo, historic simulation and parametric method, and these results are also reported daily to the management.

The bank measures its value at risk of its portfolio using forecasted volatility and yield curve model supported by stress tests and scenario analysis. The purpose of VAR is to define the maximum risk the bank is exposed to. The Bank uses parametric, historical simulation and Monte Carlo methods by considering maximum loss which the bank suffers for predictions. The bank calculates the risk on the portfolio held by the Bank for the amount of loss resulting from excessive fluctuations in the market with stress test and scenario analysis. The ways of self-protection is determined by the Bank taking the portfolio into the consideration in case the volatility is repeated and various different crisis takes place. For market risk, analysis is performed by comparing the standard method with VAR.

The risks of on-balance sheet and off-balance sheet accounts positions depending on fluctuations in the financial markets are measured by the bank. Information regarding market risk which has taken into account in the calculation of the regulatory capital is presented below:

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III. Explanations Related to Market Risk (continued)

a) Information Related to Market Risk

	Amount
(I) Capital Requirement to be Employed For General Market Risk - Standard Method	2
(II) Capital Requirement to be Employed For Specific Risk - Standard Method	-
Standard Method For Specific Risk of Necessary Capital Requirement on Securitization Positions	-
(III) Capital Requirement to be Employed For Currency Risk – Standard Method	61
(IV) Capital Requirement to be Employed For Commodity Risk – Standard Method	-
(V) Capital Requirement to be Employed For Settlement Risk - Standard Method	-
(VI) Total Capital Requirement to be Employed For Market Risk Resulting From Options - Standard Method	-
(VII) Capital Requirement to be Employed For Counterparty Risk - Standard Method	17
(VIII) Total Capital Requirement to be Employed For Market Risk in Banks Using Risk Measurement Model	-
(IX) Total Capital Requirement to be Employed For Market Risk (I+II+III+IV+V+VI)	80
(X) Amount Subject to Market Risk (12.5 x VIII) or (12.5 x VII)	1,000

	December 31, 2012(*)		
	Average	Maximum	Minimum
Interest Rate Risk	1,103	2,998	1
Common Stock Risk	-	-	-
Currency Risk	88	160	44
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Counterparty Risk	8	17	2
Total Value Subject to Risk **	14,988	39,688	588

* In alignment with "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in the Official Gazette No. 28337 dated 28/06/2012, from July 2012 on, Basel 2 has been applied in terms of capital adequacy. Up until July 2012, for capital adequacy ratio calculation, "Regulation on Procedures and Principles for Determination of Quantification of Loans and Other Receivables by Banks and Provisions to be set aside" published in the Official Gazette No.26333 dated 01/11/2006 was applied.

	December 31, 2011		
	Average	Maximum	Minimum
Interest Rate Risk	3,116	3,271	2,733
Common Stock Risk	-	-	-
Currency Risk	92	165	40
Commodity Risk	-	-	-
Settlement Risk	-	-	-
Option Risk	-	-	-
Total Value Subject to Risk	40,100	42,950	34,663

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III. Explanations Related to Market Risk (continued)

Quantitative Counterparty Risk Information

	Tutar
Interest Rate Based Contracts	-
Exchange Rate Based Contracts*	43,669
Commodity Based Contracts	-
Common Stock Based Contracts	-
Gross Profit Fair Value**	16
Benefits to Clarify	-
Net Amount of Current Risk	-
Guarantees Held	-
The Net Position of Derivatives***	452
Other	-

* Principal

** Positive Replacement Cost

*** CalculateD Counterparty Credit Risk

For counterparty credit risks, limits are set by Board of Directors. Counterparty credit risk is managed 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 the Bank. Within the scope Regulation on the Internal Systems of Banks and Regulation on Measurement and Assetment of Capital Adequacy of Bank's, published in the Official Gazette No. 28337 dated 28/06/2012, "Counterparty Credit Risk Management Policy" is formed, then approved by the Board of Directors and published in the Bank.

Other price risks:

The Bank does not invest in share certificates quoted on a stock exchange hence it is not subject to share price risk.

IV. Explanations Related to Operational Risk

Basic indicators approach:

	2 PY Amount	1 PY Amount	CY Amount	Total/Postive gt number of years	Rate (%)	Total
Gross income	80,573	82,282	92,917	85,257	15	12,789
The amount subject to operational risk (Total*12,5)						159,857

The Operational risk is calculated on an annual basis in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks"

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. At T-Bank, operational processes are planned by the Central Operations Department located at Head Office. Branch operations managers are responsible for all operations done and work under Central Operations Department independent of branch managers.

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. For this purpose, in 2010, a new analysis tool was bought from an international firm and in 2011 studies were completed and an informative presentation was made to Senior Management and Audit Committee.

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IV. Explanations Related to Operational Risk (continued)

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.

Parallel to 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 approved by the Board of Directors on December 2012.

By Risk Management Group , within IT Risk Management framework, risks related to IT processes are assessed. Enhancement activities for critical IT processes are coordinated. In order to take actions against findings detected by independent audit firm, enhancement activities are coordinated with related departments. Within enhancement process, actions to be taken are assessed at Committee of IT risk and Sub- Committee of IT risk and then decided. As a result of studies conducted under enhancement activities , procedures are formed or existing procedures are updated , applications steps of processes are revised, if required actions for enhancement are suggested and whether these actions are implemented by related departments are followed up. Sub- Committee of IT risk chaired by Risk Management Group, calculates impacts and frequencies of IT risks by doing required updates ever year. By presenting risk assessment results for IT risks above threshold to Committee of IT risk which decides on mitigating, accepting, avoiding or transferring risk, Sub- Committee of IT risk maintains that actions are taken and then follows up actions.

Within IT Risk Management framework, business continuity plan and related IT continuity plan were updated in 2012 in coordination with related departments. Within business continuity plan scope, by negotiating the Bank's all departments, critical business processes are assessed , the Bank's Contingency Plan, Crisis Management Plan, Business Recovery Plan and teams are updated. Also, Business Continuity Procedure is formed. In 2012, business continuity and related IT continuity tests for critical processes are conducted.

V. 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, 2012 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	December 24, 2012	December 25, 2012	December 26, 2012	December 27, 2012	December 28, 2012	December 31, 2012
USD	1,7951	1,7915	1,7901	1,7873	1,7846	1,7833
CHF	1,9636	1,9593	1,9629	1,9621	1,9550	1,9529
GBP	2,9003	2,8625	2,8914	2,8882	2,8793	2,8981
100 JPY	2,1194	2,1127	2,0975	2,0768	2,0752	2,0647
EURO	2,3721	2,3628	2,3705	2,3712	2,3605	2,3576

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before December 31, 2012 are as follows:

	Monthly Average Foreign Exchange Rate
USD	1,7851
CHF	1,9371
GBP	2,8789
100 JPY	2,1311
EURO	2,3404

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V. Explanations Related to Currency Risk (continued)

December 31, 2012	EUR	USD	YEN	OTHER	TOTAL
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	71,770	126,962	-	615	199,347
Banks	768	95,972	182	591	97,513
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	2	-	-	2
Loans (*)	229,754	363,844	-	-	593,598
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets	2	242	-	-	244
Total Assets	302,294	587,022	182	1,206	890,704
Liabilities					
Bank Deposits	13	14,426	-	326	14,765
Foreign Currency Deposits	204,379	563,847	-	300	768,526
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	69,607	38,184	-	-	107,791
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	697	555	-	-	1,252
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	439	1,954	1	6	2,400
Total Liabilities	275,135	618,966	1	632	894,734
Net Balance Sheet Position	27,159	(31,944)	181	574	(4,030)
Net Off-Balance Sheet Position	-27,584	31,924	-	-	4,340
Financial Derivative Assets (***)	4,715	37,793	-	-	42,508
Financial Derivative Liabilities (***)	(32,299)	(5,869)	-	-	(38,168)
Non-Cash Loans (**)	75,832	219,703	-	3,548	299,083
December 31, 2011					
Total Assets(*) (****)	275,965	484,785	113	1,099	761,962
Total Liabilities	277,489	485,725	1	538	763,753
Net Balance Sheet Position	(1,524)	(940)	112	561	(1,791)
Net Off-Balance Sheet Position	413	2,143	-	(293)	2,263
Financial Derivative Assets (***)	4,935	13,781	-	-	18,716
Financial Derivative Liabilities (***)	(4,522)	(11,638)	-	(293)	(16,453)
Non-Cash Loans (**)	82,553	270,847	-	1,477	354,877

(*) Foreign currency indexed loans amounting to TRY 327,555 (December 31, 2011: TRY 276,116) are included in the loan portfolio.

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

(***) It includes also TRY 19,366 and TRY 14,828 forward asset purchase & sale commitments (December 31, 2011: TRY 15,565 and TRY 13,308, respectively).

(****) TRY 5 asset from derivative financial instruments and TRY 203 liability from derivative financial instruments are not included (December 31, 2011: 57 asset from derivative financial instruments and TRY 39 liability from derivative financial instruments are not included).

Foreign currency sensitivity:

The Bank holds EUR and USD currencies positions mainly.

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

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V. Explanations Related to Currency Risk (continued)

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
USD	%10 increase	(2)	120	-	(206)
USD	%10 decrease	2	(120)	-	206
EURO	%10 increase	(42)	(111)	-	-
EURO	%10 decrease	42	111	-	-

VI. 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.

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2012							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-	-	290,596	290,596
Banks	95,051	-	-	-	-	2,475	97,526
Financial Assets at Fair Value Through Profit and Loss	5	93	59	-	30	-	187
Money Market Placements	152,025	-	-	-	-	-	152,025
Available-For-Sale Financial Assets	67,611	33,292	137,982	39,986	4	75	278,950
Loans (*)	1,493,242	78,495	187,858	221,809	2,324	106	1,983,834
Held-To-Maturity Investments	-	32,491	23,055	15,413	-	-	70,959
Other Assets (**)	-	-	-	-	-	92,173	92,173
Total Assets	1,807,934	144,371	348,954	277,208	2,358	385,425	2,966,250
Liabilities							
Bank Deposits	21,331	-	-	-	-	824	22,155
Other Deposits	1,090,992	748,520	120,186	-	-	167,460	2,127,158
Money Market Borrowings	209,986	-	-	-	-	-	209,986
Sundry Creditors	-	-	-	-	-	12,042	12,042
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	19,322	42,625	52,569	17,924	-	55	132,495
Other Liabilities (***)	699	309	-	-	-	461,406	462,414
Total Liabilities	1,342,330	791,454	172,755	17,924	-	641,787	2,966,250
Balance Sheet Long Position	465,604	-	176,199	259,284	2,358	-	903,445
Balance Sheet Short Position	-	(647,083)	-	-	-	(256,362)	(903,445)
Off-Balance Sheet Long Position	-	-	-	-	-	43,669	43,669
Off-Balance Sheet Short Position	-	-	-	-	-	(43,886)	(43,886)
Total Position	465,604	(647,083)	176,199	259,284	2,358	(256,579)	(217)

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

(**) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 11,379, intangible assets amounting to TRY 1,037, tax asset amounting to TRY 2,758, net non performing loans amounting to TRY 33,076, clearing account amounting to TRY 24,691, prepaid expenses amounting to TRY 2,169, system improvement investments amounting to TRY 14,899 and other assets amounting to TRY 2,164.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 366,604, TRY 7,866 tax liabilities, TRY 36,935 provisions, and TRY 2,905 other liabilities.

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VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	YEN %	TRY %
December 31, 2012				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	-	-	-
Banks	0,13	0,25	-	7,18
Financial Assets At Fair Value Through Profit And Loss	-	-	-	8,80
Money Market Placements	-	-	-	9,72
Available-For-Sale Financial Assets	-	5,08	-	5,07
Loans	7,54	6,96	-	15,48
Held-To-Maturity Investments	-	-	-	8,48
Liabilities				
Bank Deposits	-	2,55	-	6,68
Other Deposits	4,43	4,37	-	10,52
Money Market Borrowings	-	-	-	5,90
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	4,43	3,86	-	8,19

Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on repricing dates):

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2011							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	-	-	-	-	-	200,915	200,915
Banks	77,193	-	-	-	-	3,177	80,370
Financial Assets at Fair Value Through Profit and Loss	45	114	-	58	26	-	243
Money Market Placements	80,043	-	-	-	-	-	80,043
Available-For-Sale Financial Assets	33,432	55,572	129,907	12,280	52,071	75	283,337
Loans (*)	1,058,515	80,611	156,624	147,600	1,940	23,428	1,468,718
Held-To-Maturity Investments	-	-	53,738	-	-	-	53,738
Other Assets (**)	-	-	-	-	-	35,969	35,969
Total Assets	1,249,228	136,297	340,269	159,938	54,037	263,564	2,203,333
Liabilities							
Bank Deposits	-	-	-	-	-	668	668
Other Deposits	919,894	523,487	48,850	-	-	102,681	1,594,912
Money Market Borrowings	97,725	-	-	-	-	-	97,725
Sundry Creditors	-	-	-	-	-	12,571	12,571
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	10,010	30,551	64,116	-	-	54	104,731
Other Liabilities (***)	340	246	-	-	-	392,140	392,726
Total Liabilities	1,027,969	554,284	112,966	-	-	508,114	2,203,333
Balance Sheet Long Position	221,259	-	227,303	159,938	54,037	-	662,537
Balance Sheet Short Position	-	(417,987)	-	-	-	(244,550)	(662,537)
Off-Balance Sheet Long Position	-	-	-	-	-	25,748	25,748
Off-Balance Sheet Short Position	-	-	-	-	-	(25,684)	(25,684)
Total Position	221,259	(417,987)	227,303	159,938	54,037	(244,486)	64

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

(**) The other assets line in the non-interest bearing column consist of tangible assets amounting to TRY 11,720, intangible assets amounting to TRY 1,244, tax asset amounting to TRY 2,579, clearing account amounting to TRY 10,777, prepaid expenses amounting to TRY 1,777, system improvement investments amounting to 6,486 and other assets amounting to TRY 1,386.

(***) The other liabilities line in the non-interest bearing column consists of shareholders' equity amounting to TRY 338,082, tax liability amounting to TRY 5,557, provisions amounting to TRY 26,622 and other liabilities amounting to 21,879.

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VI. Explanations Related to Interest Rate Risk (continued)

Average interest rates applied to monetary financial instruments:

	EURO %	USD %	YEN %	TRY %
December 31, 2011				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	-	-	-
Banks	0,52	0,25	-	7,39
Financial Assets at Fair Value Through Profit and Loss	-	-	-	8,02
Money Market Placements	-	-	-	11,87
Available-For-Sale Financial Assets	-	5,04	-	5,73
Loans	7,09	6,31	-	14,49
Held-To-Maturity Investments	-	-	-	8,02
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	4,41	4,36	-	9,53
Money Market Borrowings	-	-	-	6,32
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	3,74	2,21	-	8,42

Nature of interest rate risk resulted from banking book, major assumptions includes also assumption on early repayment of loans and movements in deposits other than term deposits and frequency of measuring interest rate risk.

With the exception of items included under on trading accounts, and items which are other than subordinated debts considered on equity accounts in accordance with "Regulation on Equity of Banks" which have been published on the Official Gazette dated November 1, 2006 numbered 26333, the interest rate risk for all on-balance sheet and off-balance sheet items, which are interest sensitive, and for banking accounts has been calculated. In calculation of interest rate risk, the bank has no any assumptions for early repayment of loans and demand deposits. Interest rate risk arising from banking accounts is calculated and is reported to BRSA monthly.

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 Schock Method.

Unit of Currency	Applicable Shock base point)*	(+ / -	Profit/ Loss	Profit / Equity Capital – Loss / Equity Capital
TRY	500		(18,763)	(%5)
	(400)		17,092	%4
EURO	200		(1,335)	%0
	(200)		1,474	%0
USD	200		(1,118)	%0
	(200)		1,231	%0
Total (For Negative Shock)			19,797	%5
Total (For Positive Shock)			(21,216)	(%6)

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

Interest rate sensitivity:

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

- Net profit would change by TRY 1,457. The change in profit mainly is related to loans and deposits (December 31, 2011 : TRY 448).
- 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 1121.

VII. Explanations Related to Equity Position Risk

The bank has no outstanding stock position.

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VIII. Explanations Related to Liquidity Risk

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.

Presentation of assets and liabilities according to their remaining maturities:

December 31, 2012	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	109,413	104,440	57,382	14,982	4,379	-	-	290,596
Banks	2,475	95,051	-	-	-	-	-	97,526
Financial Assets at Fair Value Through Profit and Loss	-	5	-	59	93	30	-	187
Money Market Placements	-	152,025	-	-	-	-	-	152,025
Available-For-Sale Financial Assets	-	-	8,919	15,190	138,420	116,346	75	278,950
Loans (***)	-	1,493,348	78,495	187,858	221,809	2,324	-	1,983,834
Held-To-Maturity Investments	-	-	32,491	21,710	15,413	1,345	-	70,959
Other Assets	-	24,698	-	-	-	-	67,475	92,173
Total Assets	111,888	1,869,567	177,287	239,799	380,114	120,045	67,550	2,966,250
Liabilities								
Bank Deposits	824	21,331	-	-	-	-	-	22,155
Other Deposits	167,460	1,090,992	748,520	120,186	-	-	-	2,127,158
Funds Provided From Other Financial Institutions	-	19,377	42,625	52,569	17,924	-	-	132,495
Money Market Borrowings	-	209,986	-	-	-	-	-	209,986
Marketable Securities Issued	-	-	-	-	-	-	-	-
Sundry Creditors	-	12,042	-	-	-	-	-	12,042
Other Liabilities (**)	-	55,664	309	-	-	-	406,441	462,414
Total Liabilities	168,284	1,409,392	791,454	172,755	17,924	-	406,441	2,966,250
Liquidity Gap	(56,396)	460,175	(614,167)	67,044	362,190	120,045	(338,891)	-
December 31, 2011								
Total Assets	84,580	1,300,257	120,468	290,492	267,314	91,625	48,597	2,203,333
Total Liabilities	103,349	1,064,904	554,284	112,966	-	-	367,830	2,203,333
Liquidity Gap	(18,769)	235,353	(433,816)	177,526	267,314	91,625	(319,233)	-

(*) 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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VIII. Explanations Related to Liquidity Risk (continued)

Analysis of financial liabilities by remaining contractual maturities:

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Adjustments (*)	Total
As of December 31, 2012							
Bank Deposits	22,178	-	-	-	-	(23)	22,155
Other deposits	1,261,500	755,738	125,460	-	-	(15,540)	2,127,158
Funds provided from other financial institutions	210,050	-	-	-	-	(64)	209,986
Money market borrowings	19,429	43,111	53,897	18,896	-	(2,838)	132,495
Total	1,513,157	798,849	179,357	18,896	-	(18,465)	2,491,794
As of December 31, 2011							
Bank Deposits	668	-	-	-	-	-	668
Other deposits	1,025,803	531,576	51,783	-	-	(14,250)	1,594,912
Funds provided from other financial institutions	97,757	-	-	-	-	(32)	97,725
Money market borrowings	10,162	30,945	65,975	-	-	(2,351)	104,731
Total	1,134,390	562,521	117,758	-	-	(16,633)	1,798,036

(*) 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
As of December 31, 2012						
Gross settled						
Foreign exchange forward contracts	-	-	-	-	-	-
Currency swaps	18,656	4,486	-	-	-	23,142
Total	18,656	4,486	-	-	-	23,142
As of December 31, 2011						
Gross settled						
Foreign exchange forward contracts	-	5,072	-	-	-	5,072
Currency swaps	-	-	-	-	-	-
Total	-	5,072	-	-	-	5,072

IX. Explanations on Securitization Positions

None.

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X. Explanations on Credit Risk Mitigation Techniques

All available financial collaterals, which have been used in comprehensive financial collateral method, are used by the Bank according to the credit risk mitigation technique. As the Bank has only cash blockage, treasury bills and government bonds, as collateral only those types of collaterals are included in the calculation.

Collateral on the basis of risk classes

Risk Types	Amount	Financial Collateral	Other / Physical Collateral	Guaranties and Credit Derivatives
Contingent and Non-Contingent Receivables on Sovereigns	688,994	-	-	-
Contingent and Non-Contingent Receivables on Regional Governments and Local Authorities	-	-	-	-
Contingent and Non-Contingent Receivables on Administrative Units and Non-commercial Enterprises	15,594	205	-	-
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	216,626	12,266	-	-
Contingent and Non-Contingent Corporate Receivables	1,604,700	63,861	-	-
Contingent and Non-Contingent Retail Receivables	292,414	8,634	-	-
Contingent and Non-Contingent Receivables Secured by Property	545,161	-	-	-
Past Due Receivables	33,076	1	-	-
Receivables defined in high risk category by BRSA	36,900	1,436	-	-
Collateralized Mortgage Marketable Securities	-	-	-	-
Securitization positions	-	-	-	-
Short-Term Receivables from Banks, brokerage houses and Corporate	-	-	-	-
Investment similar to collective investment funds	-	-	-	-
Other Receivables	1,952,123	-	-	-
Total	5,385,588	86,403	-	-

Risk Management Objectives and Policies

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 and those policies and strategies have been reviewed and monitored in accordance with "Regulation on Internal Systems of Banks (published in the Official Gazette dated June 28, 2012 numbered 28337)".

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 June 28, 2012 numbered 28337)", sustaining the Bank's operations in accordance with the Banks's 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. In order to extensively analyze instruments, subject to market risk, and measure their risk in detail, in 2012, updates and improvements of the market risk software were made.

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X. Explanations on Credit Risk Mitigation Techniques (continued)

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 June 28,2012, numbered 28337."

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 28337 dated 28/06/2012, banking processes and policies were revised. Consequently, related procedures/policies are updated/formed and then approved by the Board of Directors at December 2012.

In order to manage operational risks that the Bank is exposed to more effectively and form an integrated risk management point of view, Operational Risk Policy and IT Continuity Plan was updated, Data Management Procedure was formed.

In order to define, measure, limit and report market risk the Bank is exposed to, Market Risk Policy is formed. When the Bank manages its treasury securities portfolio within the limits determined by the Board of Directors, Risk Management Group checks whether Treasury Department is within these risk limits.

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

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

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

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

Regarding internal assessment process 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.

Risk Management Procedure is also updated in such a way that it includes all the definitions above.

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XI. Explanations on Structure and Organization of the Risk Management System

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 (APKO), 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.

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

	Book Value		Fair Value	
	December 31,2012	December 31,2011	December 31,2012	December 31,2011
Financial Assets	2,616,370	1,966,206	2,612,841	1,958,559
Money Market Placements	152,025	80,043	152,025	80,043
Banks	97,526	80,370	97,526	80,370
Available-For-Sale Financial Assets (*)	278,950	283,337	278,950	283,337
Held-To-Maturity Investments	70,959	53,738	71,755	52,838
Loans	2,016,910	1,468,718	2,012,585	1,461,971
Financial Liabilities	2,293,850	1,712,882	2,294,587	1,713,570
Bank Deposits	22,155	668	22,155	668
Other Deposits	2,127,158	1,594,912	2,127,555	1,595,060
Funds Borrowed From Other Financial Institutions	132,495	104,731	132,835	105,271
Marketable Securities Issued	-	-	-	-
Sundry Creditors	12,042	12,571	12,042	12,571

(*) Unquoted stocks amounting to TRY 75 have not been considered in fair value calculation.

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 approximate 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, 2012 is the market rates available for the loan and security types.

ii. Financial liabilities:

The fair value of bank deposits 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, 2012 is the market rates available for the borrowing and deposits types.

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VIII. 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 31,2012	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	182	5	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	278,875	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
Financial Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(203)	-	-

December 31, 2011	Level 1 (Quoted)	Level 2 (Valuation techniques – market observable)	Level 3 (Valuation techniques – non market observable)	Fair value not available
Financial Assets				
Financial Assets at Fair Value through Profit and Loss	177	66	-	-
Money Market Placements	-	-	-	-
Banks	-	-	-	-
Available-For-Sale Financial Assets	283,262	-	-	75
Held-To-Maturity Investments	-	-	-	-
Loans	-	-	-	-
Financial Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-
Marketable Securities Issued	-	-	-	-
Derivative financial liabilities held for trading	-	(39)	-	-

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.

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SECTION FIVE

EXPLANATIONS AND DISCLOSURES ON FINANCIAL STATEMENTS

I. Explanations and Disclosures Related to the Assets

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

	December, 31 2012		December, 31 2011	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	6,628	16,928	5,561	10,812
Balances with the Central Bank of Turkey	84,621	182,419	63,937	120,605
Other	-	-	-	-
Total	91,249	199,347	69,498	131,417

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

	December, 31 2012		December, 31 2011	
	TRY	FC	TRY	FC
Unrestricted demand deposits	84,621	1,236	63,937	1,093
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
FC Reserve deposits	-	181,183	-	119,512
Total	84,621	182,419	63,937	120,605

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 up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%11,5	%9	Ratios for corresponding maturities	%11,5	%9,5	%6

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
%11	%11	%11	%8	%6	%5	%11	%8	%5

Effective from October 1, 2010, interest received from reserve deposits has been abolished.

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

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

Net book value of unrestricted financial assets at fair value through profit and loss is TRY 182 (December 31, 2011: TRY 177).

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

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Forward Transactions	-	-	9	57
Swap Transactions	-	5	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	5	9	57

3. a) Information on banks:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Banks				
Domestic	13	95,097	17	77,232
Foreign	-	2,415	-	3,121
Branches and head office abroad	-	-	-	-
Total	13	97,513	17	80,353

b) Information on foreign bank accounts:

	Unrestricted Amount		Restricted Amount	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
European Union Countries	1,053	1,409	-	-
USA and Canada	882	1,328	-	-
OECD Countries (*)	422	311	-	-
Off-shore banking regions	-	-	-	-
Other	59	73	-	-
Total	2,416	3,121	-	-

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

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

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

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	34,242	-	37,485	-
Other	-	-	-	-
Total	34,242	-	37,485	-

Available-for-sale securities given as collateral for Interbank money market and open market transactions are TRY 968 and TRY 33,274, respectively. (December 31, 2011: Available-for-sale securities given as collateral for Stock Exchange and Foreign Exchange Markets are TRY 18,268 and TRY 19,217 respectively.)

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

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

	December 31, 2012		December, 31 2011	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	170,139	-	78,596	-
Other	-	-	-	-
Total	170,139	-	78,596	-

Net book value of unrestricted financial assets available-for-sale is TRY 74,569 (December 31, 2011: TRY 167,256) and included in this amount there are unquoted stocks amounting TRY 75 (December 31, 2011: TRY 75).

b) Information on financial assets available for sale portfolio:

	December 31, 2012	December, 31 2011
Debt securities	278,875	283,262
Quoted on a stock exchange	278,875	283,262
Not quoted	-	-
Share certificates	75	75
Quoted on a stock exchange	-	-
Not quoted	75	75
Impairment provision (-)	-	-
Total	278,950	283,337

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 75 which is recorded investment at cost since its fair value cannot be reliably estimated (December 31, 2011: TRY 75).

5. Information on loans:

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

	December 31, 2012		December, 31 2011	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	59	71	73	620
Corporate shareholders	59	71	73	620
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	3,124	118	6,902
Loans granted to employees	845	1,175	878	1,124
Total	904	4,370	1,069	8,646

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

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	1,872,040	2,317	-	63,734	45,743	-
Discount notes	1,467,324	2,317	-	51,659	39,876	-
Export loans	289,353	-	-	151	5,835	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	45,067	-	-	-	-	-
Foreign loans	144	-	-	-	-	-
Consumer loans	26,949	-	-	10,457	32	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	43,203	-	-	1,467	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	1,872,040	2,317	-	63,734	45,743	-

- c) Loans according to their maturity structure:

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	1,560,582	1,354	24,760	19,980
Non-specialized loans	1,560,582	1,354	24,760	19,980
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	311,459	963	38,973	25,763
Non-specialized loans	311,459	963	38,973	25,763
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	1,872,041	2,317	63,733	45,743

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables		Watching Loans and Other Receivables	
1 or 2 times extended		2,317		40,097
3, 4 or 5 times extended		-		3,653
5 Over the extended		-		1,993
Total		2,317		45,743

	Standard Loans and Other Receivables		Watching Loans and Other Receivables	
0 – 6 Month		4		4,319
6 – 12 Month		1,246		15,328
1 – 2 Year		202		13,188
2 – 5 Year		865		12,908
5 Years and Over		-		-
Total		2,317		45,743

As of December 31, 2012, in accordance with “Regulation on Procedures and Principles for Determination of Qualifications of Loans and Other Receivables by Banks and Provisions to be set aside” (published in the Official Gazette on May 28, 2011, numbered 27947) the bank calculated general loan loss provision for standard loan, which the payments are rescheduled, amounting to TRY 2,240 and for watchlist-loans, which the payments are rescheduled, amounting to TRY 116.

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

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

	Short Term	Medium and Long Term	Total
Consumer Loans-TRY	4,618	31,220	35,838
Housing Loans	2,913	3,611	6,524
Car Loans	178	521	699
General Purpose Loans	1,275	18,172	19,447
Other	252	8,916	9,168
Consumer Loans –Indexed to FC	-	83	83
Housing Loans	-	50	50
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	33	33
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	332	232	564
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	332	232	564
Other	-	-	-
Personnel Loans- Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY(Real Persons) (*)	953	-	953
Overdraft Accounts-FC(Real Persons)	-	-	-
Total	5,903	31,535	37,438

(*) Overdraft Accounts includes TRY 240 personnel loans.

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

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

	Short Term	Medium and Long Term	Total
Commercial loans with installment facility-TRY	30,215	206,519	236,734
Business Loans	-	73	73
Car Loans	44	3,073	3,117
General Purpose Loans	-	8,253	8,253
Other	30,171	195,120	225,291
Commercial loans with installment facility - Indexed to FC	4,823	128,394	133,217
Business Loans	-	-	-
Car Loans	2,526	33,647	36,173
General Purpose Loans	-	1,101	1,101
Other	2,297	93,646	95,943
Commercial loans with installment facility –FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY(Legal Entities)	14,340	-	14,340
Overdraft Accounts-FC(Legal Entities)	-	-	-
Toplam	49,378	334,913	384,291

f) Domestic and foreign loans:

	December 31, 2012	December 31, 2011
Domestic loans	1,983,627	1,425,003
Foreign loans	207	20,373
Total	1,983,834	1,445,376

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	December 31, 2012	December 31, 2011
Specific provisions		
Loans and receivables with limited collectability	-	81
Loans and receivables with doubtful collectability	4,002	-
Uncollectible loans and receivables	31,466	15,910
Total	35,468	15,991

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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:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
December 31, 2012			
(Gross amount before specific provision) (*)	-	-	1,000
Restructured Loans and Other Receivables	-	-	1,000
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2011			
(Gross amount before specific provision)	-	-	124
Restructured Loans and Other Receivables	-	-	124
Rescheduled Loans and Other Receivables	-	-	-

(*) As of December 31, 2012 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 770 (December 31, 2011: TRY 31).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
December 31, 2011 balance	781	874	37,678
Additions (+)	35,973	1,185	709
Transfers from other categories of non-performing loans (+)	-	25,566	19,884
Transfers to other categories of non-performing loans (-)	(34,690)	(10,761)	-
Collections (-)	(2,064)	(743)	(5,848)
Write-offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
December 31, 2012 balance	-	16,121	52,423
Specific provision (-)	-	(4,002)	(31,466)
Net Balances on Balance Sheet	-	12,119	20,957

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

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

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

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
December 31, 2012 (Net)			
Loans to Real Persons and Legal Entities (Gross)	-	16,121	52,423
Specific provision (-)	-	(4,002)	(31,466)
Loans to Real Persons and Legal Entities (Net)	-	12,119	20,957
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2011 (Net)			
Loans to Real Persons and Legal Entities (Gross)	781	874	37,678
Specific provision (-)	(81)	-	(15,910)
Loans to Real Persons and Legal Entities (Net)	700	874	21,768
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 nonperforming loans and receivables:

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

l) Explanations on write-off policy:

Upon the request of internal legal counsel and credit department for those doubtful loans that have no proven change of recovery, write off is evaluated according to the authority delegated by the Board of Directors. For the year ended December 31, 2012 there is no write-off amount evaluated according to the Board of Directors decision (December 31, 2011: None).

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

m) Other explanations and disclosures:

December 31, 2012	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	1,411,240	452,265	10,852	-	1,874,357
Past due not impaired	68,070	39,382	2,025	-	109,477
Restructured loans (*)	-	-	-	-	-
Individually impaired	51,650	16,462	432	-	68,544
Total gross	1,530,960	508,109	13,309	-	2,052,378
Less: allowance for individually impaired loans	(24,971)	(10,146)	(351)	-	(35,468)
Total net	1,505,989	497,963	12,958	-	2,016,910
December 31, 2011	Corporate	Small Business	Retail	Other	Total
Neither past due nor impaired	984,254	407,162	18,068	-	1,409,484
Past due not impaired	17,403	17,850	639	-	35,892
Restructured loans (*)	-	-	-	-	-
Individually impaired	30,752	8,449	132	-	39,333
Total gross	1,032,409	433,461	18,839	-	1,484,709
Less: allowance for individually impaired loans	(12,507)	(3,384)	(100)	-	(15,991)
Total net	1,019,902	430,077	18,739	-	1,468,718

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

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

	Total
At January 1, 2012	15,991
Additions in the period	21,071
Non-performing loan sales	-
The effect of collections in the period	(1,594)
Write off	-
At December 31, 2011	35,468

The fair value of collaterals that the Bank holds relating to loans individually determined to be impaired as of December 31, 2012 is TRY 56,848. (December 31, 2011: TRY 51,662).

TRY 3,318 amount of properties are transferred to the ownership of the Bank in 2012 period and in the same period TRY 282 amount of it has been sold. There are no other credit enhancements obtained during the period (December 31, 2011: None). Moreover, TRY 853 amount of properties transferred to the ownership of the Bank before 2012 year have been sold.

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

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

December 31, 2012	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and advances to customers					
<i>Corporate Lending</i>	55,801	5,872	6,398	-	68,071
<i>Small Business Lending</i>	35,407	3,893	82	-	39,382
<i>Consumer Lending</i>	1,239	785	-	-	2,024
<i>Other</i>	-	-	-	-	-
Total	92,447	10,550	6,480	-	109,477
December 31, 2011	Less than 30 Days	31- 60 Days	61- 90 Days	More than 91 Days	Total
Loans and advances to customers					
<i>Corporate Lending</i>	17,091	312	-	-	17,403
<i>Small Business Lending</i>	15,265	2,535	50	-	17,850
<i>Consumer Lending</i>	340	200	98	-	638
<i>Other</i>	-	-	-	-	-
Total	32,696	3,047	148	-	35,891

The fair value of collaterals, capped with the respective outstanding loan balance, that the Bank held as of December 31, 2012 is TRY 172,020 (December 31, 2011: TRY 59,938) for the total aggregate amount of gross past due but not yet impaired loans and advances to customers.

Loans and advances amounting to TRY 1,171,490 are revolving loans that have maturity up to one month and floating interest rates (December 31, 2011: TRY 954,002) and the remaining TRY 806,344 have fixed interest rates. (December 31, 2011: TRY 491,374).

6. Information on held-to-maturity investments:

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

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	26,542	-	21,473	-
Other	-	-	-	-
Total	26,542	-	21,473	-

Held-to-maturity investments given as collateral for open market transactions in Central Bank and Interbank Markets are TRY 6,057 and TRY 3,845, respectively and TRY 16,640 is kept as collateral in Takasbank for to make transaction in Stock Exchange as of December 31, 2012.

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

	December 31, 2012		December 31, 2011	
	TP	YP	TP	YP
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	39,665	-	18,525	-
Other	-	-	-	-
Total	39,665	-	18,525	-

Book value of held to maturity investments classified as unrestricted financial assets is TRY 4,752 (December 31, 2011: TRY 13,740).

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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, 2012	December 31, 2011
Government bonds	70,959	53,738
Treasury bills	-	-
Other public sector debt securities	-	-
Total	70,959	53,738

c) Information on held-to-maturity investments:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	70,959	-	53,738	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	70,959	-	53,738	-

d) Movement of held-to-maturity investments:

	December 31, 2012	December 31, 2011
Beginning balance	53,738	47,882
Foreign currency differences on monetary assets(*)	(463)	294
Purchases during year	67,307	28,554
Disposal through sales and redemptions	(49,623)	(22,992)
Impairment provision (-)	-	-
Closing Balance	70,959	53,738

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

7. Information on associates (Net):

The Bank has no associates in the current period

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

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

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

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

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

12. Information on tangible assets (Net) :

	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	5,976	-	(2)	-	-	5,974
Vehicles	-	-	-	-	-	-
Other	27,281	5,254	(1,416)	-	-	31,119
Total Cost	33,257	5,254	(1,418)	-	-	37,093

	Closing Balance December 31, 2011	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2011
Accumulated Depreciation:						
Land and buildings	-	-	-	-	-	-
Leased tangible assets	(5,327)	(415)	-	-	-	(5,742)
Vehicles	-	-	-	-	-	-
Other	(16,210)	(3,974)	212	-	-	(19,972)
Total Accumulated Depreciation	(21,537)	(4,389)	212	-	-	(25,714)
Net Book Value	11,720	865	(1,206)	-	-	11,379

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

13. Information on intangible assets:

	Closing Balance December 31, 2012	Additions	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Cost:						
Software cost	9,074	466	-	-	-	9,540
Other intangible assets		-	-	-	-	
Total Cost	9,074	466	-	-	-	9,540

	Closing Balance December 31, 2012	Period Charge	Disposals	Other	Change in estimate	Ending Balance December 31, 2012
Accumulated Depreciation:						
Software cost	(7,830)	(673)	-	-	-	(8,503)
Other intangible assets	-	-	-	-	-	-
Total Accumulated Depreciation	(7,830)	(673)	-	-	-	(8,503)
Net Book Value	1,244	(207)	-	-	-	1,037

- Disclosures for book value, description and remaining depreciation time for a specific intangible fixed asset that is material to the financial statements: None.
- Disclosure for intangible fixed assets acquired through government grants and accounted for at fair value at initial recognition: None.
- The method of subsequent measurement for intangible fixed assets that are acquired through government incentives and recorded at fair value at the initial recognition : None
- The book value of intangible fixed assets that are pledged or restricted for use: None.
- Amount of purchase commitments for intangible fixed assets: None.
- Information on revalued intangible assets according to their types: None.
- Amount of total research and development expenses recorded in income statement within the period if any: None.
- Positive or negative consolidation goodwill on entity basis: None.
- Information on goodwill: None
- Movements on goodwill in the current period: None

14. Investment Property (Net): None.

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

15. Explanations on deferred tax assets:

- a) As of December 31, 2012, deferred tax asset calculated on tax losses and tax deductions or exemptions have been no balance. (December 31, 2011: TRY 320 deferred tax asset). Deferred tax asset calculated on the other temporary differences is TRY 2,758 (December 31, 2011: TRY 2,087 deferred tax asset).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.
- d) Movement of deferred tax:

	December 31, 2012	December 31, 2011
At January 1	2,407	780
Effect of change in tax rate	-	-
Deferred tax (charge)/benefit	4,305	(2,057)
Deferred tax (charge)/ benefit (Net)	4,305	(2,057)
Deferred tax accounted for under Shareholders' Equity	(3,954)	3,684
Deferred Tax Asset	2,758	2,407

	December 31, 2012		December 31, 2011	
	Tax Base	Deferred Tax	Tax Base	Deferred Tax
Reserve for Employee Benefits	7,051	1,410	4,901	980
Provisions	880	176	1,452	290
Diğer serbest karşılıklar	5,198	1,039	3,302	661
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	14	3	173	35
Deferred Commission	1,510	303	1,350	270
Financial Assets	994	199	2,390	478
Tax Losses	-	-	1,599	320
Deferred Tax Assets		3,130		3,034
Net Book Value and Tax Value Differences of Assets:				
Tangible Fixed Assets	1,844	369	2,158	432
Financial Assets	-	-	901	180
Other	14	3	77	15
Deferred tax liability (-)		372		627
Deferred tax Asset (Net)		2,758		2,407

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

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

17. Information on other assets:

a) Breakdown of other assets:

	December 31, 2012	December 31, 2011
Settlement Accounts	24,691	10,777
System Investments	14,899	6,486
Prepaid Expenses	2,169	1,777
Advances Given	243	244
Other	1,921	1,142
Toplam	43,923	20,426

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, 2012 :

	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	13,746	-	15,183	716,652	113,849	592	401	-	860,423
Foreign currency deposits	62,152	-	11,509	592,331	90,645	11,871	18	-	768,526
Residents in Turkey	50,880	-	9,536	525,706	85,666	5,407	18	-	677,213
Residents abroad	11,272	-	1,973	66,625	4,979	6,464	-	-	91,313
Public sector deposits	5,031	-	-	-	-	-	-	-	5,031
Commercial deposits	86,392	-	21,590	247,659	54,665	52,754	8,142	-	471,202
Other institutions deposits	139	-	358	21,472	-	-	7	-	21,976
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	824	-	7,001	-	14,330	-	-	-	22,155
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	34	-	7,001	-	-	-	-	-	7,035
Foreign Banks	790	-	-	-	14,330	-	-	-	15,120
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	168,284	-	55,641	1,578,114	273,489	65,217	8,568	-	2,149,313

a.2) December 31, 2011:

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Month	3-6 Month	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	8,381	-	20,309	447,335	137,514	1,611	644	-	615,794
Foreign currency deposits	53,305	-	29,208	495,472	85,043	11,604	297	-	674,929
Residents in Turkey	52,032	-	29,181	425,311	65,681	10,684	18	-	582,907
Residents abroad	1,273	-	27	70,161	19,362	920	279	-	92,022
Public sector deposits	1,106	-	-	-	-	-	-	-	1,106
Commercial deposits	39,679	-	57,337	153,196	17,703	24,085	3,016	-	295,016
Other institutions deposits	209	-	41	6,471	1,339	1	6	-	8,067
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	668	-	-	-	-	-	-	-	668
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	10	-	-	-	-	-	-	-	10
Foreign Banks	658	-	-	-	-	-	-	-	658
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	103,348	-	106,895	1,102,474	241,599	37,301	3,963	-	1,595,580

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, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Saving deposits	114,937	113,927	739,755	497,578
Foreign currency saving deposits	31,459	29,427	416,526	301,642
Other deposits in the form of saving deposits	122	176	5,115	4,287
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	149,518	143,530	1,161,396	803,507

(*) According to the BRSA's circular no 1584 dated February 23, 2005, accruals are included in the saving deposit amount.

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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, 2012	December 31, 2011
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	1,625	1,517
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

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

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Forward Transactions	-	-	-	39
Swap Transactions	-	203	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	203	-	39

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

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
From Domestic Banks and Institutions	11,151	23,765	14,691	24,496
From Foreign Banks, Institutions and Funds	13,553	84,026	1,235	64,309
Total	24,704	107,791	15,926	88,805

b) Maturity analysis of borrowings:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Short-term	24,704	61,958	15,926	72,532
Medium and long-term	-	45,833	-	16,273
Total	24,704	107,791	15,926	88,805

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

Bank diversifies its funding resources by customer deposits and foreign borrowings. 67% of bank deposits and 36% of other deposits are composed of foreign currency deposits.

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

4. Information on funds provided from repurchase agreement transactions :

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
From domestic transactions	209,986	-	97,725	-
Financial institutions and organizations	209,983	-	97,710	-
Other institutions and organizations	-	-	-	-
Real persons	3	-	15	-
From foreign transactions	-	-	-	-
Financial institutions and organizations	-	-	-	-
Other institutions and organizations	-	-	-	-
Real persons	-	-	-	-
Total	209,986	-	97,725	-

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

	December 31, 2012		December 31, 2011	
	Nominal	Carrying Value	Nominal	Carrying Value
Financial Assets Available for Sale	138,316	169,910	71,088	79,350
Held to Maturity Investments	39,389	40,073	19,000	18,360
Financial assets held for trading	-	-	-	-
Total	177,705	209,983	90,088	97,710

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) The explanation on modifications in agreements and new obligations resulting from such modifications: None.

c) Explanation on finance lease payables: None (December 31,2011: None.)

d) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In the first nine months of 2012, operational lease expenses amounting to TRY 8,976 have been recorded in the profit and loss accounts (December 31,2011: TRY 8,084). The lease periods vary between 5 and 10 years.

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

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

7. Information on derivative financial liabilities for hedging purposes: None.

8. Information on provisions:

a) Information on general provisions:

	December 31, 2012	December 31, 2011
General Provisions		
Provisions for First Group Loans and Receivables	16,506	11,766
- Additional provision for extentioned loans	116	-
Provisions for Second Group Loans and Receivables	1,215	813
- Additional provision for extentioned loans	2,240	-
Provisions for Non-cash Loans	1,917	1,809
Total	21,994	14,388

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

	First Group Loans and Receivables	Second Group Loans and Receivables	Non-Cash Loans
January 1, 2012	11,766	813	1,809
Additions	4,856	2,642	108
Disposals	-	-	-
December 31, 2012	16,622	3,455	1,917

b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: The foreign exchange losses amounting to TRY 3,874 (December 31, 2011: TRY 351) on the foreign currency indexed loans are netted off from loans on the balance sheet.

c) The specific provisions of TRY 1,813 (December 31, 2011: TRY 2,578) 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, 2012	December 31, 2011
As of January 1	2,969	2,173
Service cost	682	508
Interest cost	283	203
Actuarial gain / (loss)	1,349	314
Benefits paid	(385)	(229)
Additional indemnities or expenses/ (income)	-	-
End of period	4,898	2,969

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

d.2) Information on employee termination benefits and unused vacation accrual:

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.

	December 31, 2012	December 31, 2011
Employee termination benefit provision	4,898	2,969
Unused vacation provision	2,153	1,932
Total of provision for employee benefits	7,051	4,901

In accordance with TAS No: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.

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 TMS19 is determined as follows:

	Assumptions
Discount rate	7,00%
Inflation rate	4,80%

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, 2012	December 31, 2011
Specific provisions provided for unindemnified non cash loans	1,813	2,578
Other provisions (*)	6,078	4,755
Total	7,891	7,333

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

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

	Specific provisions provided for unindemnified non cash loans	Other provisions(*)
December 31, 2011	2,578	4,755
Additions	982	4,980
Disposals	(1,748)	(3,657)
December 31, 2012	1,812	6,078

(*) Other provisions include TRY 4,750 of bonus provisions, TRY 145 of the remaining provision from 2011, TRY 302 of provisions for other assets, TRY 582 of litigation provision, TRY 299 of other provisions. (December 31, 2011: TRY 3,000 bonus provision, TRY 751 of loan related provision, TRY 1,004 of legal claim provision).

f) Liabilities on pension rights: None.

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

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

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of December 31, 2012, remaining tax liability after prepaid taxes are netted off;

	December 31, 2012	December 31, 2011
Current Period Tax Payable	9,455	-
Prepaid Tax	(8,052)	-
Total	1,403	-

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

a.2) Explanations on taxes payable:

	December 31, 2012	December 31, 2011
Corporate Tax Payable	2,319	1,535
BSMV	1,952	1,923
Taxation on Securities	1,403	-
Payroll Tax	868	753
Property Tax	219	210
Value Added Tax Payable	173	266
Stamp Tax	30	20
Other	42	136
Total	7,006	4,843

a.3) Information on premiums:

	December 31, 2012	December 31, 2011
Social Security Premiums-Employee	472	392
Social Security Premiums-Employer	322	267
Bank Social Aid Pension Fund Premium-Employee	44	37
Bank Social Aid Pension Fund Premium-Employer	22	18
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	860	714

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 discounted operations: None.

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

The bank does not have subordinated loans.

12. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

According to the Extraordinary General Assembly decision dated May 30, 2011, it was decided to increase the Bank's capital from TRY 170,000 to TRY 300,000, and it was registered in the Turkish Trade Registry Gazette dated June 20, 2011 numbered 7840. According to the BRSA Approval dated September 15, 2011 numbered 4381 the unused preemptive right of Arab Bank Plc amounting to TRY 65,000 have been used by Arab Bank (Switzerland) Ltd (ABS). Capital commitments have been paid by shareholders and according to the BRSA Decision dated October 20, 2011 numbered 22244 it has been transferred to the capital accounts.

As of September 31, 2012 the nominal value of the Bank's paid-in-capital is amounting to TRY 300,000 and consists of 3,000 million shares.

000 TL	December 31, 2012	December 31, 2011
Common stock(*)	300,000	300,000
Preferred stock	-	-

(*) Nominal Capital

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

c) Information on share capital increases and their sources; other information on increased capital shares in the current period: None

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.

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

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

	December 31, 2012	December 31, 2011
From Associates, Subsidiaries, and Jointly Controlled Entities (Joint Vent.)	-	-
Valuation Difference	8,824	(6,989)
Foreign Exchange Difference	-	-
Total	8,824	(6,989)

13. Information on legal reserves :

	December 31, 2012	December 31, 2011
First Legal reserves	967	789
Second Legal reserves	-	-
Other legal reserves appropriated in accordance with special legislation	-	-
Total	967	789

14. Information on extraordinary reserves:

	December 31, 2012	December 31, 2011
Reserves appropriated by the General Assembly	-	-
Retained earnings	15,927	12,544
Accumulated losses	-	-
Foreign currency share capital exchange difference	-	-
Total	15,927	12,544

15. 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:

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

	December 31, 2012	December 31, 2011
Loan granting commitments	32,554	38,849
Payment commitments for checks	81,885	67,900
Forward asset purchase and sales commitments	41,073	41,315
Other irrevocable commitments	30,884	22,265
Total	186,396	170,329

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

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

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

	December 31, 2012	December 31, 2011
Bank acceptance loans	5,372	11,597
Letters of credit	52,105	92,948
Other guarantees and collaterals	82,941	84,979
Total	140,418	189,524

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

	December 31, 2012	December 31, 2011
Definite letter of guarantess	681,630	613,527
Temporary letter of guarantees	137,318	110,483
Other letter of guarantees Diğer	119,543	117,094
Total	938,491	841,104

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

	December 31, 2012	December 31, 2011
Non-cash loans given against achieving cash loans	61,095	72,176
With maturity of 1 year or less than 1 year	17,733	14,108
With maturity of more than 1 year	43,362	58,068
Other non-cash loans	1,017,814	958,452
Total	1,078,909	1,030,628

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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, 2012				December 31, 2011			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	5,757	0.64	6,273	1.91	4,924	1.11	2,316	0.64
Farming and raising livestock	4,080	0.46	6,269	1.91	4,071	0.97	2,316	0.64
Forestry	1,581	0.18	4	0.00	795	0.13	-	0.00
Fishery	96	0.01	-	0.00	58	0.01	-	0.00
Manufacturing	164,574	18.36	175,482	53.48	175,666	28.93	178,914	49.36
Mining	30,763	3.43	2,790	0.85	50,264	9.38	22,715	6.27
Production	132,791	14.82	158,509	48.31	125,193	19.52	156,186	43.09
Electric, gas and water	1,020	0.11	14,183	4.32	209	0.02	13	0.00
Construction	346,291	38.64	63,988	19.50	292,703	35.57	95,928	26.47
Services	332,761	37.13	77,760	23.70	226,690	28.48	80,934	22.33
Wholesale and retail trade	170,730	19.05	26,260	8.00	111,961	12.88	36,347	10.03
Hotel, food and beverage services	7,760	0.87	4,119	1.26	6,152	0.81	484	0.13
Transportation and telecommunication	25,629	2.86	15,177	4.63	9,386	2.60	8,560	2.36
Financial institutions	92,346	10.30	10,591	3.23	49,022	6.97	20,546	5.67
Real estate and renting services	3,837	0.43	10	0.00	5,019	0.42	5,494	1.52
Self-employment services	11,208	1.25	21,523	6.56	18,445	2.83	9,503	2.62
Education services	184	0.02	-	0.00	274	0.02	-	0.00
Health and social services	21,067	2.35	80	0.02	26,431	1.95	-	0.00
Other	46,752	5.22	4,594	1.40	84,932	5.90	4,354	1.20
Total	896,135	100.00	328,097	100.00	784,915	100.00	362,446	100.00

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

Non-cash loans	I st Group (*)		II nd Group	
	TRY	FC	TRY	FC
Letters of guarantee	760,797	157,719	18,867	1,108
Bank acceptances	-	5,372	-	-
Letters of credit	-	52,105	-	-
Endorsements	-	-	-	-
Securities issue purchase and guarantees	-	-	-	-
Other commitments and contingencies	162	82,779	-	-
Total	760,959	297,975	18,867	1,108

(*) Includes III rd, IV th and V th Groups as well. The Bank provided a reserve of TRY 6,804 for non-cash loans not yet indemnified amounting to TRY 1,812.

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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, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Types of trading transactions				
Foreign currency related derivative transactions (I):				
Forward transactions	-	10,117	-	-
Swap transactions	46,482	-	-	-
Futures transactions	-	-	-	-
Option transactions	-	-	-	-
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)	46,482	10,117	-	-
Types of hedging transactions	-	-	-	-
Fair value hedges	-	-	-	-
Cash flow hedges	-	-	-	-
Net investment hedges	-	-	-	-
B.Total hedging related derivatives	-	-	-	-
Total Derivative Transactions (A+B)	46,482	10,117	-	-

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

As of December 31, 2012 breakdown of the Bank's foreign currency forward and swap transactions based on currencies are disclosed below in their TRY equivalents:

	Forward Buy	Forward Sell	Swap Buy	Swap Sell	Option Buy	Option Sell	Future Buy	Future Sell
December 31, 2012								
TL	-	-	-	-	-	-	-	-
USD	-	-	23,142	-	-	-	-	-
EURO	-	-	-	23,340	-	-	-	-
Diğer	-	-	-	-	-	-	-	-
Total	-	-	23,142	23,340	-	-	-	-
December 31, 2011								
TL	1,921	1,900	-	-	-	-	-	-
USD	2,540	2,534	-	-	-	-	-	-
EURO	611	611	-	-	-	-	-	-
Diğer	-	-	-	-	-	-	-	-
Total	5,072	5,045	-	-	-	-	-	-

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

3. 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, 2012 and 2011 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, 2012 and 2011 are explained in section 3 part XIV "Explanations on Provisions and Contingent Liabilities".

4. 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, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	171,370	16,488	97,088	13,176
Medium and long term loans	40,079	1,131	28,786	2,781
Interest on non-performing loans	528	-	689	-
		-	-	-
Total	211,977	17,619	126,563	15,957

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

b) Information on interest received from banks:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	-	-	-
Domestic banks	179	205	212	193
Foreign banks	-	5	-	6
Branches and head office abroad	-	-	-	-
Total	179	210	212	199

c) Interest received from marketable securities portfolio:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Trading securities	24	-	18	-
Financial assets at fair value through profit and loss	-	-	-	-
Available-for-sale securities	23,396	788	19,398	2,233
Held-to-maturity securities	5,316	-	3,985	-
Total	28,736	788	23,401	2,233

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

2. a) Information on interest on funds borrowed:

	December 31, 2012		December 31, 2011	
	TRY	FC	TRY	FC
Interest on funds borrowed (*)				
Banks	2,921	4,805	2,745	3,308
The Central Bank of Turkey			-	-
Domestic banks	1,139	683	1,092	608
Foreign banks	1,782	4,122	1,653	2,700
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	2,921	4,805	2,745	3,308

(*) 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, 2012								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	2	-	-	-	-	-	2
Saving deposits	-	4,224	60,082	16,784	827	85	-	82,002
Public sector deposits	-	6	-	-	-	-	-	6
Commercial deposits	-	3,368	17,250	1,506	2,737	493	-	25,354
Other deposits	-	50	1,712	48	-	-	-	1810
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	7,650	79,044	18,338	3,564	578	-	109,174
Foreign Currency								
Foreign currency deposits	-	1,797	24,218	2,586	1,034	8	-	29,643
Bank deposits	-	231	-	-	-	-	-	231
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	2,028	24,218	2,586	1,034	8	-	29,874
Grand Total	-	9,678	103,262	20,924	4,598	586	-	139,048
December 31, 2011								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	28	-	-	-	-	-	28
Saving deposits	-	1,562	37,584	5,422	82	14	-	44,664
Public sector deposits	-	5	-	-	-	-	-	5
Commercial deposits	-	3,522	15,151	1,212	474	16	-	20,375
Other deposits	-	9	986	10	-	-	-	1,005
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	5,126	53,721	6,644	556	30	-	66,077
Foreign Currency								
Foreign currency deposits	-	2,660	19,605	2,049	341	4	-	24,659
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	2,660	19,605	2,049	341	4	-	24,659
Grand Total	-	7,786	73,326	8,693	897	34	-	90,736

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

3. Information on Dividend Income:

	December 31, 2012	December 31, 2011
Trading Securities	-	-
Financial Assets at fair value through profit and loss	-	-
Available for sale securities	7	5
Other	-	-
Total	7	5

4. Information on net trading income:

	December 31, 2012	December 31, 2011
Income	1,042,944	1,465,199
Gains on capital market operations	3,176	5,953
Gains on derivative financial instruments	1,379	14,248
Foreign exchange gains	1,038,389	1,444,998
Losses (-)	(1,039,272)	(1,460,297)
Losses on capital market operations	(88)	(8)
Losses on derivative financial instruments	(2,877)	(14,244)
Foreign exchange losses	(1,036,307)	(1,446,045)

5. Information on other operating income:

	December 31, 2012	December 31, 2011
Reversal of free provisions	3,624	610
Reversal of specific provisions (cash)	3,342	8,371
Reversal of unindemnified non-cash loan provision	1,748	358
Income from sales of assets written off	451	775
Income of previous year	137	210
Provisions for communication expense collected from customers	76	92
Provisions for expenditure collected from customers	84	50
Reversal of general loan loss provisions	-	214
Other	217	695
Total	9,679	11,375

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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, 2012	December 31, 2011
Specific provisions for loans and other receivables	21,071	7,216
III. Group Loans and Receivables	4,605	1,174
IV. Group Loans and Receivables	4,954	1,551
V. Group Loans and Receivables	11,512	4,491
General loan loss provision expenses	7,606	4,889
Provision expenses for possible losses	-	300
Marketable securities impairment losses	553	155
Financial assets at fair value through profit and loss	-	2
Investment securities available for sale	553	153
Impairment provision expense on investments	14	-
Associates	-	-
Subsidiaries	-	-
Jointly controlled entities	-	-
Investments held to maturity	14	-
Other	983	854
Total	30,227	13,414

7. Information on other operating expenses:

	December 31, 2012	December 31, 2011
Personnel expenses	51,357	43,132
Reserve for employee termination benefits	1,928	796
Taxes and duties	2,454	2,146
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	4,326	4,363
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	673	778
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	-	-
Depreciation expenses of assets to be disposed	62	24
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	30,165	24,812
Rent expenses	8,975	8,084
Maintenance expenses	1,290	1,167
Advertisement expenses	449	365
Other expenses(*)	19,451	15,196
Loss on sales of assets (***)	2	7,229
Other(**)	6,169	3,518
Total	97,136	86,798

(*) Included in other operating expenses; vehicle expenses are TRY 3,518, communication expenses are TRY 2,155, cleaning expenses are TRY 1,747, non-deductible expenses TRY 522, heating- lightening expenses are TRY 1,046, stationery expenses are TRY 542, computer usage expenses TRY 1,874, insurance expenses TRY 380, TRY 4,890 other provisions, TRY 825 expertise expense, TRY 832 representation expenses and other expenses are TRY 1,030 (December 31, 2011: TRY 3,304 vehicle; TRY 1,839 communication, TRY 1,432 cleaning, TRY 238 non-deductible expenses, TRY 947 heating- lightening; TRY 510 stationery, TRY 1,190 computer usage expenses and TRY 273 insurance expense, TRY 3,362 other provisions and TRY 2,101 other expenses).

(**) Included in other; the premiums paid to Saving Deposit Insurance Fund is TRY 1,132, assurance and financial services expenses are TRY 1,526, unused vacation expenses are TRY 221 and other expenses are TRY 3,290. (December 31, 2012: TRY 1,013 premiums paid to Saving Deposit Insurance Fund; TRY 1,525 assurance and financial consultancy expenses, unused vacation expenses are TRY 511 and TRY 469 other expenses).

(***) According to the Board of Directors decision numbered 495/B and dated October 26, 2011, non-performing loans with a principal amount of TRY 7,223 are sold to an asset management company as of December 31, 2012.

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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 5,618 profit before tax as of December 2011 and TRY 17,859 profit before tax as of December 2012. Compared to the prior year, the total of Bank's provision expenses for loans and other receivables and other receivables and operating expense excluding the effect of loss on sale of assets increased by 57% and fees and commission income increased by 13%.

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

- a) As of December 31, 2012; there is TRY 9,455 current tax expense (December 31, 2011: None) and TRY 4,305 deferred tax income (December 31, 2011: TRY 2,057 deferred tax expense).
- b) Deferred tax charge on temporary differences except carried forward tax losses is TRY 4,305. (December 31, 2011: TRY 2,377 deferred tax expense)
- c) Deferred tax charge for temporary differences on carried forward tax losses or tax exemptions or deductions which is included in the current year statement of income has been no balance. (December 31, 2011: TRY 320).
- d) Tax reconciliation:

	December 31, 2012	December 31, 2011
Profit before tax	17,859	5,618
Tax at the domestic income tax rate of 20% (2011: 20%)	(3,572)	(1,124)
Disallowables and other, net	(1,578)	(933)
Tax Calculated	(5,150)	(2,057)

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

The Bank has TRY 3,561 net profit as of December 2011 and TRY 12,709 net profit as of December 2012.

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, 2012	December 31, 2011
<u>Other fees and commissions received</u>		
Expertise fees collected from customers	844	570
Transfer commissions	424	457
Letters of credit commissions	28	102
Insurance commissions	109	110
Bills for collection commissions	113	128
Credit cards commissions and fees	6	6
Other banking operations income.	10,107	8,410
Total	11,631	9,783

	December 31, 2012	December 31, 2011
<u>Other fees and commissions given</u>		
Commissions given to banks	99	89
EFT commissions	-	-
Bond exchange transaction fee	30	27
Money transfer commission	87	62
Credit card commissions	460	482
Clearing reserve commission	10	14
ATM commissions	121	87
Other	95	98
Total	902	859

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

- a) Increase resulting from revaluation of financial assets available for sale : TRY 15,813 (December 31, 2011: TRY 14,735 increase)
- b) Increase in cash flow risk hedging items: None.
 - b.1) Reconciliation of beginning and ending balances: None.
 - b.2) Amount recorded in the current period if a gain or loss from a cash flow hedging derivative or non-derivative financial asset is accounted for under shareholders' equity: None.
- c) The reconciliation related with foreign currency translation reserves at the beginning and end of the period: None.
- d) Dividends declared subsequent to the balance sheet date, but before the announcement of the financial statements: None.
- e) Dividends per share proposed subsequent to the balance sheet date: Profit appropriation will be resolved in the General Assembly meeting which has not yet been conducted as of the date the accompanying financial statements are authorized for issue.
- f) Proposals to General Assembly for the payment dates of dividends and if it will not be appropriated the reasons for this: The Board of Directors has not decided for profit appropriation as of the date the financial statements are authorized for issue.
- g) Amounts transferred to legal reserves: TRY 178 (December 31,2011:TRY 123)
- 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.

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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 32,509 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, leasing expenses, reserve for employee termination benefits, depreciation expenses and taxes paid.

“Net increase/decrease in other liabilities” amounting to TRY 28,807 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 23,505 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 5,709 TL 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, 2011	December 31, 2010
Cash		
Cash in TRY/Foreign Currency	16,373	15,300
Central Bank	65,030	44,750
Other	-	-
Cash equivalents		
Banks	80,368	79,931
Money market placements	80,000	14,000
Total cash and cash equivalents	241,771	153,981
End of the period	December 31, 2012	December 31, 2011
Cash		
Cash in TRY/Foreign Currency	23,556	16,373
Central Bank	85,857	65,030
Other	-	-
Cash equivalents		
Banks	97,525	80,368
Money market placements	152,000	80,000
Total cash and cash equivalents	358,938	241,771

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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, 2012:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	192	7,522	-	2,346
Balance at end of period	-	-	59	3,194	6,954	4,376
Interest and commission income	-	-	-	20	701	33

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 59.

b) December 31, 2011

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	10	1,024	42	7,254
Balance at end of period	-	-	192	7,522	-	2,346
Interest and commission income	-	-	1	30	-	38

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 123.

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, 2012	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Deposits						
Balance at beginning of period	-	-	488	93	16,852	10,841
Balance at end of period	-	-	1,223	488	289	16,852
Interest on deposits	-	-	-	-	1,066	255

In addition, the Bank has "Funds Borrowed" at an amount of TRY 42,226 used from risk group of the Bank (December 31, 2011: TRY 19,833) and TRY 2.710 (December 31, 2011: TRY 2,966) interest expense was incurred from funds borrowed in 2012.

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

d) As of December 31, 2012, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 6,162 (December 31, 2011: TRY 5,193)

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

2. Disclosures for related parties:

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

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

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

	Amount	% Compared to the Amounts in the Financial Statements
Cash loans	6,954	0,34
Banks and other receivables	59	0,06
Non-cash loans	7,570	0,62
Deposits	1,512	0,07
Borrowings	42,266	31,90

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

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

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 0.35%. 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	27	524			
			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

According to the official gazette dated January 26, 2013 and numbered 28540 based on the "Communiqué on Amendments to be made on Communiqué on Required Reserves" of Central Bank of the Republic of Turkey, the new reserve deposit rates are disclosed below:

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 up to 3-year maturity (including 3-year)	FX liabilities longer than 3-year maturity
%12,0	%9	Ratios for corresponding maturities	%12,0	%10	%6

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
%11,25	%11,25	%11,25	%8,25	%6,25	%5	%11,25	%8,0	%5,0

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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 mubered 26340.

SECTION SEVEN

INDEPENDENT AUDITOR'S REPORT

I. Explanations on the Independent Auditor's Report:

The unconsolidated financial statements of the Bank as of and for the year ended December 31, 2012 were audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited).

The independent auditor's report dated February 22, 2013 is presented preceding the financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.