

**TURKLAND BANK ANONİM ŐİRKETİ
INDEPENDENT AUDITOR'S REPORT,
UNCONSOLIDATED
FINANCIAL STATEMENTS AND NOTES FOR
THE PERIOD ENDED SEPTEMBER 30, 2018**

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

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

**REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying balance sheet of Turkland Bank A.Ş. (“the Bank”) as at September 30, 2018, and the statement of income, statement of income and expense items under shareholders’ equity, statement of changes in shareholders’ equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of Turkland Bank A.Ş. as of September 30, 2018, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Report on Other Legal and Regulatory Requirements

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

Additional paragraph for English translation:

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

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

Müjde Aslan
Partner

İstanbul, November 13, 2018

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**THE UNCONSOLIDATED FINANCIAL REVIEW REPORT OF TURKLAND BANK A.Ş.
FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

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

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

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

November 13, 2018

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

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

Name-Surname / Title: Sevgi Üstün / Assistant Manager

Telephone Number: (0212) 368 37 24

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018

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

SECTION ONE

GENERAL INFORMATION

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2018, the shareholders' structure and their ownerships are summarized as follows:

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

As of September 30, 2018 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares.

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

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

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

(**) As of 14 April 2018, Mehmet Özgüner has left his position, as of 1 June 2018 İlhan Zeki Koroğlu has left his position.

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TURKLAND BANK ANONİM ŞİRKETİ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2018
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

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

Information about the persons and institutions that have qualified shares as of September 30, 2018:

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

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

The Bank has 23 branches and 407 personnel. The Bank has no any subsidiaries in the financial sector (December 31, 2017: 33 branches, 523 personnel).

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

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

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

The Bank has no consolidated subsidiaries.

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

The Bank has no consolidated subsidiaries.

SECTION TWO

UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off Balance Sheet Contingencies and Commitments
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- VI. Statement of Cash Flows

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2018

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

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

ASSETS	Note Ref. (Section Five)	Reviewed		
		Current Period		
		30.09.2018		
		TL	FC	Total
I. FINANCIAL ASSETS (Net)		1.021.626	542.429	1.564.055
1.1 Cash and Cash Equivalents		114.172	542.393	656.565
1.1.1 Cash and Balances with Central Bank	I-1	114.134	240.110	354.244
1.1.2 Banks	I-3	38	302.283	302.321
1.1.3 Money Market Placements		-	-	-
1.2 Financial Assets Measured at Fair Value through Profit/Loss (FVTPL)		-	-	-
1.2.1 Government Securities		-	-	-
1.2.2 Equity Securities		-	-	-
1.2.3 Other Financial Assets		-	-	-
1.3 Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)	I-4	138	6	144
1.3.1 Government Securities		-	6	6
1.3.2 Equity Securities		138	-	138
1.3.3 Other Financial Assets		-	-	-
1.4 Financial Assets Measured at Amortised Cost	I-6	906.876	-	906.876
1.4.1 Government Securities		906.876	-	906.876
1.4.2 Other Financial Assets		-	-	-
1.5 Derivative Financial Assets	I-2	720	30	750
1.5.1 Derivative Financial Assets Measured at FVTPL		720	30	750
1.5.2 Derivative Financial Assets Measured at FVOCI		-	-	-
1.6 Non Performing Financial Assets		-	-	-
1.7 Expected Credit Losses (-)		(280)	-	(280)
II. LOANS (Net)	I-5	1.754.148	414.420	2.168.568
2.1 Loans		1.456.516	414.420	1.870.936
2.1.1 Loans Measured at Amortised Cost		1.456.516	414.420	1.870.936
2.1.2 Loans Measured at FVTPL		-	-	-
2.1.3 Loans Measured at FVOCI		-	-	-
2.2 Lease Receivables	I-10	-	-	-
2.2.1 Financial Lease Receivables		-	-	-
2.2.2 Operational Lease Receivables		-	-	-
2.2.3 Unearned Income (-)		-	-	-
2.3 Factoring Receivables		-	-	-
2.3.1 Factoring Receivables Measured at Amortised Cost		-	-	-
2.3.2 Factoring Receivables Measured at FVTPL		-	-	-
2.3.3 Factoring Receivables Measured at FVOCI		-	-	-
2.4 Non Performing Receivables		772.906	-	772.906
2.5 Expected Credit Losses (-)		(475.274)	-	(475.274)
2.5.1 12-Month ECL (Stage 1)		(21.090)	-	(21.090)
2.5.2 Lifetime ECL Significant Increase in Credit Risk (Stage 2)		(26.308)	-	(26.308)
2.5.3 Lifetime ECL Impaired Credits (Stage 3)		(427.876)	-	(427.876)
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	I-16	88.694	-	88.694
3.1 Asset Held for Resale		88.694	-	88.694
3.2 Assets of Discontinued Operations		-	-	-
IV. OWNERSHIP INVESTMENTS (Net)	I-7	4.897	-	4.897
4.1 Associates (Net)		4.897	-	4.897
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-
4.1.2 Unconsolidated Associates		4.897	-	4.897
4.2 Subsidiaries (Net)	I-8	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3 Joint Ventures (Net)	I-9	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-
V. TANGIBLE ASSETS (Net)	I-12	11.911	-	11.911
VI. INTANGIBLE ASSETS (Net)	I-13	11.032	-	11.032
6.1 Goodwill		-	-	-
6.2 Others		11.032	-	11.032
VII. INVESTMENT PROPERTY (Net)	I-14	-	-	-
VIII. CURRENT TAX ASSET		22	-	22
IX. DEFERRED TAX ASSET	I-15	85.344	-	85.344
X. OTHER ASSETS	I-17	23.507	203	23.710
TOTAL ASSETS		3.001.181	957.052	3.958.233

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

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

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

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

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

ASSETS	Note Ref. (Section Five)	Audited		
		Prior Period		
		TL	FC	Total
I. CASH AND BALANCES WITH THE CENTRAL BANK	I-1	115.237	391.202	506.439
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)	I-2	3.426	91	3.517
2.1 Financial assets held for trading		3.426	91	3.517
2.1.1 Public sector debt securities		-	-	-
2.1.2 Share certificates		-	-	-
2.1.3 Derivative financial assets held for trading		3.426	91	3.517
2.1.4 Other marketable securities		-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-
2.2.1 Public sector debt securities		-	-	-
2.2.2 Share certificates		-	-	-
2.2.3 Loans		-	-	-
2.2.4 Other marketable securities		-	-	-
III. BANKS	I-3	15	402.720	402.735
IV. MONEY MARKET PLACEMENTS		-	-	-
4.1 Interbank money market placements		-	-	-
4.2 Istanbul Stock Exchange money market placements		-	-	-
4.3 Receivables from reverse repurchase agreements		-	-	-
V. FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	I-4	845.242	4	845.246
5.1 Share certificates		138	-	138
5.2 Public sector debt securities		845.104	4	845.108
5.3 Other marketable securities		-	-	-
VI. LOANS AND RECEIVABLES	I-5	2.611.939	306.403	2.918.342
6.1 Loans and receivables		2.413.012	306.403	2.719.415
6.1.1 Loans to risk group of the Bank		-	-	-
6.1.2 Public sector debt securities		-	-	-
6.1.3 Other		2.413.012	306.403	2.719.415
6.2 Non-performing loans		350.792	-	350.792
6.3 Specific provisions (-)		(151.865)	-	(151.865)
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD TO MATURITY INVESTMENTS (Net)	I-6	1.909	-	1.909
8.1 Public sector debt securities		1.909	-	1.909
8.2 Other marketable securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	I-7	4.897	-	4.897
9.1 Accounted for under equity method		-	-	-
9.2 Unconsolidated associates		4.897	-	4.897
9.2.1 Financial investments		-	-	-
9.2.2 Non-financial investments		4.897	-	4.897
X. INVESTMENTS IN SUBSIDIARIES (Net)	I-8	-	-	-
10.1 Unconsolidated financial subsidiaries		-	-	-
10.2 Unconsolidated non-financial subsidiaries		-	-	-
XI. JOINTLY CONTROLLED ENTITIES (JOINT VENTURES) (Net)	I-9	-	-	-
11.1 Accounted for under equity method		-	-	-
11.2 Unconsolidated		-	-	-
11.2.1 Financial subsidiaries		-	-	-
11.2.2 Non-financial subsidiaries		-	-	-
XII. LEASE RECEIVABLES (Net)	I-10	-	-	-
12.1 Finance lease receivables		-	-	-
12.2 Operating lease receivables		-	-	-
12.3 Other		-	-	-
12.4 Unearned income (-)		-	-	-
XIII. DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSES	I-11	-	-	-
13.1 Fair value hedge		-	-	-
13.2 Cash flow hedge		-	-	-
13.3 Hedge of net investment in foreign operations		-	-	-
XIV. TANGIBLE ASSETS (Net)	I-12	13.746	-	13.746
XV. INTANGIBLE ASSETS (Net)	I-13	13.596	-	13.596
15.1 Goodwill		-	-	-
15.2 Other		13.596	-	13.596
XVI. INVESTMENT PROPERTY (Net)	I-14	-	-	-
XVII. TAX ASSET	I-15	25.293	-	25.293
17.1 Current tax asset		4.575	-	4.575
17.2 Deferred tax asset		20.718	-	20.718
XVIII. ASSETS HELD FOR SALE AND DISCONTINUED	I-16	-	-	-
18.1 Held for sale		-	-	-
18.2 Discontinued operations		-	-	-
XIX. OTHER ASSETS	I-17	139.128	369	139.497
TOTAL ASSETS		3.774.428	1.100.789	4.875.217

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2018

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

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

LIABILITIES AND SHAREHOLDERS EQUITY	Note Ref. (Section Five)	Reviewed		
		Current Period		
		30.09.2018		
		TL	FC	Total
I. DEPOSITS	II-1	1.811.025	1.118.975	2.930.000
II. FUNDS BORROWED	II-3	4.172	12.677	16.849
III. MONEY MARKET FUNDS		413.403	-	413.403
IV. SECURITIES ISSUED (NET)		-	-	-
4.1 Bills		-	-	-
4.2 Asset Backed Securities		-	-	-
4.3 Bonds		-	-	-
V. FUNDS		-	-	-
5.1 Borrowers' Funds		-	-	-
5.2 Others		-	-	-
VI. FINANCIAL LIABILITIES MEASURED AT FVTPL		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	II-2	743	38	781
7.1 Derivative Financial Liabilities Measured at FVTPL		743	38	781
7.2 Derivative Financial Liabilities Measured at FVOCI		-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES (Net)	II-6	-	-	-
9.1 Financial Lease Payables		-	-	-
9.2 Operational Lease Payables		-	-	-
9.3 Others		-	-	-
9.4 Deferred Financial Lease Expenses (-)		-	-	-
X. PROVISIONS	II-8	34.610	1.886	36.496
10.1 Restructuring Reserves		-	-	-
10.2 Reserve for Employee Benefits		12.582	-	12.582
10.3 Insurance Technical Provisions (Net)		-	-	-
10.4 Other Provisions		22.028	1.886	23.914
XI. CURRENT TAX LIABILITY	II-9	14.344	-	14.344
XII. DEFERRED TAX LIABILITY		-	-	-
XIII. LIABILITIES FOR ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED		-	-	-
13.1 OPERATIONS (Net)		-	-	-
13.2 Asset Held for Sale		-	-	-
XIV. Assets of Discontinued Operations		-	-	-
14.1 SUBORDINATED DEBTS		-	-	-
14.2 Borrowings		-	-	-
XV. OTHER LIABILITIES	II-5	44.613	19.597	64.210
XVI. SHAREHOLDERS' EQUITY	II-10	482.150	-	482.150
16.1 Paid-in Capital		650.000	-	650.000
16.2 Capital Reserves		25.476	-	25.476
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Other Capital Reserves		25.476	-	25.476
16.3 Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss		1.845	-	1.845
16.4 Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss		-	-	-
16.5 Profit Reserves		18.907	-	18.907
16.5.1 Legal Reserves		5.332	-	5.332
16.5.2 Status Reserves		-	-	-
16.5.3 Extraordinary Reserves		31.347	-	31.347
16.5.4 Other Profit Reserves		(17.772)	-	(17.772)
16.6 Profit/Loss		(214.078)	-	(214.078)
16.6.1 Prior Periods' Profit/Loss		-	-	-
16.6.2 Current Period's Net Profit/Loss		(214.078)	-	(214.078)
16.7 Minority Shares		-	-	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2.805.060	1.153.173	3.958.233

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

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

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

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

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

LIABILITIES AND SHAREHOLDERS EQUITY	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	Total
I. DEPOSITS	II-1	2.144.702	1.351.910	3.496.612
1.1 Deposits from risk group of the Bank		42.341	2.560	44.901
1.2 Other		2.102.361	1.349.350	3.451.711
II. DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	II-2	1.175	73	1.248
III. FUNDS BORROWED	II-3	13.509	116.243	129.752
IV. MONEY MARKET BALANCES		400.425	-	400.425
4.1 Interbank money market takings		400.425	-	400.425
4.2 Istanbul Stock Exchange money market takings		-	-	-
4.3 Funds provided under repurchase agreements	II-4	-	-	-
V. MARKETABLE SECURITIES ISSUED (Net)		-	-	-
5.1 Bills		-	-	-
5.2 Asset backed securities		-	-	-
5.3 Bonds		-	-	-
VI. FUNDS		-	-	-
6.1 Borrower funds		-	-	-
6.2 Other		-	-	-
VII. SUNDRY CREDITORS		26.954	5.613	32.567
VIII. OTHER LIABILITIES	II-5	34.095	424	34.519
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)	II-6	-	-	-
10.1 Finance lease payables		-	-	-
10.2 Operating lease payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred finance lease expenses (-)		-	-	-
XI. DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING PURPOSES	II-7	-	-	-
11.1 Fair value hedge		-	-	-
11.2 Cash flow hedge		-	-	-
11.3 Hedge of net investment in foreign operations		-	-	-
XII. PROVISIONS	II-8	46.911	1.188	48.099
12.1 General loan loss provisions		14.023	-	14.023
12.2 Restructuring reserves		-	-	-
12.3 Reserve for employee benefits		13.574	-	13.574
12.4 Insurance technical reserves (Net)		-	-	-
12.5 Other provisions		19.314	1.188	20.502
XIII. TAX LIABILITY	II-9	14.644	-	14.644
13.1 Current tax liability		14.644	-	14.644
13.2 Deferred tax liability		-	-	-
XIV. PAYABLES RELATED TO ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS		-	-	-
14.1 Held for sale		-	-	-
14.2 Discontinued operations		-	-	-
XV. SUBORDINATED LOANS		-	-	-
XVI. SHAREHOLDERS' EQUITY	II-10	717.351	-	717.351
16.1 Paid-in capital		650.000	-	650.000
16.2 Supplementary capital		785	-	785
16.2.1 Share premium		-	-	-
16.2.2 Share cancellation profits		-	-	-
16.2.3 Marketable securities value increase fund		(25.753)	-	(25.753)
16.2.4 Tangible assets revaluation differences		-	-	-
16.2.5 Intangible assets revaluation differences		-	-	-
16.2.6 Investment property revaluation differences		-	-	-
16.2.7 Bonus shares obtained from associates, subsidiaries and jointly controlled entities (joint vent.)		45	-	45
16.2.8 Hedging funds (Effective portion)		-	-	-
16.2.9 Accumulated valuation differences from assets held for sale and from discontinued operations		-	-	-
16.2.10 Other capital reserves		26.493	-	26.493
16.3 Profit reserves		106.941	-	106.941
16.3.1 Legal reserves		5.332	-	5.332
16.3.2 Statutory reserves		-	-	-
16.3.3 Extraordinary reserves		88.694	-	88.694
16.3.4 Other profit reserves		12.915	-	12.915
16.4 Profit or loss		(40.375)	-	(40.375)
16.4.1 Prior years' income/(losses)		-	-	-
16.4.2 Current year income/(loss)		(40.375)	-	(40.375)
16.5 Minority shares		-	-	-
TOTAL LIABILITIES AND EQUITY		3.399.766	1.475.451	4.875.217

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES
AND COMMITMENTS AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Reviewed Current Period 30.09.2018		
		TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I-II+III)		1.046.842	1.244.236	2.291.078
I. GUARANTEES AND SURETIES		974.502	1.141.986	2.116.488
1.1. Letters of guarantee	III-1	974.502	389.883	1.364.385
1.1.1. Guarantees subject to State Tender Law		8.650	239	8.889
1.1.2. Guarantees given for foreign trade operations		35.784	61.533	97.317
1.1.3. Other letters of guarantee		930.068	328.111	1.258.179
1.2. Bank acceptances		-	840	840
1.2.1. Import letter of acceptance		-	840	840
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	166.460	166.460
1.3.1. Documentary letters of credit		-	166.460	166.460
1.3.2. Other letters of credit		-	-	-
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	502.853	502.853
1.5.1. Endorsements to the Central Bank of Turkey		-	502.853	502.853
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	81.950	81.950
1.9. Other sureties		-	-	-
II. COMMITMENTS	III-1	68.026	14.310	82.336
2.1. Irrevocable commitments		68.026	14.310	82.336
2.1.1. Asset purchase and sale commitments		14.025	14.310	28.335
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	-	-
2.1.4. Loan granting commitments		12.708	-	12.708
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		39.643	-	39.643
2.1.8. Tax and fund obligations on export commitments		-	-	-
2.1.9. Commitments for credit card limits		-	-	-
2.1.10. Commitments for credit cards and banking services related		-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		1.650	-	1.650
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.314	87.940	92.254
3.1. Derivative financial instruments held for risk management		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		4.314	87.940	92.254
3.2.1. Forward foreign currency purchases/sales		4.314	8.596	12.910
3.2.1.1. Forward foreign currency purchases		2.161	4.300	6.461
3.2.1.2. Forward foreign currency sales		2.153	4.296	6.449
3.2.2. Currency and interest rate swaps		-	79.344	79.344
3.2.2.1. Currency swaps-purchases		-	39.624	39.624
3.2.2.2. Currency swaps-sales		-	39.720	39.720
3.2.2.3. Interest rate swaps-purchases		-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-
3.2.3. Currency, interest rate and security options		-	-	-
3.2.3.1. Currency call options		-	-	-
3.2.3.2. Currency put options		-	-	-
3.2.3.3. Interest rate call options		-	-	-
3.2.3.4. Interest rate put options		-	-	-
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		-	-	-
3.2.4.1. Currency futures-purchases		-	-	-
3.2.4.2. Currency futures-sales		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-
3.2.6. Others		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		82.635.986	17.985.105	100.621.091
IV. ITEMS HELD IN CUSTODY		352.758	33.859	386.617
4.1. Customers' securities held		-	-	-
4.2. Investment securities held in custody		302	542	844
4.3. Checks received for collection		346.074	31.218	377.292
4.4. Commercial notes received for collection		6.382	2.091	8.473
4.5. Other assets received for collection		-	8	8
4.6. Assets received through public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		82.283.228	17.951.246	100.234.474
5.1. Securities		-	-	-
5.2. Guarantee notes		27.009	1.828	28.837
5.3. Commodities		1.646	-	1.646
5.4. Warranties		-	-	-
5.5. Real estates		1.879.507	155.387	2.034.894
5.6. Other pledged items		80.375.066	17.794.031	98.169.097
5.7. Pledged items-depository		-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		83.682.828	19.229.341	102.912.169

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES
AND COMMITMENTS AS OF SEPTEMBER 30, 2018 AND DECEMBER 31, 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF-BALANCE SHEET CONTINGENCIES AND COMMITMENTS

	Note Ref. (Section Five)	Audited		
		Prior Period 31.12.2017		
		TL	FC	TOTAL
A. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES (I+II+III)		1.616.396	1.803.362	3.419.758
I. GUARANTEES AND SURETIES		1.334.496	1.563.992	2.898.488
1.1. Letters of guarantee	III-1	1.334.496	499.603	1.834.099
1.1.1. Guarantees subject to State Tender Law		9.784	673	10.457
1.1.2. Guarantees given for foreign trade operations		69.634	110.172	179.806
1.1.3. Other letters of guarantee		1.255.078	388.758	1.643.836
1.2. Bank acceptances		-	2.732	2.732
1.2.1. Import letter of acceptance		-	2.732	2.732
1.2.2. Other bank acceptances		-	-	-
1.3. Letters of credit		-	250.141	250.141
1.3.1. Documentary letters of credit		-	250.141	250.141
1.3.2. Other letters of credit		-	-	-
1.4. Guaranteed prefinancings		-	-	-
1.5. Endorsements		-	652.408	652.408
1.5.1. Endorsements to the Central Bank of Turkey		-	652.408	652.408
1.5.2. Other endorsements		-	-	-
1.6. Underwriting commitments		-	-	-
1.7. Factoring related guarantees		-	-	-
1.8. Other guarantees		-	159.108	159.108
1.9. Other sureties		-	-	-
II. COMMITMENTS	III-1	178.749	12.424	191.173
2.1. Irrevocable commitments		178.749	12.424	191.173
2.1.1. Asset purchase and sale commitments		1.533	1.534	3.067
2.1.2. Deposit purchase and sale commitments		-	-	-
2.1.3. Share capital commitments to associates and affiliates		-	-	-
2.1.4. Loan granting commitments		66.739	-	66.739
2.1.5. Securities issuance brokerage commitments		-	-	-
2.1.6. Commitments for reserve deposit requirements		-	-	-
2.1.7. Commitments for cheque payments		105.137	-	105.137
2.1.8. Tax and fund obligations on export commitments		-	-	-
2.1.9. Commitments for credit card limits		-	-	-
2.1.10. Commitments for credit cards and banking services related		-	-	-
2.1.11. Receivables from "short" sale commitments on securities		-	-	-
2.1.12. Payables from "short" sale commitments on securities		-	-	-
2.1.13. Other irrevocable commitments		5.340	10.890	16.230
2.2. Revocable commitments		-	-	-
2.2.1. Revocable loan granting commitments		-	-	-
2.2.2. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		103.151	226.946	330.097
3.1. Derivative financial instruments held for risk management		-	-	-
3.1.1. Fair value hedges		-	-	-
3.1.2. Cash flow hedges		-	-	-
3.1.3. Net foreign investment hedges		-	-	-
3.2. Trading derivatives		103.151	226.946	330.097
3.2.1. Forward foreign currency purchases/sales		78.673	97.553	176.226
3.2.1.1. Forward foreign currency purchases		41.087	47.146	88.233
3.2.1.2. Forward foreign currency sales		37.586	50.407	87.993
3.2.2. Currency and interest rate swaps		78	91.775	91.853
3.2.2.1. Currency swaps-purchases		-	45.947	45.947
3.2.2.2. Currency swaps-sales		78	45.828	45.906
3.2.2.3. Interest rate swaps-purchases		-	-	-
3.2.2.4. Interest rate swaps-sales		-	-	-
3.2.3. Currency, interest rate and security options		24.400	37.618	62.018
3.2.3.1. Currency call options		12.200	18.809	31.009
3.2.3.2. Currency put options		12.200	18.809	31.009
3.2.3.3. Interest rate call options		-	-	-
3.2.3.4. Interest rate put options		-	-	-
3.2.3.5. Security call options		-	-	-
3.2.3.6. Security put options		-	-	-
3.2.4. Currency futures		-	-	-
3.2.4.1. Currency futures-purchases		-	-	-
3.2.4.2. Currency futures-sales		-	-	-
3.2.5. Interest rate futures		-	-	-
3.2.5.1. Interest rate futures-purchases		-	-	-
3.2.5.2. Interest rate futures-sales		-	-	-
3.2.6. Others		-	-	-
B. CUSTODY AND PLEDGED ITEMS (IV+V+VI)		85.401.490	10.853.152	96.254.642
IV. ITEMS HELD IN CUSTODY		713.768	43.639	757.407
4.1. Customers' securities held		-	-	-
4.2. Investment securities held in custody		20.002	341	20.343
4.3. Checks received for collection		680.566	41.093	721.659
4.4. Commercial notes received for collection		13.200	2.205	15.405
4.5. Other assets received for collection		-	-	-
4.6. Assets received through public offering		-	-	-
4.7. Other items under custody		-	-	-
4.8. Custodians		-	-	-
V. PLEDGED ITEMS		84.687.722	10.809.513	95.497.235
5.1. Securities		-	-	-
5.2. Guarantee notes		56.261	12.873	69.134
5.3. Commodities		1.646	-	1.646
5.4. Warranties		-	-	-
5.5. Real estates		2.168.042	106.054	2.274.096
5.6. Other pledged items		82.461.773	10.690.586	93.152.359
5.7. Pledged items-depository		-	-	-
VI. CONFIRMED BILLS OF EXCHANGE AND SURETIES		-	-	-
TOTAL OFF-BALANCE SHEET ITEMS (A+B)		87.017.886	12.656.514	99.674.400

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF SEPTEMBER 30, 2018

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

III. STATEMENT OF INCOME

INCOME AND EXPENSES	Note Ref. (Section Five)	Reviewed	Reviewed
		Current Period 01.01-30.09.2018	Current Period 01.07-30.09.2018
I. INTEREST INCOME	IV-1	452.729	166.941
1.1 Interest on loans		317.728	112.719
1.2 Interest received from reserve deposits		7.944	2.907
1.3 Interest received from banks		3.843	1.388
1.4 Interest received from money market placements		145	102
1.5 Interest received from marketable securities portfolio		117.621	48.384
1.5.1 Financial assets at fair value through profit and loss		22	-
1.5.2 Fair value financial assets through other comprehensive income		-	-
1.5.3 Financial assets measured at amortized cost		117.599	48.384
1.6 Finance lease income		-	-
1.7 Other interest income		5.448	1.441
II. INTEREST EXPENSE (-)	IV-2	(334.567)	(125.327)
2.1 Interest on deposits		(275.562)	(101.626)
2.2 Interest on funds borrowed		(2.547)	(220)
2.3 Interest on money market borrowings		(56.450)	(23.481)
2.4 Interest on securities issued		-	-
2.5 Other interest expense		(8)	-
III. NET INTEREST INCOME (I - II)		118.162	41.614
IV. NET FEES AND COMMISSIONS INCOME		19.801	5.733
4.1 Fees and commissions received		21.253	6.242
4.1.1 Non-cash loans		18.081	5.442
4.1.2 Other	IV-10	3.172	800
4.2 Fees and commissions paid (-)		(1.452)	(509)
4.2.1 Non-cash loans		(106)	(37)
4.2.2 Other	IV-10	(1.346)	(472)
V. STAFF EXPENSES (-)		(61.867)	(19.544)
VI. DIVIDEND INCOME	IV-3	-	-
VII. NET TRADING INCOME	IV-4	(1.576)	732
7.1 Securities trading gains/ (losses)		(948)	(942)
7.2 Derivative financial instruments gain (losses)		(2.761)	2.921
7.3 Foreign exchange gains/ (losses)		2.133	(1.247)
VIII. OTHER OPERATING INCOME	IV-5	5.590	582
IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)		80.110	29.117
X. EXPECTED CREDIT LOSS PROVISIONS (-)	IV-6	(266.901)	(88.289)
XI. OTHER OPERATING EXPENSES (-)	IV-7	(80.955)	(36.680)
XII. NET OPERATING PROFIT/LOSS (IX-X-XI)		(267.746)	(95.852)
XIII. AMOUNT IN EXCESS RECOGNISED AS GAIN AFTER MERGER		-	-
XIV. PROFIT/(LOSS) ON EQUITY METHOD		-	-
XV. PROFIT/(LOSS) ON NET MONETARY POSITION		-	-
XVI. PROFIT/(LOSS) FROM CONTINUED OPERATIONS BEFORE TAXES (XI+...+XV)		(267.746)	(95.852)
XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-8	53.668	15.692
17.1 Provision for current income taxes		-	-
17.2 Income from deferred taxes (+)		-	-
17.3 Provision for deferred taxes (-)		53.668	15.692
XVIII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XVI±XVII)		(214.078)	(80.160)
XIX. INCOME ON DISCONTINUED OPERATIONS		-	-
19.1 Income on assets held for sale		-	-
19.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19.3 Income on other discontinued operations		-	-
XX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
20.1 Income on assets held for sale		-	-
20.2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
20.3 Income on other discontinued operations		-	-
XXI. PROFIT/(LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XIX-XX)		-	-
XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
22.1 Provision for current income taxes		-	-
22.2 Income for deferred taxes (+)		-	-
22.3 Provision for deferred taxes (-)		-	-
XXIII. NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXIV. NET PROFIT/LOSS (XVIII+XXIII)	IV-9	(214.078)	(80.160)
24.1 Profit/(Loss) of the Group		-	-
24.2 Minority Shareholders Profit / Loss (-)		-	-
Earnings Per Share Profit / Loss			

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF INCOME
AS OF SEPTEMBER 30, 2017

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

III. STATEMENT OF INCOME

	Note Ref. (Section Five)	Reviewed	
		Prior Period	Prior Period
		01.01-30.09.2017	01.07-30.09.2017
I. INTEREST INCOME	IV-1	415.403	120.621
1,1 Interest on loans		325.327	109.682
1,2 Interest received from reserve deposits		6.784	2.209
1,3 Interest received from banks		3.268	1.150
1,4 Interest received from money market placements		-	-
1,5 Interest received from marketable securities portfolio		77.350	6.975
1.5.1 Held-for-trading financial assets		-	-
1.5.2 Financial assets at fair value through profit and loss		-	-
1.5.3 Available-for-sale financial assets		77.172	6.957
1.5.4 Investments held-to-maturity		178	18
1,6 Finance lease income		-	-
1,7 Other interest income		2.674	605
II. INTEREST EXPENSE	IV-2	(297.141)	(105.783)
2,1 Interest on deposits		(257.337)	(90.804)
2,2 Interest on funds borrowed		(4.936)	(1.335)
2,3 Interest on money market borrowings		(32.131)	(13.644)
2,4 Interest on securities issued		-	-
2,5 Other interest expense		(2.737)	-
III. NET INTEREST INCOME (I - II)		118.262	14.838
IV. NET FEES AND COMMISSIONS INCOME		19.526	6.416
4,1 Fees and commissions received		20.762	6.812
4.1.1 Non-cash loans		15.974	5.345
4.1.2 Other		4.788	1.467
4,2 Fees and commissions paid	IV-10	(1.236)	(396)
4.2.1 Non-cash loans		(69)	(27)
4.2.2 Other	IV-10	(1.167)	(369)
V. DIVIDEND INCOME	IV-3	10	-
VI. NET TRADING INCOME	IV-4	2.020	1.071
6,1 Securities trading gains/ (losses)		54	54
6,2 Gain/(losses) from derivative financial instruments		794	3.001
6,3 Foreign exchange gains/ (losses)		1.172	(1.984)
VII. OTHER OPERATING INCOME	IV-5	43.441	24.932
VIII. NET OPERATING INCOME (III+IV+V+VI+VII)		183.259	47.257
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	IV-6	(50.518)	(19.343)
X. OTHER OPERATING EXPENSES (-)	IV-7	(132.499)	(37.821)
XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)		242	(9.907)
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)		242	(9.907)
XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)	IV-8	4.694	5.933
16,1 Provision for current income taxes		-	3.593
16,2 Provision for deferred taxes		4.694	2.340
XVII. NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS (XV±XVI)		4.936	(3.974)
XVIII. INCOME ON DISCONTINUED OPERATIONS		-	-
18,1 Income on assets held for sale		-	-
18,2 Income on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
18,3 Income on other discontinued operations		-	-
XIX. LOSS FROM DISCONTINUED OPERATIONS (-)		-	-
19,1 Loss from assets held for sale		-	-
19,2 Loss on sale of associates, subsidiaries and jointly controlled entities (Joint ventures)		-	-
19,3 Loss from other discontinued operations		-	-
XX. PROFIT / (LOSS) ON DISCONTINUED OPERATIONS BEFORE TAXES (XVIII-XIX)		-	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-
21,1 Provision for current income taxes		-	-
21,2 Provision for deferred taxes		-	-
XXII. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XX±XXI)		-	-
XXIII. NET PROFIT/LOSS (XVII+XXII)	IV-9	4.936	(3.974)

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

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

TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNTED
FOR UNDER EQUITY FOR THE PERIODS ENDED
SEPTEMBER 30, 2018 AND 2017

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

IV. STATEMENT OF PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY

PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	Reviewed Current Period 01.01 -30.09.2018
I. CURRENT PERIOD PROFIT/LOSS	(214.078)
II. OTHER COMPREHENSIVE INCOME	781
2.1 Other Income/Expense Items not to be Recycled to Profit or Loss	781
2.1.1 Revaluation Surplus on Tangible Assets	-
2.1.2 Revaluation Surplus on Intangible Assets	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	781
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.1 Translation Differences	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	-
2.2.3 Gains/losses from Cash Flow Hedges	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	(213.297)

PROFIT AND LOSS ACCOUNTED FOR UNDER EQUITY	Reviewed Prior Period 01.01 -30.09.2017
I. Additions to marketable securities revaluation differences for available for sale financial assets	(1.526)
II. Tangible assets revaluation differences	-
III. Intangible assets revaluation differences	-
IV. Foreign currency translation differences for foreign currency transactions	-
V. Profit/Loss from derivative financial instruments for cash flow hedge purposes (Effective portion of fair value differences)	-
VI. Profit/Loss from derivative financial instruments for hedge of net investment in foreign operations (Effective portion of fair value differences)	-
VII. The effect of adjustment of errors and changes in accounting policies	-
VIII. Other profit loss items accounted for under equity due to TAS	(275)
IX. Deferred tax of valuation differences	305
X. Total Net Profit/Loss accounted under equity (I+II+...+IX)	(1.496)
XI. Profit/Loss	4.936
1.1 Change in fair value of marketable securities (Transfer to Profit/Loss)	-
1.2 Reclassification and transfer of derivatives accounted for cash flow hedge purposes to Income Statement	-
1.3 Transfer of hedge of net investments in foreign operations to Income Statement	-
1.4 Other	4.936
XII. Total Profit/Loss accounted for in the period (X±XI)	3.440

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Reviewed	Other Comprehensive Income/Expense Items not to be Recycled to Profit or Loss							Other Comprehensive Income/Expense Items to be Recycled to Profit or Loss								
	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Revaluation surplus on tangible and intangible assets	Defined Benefit Plans' Actuarial Gains/Losses	Others	Translation Differences	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	Others	Profit Reserves	Prior Periods' Profit/Loss	Current Period's Net Profit/Loss	Total Shareholders' Equity without Minority Shares	Minority Shares	Total Shareholders' Equity
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY																
CURRENT PERIOD 01.01 - 30.09.2018																
I. Balances at Beginning of Period	650.000	-	-	127.083	-	1.064	-	-	(25.753)	-	5.332	(40.375)	-	717.351	-	717.351
II. Correction made as per TAS 8	-	-	-	-	-	-	-	-	25.753	-	-	(47.657)	-	(21.904)	-	(21.904)
2.1. Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	25.753	-	-	(47.657)	-	(21.904)	-	(21.904)
III. Adjusted Balances at Beginning of Period (I+II)	650.000	-	-	127.083	-	1.064	-	-	-	-	5.332	(88.032)	-	695.447	-	695.447
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	-	-	-	-	(214.078)	(214.078)	-	(214.078)
V. Capital Increase in Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves from Inflation Adjustments to Paid-in Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Others Changes	-	-	-	-	-	781	-	-	-	-	-	-	-	781	-	781
XI. Profit Distribution	-	-	-	(88.032)	-	-	-	-	-	-	-	88.032	-	-	-	-
11.1. Dividends	-	-	-	-	-	-	-	-	-	-	-	88.032	-	-	-	-
11.2. Transfers to Reserves	-	-	-	(88.032)	-	-	-	-	-	-	-	-	88.032	-	-	-
11.3. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at end of the period (III+IV...+X+XI)	650.000	-	-	39.051	-	1.845	-	-	-	-	5.332	-	(214.078)	482.150	-	482.150

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

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(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	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Marketable Securities Revaluation Reserve	Tangible/Intan- gible Assets Revaluation Reserve	Bonus Shares from Equity Participations	Hedge Funds	Accumulated Rev. Reserve on Assets Held for Sale and Discontinued	Total Equity Excluding Minority Interest	Minority Interests	Total Equity	
Prior Period – 01.01-30.09.2017																				
I. Prior opening balance 31.12.2016		650.000	26.548	-	-	4.645	-	76.825	11.718	13.753	-	(27.512)	-	45	-	-	756.022	-	756.022	
II. Correction made as per TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New Balance		650.000	26.548	-	-	4.645	-	76.825	11.718	13.753	-	(27.512)	-	45	-	-	756.022	-	756.022	
Changes in the period		-	-	-	-	-	-	-	-	(13.753)	13.753	-	-	-	-	-	-	-	-	-
IV. Increase/Decrease related to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable securities valuation differences		-	-	-	-	-	-	-	-	-	-	(1.221)	-	-	-	-	(1.221)	-	(1.221)	
VI. Hedging Funds (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.1. Cash-flow hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
6.2. Hedge of net investment in foreign operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Tangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Intangible assets revaluation differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Bonus shares obtained from associates, subsidiaries and jointly controlled entities		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Foreign exchange differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. The disposal of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XII. The reclassification of assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIII. The effect of change in associate's equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XIV. Capital increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.1. Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
14.2. Internal sources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XV. Share premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVI. Share cancellation profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVII. Inflation adjustments to paid-in capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XVIII. Other		-	(275)	-	-	-	-	-	-	-	-	-	-	-	-	-	(275)	-	(275)	
XIX. Period net income /(loss)		-	-	-	-	-	-	-	-	4.936	-	-	-	-	-	-	4.936	-	4.936	
XX. Profit Distribution		-	-	-	-	687	-	11.869	1.197	-	(13.753)	-	-	-	-	-	-	-	-	
20.1. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
20.2. Transfers to reserves		-	-	-	-	687	-	11.869	1.197	-	(13.753)	-	-	-	-	-	-	-	-	
20.3. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing Balance (I+II+III+...+XVI+XVII+XVIII)		650.000	26.273	-	-	5.332	-	88.694	12.915	4.936	-	(28.733)	-	45	-	-	759.462	-	759.462	

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Reviewed
		Current Period
		01.01 - 30.09.2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(477.307)
1.1.1 Interests received		467.202
1.1.2 Interests paid		(336.783)
1.1.3 Dividend received		-
1.1.4 Fees and commissions received		19.534
1.1.5 Other income		24.993
1.1.6 Collections from previously written-off receivables		58.006
1.1.7 Cash payments to personnel and service suppliers		(67.632)
1.1.8 Taxes paid		(4.575)
1.1.9 Others		(638.052)
1.2 Changes in operating assets and liabilities		219.569
1.2.1 Net (increase) decrease in financial assets measured at FVTPL		-
1.2.2 Net (increase) decrease in due from banks		130.621
1.2.3 Net (increase) decrease in loans		331.859
1.2.4 Net (increase) decrease in other assets		30.120
1.2.5 Net increase (decrease) in bank deposits		12.100
1.2.6 Net increase (decrease) in other deposits		(564.084)
1.2.7 Net (increase) decrease in financial liabilities measured at FVTPL		-
1.2.8 Net increase (decrease) in funds borrowed		(112.337)
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		391.290
I. Net cash flow from banking operations		(257.738)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash flow from investing activities		(57.769)
2.1 Cash paid for purchase of associates, subsidiaries and joint-ventures		-
2.2 Cash obtained from sale of associates, subsidiaries and joint-ventures		-
2.3 Purchases of tangible assets		(5.200)
2.4 Sales of tangible assets		3.793
2.5 Cash paid for purchase of financial assets measured at FVOCI		-
2.6 Cash obtained from sale of financial assets measured at FVOCI		-
2.7 Cash paid for purchase of financial assets measured at amortised cost		-
2.8 Cash obtained from sale of financial assets measured at amortised cost		(54.214)
2.9 Others		(2.148)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Equity instruments issued		-
3.4 Dividends paid		-
3.5 Payments for financial leases		-
3.6 Others		-
IV. Effect of translation differences on cash and cash equivalents		192.860
V. Net increase/(decrease) in cash and cash equivalents		(122.647)
VI. Cash and cash equivalents at beginning of period		562.404
VII. Cash and cash equivalents at end of period		439.757

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TURKLAND BANK ANONİM ŞİRKETİ
UNCONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED SEPTEMBER 30, 2018 AND 2017
(Amounts expressed in thousands of Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Note Ref.	Reviewed
		Prior Period 01.01 - 30.09.2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities		(41.987)
1.1.1 Interest received		319.587
1.1.2 Interest paid		(291.850)
1.1.3 Dividend received		10
1.1.4 Fees and commissions received		21.802
1.1.5 Other income		5.210
1.1.6 Collections from previously written off loans		51.347
1.1.7 Payments to personnel and service suppliers		(71.069)
1.1.8 Taxes paid		(4.575)
1.1.9 Others		(72.449)
1.2 Changes in operating assets and liabilities		(327.430)
1.2.1 Net (increase) decrease in financial assets held for trading		-
1.2.2 Net (increase) decrease in financial assets at fair value through profit or loss		-
1.2.3 Net (increase) decrease in due from banks and other financial institutions		(107.233)
1.2.4 Net (increase) decrease in loans		2.175
1.2.5 Net (increase) decrease in other assets		(14.640)
1.2.6 Net increase (decrease) in bank deposits		84.706
1.2.7 Net increase (decrease) in other deposits		(423.165)
1.2.8 Net increase (decrease) in funds borrowed		142.023
1.2.9 Net increase (decrease) in matured payables		-
1.2.10 Net increase (decrease) in other liabilities		(11.296)
I. Net cash provided from banking operations		(369.417)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net cash provided from investing activities		(11.207)
2.1 Cash paid for purchase of jointly controlled entities, associates and subsidiaries		(4.897)
2.2 Cash obtained from sale of jointly controlled entities, associates and subsidiaries		-
2.3 Fixed assets purchases		(3.041)
2.4 Fixed assets sales		1.092
2.5 Cash paid for purchase of financial assets available for sale		(15.293)
2.6 Cash obtained from sale of financial assets available for sale		15.044
2.7 Cash paid for purchase of investment securities		-
2.8 Cash obtained from sale of investment securities		-
2.9 Others		(4.112)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash provided from financing activities		-
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
3.3 Issued capital instruments		-
3.4 Dividends paid		-
3.5 Payments for finance leases		-
3.6 Other		-
IV. Effect of change in foreign exchange rate on cash and cash equivalents		6.408
V. Net increase / (decrease) in cash and cash equivalents		(374.216)
VI. Cash and cash equivalents at the beginning of the period		926.300
VII. Cash and cash equivalents at the end of the period		552.084

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

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. Basis of Presentation

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

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

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

TFRS 9 Financial Instruments

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

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

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I. Basis of Presentation (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9:

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

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

Classification and measurement

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

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

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

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

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

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

	Measurement Bases Before TFRS 9	Book Value Before TFRS 9	TFRS 9 Reclassification Effect	TFRS 9 Remeasurement Effect	Book Value After TFRS 9
Financial Assets		31 December 2017			1 January 2018
Cash and Balances with Central Bank	Measured at amortized cost	506,439	-	-	506,439
Banks and Money Markets	Measured at amortized cost	402,735	-	-	402,735
Fair value through profit and loss marketable securities	Fair value through profit and loss	3,517	-	-	3,517
Fair value through comprehensive income marketable securities	Fair value through comprehensive income	845,246	(845,246)	-	-
Marketable securities at amortised cost	Measured at amortized cost	1,909	845,246	25,753	872,908
Loan	Measured at amortized cost	2,719,415	-	-	2,719,415
Non Performing Loans		350,792	-	-	350,792
Expected Credit Losses		180,872	-	65,055	245,927
Equity Effect		-	-	-	-
Net effect of Expected Credit Losses		-	-	(47,657)	-
Reclassification Effect of Available for Sales		-	-	25,753	-
Total		-	-	(21,904)	-

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

Impairment:

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

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I. Basis of Presentation (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

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

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

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

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

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

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

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

The Bank focuses its activities in corporate banking. The primary objective of the Bank is to sustain liquidity while fulfilling customer needs. Thus, the Bank places approximately 8.59% 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 22.91% of total assets are assets with low risk and high yield. Placements in banks are 7.64% of the total assets and these assets provide liquidity with low risk and yield.

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

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

III. Explanations on Forward and Option Contracts and Derivative Instruments

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

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

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

IV. Explanations on Interest Income and Expenses

Interest income and expenses are recognized in the income statement on an accrual basis using the effective interest method. In accordance with the regulation on "Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette numbered 26333 dated November 1, 2016, interest accruals of the non-performing loans are reversed and interest income related to these loans is recorded as interest income only when collected.

V. Explanations on Fees and Commission Income and Expenses

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

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VI. Explanations on Financial Assets

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

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

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

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

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

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

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

Financial Assets at Fair Value Through Profit and Loss

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

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

Financial Assets at Fair Value Through Other Comprehensive Income

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

The Bank's management may retain both the contractual cash flows as well as the portfolio for sale, in order to meet daily liquidity needs, maintain a certain level of interest income and align the maturity of financial assets with the valuation of the financial liabilities for funding purposes. Financial assets at fair value through other comprehensive income are initially recognized at fair value including transaction costs.

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VI. Explanations on Financial Assets (continued)

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

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

The fair value of financial assets at fair value through other comprehensive income, which are traded in active markets is determined according to the price of the stock exchange and in the case that the stock market price is not available, according to the price in the Official Gazette. Where there is no quoted price in an active market, the fair value is determined by using other methods specified in TFRS 13.

Financial assets at amortized cost

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

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

Interest earned from financial assets measured at amortized cost is recorded as interest income. The Bank classifies financial assets in accordance with the classifications explained above during the acquisition of the mentioned assets.

Loans

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

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

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

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

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

VII. Explanations on Impairment of Financial Assets

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

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

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VII. Explanations on Impairment of Financial Assets (continued)

The Bank classifies loans according to their qualifications in accordance with the "Regulation on Procedures and Principles for the Classification of Loans and the Provisions to be Made" effective as of 1 January 2018. In this context, the Bank considers the general structure of the loan portfolio, the financial structure of its customers, non-financial data and economic conjuncture in accordance with its credit risk policies when making estimations. Provisions are recognized in profit and loss accounts using the "IFRS 9 Expected Loss Provisions" account.

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

Calculation of expected credit losses

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

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

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

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

Internal rating systems are used in the Bank.

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

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

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

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

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

Stage 3: The Bank evaluates all impaired accounts individually. The methodology is similar to Stage 2 and the probability of default is taken into account as 100%.

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VII. Explanations on Impairment of Financial Assets (continued)

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

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

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

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

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

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

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

As of September 30, 2018, the Bank has no reverse repo transactions (December 31, 2017: None).

As of September 30, 2018, the Bank does not have any marketable securities lending transaction (December 31, 2017: None).

X. Explanations on Assets Held for Sale and Discontinued Operations

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

The Bank has assets held for sale amount of 88,694 TRY as of September 30, 2018 (December 31, 2017: None).

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

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XI. Explanations on Goodwill and Other Intangible Assets

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

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

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

	%
Intangible Assets	7-33

XII. Explanations on Tangible Fixed Assets

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

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

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

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

Normal maintenance and repair cost of the properties are expensed.

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

XIII. Explanations on Leasing Transactions

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

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

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

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

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XIV. Explanations on Provisions and Contingent Liabilities

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

According to the legal department of the Bank, the total number of ongoing cases against the Bank is 152. The total amount of those cases consists of TRY 11,399, USD 1,604 Thousand and EUR 193 Thousand. There is a provision of TRY 2,576 in the accompanying financial statements for these cases (December 31, 2017: TRY 2,559).

XV. Explanations on Liabilities Regarding Employee Benefits

Defined Benefit Plans:

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

Such benefit plans are unfunded since there is no funding requirement in Turkey. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. As per the Official Gazette No. 28585 dated March 12, 2013, as of September 30, 2018, the actuarial gains recognized in equity amounts to TRY 1,845 (December 31, 2017: TRY 1,064 actuarial gain).

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

Defined Contribution Plans:

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

Short-term Employee Benefits:

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

XVI. Explanations on Taxation

Corporate tax:

According to 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 22% to be calculated and paid based on earnings generated for each quarter. Such advance taxes calculated and paid are offsetted against the final tax liability for the year.

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XVI. Explanations on Taxation (continued)

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

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

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

Deferred Tax Liability / Asset:

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

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

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

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

The net deferred tax asset is included in deferred tax asset and the net deferred tax liability is reflected under deferred tax liability on the balance sheet. The deferred tax income/expense recorded under the tax provision expenses amounts to TRY 53,668 deferred tax income in the accompanying income statement (December 31, 2017: TRY 16,972 deferred tax income).

XVII. Additional Explanations on Borrowings

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

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

The Bank has not issued convertible bonds.

XVIII. Explanations on Issued Share Certificates

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

XIX. Explanations on Acceptances

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

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XX. Explanations on Government Incentives

There are no government incentives utilized by the Bank.

XXI. Explanations on Segment Reporting

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

XXII. Explanations on Other Matters

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

Explanations on Financial Assets

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

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

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

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

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

Cash, Banks, and Other Financial Institutions:

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

Financial Assets at Fair Value Through Profit and Loss:

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

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

Held to Maturity Investments:

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

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XXII. Explanations on Other Matters (continued)

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

Explanations on Financial Assets (continued)

Held to Maturity Investments (continued)

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

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

Financial Assets Available for Sale:

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

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

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

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

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

Loans and receivables:

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

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

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

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

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SECTION FOUR**INFORMATION ON FINANCIAL STRUCTURE****I. Explanations Related to Equity**

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

As of September 30 2018 Bank’s total capital has been calculated as TRY 486,777, capital adequacy ratio is 13.82%. As of December 31, 2017, Bank’s total capital amounted to TRY 692,371, capital adequacy ratio was 14.05% calculated pursuant to former regulations. This ratio is well above the minimum ratio required by the legislation.

Information related to the components of shareholders' equity:

	Current Period September 30, 2018 (*)
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	650,000
Share issue premiums	-
Retained earnings	-
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	27,276
Profit	-
Net profit of the period	-
Profit of the previous years	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	45
Common Equity Tier 1 capital before regulatory adjustments	677,321
Common Equity Tier 1 capital: regulatory adjustments	
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognized in equity in accordance with TAS	(150,751)
Improvement costs for operating leasing	(2,828)
Goodwill (net of related tax liability)	(11,032)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(64,120)
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitization gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks’ Own Funds)	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-
Mortgage Servicing Rights not deducted (-)	-
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
Total regulatory adjustments to Common equity Tier 1	(228,731)
Common Equity Tier 1 capital (CET1)	448,590

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I. Explanations Related to Equity (continued)

Additional Tier 1 Capital

Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital (-)	-
Other items to be defined by the BRSA (-)	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier 1 capital	-
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	448,590

TIER 2 CAPITAL

Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	38,187
Tier 2 capital before regulatory adjustments	38,187
Tier 2 capital: regulatory adjustments	-
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total regulatory adjustments to Tier 2 capital	-
Total Tier 2 capital	38,187
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	486,777

The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)

Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-
Other items to be Defined by the BRSA	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-

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I. Explanations Related to Equity (continued)

Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Capital	486,777
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	486,777
Total Risk Weighted Assets	3,523,380
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	12,73
Tier 1 Capital Adequacy Ratio (%)	12,73
Capital Adequacy Ratio (%)	13,82
BUFFERS	
Total buffer requirement	3,550
Capital conservation buffer requirement (%)	1,875
Bank specific countercyclical buffer requirement (%)	1,675
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	0,082
Amounts below the thresholds for deduction (before risk weighting)	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital -	-
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2 capital	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	38,187
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

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

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I. Explanations Related to Equity (continued)

	Prior Period December 31,2017 (*)
Common Equity Tier 1 Capital	
Paid-in Capital to be Entitled for Compensation after All Creditors	650,000
Share premium	-
Legal reserves	66,566
Accumulated other comprehensive income in accordance with TAS	26,493
Profit	-
Net current period profit	-
Prior period profit	-
Bonus Shares from Associates, Subsidiaries and Joint-Ventures not Accounted in Current Period's Profit	45
Common Equity Core capital before regulatory adjustments	743,104
Common Equity Core capital: regulatory adjustments	
Valuation adjustments calculated according to clause (I) of first paragraph of the 9th article of the Regulation on Owners' Equity of Banks	-
Loss (in excess of Reserves) and other comprehensive expenses (-)	(25,753)
Leasehold Improvements on Operational Leases (-)	(4,689)
Goodwill and Intangible assets and related deferred tax liabilities (-)	(10,877)
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	(11,553)
Cash-flow hedge reserve	-
Shortfall of provisions to expected losses	-
Securitization gain on sale	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-
Defined-benefit pension fund net assets	-
Investments in own shares	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-
Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
Amount exceeding the threshold of significant investments in the common stock of financials	-
Amount exceeding the threshold of mortgage servicing rights	-
Amount exceeding the threshold of deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
Total regulatory adjustments to Common equity Core Capital	(52,872)
Common Equity Core capital (CET1)	690,232

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I. Explanations Related to Equity (continued)

	December 31, 2017
Additional Tier 1 capital: instruments	
Privileged stocks which are not included in common equity and share premiums	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (after 1.1.2014)	-
Directly issued qualifying Additional Tier 1 instruments (approved by the regulators) plus related stock surplus (before 1.1.2014)	-
Additional Tier 1 capital before regulatory adjustments	-
Additional Tier 1 capital: regulatory adjustments	
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Other items to be defined by BRSA	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity	2,719
Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	9,165
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
Total regulatory adjustments to Additional Tier 1 capital	11,884
Total Additional Tier 1 capital	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)	678,348
TIER 2 CAPITAL	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	14,023
Tier 2 capital before regulatory adjustments	14,023
Tier 2 capital: regulatory adjustments	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Other items to be defined by the BRSA (-)	-
Total regulatory adjustments to Additional Tier I capital	-
Additional Tier I capital (AT1)	14,023
Tier 1 capital (T1 = CET1 + AT1)	692,371
Deductions from the capital	
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period	
Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the temporary paragraph 1 of the article numbered 2 of Own Fund Regulation (-)	-

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I. Explanations Related to Equity (continued)**December 31, 2017**

Un-adjusted total amount from Common Equity, Tier-1 and Tier-2 due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
Un-adjusted total amount from Common Equity, (in accordance with the paragraph 1 and 2 of temporary article numbered 2 of the Own Fund Regulation) due to the investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank own more than 10% of the issued common share capital of the entity (amount above 10% threshold), in accordance with the paragraph 1 of the temporary article numbered 2 of Own Fund Regulation (-)	-
Capital	692,371
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	692,371
Total Risk Weighted Assets	4,926,726
CAPITAL ADEQUACY RATIOS	
Common Equity Tier 1 Capital Adequacy Ratio (%)	14.01
Tier 1 Capital Adequacy Ratio (%)	13.77
Capital Adequacy Ratio (%)	14.05
BUFFERS	
Total buffer requirement	2.032
Capital conservation buffer requirement (%)	1.250
Bank specific countercyclical buffer requirement (%)	0.782
The ratio of Additional Common Equity Tier 1 capital, which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation, and Countercyclical Capital buffers to Risk Weighted Assets (%)	0.095
Amounts below the thresholds for deduction (before risk weighting)	
Non-significant investments in the capital of other financials	-
Significant investments in the common stock of financials	-
Mortgage servicing rights (net of related tax liability)	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-
Applicable caps on the inclusion of provisions in Tier 2 capital	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	14,023
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0.6% Risk Weighted Assets	-
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2018 and 1 January 2022)	
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-

(*) There are no amounts to be taken into consideration at the end of the transition period for the items subject to the transition provisions within the Provisional Articles of the "Regulation on Owners' Equity of Banks".

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II. Explanations Related to Currency Risk

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

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

The announced current foreign exchange buying rates of the Bank at September 30, 2018 and the previous five working days in full TRY are as follows (Bank's FC evaluation rates):

	September 21, 2018	September 24, 2018	September 25, 2018	September 26, 2018	September 27, 2018	September 28, 2018
USD	6.2681	6.1462	6.1921	6.0982	5.9845	6.0179
CHF	6.5359	6.3960	6.4071	6.2826	6.1326	6.1431
GBP	8.1756	8.0656	8.1296	8.0100	7.8415	7.8059
100 JPY	5.5540	5.4510	5.4800	5.3880	5.2860	5.2870
EURO	7.3448	7.2378	7.2870	7.1436	6.9794	6.9485

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before at September 30, 2018 are as follows:

	Monthly Average Foreign Exchange Rate
USD	6.3015
CHF	6.5014
GBP	8.2041
100 JPY	5.6179
EUR	7.3308

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II. Explanations Related to Currency Risk (continued)

September 30, 2018	EUR	USD	YEN	OTHER	TOTAL
Assets					
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey.	10,074	230,036	-	-	240,110
Banks	3,002	294,589	967	3,725	302,283
Financial Assets at Fair Value Through Profit and Loss (****)	-	-	-	-	-
Money Market Placements	-	-	-	-	-
Available-For-Sale Financial Assets	-	6	-	-	6
Loans (*)	313,991	286,890	-	-	600,881
Subsidiaries, Associates and Jointly Controlled Entities	-	-	-	-	-
Held-To-Maturity Investments	-	-	-	-	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets	-	-	-	-	-
Intangible Assets	-	-	-	-	-
Other Assets (****)	164	39	-	-	203
Total Assets	327,231	811,560	967	3,725	1,143,483
Liabilities					
Bank Deposits	-	1,009	-	-	1,009
Foreign Currency Deposits	339,798	776,470	-	1,698	1,117,966
Money Market Borrowings	-	-	-	-	-
Funds Provided From Other Financial Institutions	9,000	3,677	-	-	12,677
Marketable Securities Issued	-	-	-	-	-
Sundry Creditors	-	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Other Liabilities (****)	9,890	11,593	-	-	21,483
Total Liabilities	358,688	792,749	-	1,698	1,153,135
Net Balance Sheet Position	(31,457)	18,811	967	2,027	(9,652)
Net Off-Balance Sheet Position	32,995	(30,627)	(165)	(644)	1,559
Financial Derivative Assets (***)	42,723	9,181	-	-	51,904
Financial Derivative Liabilities (***)	(9,728)	(39,808)	(165)	(644)	(50,345)
Non-Cash Loans (**)	628,653	505,527	-	7,806	1,141,986
December 31, 2017					
Total Assets(*) (****)	357,978	1,109,642	426	6,401	1,474,447
Total Liabilities	331,471	1,139,245	-	4,662	1,475,378
Net Balance Sheet Position	26,507	(29,603)	426	1,739	(931)
Net Off-Balance Sheet Position	(45,816)	42,674	-	-	(3,142)
Financial Derivative Assets (***)	10,096	97,966	-	3,840	111,902
Financial Derivative Liabilities (***)	(55,912)	(55,292)	-	(3,840)	(115,044)
Non-Cash Loans (**)	787,124	761,057	-	15,811	1,563,992

(*) Foreign currency indexed loans amounting to TRY 186,461 (December 31, 2017: TRY 373,749) are included in the loan portfolio.

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

(***) It includes also TRY 7,981 and TRY 6,329 forward asset purchase & sale commitments (December 31, 2017: TRY 776 and TRY 758).

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

- Derivative financial assets held for trading: TRY 30 (31 December 2017: TRY 91).
- Derivative financial liabilities held for trading: TRY 38 (31 December 2017: TRY 73).

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II. Explanations Related to Currency Risk (continued)

Foreign currency sensitivity:

The following table details the Bank's sensitivity to a 20% increase or decrease in the TRY against USD and EUR. 20% 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 20% against TRY.

	Change in currency rate in %	Effect on profit or loss		Effect on equity	
		September 30, 2018*	December 31, 2017**	September 30, 2018	December 31, 2017
USD	%20 increase	(591)	1,307	-	-
USD	%20 decrease	591	(1,307)	-	-
EUR	%20 increase	77	(1,931)	-	-
EUR	%20 decrease	(77)	1,931	-	-
Other Currency	%20 increase	109	217	-	-
Other Currency	%20 decrease	(109)	(217)	-	-

* It shows the sensitivity to 20% change in US Dollar and EURO exchange rates.

**It shows the sensitivity to 10% change in US Dollar and EURO exchange rates.

III. Explanations Related to Interest Rate Risk

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

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

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

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

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

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
September 30, 2018							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	316,628	-	-	-	37,616	354,244
Banks	258,832	-	-	-	-	43,489	302,321
Financial Assets Measured at Fair Value through Profit and Loss	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	-	-	-	6	138	144
Loans (*)	1,208,355	113,851	244,824	297,544	6,362	-	1,870,936
Financial Assets Measured at Amortized Cost	131,713	257,890	517,272	1	-	-	906,876
Other Assets (**)	-	-	-	-	-	523,712	523,712
Total Assets	1,598,900	688,369	762,096	297,545	6,368	604,955	3,958,233
Liabilities							
Bank Deposits	-	-	-	-	-	1,557	1,557
Other Deposits	2,265,260	457,687	94,418	1,934	-	109,144	2,928,443
Money Market Borrowings	413,403	-	-	-	-	-	413,403
Sundry Creditors	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	3,857	6,456	6,536	-	-	-	16,849
Other Liabilities (***)	78,645	690	-	-	-	518,646	597,981
Total Liabilities	2,761,165	464,833	100,954	1,934	-	629,347	3,958,233
Balance Sheet Long Position	-	223,536	661,142	295,611	6,368	-	1,186,657
Balance Sheet Short Position	(1,162,265)	-	-	-	-	(24,392)	(1,186,657)
Off-Balance Sheet Long Position	-	-	-	-	-	46,085	46,085
Off-Balance Sheet Short Position	-	-	-	-	-	(46,169)	(46,169)
Total Position	(1,162,265)	223,536	661,142	295,611	6,368	(24,476)	(84)

(*) 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 11,911, intangible assets amounting to TRY 11,032, assets to be sold amounting to TRY 88,694, tax asset amounting to TRY 85,366, non-performing loans amounting to TRY 345,030, expected credit losses amounting to TRY (47,678) and other assets amounting to TRY 29,357.

(***) The other liabilities line in the non-interest bearing column consist of shareholders' equity amounting to TRY 482,150, provisions amounting to TRY 36,496.

Average interest rates applied to monetary financial instruments:

	EUR %	USD %	YEN %	TRY %
September 30, 2018				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey	-	1.50	-	5.56
Banks	-	1.57	-	16.75
Financial Assets Measured at Fair Value through Profit/Loss	-	-	-	-
Money Market Placements	-	-	-	14.37
Financial Assets Measured at Fair Value through Other Comprehensive Income	-	7.38	-	-
Loans	5.20	6.45	-	19.41
Financial Assets Measured at Amortized Cost (*)	-	-	-	2.72
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	1.97	4.21	-	16.36
Money Market Borrowings	-	-	-	15.56
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.57	1.84	-	-

(*) Financial Assets Measured at Amortized Cost include CPI indexed securities, which cover 99.99% of the portfolio.

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

	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Non-interest bearing	Total
December 31, 2017							
Assets							
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey	-	448,191	-	-	-	58,248	506,439
Banks	363,927	-	-	-	-	38,808	402,735
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	3,517	3,517
Money Market Placements	-	-	-	-	-	-	-
Available-For-Sale Financial Assets	262,511	253,913	328,680	-	4	138	845,246
Loans (*)	1,341,808	283,351	491,802	585,060	17,394	-	2,719,415
Held-To-Maturity Investments	-	-	1,909	-	-	-	1,909
Other Assets (**)	-	-	-	-	-	395,956	395,956
Total Assets	1,968,246	985,455	822,391	585,060	17,398	496,667	4,875,217
Liabilities							
Bank Deposits	-	-	-	-	-	798	798
Other Deposits	2,291,084	883,408	125,518	-	-	195,804	3,495,814
Money Market Borrowings	400,425	-	-	-	-	-	400,425
Sundry Creditors	-	-	-	-	-	32,567	32,567
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Provided From Other Financial Institutions	7,643	19,009	101,537	1,563	-	-	129,752
Other Liabilities (***)	967	578	-	-	-	814,316	815,861
Total Liabilities	2,700,119	902,995	227,055	1,563	-	1,043,485	4,875,217
Balance Sheet Long Position	-	82,460	595,336	583,497	17,398	-	1,278,691
Balance Sheet Short Position	(731,873)	-	-	-	-	(546,818)	(1,278,691)
Off-Balance Sheet Long Position	-	-	-	-	-	165,189	165,189
Off-Balance Sheet Short Position	-	-	-	-	-	(164,908)	(164,908)
Total Position	(731,873)	82,460	595,336	583,497	17,398	(546,537)	281

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

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

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

	EUR %	USD %	YEN %	TRY %
December 31, 2017 (**)				
Assets				
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Reserve Deposits) And Balances With The Central Bank Of Turkey(*)	-	1.03	-	4.00
Banks	0.03	0.86	-	8.15
Financial Assets At Fair Value Through Profit And Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-For-Sale Financial Assets(*)	-	7.38	-	2.74
Loans	5.10	6.08	-	16.19
Held-To-Maturity Investments	-	-	-	8.00
Liabilities				
Bank Deposits	-	0.85	-	10.93
Other Deposits	1.94	3.75	-	13.36
Money Market Borrowings	-	-	-	11.67
Sundry Creditors	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Provided From Other Financial Institutions	1.84	3.20	-	6.86

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

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

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III. Explanations Related to Interest Rate Risk (continued)

Interest rate risk arising from banking accounts:

According to the "Regulation on Measurement and Evaluation of the Interest Rate Ratio of Banking Accounts Based on Standard Shock", which is divided into different currencies of the Bank, the following table shows the economic value differences arising from interest rate fluctuations as of September 30, 2018:

Type of Currency	Shocks Applied (+ / - basis points)*	Gains / Losses	Gains / Equity – Losses / Equity
TRY	500 (400)	(34,823) 31,225	(7)% 6%
EURO	200 (200)	(5,152) 5,471	(1)% 1%
USD	200 (200)	(6,109) 6,836	(1)% 1%
Total (of negative shocks)		43,531	9%
Total (of positive shocks)		(46,084)	(9)%

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

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

- Net loss would increase by TRY (8,223). The change in loss mainly is related to loans and deposits (December 31, 2017 : TRY 9,882 TRY).
- Possible changes in the interest rates does not effect the equity as a result of the revaluation of the assets measured at amortized cost. (December 31, 2017 possible changes in the interest rates effects the equity as a result of the revaluation of the available-for-sale assets decreases equity by TRY 240).

IV. Explanations Related to Equity Securities Risk

The Bank has no outstanding stock position.

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V. Explanations on Liquidity Risk Management and Liquidity Coverage Ratio

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

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

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

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

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

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

The unconsolidated lowest foreign currency is (245%) (23/09/2018) and the unconsolidated highest foreign currency is (461%) (08/08/2018) and total liquidity coverage ratios are (116%) (29/08/2018) at the lowest and (239%) (04/07/2018) at the highest while which are calculated weekly for the last three months.

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

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

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

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

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

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

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

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

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

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

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

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

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

Current Period – September 30, 2018		Total Unrated Value (*)		Total Rated Value (*)	
		TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS					
	High Quality Liquid Assets			824,451	305,441
CASH OUTFLOWS					
2	Retail deposit	1,913,221	682,562	179,333	66,519
3	Stable deposit	277,721	49,660	14,036	2,512
4	Less stable deposit	1,635,499	632,902	165,297	64,007
5	Unsecured wholesale funding	1,016,112	394,360	490,099	177,968
6	Operational deposit	-	-	-	-
7	Non-Operational deposit	878,700	366,981	352,691	150,217
8	Other unsecured funding	137,412	27,379	137,408	27,751
9	Secured funding			-	-
10	Other cash outflows	1,884,465	773,499	268,628	105,370
11	Derivatives cash outflows	12,004	8,516	12,248	8,693
12	Fundings due to restructured financial instruments	-	-	-	-
13	Payment commitments due to financial markets and other off balance sheet commitments and contingencies	1,872,461	764,983	256,380	96,677
14	Revocable other off balance sheet contingencies and commitments and other contractual cash outflows	-	-	-	-
15	Other contingent or non-contingent funding obligations	-	-	-	-
16	TOTAL CASH OUTFLOWS			938,060	349,857
CASH INFLOWS					
17	Secured receivables	-	-	-	-
18	Unsecured receivables	479,757	303,342	397,560	301,947
19	Other cash inflows	2,103	1,797	2,150	1,837
20	TOTAL CASH INFLOWS	481,860	305,139	399,710	303,784
				Total Adjusted Value	
21	TOTAL STOCK OF HQLA			824,451	305,441
22	TOTAL NET CASH OUTFLOWS			538,350	87,464
23	LIQUIDITY COVERAGE RATIO (%)			153.14	349.22

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

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

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

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

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

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

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

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

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

September 30, 2018	Demand	Up to 1 Month	1-3 Month	3-12 Months	1-5 Years	Over 5 Years	Undistributed (*)	Total
Assets								
Cash (Cash in Vault, Foreign Currency Cash, Money in Transit, Cheques Purchased, Precious Metals) and Balances with the Central Bank of Turkey (****)	148,329	164,746	33,699	7,330	140	-	-	354,244
Banks	43,489	258,832	-	-	-	-	-	302,321
Financial Assets Measured at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	138	-	-	-	-	6	-	144
Loans (***)	-	1,208,355	113,851	244,824	297,544	6,362	-	1,870,936
Financial Assets Measured at Amortized Cost	-	-	-	52,403	665,487	188,986	-	906,876
Other Assets	-	4,932	750	-	-	-	518,030	523,712
Total Assets	191,956	1,636,865	148,300	304,557	963,171	195,354	518,030	3,958,233
Liabilities								
Bank Deposits	1,557	-	-	-	-	-	-	1,557
Other Deposits	109,144	2,265,260	457,687	94,418	1,934	-	-	2,928,443
Money Market Borrowings	-	413,403	-	-	-	-	-	413,403
Sundry Creditors	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	3,857	6,456	6,536	-	-	-	16,849
Other Liabilities (**)	1,893	78,645	690	-	-	-	516,753	597,981
Total Liabilities	112,594	2,761,165	464,833	100,954	1,934	-	516,753	3,958,233
Liquidity Gap	79,362	(1,124,300)	(316,533)	203,603	961,237	195,354	1,277	-
Net Off-Balance Position								
Derivative Assets	-	(85)	1	-	-	-	-	(84)
Derivative Liabilities	-	44,077	2,008	-	-	-	-	46,085
Non-Cash Loans	-	44,162	2,007	-	-	-	-	46,169
Non-Cash Loans	-	191,818	298,699	648,250	192,718	785,003	-	2,116,488
December 31, 2017								
Total Assets	219,391	1,933,266	372,605	513,374	1,214,136	235,431	387,014	4,875,217
Total Liabilities	198,220	2,781,479	902,995	227,055	1,563	-	763,905	4,875,217
Liquidity Gap	21,171	(848,213)	(530,390)	286,319	1,212,573	235,431	(376,891)	-
Net Off-Balance Position								
Derivative Assets	-	24	149	108	-	-	-	281
Derivative Liabilities	-	103,282	48,913	12,994	-	-	-	165,189
Non-Cash Loans	-	103,258	48,764	12,886	-	-	-	164,908
Non-Cash Loans	-	30,835	389,478	1,287,422	386,680	804,073	-	2,898,488

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

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

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

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

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VI. Explanations Related to Leverage Ratio**Information on subjects that causes difference in leverage ratio between current and prior periods:**

As of September 30, 2018, leverage ratio of the Bank calculated from the arithmetic average of the last 3 months is 11.04% (31 December 2017: 10.30%). This ratio is above the minimum required. The regulation stipulated a minimum leverage ratio of 3%.

Disclosure of Leverage ratio template :

	On Balance Sheet Exposures	September 30, 2018 (*)	December 31, 2017 (*)
1	On balance sheet exposures (excluding derivative exposures, including collaterals)	3,334,104	5,741,929
2	(Deductions from the capital)	(184,322)	(58,501)
3	Total risk amount of on balance sheet exposures (Total of 1st ve 2nd rows)	3,149,782	5,683,428
	Derivative exposures		
4	Replacement cost of derivative exposure	3,771	2,122
5	Potential credit risk of derivative exposures	10,064	1,637
6	Total risk of derivative exposures (Total of 4th ve 5th rows)	19,368	3,759
	Securities financing transaction exposures		
7	The risk amount of Securities financing transaction exposures (excluding on balance sheet exposures)	-	-
8	The risk amount of transactions bank acting as agent	-	-
9	Total risk amount of Securities financing transaction exposures (Total of 7th ve 8th rows)	-	-
	Off Balance sheet items		
10	The gross nominal amount of off balance sheet items	2,097,157	2,745,217
11	CCR adjustment amount	(806,152)	(1,509,578)
12	The risk amount of off balance sheet items (Total of 10th ve 11th rows)	1,291,005	1,235,639
	Capital and total risk		
13	Shareholders' Equity	492,939	710,237
14	Total risk amount (Total of 3rd, 6th, 9th and 12th rows)	4,460,155	6,922,825
	Leverage Ratio		
15	Leverage ratio	11.04%	% 10.30

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

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VII. Explanations Related to Risk Management

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of March 31, 2016. According to Communiqué have to be presented on a quarterly basis. Due to usage of standard approach for the calculation of capital adequacy by the Bank, the following tables have not been presented as of September 30, 2018:

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

Bank's Risk Management Approach

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

The structure and organization of the risk management system in terms of the function and responsibilities of the Risk Management Group depends on the Board of Directors. Loyalty to the Board of Directors takes place through the Audit Committee. Risk Management conducts its activities under the supervision of the Audit Committee within the framework of the provisions of the "Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process" published by BRSA. Risk management considers credit, market, interest rate, concentration, liquidity risks and operational risks in their works as the basic principle to establish the limits of these risks and control processes. The Bank has established a stress-test-driven management by taking into account the changes in the market, as well as the maximum amount of loss that may arise in Credit Risk, Operational Risk, Market Risk and other risks within the scope of internal capital management.

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

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

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

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

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VII. Explanations Related to Risk Management (continued)**Overview of RWA**

		RWA		Minimum capital requirements
		Current Period September 30, 2018	Prior Period December 31, 2017	Current Period September 30, 2018
1	Credit risk (excluding counterparty credit risk) (CCR)	3,052,444	4,454,203	301,429
2	Of which standardized approach (SA)	3,052,444	4,454,203	301,429
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	2,552	3,182	252
5	Of which standardized approach for counterparty credit risk (SA-CCR)	2,552	3,182	252
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – 1250% risk weighting approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	12,108	6,323	1,196
17	Of which standardized approach (SA)	12,108	6,323	1,196
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	456,276	463,018	45,057
20	Of which Basic Indicator Approach	456,276	463,018	45,057
21	Of which Standardized Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	3,523,380	4,926,726	347,934

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VII. Explanations Related to Risk Management (continued)

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

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

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

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

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

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

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

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

The Bank updated its disclosures in accordance with the "Change in the Communiqué on the Financials Statements to be announced to public by Banks as well as Explanations and Footnotes Thereof" published in the Official Gazette no.28983, dated April 26, 2014 and in accordance with "Communiqué on Disclosures about Risk Management to Be Announced to Public by Banks" published in the Official Gazette no.29599, dated January 20, 2016.

At the Bank, by considering Regulation on the Internal Systems of Banks published in the Official Gazette No. 29057 dated July 11, 2014, banking processes and policies were revised. Consequently, related procedures/policies are updated/formed and then approved by the Board of Directors.

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VII. Explanations Related to Risk Management (continued)

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

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

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

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

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

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

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

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

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

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VII. Explanations Related to Risk Management (continued)

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

Risks related to market risk are measured and monitored in accordance with application procedures and policies. In this respect, the Board of Directors allocates the limits. Limits are monitored, reported, in the event of any limit exceed it is reported to relevant committees and units through documentation by electronic mail. In addition, information about limits on use and loan segment concentration is presented to Audit Committee and the Board of Directors on quarterly.

Internal Loan Rating System

	Internal Rating Grade	September 30, 2018	(%)	December 31, 2017	(%)	
High						
	Risk rating class 1	A+ Excellent	89,450	4.78	131,827	4.85
	Risk rating class 2	A- Excellent	170,919	9.14	215,886	8.00
Good						
	Risk rating class 3	B+ Very Good	286,979	15.34	526,106	19.30
	Risk rating class 4	B- Very Good	125,020	6.68	495,775	18.20
Standard						
	Risk rating class 5	C+ Good	290,726	15.54	358,783	13.20
	Risk rating class 6	C- Good	414,448	22.15	543,305	20.00
Substandard						
	Risk rating class 7	D+ Ordinary	186,478	9.97	263,008	9.70
	Risk rating class 8	D- Ordinary	191,818	10.25	125,696	4.60
	Risk rating class 9	E Bad	73,303	3.90	49,396	1.80
	Risk rating class 10	F Very Bad	39,048	2.10	3,620	0.13
Unrated			2,747	0.15	6,013	0.22
Total			1,870,936	100.00	2,719,415	100.00

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

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VII. Explanations Related to Risk Management (continued)

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

“F” rating;

Number of clients with “F” rating is 4 with an outstanding risk of TRY 39,048 (December 31, 2017: TRY 3,620; 6 clients), %91 (3 clients) of these clients are granted against mortgage with outstanding risk of TRY 35,399 (December 31, 2017:1 clients, %3),

“E” rating;

Number of clients with “E” rating is 23 and total outstanding risk is TRY 73,303 (December 31, 2017: TRY 49,396; 33 clients). %39 (9 clients) of these clients are granted against mortgage with outstanding risk of TRY 28,293 (December 31, 2017 : TRY 23,549; %48), %24 (4 clients) of these clients are granted against customer check/note with outstanding risk of TRY 17,587 (December 31, 2017 : TRY 13,100; 27%), %3 (3 clients) of these clients are granted against cash blockage provision with outstanding risk of TRY 2,544, %1.5 (1 client) of these clients is granted against with outstanding risk of TRY 1,136 (December 31, 2017: TRY 729; %1).

“D-” rating;

Number of clients with D- rating is 52 and total outstanding risk is TRY 191,818 (December 31, 2017: TRY 125,696; 78 clients). %23 (23 clients) of these clients granted against mortgage have outstanding risk of TRY 43,232 (December 31, 2017: TRY 58,276; 46%), %21 (8 clients) of these customers are granted against customer check/note with outstanding risk of TRY 39,510 (December 31, 2017: TRY 23,266, %19).

%1 (1 client) of these clients is granted against vehicle pledge with outstanding risk of TRY 1,545 (December 31, 2017 : TRY 23; %0,02), %4 (2 clients) of these clients are granted against assignment with outstanding risk of TRY 7,465 (December 31, 2017 : TRY 6,550; 5%), %0,04 (3 clients) of these clients are granted against cash blockage provision with outstanding risk of TRY 787 (December 31, 2017: TRY 5,998; %5).

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

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SECTION FIVE**EXPLANATIONS AND DISCLOSURES ON UNCONSOLIDATED FINANCIAL STATEMENTS****I. Explanations and Disclosures Related to the Assets****1. a) Information on Cash and Balances with the Central Bank of Turkey:**

	September 30, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Cash in Vault/Foreign Currency	11,298	23,081	10,976	40,977
Balances with the Central Bank of Turkey	102,836	217,029	104,261	350,225
Other	-	-	-	-
Total	114,134	240,110	115,237	391,202

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

	September 30, 2018		December, 31 2017	
	TRY	FC	TRY	FC
Unrestricted demand deposits	99,929	3,189	101,990	5,765
Unrestricted time deposits	-	-	-	-
Restricted time deposits	-	-	-	-
Reserve deposits	2,907	213,840	2,271	344,460
Total	102,836	217,029	104,261	350,225

c) Explanations related to reserve deposits:

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

FC reserve deposits rates:

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

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

TRY reserve deposits rates:

Demand deposits, notice deposits and private current accounts	Deposits/participation accounts up to 1-month maturity (including 1-month)	Deposits/participation accounts up to 3-month maturity (including 3-month)	Deposits/participation accounts up to 6-month maturity (including 6-month)	Deposits/participation accounts up to 1-year maturity	Deposits/participation accounts with 1-year and longer maturity and cumulative deposits/participation accounts	Other liabilities up to 1-year maturity (including 1-year)	Other liabilities up to 3-year maturity (including 3-year)	Other liabilities with longer 3-year maturity
%8	%8	%8	%5	%3	%1.5	%8	%4.5	%1.5

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

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

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

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

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

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	720	30	3,426	91
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	720	30	3,426	91

3. Information on banks:

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Banks				
Domestic	38	57	15	364,019
Foreign	-	302,226	-	38,701
Branches and head office abroad	-	-	-	-
Total	38	302,283	15	402,720

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

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

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

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities (*)	-	-	829,048	-
Other	-	-	-	-
Total	-	-	829,048	-

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

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

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

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

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

	September 30, 2018	December 31, 2017
Debt securities (*)	6	845,108
Quoted on a stock exchange	-	845,108
Not quoted	6	-
Share certificates	138	138
Quoted on a stock exchange	-	-
Not quoted	138	138
Impairment provision (-)	-	-
Total	144	845,246

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

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

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

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

	September 30, 2018		December 31, 2017	
	Cash	Non-cash	Cash	Non-cash
Direct loans granted to shareholders	244	55,226	159	44,498
Corporate shareholders	244	55,226	159	44,498
Real person shareholders	-	-	-	-
Indirect loans granted to shareholders	-	11,654	-	46,106
Loans granted to employees	899	869	1,448	1,234
Total	1,143	67,749	1,607	91,838

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

Cash Loans	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables	Restructured or Rescheduled	Other	Loans and Other Receivables	Restructured or Rescheduled	Other
Non-specialized loans	1,308,622	15,455	-	326,408	220,451	-
Business loans	962,364	15,455	-	294,867	220,259	-
Export loans	185,769	-	-	29,554	-	-
Import loans	-	-	-	-	-	-
Loans given to financial sector	107,737	-	-	-	-	-
Foreign loans	44	-	-	-	-	-
Consumer loans	2,116	-	-	313	192	-
Credit cards	-	-	-	-	-	-
Precious metals loans	-	-	-	-	-	-
Other	50,592	-	-	1,674	-	-
Specialized loans	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-
Total	1,308,622	15,455	-	326,408	220,451	-

Expected Credit Losses	Standard Loans	Watch list Loans
General Provision	-	-
12 Month ECL(Stage 1)	21,090	-
Lifetime ECL Significant Increase in Credit Risk (Stage 2)	-	26,308
Total	21,090	26,308

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

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

Cash Loans	Standard Loans and Other Receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Short-term Loans and other Receivables	812,757	2,138	96,183	41,568
Non-specialized loans	812,757	2,138	96,183	41,568
Specialized loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and long-term loans and other receivables	495,865	13,317	230,225	178,883
Non-specialized loans	495,865	13,317	230,225	178,883
Specialized loans	-	-	-	-
Other Loans	-	-	-	-
Total	1,308,622	15,455	326,408	220,451

Number of Changes for the Payment Plan Extension	Standard Loans and Other Receivables	Watching Loans and Other Receivables
1 or 2 times extended	15,455	220,451
3, 4 or 5 times extended	-	-
5 Over the extended	-	-
Total	15,455	220,451

	Standard Loans and Other Receivables	Watching Loans and Other Receivables
0 – 6 Month	5,544	189,499
6 – 12 Month	-	22,124
1 – 2 Year	140	3,262
2 – 5 Year	9,771	5,566
5 Years and Over	-	-
Total	15,455	220,451

According to the “Regulation on Classification of Loans and the Provisions to be Reserved”, as of September 30, 2018, the bank calculated expected loan loss provision for standard loans, which the payments are rescheduled, amounting to TRY 1,237.

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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	131	1,310	1,441
Housing Loans	-	366	366
Car Loans	-	-	-
General Purpose Loans	131	944	1,075
Other	-	-	-
Consumer Loans -Indexed to FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Individual Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Individual Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Personnel Loans-TRY	105	507	612
Housing Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	105	507	612
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) (*)	568	-	568
Overdraft Accounts-FC (Real Persons)	-	-	-
Total	804	1,817	2,621

(*) Overdraft Accounts includes TRY 214 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	19,645	277,646	297,291
Business Loans	3,215	148	3,363
Car Loans	-	6,417	6,417
General Purpose Loans	16,430	271,081	287,511
Other	-	-	-
Commercial loans with installment facility - Indexed to FC	7,405	152,136	159,541
Business Loans	-	-	-
Car Loans	-	103,649	103,649
General Purpose Loans	7,405	48,487	55,892
Other	-	-	-
Commercial loans with installment facility - FC	-	-	-
Business Loans	-	-	-
Car Loans	-	-	-
General Purpose Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TRY	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installments	-	-	-
Without Installments	-	-	-
Overdraft Accounts-TRY (Legal Entities)	3,197	-	3,197
Overdraft Accounts-FC (Legal Entities)	-	-	-
Total	30,247	429,782	460,029

f) Domestic and foreign loans:

	September 30, 2018	December 31, 2017
Domestic loans	1,870,892	2,719,317
Foreign loans	44	98
Total	1,870,936	2,719,415

g) Loans granted to subsidiaries and associates: None.

h) Specific provisions provided against loans:

	September 30, 2018	December 31, 2017
Specific provisions		
Loans and other receivables with limited collectability	83,645	3,638
Loans and other receivables with doubtful collectability	126,465	47,352
Uncollectible loans and receivables	217,766	100,875
Total	427,876	151,865

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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
September 30, 2018			
(Gross amount before specific provision) (*)	27	-	7,602
Restructured Loans and Other Receivables	27	-	7,602
Rescheduled Loans and Other Receivables	-	-	-
December 31, 2017			
(Gross amount before specific provision)(*)	106	364	6,145
Restructured Loans and Other Receivables	106	364	6,145
Rescheduled Loans and Other Receivables	-	-	-

(*) As of September 30, 2018 total specific provisions set aside for the loans and other receivables that are restructured or tied to redemption plan is TRY 3,882 (December 31, 2017: TRY 3,696).

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

	III. Group	IV. Group	V. Group
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
December 31, 2017 balance	42,553	122,143	186,096
Additions (+)	465,346	23,056	9,295
Transfers from other categories of non-performing loans (+)	-	145,682	170,033
Transfers to other categories of non-performing loans (-)	(278,090)	(37,625)	-
Collections (-)	(14,476)	(12,096)	(31,166)
Write-offs (-)	-	-	(17,845)
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Indexation difference (-)	-	-	-
Other	-	-	-
September 30, 2018 balance	215,333	241,160	316,413
Specific provision (-)	(83,645)	(126,465)	(217,766)
Net Balances on Balance Sheet	131,688	114,695	98,647

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
September 30, 2018 (Net)			
Loans to Real Persons and Legal Entities (Gross)	215,333	241,160	316,413
Specific provision (-)	(83,645)	(126,465)	(217,766)
Loans to Real Persons and Legal Entities (Net)	131,688	114,695	98,647
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
December 31, 2017 (Net)			
Loans to Real Persons and Legal Entities (Gross)	42,553	122,143	186,096
Specific provision (-)	(3,638)	(47,352)	(100,875)
Loans to Real Persons and Legal Entities (Net)	38,915	74,791	85,221
Banks (Gross)	-	-	-
Specific provision (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific provision (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

As of September 30 2018, TRY 13,072 interest has been calculated in accordance with TFRS 9 for loans classified as NPL during the period.

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

According to the “Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves”; legal action is carried on considering firms, guarantors and existing collaterals and provisions are made for non-performing loans in accordance with the relevant decree.

l) Explanations on write-off policy:

As of September 30, 2018, there is no actuarial gain or loss on disposal of the Board of Directors (31 December 2017: None).

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

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

6. Financial assets at amortized cost:

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

	September 30, 2018		December 31, 2017(*)	
	TRY	FC	TRY	FC
Share certificates	-	-	-	-
Bond, Treasury bill and similar securities	256,316	-	1,909	-
Other	-	-	-	-
Total	256-316	-	1,909	-

As of September 30, 2018, collateral or blocked investments held-to-maturity; stock exchange balance is TRY 50,888, foreign exchange market balance is TRY 23,006 Interbank balance is TRY 181,248, Takasbank balance is TRY 1,011, cheque clearing pledge is TRY 163. (December 31, 2017: (*) Collateral or blocked investments held-to-maturity stock exchange balance is TRY 1,909).

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

	September 30, 2018
Share certificates	-
Bond, Treasury bill and similar securities	440,586
Other	-
Total	440,586

Financial assets at amortized cost amounting to TRY 209,974 are being held as unrestricted deposits.

b) Information on amortized financial assets:

	September 30, 2018	December 31, 2017(*)
Government bonds	906,876	1,909
Treasury bills	-	-
Other public sector debt securities	-	-
Total	906,876	1,909

(*)Accruals of held to maturity debt securities.

c) Information on amortized financial assets:

	September 30, 2018		December 31, 2017(*)	
	TRY	FC	TRY	FC
Debt securities				
Quoted on a stock exchange	906,876	-	1,909	-
Not quoted on a stock exchange	-	-	-	-
Provision for impairment (-)	-	-	-	-
Total	906,876	-	1,909	-

(*)Accruals of held to maturity debt securities.

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

d) Movement of amortized financial assets:

	September 30, 2018	December 31, 2017(*)
Beginning balance (***)	846,967	1,730
Foreign currency differences on monetary assets (**)	114,169	179
Purchases during year	-	-
Disposal through sales and redemptions	(54,260)	-
Impairment provision (-)	-	-
Closing Balance	906,876	1,909

(*) Accruals of held to maturity debt securities

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

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

7. Information on associates (Net):

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

8. Information on subsidiaries (Net):

The Bank has no subsidiaries in the current period.

9. Information on jointly controlled entities:

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

10. Information on lease receivables (Net):

The Bank has no lease receivables in the current period.

11. Information on derivative financial assets for hedging purposes:

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

12. Information on tangible assets (Net):

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

13. Information on intangible assets:

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

14. Investment Property (Net): None.

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

15. Explanations on deferred tax assets:

- a) As of September 30, 2018, deferred tax asset calculated on financial loss is TRY 69,306 (December 31, 2017: deferred tax asset calculated on financial loss is TRY 15,999). Deferred tax asset calculated on the other temporary differences is TRY 16,038 (December 31, 2017: deferred tax asset calculated on other temporary differences is TRY 4,719).
- b) Temporary differences over which deferred tax asset is not computed and recorded in the balance sheet in prior periods: None.
- c) Allowance for deferred tax and deferred tax assets from reversal of allowance: None.

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

	September 30, 2018
End of Current Period	
Beginning of period	-
Acquisitions	122,124
Assets sold (Cost)	(15,640)
Impairment	(17,790)
Net Book Value	88,694

17. Information on other assets:

- a) Breakdown of other assets:

	September 30, 2018	December 31, 2017
Assets to be Sold	1,285	109,753
Settlement Accounts	4,932	7,853
Prepaid Expenses	14,552	6,768
Other	2,941	15,123
Total	23,710	139,497

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

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II. Explanations and Disclosures Related to the Liabilities**1. Information on maturity structure of deposits:****a.1) September 30, 2018:**

	Demand	7 Day Call Accounts	Up to 1 month	1-3 Months	3-6 Months	6 Month-1 Year	1 Year And over	Accumulating Deposits	Total
Saving deposits	12,233	-	63,788	1,172,787	39,784	30,405	10,382	-	1,329,379
Foreign currency deposits	70,342	-	141,477	754,739	61,899	74,485	15,024	-	1,117,966
Residents in Turkey	67,511	-	134,887	729,321	47,500	73,610	11,235	-	1,064,064
Residents abroad	2,831	-	6,590	25,418	14,399	875	3,789	-	53,902
Public sector deposits	1,608	-	-	-	-	-	-	-	1,608
Commercial deposits	24,514	-	62,501	302,430	5	2,637	30,734	-	422,821
Other institutions deposits	447	-	72	56,150	-	-	-	-	56,669
Precious metals deposits	-	-	-	-	-	-	-	-	-
Interbank deposits	1,557	-	-	-	-	-	-	-	1,557
Central Bank of Turkey	-	-	-	-	-	-	-	-	-
Domestic Banks	128	-	-	-	-	-	-	-	128
Foreign Banks	1,429	-	-	-	-	-	-	-	1,429
Participation Banks	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total	110,701	-	267,838	2,286,106	101,688	107,527	56,140	-	2,930,000

a.2) December 31, 2017:

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

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

Saving Deposits	Under the Guarantee of Insurance		Exceeding the Limit of Insurance	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Saving deposits	270,670	290,882	1,040,847	1,017,170
Foreign currency saving deposits	65,968	80,663	603,395	648,855
Other deposits in the form of saving deposits	896	796	19,037	16,132
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-
Total	337,534	372,341	1,663,279	1,682,157

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

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

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

	September 30, 2018	December 31, 2017
Deposits and accounts in branches abroad	-	-
Deposits of ultimate shareholders and their close families	-	-
Deposits of chairman, members of the Board of Directors and assistant general managers and their close families	1,215	3,521
Deposits obtained through illegal acts defined in the 282 nd Article of the 5237 numbered Turkish Criminal Code dated September 26, 2004.	-	-
Saving deposits in banks established in Turkey exclusively for off shore banking activities	-	-

2. Information on derivative financial liabilities:

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

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Forward Transactions	743	27	1,172	61
Swap Transactions	-	11	3	12
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	743	38	1,175	73

3. Information on borrowings:

a) Information on banks and other financial institutions:

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Credits from Central ban of the Republic of Turkey	-	-	-	-
From Domestic Banks and Institutions	4,172	5,423	13,509	19,551
From Foreign Banks, Institutions and Funds	-	7,254	-	96,692
Total	4,172	12,677	13,509	116,243

b) Maturity analysis of borrowings:

	September 30, 2018		December 31, 2017	
	TRY	FC	TRY	FC
Short-term	4,172	10,020	13,509	72,308
Medium and long-term	-	2,657	-	43,935
Total	4,172	12,677	13,509	116,243

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

Bank diversifies its funding resources by customer deposits and domestic borrowings. 65% of bank deposits and 38% of other deposits are denominated in foreign currencies.

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

4. Information on funds provided from repurchase agreement transactions:

None.

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

None.

6. Explanations on lease obligations (Net):

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

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

- b) Explanations regarding operational leases:

Head-Office and all branch premises of the Bank are leased under operational leases. In 2018, operational lease expenses amounting to TRY 14,740 have been recorded in the profit and loss accounts (December 31, 2017: TRY 20,041). The lease periods vary between 5 and 10 years.

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

7. Information on derivative financial liabilities for hedging purposes:

None.

8. Information on provisions:

- a) Information on general provisions:

	September 30, 2018	December 31, 2017
General Provisions		
Provisions for First Group Loans and Receivables	-	6,783
- Additional provision for extended loans	-	-
Provisions for Second Group Loans and Receivables	-	5,223
- Additional provision for extended loans	-	-
Provisions for Non-cash Loans	-	2,017
Total	-	14,023

- b) Foreign exchange losses on the foreign currency indexed loans and finance lease receivables: There is no foreign exchange provision (December 31, 2017: TRY 128) on the foreign currency indexed loans.
- c) The specific provisions of TRY 20,900 (December 31, 2017: TRY 14,984) were provided for unindemnified non-cash loans.
- d) Information on employee termination benefits and unused vacation accrual:

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

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

8. Information on provisions (continued)

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

	September 30, 2018	December 31, 2017
Employee termination benefit provision	9,398	10,183
Unused vacation provision	3,184	3,391
Total of provision for employee benefits	12,582	13,574

In accordance with TAS 19 “Turkish Accounting Standard on Employee Benefits”; total benefit is calculated for each employee who has completed over one year of service, whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The cost of providing benefits to the employees for the services rendered by them under the defined benefit plan is determined by independent actuaries annually using the projected unit credit method. All actuarial gains and losses are recognized in the income statement. According to communique numbered 28585 dated March 12, 2013 published in Turkish Trade Registry Gazette, as per TAS 19 actuarial gain that is recorded under shareholders’ equity amounting to TRY 1,845 as of September 30, 2018 (December 31, 2017: TRY 1,064 gain).

e) Information on other provisions:

e.1) Provisions for possible losses: None.

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

	September 30, 2018	December 31, 2017
Specific provisions provided for unindemnified non cash loans	20,900	14,984
Other provisions (*)	3,014	5,518
Total	23,914	20,502

(*) Other provisions include TRY 438 of bonus provisions, TRY 2,576 of litigation provision, (December 31, 2017 other provision include TRY 438 of bonus provisions before 2017, TRY 1,472 of loan provision, TRY 1,049 of provisions for other assets, TRY 2,559 of litigation provision).

9. Explanations on taxes payable:

a) Information on current tax liability:

a.1) As of September 30, 2018, remaining tax liability after prepaid taxes are netted off:

	September 30, 2018	December 31, 2017
Current Period Tax Payable	-	-
Prepaid Tax	(22)	(4,575)
Total	(22)	(4,575)

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

9. Explanations on taxes payable (continued):

a.2) Explanations on taxes payable:

	September 30, 2018	December 31, 2017
Taxation on Securities	5,771	4,787
BITT	4,087	3,458
Corporate Tax Payable	-	-
Payroll Tax	1,127	3,611
Property Tax	586	553
Value Added Tax Payable	826	238
Stamp Tax	35	103
Other	655	157
Total	13,087	12,907

a.3) Information on premiums:

	September 30, 2018	December 31, 2017
Social Security Premiums-Employer	716	986
Social Security Premiums-Employee	451	625
Bank Social Aid Pension Fund Premium-Employer	60	84
Bank Social Aid Pension Fund Premium-Employee	30	42
Pension Fund Membership Fees and Provisions-Employee	-	-
Pension Fund Membership Fees and Provisions-Employer	-	-
Unemployment Insurance-Employee	-	-
Unemployment Insurance-Employer	-	-
Other	-	-
Total	1,257	1,737

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

10. Information on Shareholders' Equity:

a) Presentation of Paid-in capital:

As of September 30, 2018 the nominal value of the Bank's capital is amounting to TRY 650,000 and consists of 6,500 million shares

	September 30, 2018	December 31, 2017
Common stock (*)	650,000	650,000
Preferred stock	-	-

(*) Nominal Capital

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

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

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

10. Information on Shareholders' Equity (continued):

- d) Information on share capital increases from revaluation funds in the current period: None.
- e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments: None.
- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

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

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

	September 30, 2018	December 31, 2017
Valuation Difference	-	(25,753)
Foreign Exchange Difference	-	-
Total	-	(25,753)

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

1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments:

	September 30, 2018	December 31, 2017
Loan granting commitments	12,708	66,739
Payment commitments for checks	39,643	105,137
Forward asset purchase and sales commitments	28,335	3,067
Other irrevocable commitments	1,650	16,230
Total	82,336	191,173

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

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

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

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

	September 30, 2018	December 31, 2017
Bank acceptance loans	840	2,732
Letters of credit	166,460	250,141
Other guarantees and collaterals	584,803	811,516
Total	752,103	1,064,389

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

	September 30, 2018	December 31, 2017
Definite letter of guarantess	1,196,332	1,522,786
Temporary letter of guarantees	39,412	173,195
Other letter of guarantees	128,641	138,118
Total	1,364,385	1,834,099

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

	September 30, 2018	December 31, 2017
Non-cash loans given against achieving cash loans	84,200	145,795
With maturity of 1 year or less than 1 year	82,050	112,895
With maturity of more than 1 year	2,150	32,900
Other non-cash loans	2,032,288	2,752,693
Total	2,116,488	2,898,488

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IV. Explanations and Disclosures Related to the Statement of Income

1. a) Information on interest on loans:

	September 30, 2018		September 30, 2017	
	TRY	FC	TRY	FC
Interest on loans (*)				
Short term loans	203,821	6,227	125,638	6,739
Medium and long term loans	82,070	9,507	177,381	11,527
Interest on non-performing loans	16,103	-	4,042	-
Total	301,994	15,734	307,061	18,266

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

b) Information on interest received from banks:

	September 30, 2018		September 30, 2017	
	TRY	FC	TRY	FC
The Central Bank of Turkey	-	58	-	29
Domestic banks	7	2,498	2	2,989
Foreign banks	-	1,280	-	248
Branches and head office abroad	-	-	-	-
Total	7	3,836	2	3,266

c) Interest received from marketable securities portfolio:

	September 30, 2018		September 30, 2017	
	TRY	FC	TRY	FC
Available for sale assets	-	-	77,172	-
Held to maturity assets	-	-	178	-
Trading securities	-	-	-	-
Financial assets at fair value through profit and loss	22	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Financial assets measured at amortized cost	117,599	-	-	-
Total	117,621	-	77,350	-

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

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

Interest on funds borrowed (*)	September 30, 2018		September 30, 2017	
	TRY	FC	TRY	FC
Banks	429	2,118	964	3,972
The Central Bank of Turkey	-	-	-	-
Domestic banks	429	192	964	421
Foreign banks	-	1,926	-	3,551
Branches and head office abroad	-	-	-	-
Other financial institutions	-	-	-	-
Total	429	2,118	964	3,972

(*) Includes fees and commission expenses for borrowings.

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

Account Name	September 30, 2018							Accumulating Deposits	Total
	Time Deposits								
	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year			
TRY									
Bank deposits	-	-	-	-	-	-	-	-	
Saving deposits	-	7,815	132,775	7,577	8,236	1,184	-	157,587	
Public sector deposits	-	3	40	456	-	-	-	499	
Commercial deposits	-	11,412	60,747	1,626	1,419	4,648	-	79,852	
Other deposits	-	187	4,824	-	-	-	-	5,011	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	-	19,417	198,386	9,659	9,655	5,832	-	242,949	
Foreign Currency									
Foreign currency deposits	-	2,013	26,825	1,355	2,067	322	-	32,582	
Bank deposits	-	-	31	-	-	-	-	31	
7 days call accounts	-	-	-	-	-	-	-	-	
Precious metal deposits	-	-	-	-	-	-	-	-	
Total	-	2,013	26,856	1,355	2,067	322	-	32,613	
Grand Total	-	21,430	225,242	11,014	11,722	6,154	-	275,562	

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IV. Explanations and Disclosures Related to the Statement of Income (continued)**d) Distribution of interest expense on deposits based on maturity of deposits (continued):**

September 30, 2017								
Time Deposits								
Account Name	Demand Deposits	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 1 Year	More than 1 Year	Accumulating Deposits	Total
TRY								
Bank deposits	-	15	-	-	-	-	-	15
Saving deposits	-	3,734	112,261	6,762	8,442	1,510	-	132,709
Public sector deposits	-	-	848	709	-	-	-	1,557
Commercial deposits	-	8,940	57,404	4,965	5,747	4,347	-	81,403
Other deposits	-	127	4,941	1,166	-	-	-	6,234
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	12,816	175,454	13,602	14,189	5,857	-	221,918
Foreign Currency								
Foreign currency deposits	-	1,611	29,215	1,979	2,588	26	-	35,419
Bank deposits	-	-	-	-	-	-	-	-
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal deposits	-	-	-	-	-	-	-	-
Total	-	1,611	29,215	1,979	2,588	26	-	35,419
Grand Total	-	14,427	204,669	15,581	16,777	5,883	-	257,337

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

	September 30, 2018	September 30, 2017
Income	755,269	358,725
Gains on capital market operations	12	54
Gains on derivative financial instruments	24,471	17,547
Foreign exchange gains	730,786	341,124
Losses (-)	(756,845)	(356,705)
Losses on capital market operations	(960)	-
Losses on derivative financial instruments	(27,232)	(16,753)
Foreign exchange losses	(728,653)	(339,952)
Total	(1,576)	2,020

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

5. Information on other operating income:

	September 30, 2018	September 30, 2017
Reversal of specific provisions (cash)	-	11,334
Reversal of general loan loss provisions	-	23,130
Reversal of unindemnified non-cash loan provision	-	768
Income from sales of assets	2,221	2,669
Income of previous year	232	402
Provisions for expenditure collected from customers	84	137
Reversal of free provisions	-	4,632
Provisions for communication expense collected from customers	113	72
Other	2,940	297
Total	5,590	43,441

6. Provision for impairment of loans and other receivables:

	September 30, 2018
Expected Credit Losses	266,901
<i>12 Month ECL (Stage 1)</i>	<i>(10,497)</i>
<i>Lifetime ECL Significant Increase in Credit Risk (Stage 2)</i>	<i>(34,058)</i>
<i>Lifetime ECL Impaired Credits (Stage 3)</i>	<i>311,456</i>
Impairment Losses on Securities	-
Financial Assets Measured at Fair Value through Profit/Loss	-
Financial Assets Measured at Fair Value through Other Comprehensive Income	-
Impairment Losses on Associates, Subsidiaries and Joint-ventures	-
<i>Associates</i>	-
<i>Subsidiaries</i>	-
<i>Joint-ventures</i>	-
Other	-
Total	266,901

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

	September 30, 2017
Specific provisions for loans and other receivables	44,046
III. Group Loans and Receivables	9,089
IV. Group Loans and Receivables	13,934
V. Group Loans and Receivables	21,023
General loan loss provision expenses	311
Marketable securities impairment losses	-
Financial assets at fair value through profit and loss	-
Financial assets available for sale	-
Impairment provision expense on investments	-
Associates	-
Subsidiaries	-
Jointly controlled entities	-
Investments held to maturity	-
Other	6,161
Total	50,518

7. Information on other operating expenses:

	September 30, 2018	September 30, 2017
Personnel expenses	-	67,026
Provision for employee termination benefits	-	1,227
Taxes and duties	4,695	3,961
Bank social aid fund deficit provision	-	-
Impairment expenses of fixed assets	-	-
Depreciation expenses of fixed assets	3,291	3,271
Impairment expenses of intangible assets	-	-
Impairment expense of goodwill	-	-
Amortization expenses of intangible assets	4,712	3,975
Impairment for investments accounted for under equity method	-	-
Impairment expenses of assets to be disposed	17,790	-
Depreciation expenses of assets to be disposed	21	1,626
Impairment expenses of assets held for sale and discontinued operations	-	-
Other operating expenses	42,841	41,531
Rent expenses	14,740	14,910
Maintenance expenses	7,642	6,441
Advertisement expenses	406	391
Other expenses (*)	20,053	19,789
Loss on sales of assets	685	85
Other (**)	6,920	9,797
Total	80,955	132,499

(*) Included in other operating expenses; vehicle expenses are TRY 4,873, communication expenses are TRY 3,455, heating-lightening expenses are TRY 1,084, stationery expenses are TRY 516, cleaning expenses are TRY 654, non-deductible are expenses TRY 153, computer usage expenses are TRY 2,209, subcontractor company expenses are TRY 2,828, expertise expenses are TRY 647, common expenses are TRY 910, insurance expenses are TRY 795, representation expenses are TRY 400, other expenses are TRY 1,529 (September 30, 2017; vehicle expenses are TRY 4,042, communication expenses are TRY 3,152, heating-lightening expenses are TRY 1,147, stationery expenses are TRY 569, cleaning expenses are TRY 773, non-deductible expenses are TRY 483, computer usage expenses are TRY 2,253, subcontractor company expenses are TRY 2,682, expertise expenses are TRY 675, common expenses are TRY 866, insurance expenses are TRY 738, representation expenses are TRY 1,274, and other expenses are TRY 1,135).

(**) Included in other assurance and financial consultancy expenses are TRY 2,871, Saving Deposit Insurance Fund is TRY 2,384 and other expenses are TRY 1,665. (September 30, 2017: assurance and financial consultancy expenses are TRY 2,278, free provision expenses are TRY 1,736, Saving Deposit Insurance Fund is TRY 1,749 and other expenses are TRY 4,034).

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

The Bank has no current tax expense as of September 30, 2018 (September 30,2017: current tax expense: None).
The Bank has deferred tax income TRY 53,668. (September 30, 2017: TRY 4,694 deferred tax income).

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

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

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

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

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

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

	September 30, 2018	September 30, 2017
Other fees and commissions received		
Expertise fees collected from customers	635	851
Transfer commissions	27	37
Cheque expenses	13	168
Insurance commissions	270	182
Information expenses	35	169
Safe-deposit commissions	37	51
Bill of credit commissions	9	36
Credit card commissions and fees	11	10
Letter of credit commissions	19	11
Collection item commissions	4	4
Other banking operations income (*)	2,112	3,269
Total	3,172	4,788

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

	September 30, 2018	September 30, 2017
Other fees and commissions given		
Commissions given to banks	644	580
EFT commissions	187	231
Bond exchange transaction fee	22	65
Transfer commissions	125	124
Credit card commissions	86	46
Settlement and custody commission	20	16
ATM commission	6	8
Other	256	97
Total	1,346	1,167

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V. Explanations on the Risk Group of the Bank**1. Volume of related party transactions, income and expense amounts involved and outstanding loan and deposit balances:****a) September 30, 2018:**

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	159	44,498	-	46,156
Balance at end of period	-	-	244	55,226	-	11,654
Interest and commission income	-	-	-	144	-	161

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contain foreign bank accounts amounting to TRY 244.

b) December 31, 2017:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and other receivables						
Balance at beginning of period	-	-	132	14,451	-	51,223
Balance at end of period	-	-	159	44,498	-	46,156
Interest and commission income	-	-	-	-	-	618

(*)Interest income and commission income are interest income for September 2017 respectively.

Included in the balances above, balance at the end of period at direct and indirect shareholders cash column contains foreign bank accounts amounting to TRY 159.

c.1) Information on related party deposits balances:

Risk Group of The Bank	Subsidiaries, associates and jointly controlled entities		Direct and indirect shareholders of the Bank		Other entities included in the risk group	
	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
Deposits						
Balance at beginning of period	-	-	721	1,333	44,180	81,827
Balance at end of period	-	-	1,429	721	29,247	44,180
Interest on deposits	-	-	-	-	4,348	7,196

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

In addition, the Bank has no "Funds Borrowed" used from risk group of the Bank (December 31, 2017: TRY 37,933) and TRY 995 (September 30, 2017: TRY 1,751) interest expense was incurred from funds borrowed in 2018.

c.2) Information on forward and option agreements and other similar agreements made with related parties: None.**d) As of September 30, 2018, the total amount of remuneration and benefits provided to the senior management of the Bank is TRY 8,691 (September 30, 2017: TRY 8,839)**

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

2. Disclosures for related parties:

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

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

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

	Amount	% Compared to the Amounts in the Financial Statements
Banks and other receivables	244	0.08
Non-cash loans	66,880	3.08
Deposits	30,676	1.05
Borrowings	-	-

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

- c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements: Explained in disclosure 2.b).
- d) Transactions accounted under the equity method: None.
- e) Disclosures related to purchase and sale of real estate and other assets, services given/received, agency contracts, leasing contracts, transferring information as a result of research and development, license contracts, financing (including supports in the form of loans, capital in cash and capital in kind), guarantees, and management contracts:

Within the limits of the Banking Law, the Bank renders cash and non-cash loans to its related parties and the ratio of these to the Bank's total cash and non-cash loan portfolio is 1.32%. Details of these loans are explained in 1a above.

VI. Explanations and disclosures related to subsequent events

None.

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SECTION SIX

INDEPENDENT AUDITOR’S REVIEW REPORT

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

The unconsolidated financial statements of the Bank for the period ended September 30, 2018 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi (A member firm of Deloitte Touche Tohmatsu Limited).

The independent auditor’s limited review report dated November 13, 2018 is presented preceding the unconsolidated financial statements.

II. Other Footnotes and Explanations Prepared by Independent Auditors:

None.

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SECTION SEVEN (*)

INFORMATION ON INTERIM ACTIVITY REPORT

Message of Chairman and General Manager

The Turkish economy, challenged by domestic uncertainties and regional geopolitical tensions, reported growth rates of 7.4% and 5.2% respectively in the first and second quarters of 2018.

The CBRT increased its funding rate to 24% to curb inflation which reached 24.2%, cool down the economy and reduce the current account deficit which reached record high levels of USD 58,2 billion in May 2018.

In its New Economic Program, Turkey highlighted a Balance Discipline Transformation from 2019 to 2021. The main aspects of the program have forecasted growth rates at 3,8% for 2018 and 2.3% for 2019, 3.5% and 5% for 2020 and 2021 indicating a balanced growth path. Inflation was set at 20.8% for 2018 and 15.9%, 9.8% and 6% for the years thereafter. Budget Deficit was projected at below 2% which seemed slightly optimistic, however missing this target might be tolerable in times of low growth. For 2019 the Government is targeting to save TRY 76 billion . Unemployment Rate is projected at 11.3% for 2018 and 12.1% in 2019 due to the expected slow down in the economy and 11.9 % and 10.8 % for next two years. As for the Current Account Balance, the Government projected 4.7% for this year and 3.3%, 2.7% and 2.6% for next three years. A relatively high growth rate of 5.1% is targeted in 2021 with a low Current Account Deficit of 2.6% which is expected to be achieved through investments in more efficient sectors.

As of 31 August 2018, Banking Sector Assets grew by 37.8% from the beginning of the year to TRY 4,49 Trillion noting that the high growth rate was positively impacted by the exchange rate. Capital Adequacy Ratio was reported at 17.34%. NPL Ratio is at 2.85%, Loan to Deposit Ratio is at 125.24%.

T-Bank continued with its strategy of smart de-risking from risky markets and customers while repositioning the Bank for growth in focused market segments. It also continued to optimize its balance sheet, costs and efficiency. At the end of September 2018, T-Bank's Loan Portfolio was reported at TRY 2,169 million. Total Assets were reported at TRY 3,958 million. Capital Adequacy Ratio stood at 13.82% (unaudited).

Changes in the Articles of Association during the period:

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

Information on Interim Activity Report

Assessment of Financial Position:

In the third quarter of 2018; assets of Turkland Bank A.Ş. reached 3.958 million TRY, loans reached 2,169 million TRY, guarantee and bails are 2,116 million TRY.

In the third quarter of 2018, securities portfolio reached 907 million TRY. In the third quarter of 2018, deposit volume reached 2,930 million TRY.

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Information on Interim Activity Report (continued)

In the third quarter of 2017, the Bank's net profit was 5 million TRY and in the same period of 2018 net loss was 214 million TRY.

Capital adequacy ratio of the Bank was 13,82% and above legal requirement which is 8%.

Non-performing loans in total loan portfolio was 29.23% and specific provision for non-performing loans was 61.53%.

Summary Financial Highlights

Thousand TRY	September 30, 2018	December 31, 2017
Total Assets	3,958,233	4,875,217
Loans (net)	2,168,568	2,918,342
Loans (gross)	2,643,842	3,070,207
Marketable Securities (Net)	907,020	847,155
Banks/Money Market Placements	302,321	402,735
Deposits	2,930,000	3,496,612
Borrowings	16,849	129,752
Equity	482,150	717,351
Commitments and Contingencies	2,116,488	2,898,488

Thousand TRY	September 30, 2018	September 30, 2017
Net Interest Income	118,162	118,262
Net Commission Income	19,801	19,526
Profit/Loss Before Taxes	(267,746)	242
Net Profit/Loss	(214,078)	4,936

Summary Financial Ratios (%)

	September 30, 2018	December 31, 2017
Capital Adequacy Ratio	13.82	14.05
Loans/Deposits	74.01	83.46
Loans/Total Assets	54.79	59.86
Liquid Assets/Total Assets	8.59	26.79
Non-performing Loans (net)/Total Loans (net)	15.91	6.82
Non-performing Loans (gross)/Total Loans (gross)	29.23	11.43
Non-performing Loans (net)/Total Assets	8.72	4.08
Specific Provisions/Non-performing Loans	61.53	43.29

Turkland Bank at the end of September 2018

T-Bank is presented in one of Turkey's leading financial and industrial centres with its 23 branch offices and a staff of 407 employees.

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

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

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