

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR’S REPORT, ORIGINALLY ISSUED IN TURKISH, SEE NOTE  
I OF SECTION THREE**

## **PASHA YATIRIM BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH REVIEW REPORT  
AT 30 JUNE 2018**

## INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

(Convenience translation of the independent auditor's report originally issued in Turkish, See Note I. of Section three)

To the Board of Directors of Pasha Bank A.Ş.;

### Introduction

We have reviewed the unconsolidated statement of financial position of Pasha Bank A.Ş. ("the Bank") at 30 June 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA") and circulars and interpretations published by Banking Regulation and Supervision Authority and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation (together referred as "BRSA Accounting and Reporting Legislation"). Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 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 performed in accordance with the 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 opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Pasha Bank A.Ş. at 30 June 2018 and of the results of its operations and its cash flows for the six-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

### **Report on other regulatory requirements arising from legislation**

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section VII, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

### **Additional paragraph for convenience translation to English:**

As explained in detail in Note I of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with “BRSA Accounting and Reporting Legislation” and the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst&Young Global Limited



Emre Celik, SMMM

Associate Partner

6 August 2018

İstanbul, Turkey



**THE SIX MONTH UNCONSOLIDATED INTERIM FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 30 JUNE 2018**

Address of the Bank's Headquarters : A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7  
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Telephone of the Bank : (0 212) 705 89 00  
Fax of the Bank : (0 212) 345 07 12  
Web site of the Bank : www.pashabank.com.tr  
E-mail for correspondence : info@pashabank.com.tr

The unconsolidated six-month financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- **SECTION ONE** - GENERAL INFORMATION ABOUT THE BANK
- **SECTION TWO** - UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- **SECTION THREE** - EXPLANATIONS ON ACCOUNTING POLICIES
- **SECTION FOUR** - INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT
- **SECTION FIVE** - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- **SECTION SIX** - EXPLANATIONS ON REVIEW REPORT
- **SECTION SEVEN** - INTERIM ACTIVITY REPORT

The accompanying unconsolidated interim financial statements and notes to these financial statements which are expressed, unless otherwise stated, **in thousands of Turkish Lira ("TL")**, have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been reviewed.

Jalal GASIMOV  
Chairman of the Board of Directors

Mesut ÖZDİNÇ  
Chairman of the Audit Committee

Kamala NURIYEVA  
Member of the Audit Committee

H.Cenk EYNEHAN  
General Manager

Ali İhsan TOKKUZUN  
Deputy General Manager

Özgür İÇİN  
Financial Planning, Strategy and  
Budget Dept. Manager

Contact information of the personnel in charge of the addressing of questions about this financial report:

Name-Surname/Title : Özgür İÇİN / Manager  
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Fax Number : (0212) 345 07 12

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**SECTION ONE**

**GENERAL INFORMATION**

**I. Bank's foundation date, start-up statute, history about the changes in this mentioned statute:**

Bank's commercial title	Pasha Yatırım Bankası A.Ş.
Reporting Period	1 January - 30 June 2018
Address of the Bank's Headquarters	A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7 34398 Maslak İstanbul, Türkiye
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	<a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
E-mail	<a href="mailto:info@pashabank.com.tr">info@pashabank.com.tr</a>

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the Banking Law No. 3182 (repealed) and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in Istanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21 December 1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25 December 1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. Commencing its investment banking activities on the date of 1 March 1988, the Bank has been operating as of 30 June 2018 through its head office in Istanbul only and has no branches.

**II. Explanation about the Bank's capital structure, shareholders of the Bank who are in charge of the management and/or auditing of the Bank directly or indirectly, changes in these matters (if any) and the group the Bank belongs to:**

With the decision taken by TAIB Bank B.S.C. (c) - previous parent of the Bank- regarding the sale of its shares in the Bank, a share purchase agreement was signed between the Aksoy Holding A.Ş. and previous parent of the Bank on 13 May 2013. Upon the Banking Regulation and Supervision Agency ("BRSA")'s approval dated 26 June 2013, Aksoy Holding A.Ş. acquired the 99.4689% of the shares of the Bank. With the decision taken in the extraordinary general assembly meeting of the Bank dated 31 July 2013 and numbered 32, share transfer transaction has been approved. The share transfer from previous parent of the Bank to Aksoy Holding A.Ş. has been completed as at 2 August 2013.

In the extraordinary general assembly meeting of the Bank dated 31 October 2013, it was decided to increase the paid-in capital of the Bank to from TL 37,000 to TL 39,000. The paid-in capital of the Bank was increased to 39,000 TL in accordance with the BRSA's approval as at 13 November 2013. In the extraordinary general assembly meeting of the Bank dated 21 November 2013, it was decided to increase the paid-in capital of the Bank to from TL 39,000 to TL 80,000. The paid-in capital of the Bank was increased to 80,000 TL in accordance with the BRSA's approval as at 29 November 2013.

PASHA Bank OJSC and Aksoy Holding A.Ş. has agreed on transferring the majority shares of the Bank to PASHA Bank OJSC. Acquisition of TL 28,795,121 of the Bank's capital by PASHA Bank OJSC and increase in the paid-in capital from TL 80,000 to TL 255,000 upon the acquisition, resulting as 79.9196% of the shares to be owned by PASHA Bank OJSC, were approved by the BRSA's decision dated 26 December 2014 and numbered 6137.

Paid-in capital increased from TL 80,000 to TL 255,000 by TL 175,000 cash injection, approval of the share transfer, accordingly revising the 7<sup>th</sup> article of the Bank's main agreement regarding share capital and changing the Bank's title as "Pasha Yatırım Bankası A.Ş." have been approved in the Extraordinary General Assembly of the Bank dated 27 January 2015.

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**PASHA YATIRIM BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

The change of Bank's title as "Pasha Yatırım Bankası A.Ş." and trade name as "PASHABank" has been registered on 2 March 2015 and announced on Turkish Trade Registry Gazette dated 6 March 2015 and numbered 8773.

Acquisition of remaining 51,000 shares of Aksoy Holding A.Ş. by PASHA Bank OJSC, increasing Pasha Bank OJSC shares from %79.9196 to %99.9196 and decreasing Aksoy's Holding's shares from 20% to 0% has been approved by the BRSA's resolution dated 18 December 2015 and numbered 6583. The related BRSA resolution has been announced to the Bank by statement dated 23 December 2015 and numbered 18038. The share transfer was accounted in the statutory accounting records with the Board of Directors decision dated 24 December 2015 and numbered 2015/110.

At the Extraordinary General Meeting of the Bank dated 18 May 2018, it has been decided to increase paid-in capital from TL 255,000 to TL 500,000 by the TL 245,000 cash payment which Pasha Holding LLC committed and the Bank's article of incorporation has been updated in this framework. It has been approved by the Banking Regulation and Supervision Board dated 4 May 2018 numbered 7803 that Pasha Holding LLC, indirect shareholder of the Bank, has 49% share of the Bank. Increase of paid-in capital to TL 500,000 has been registered by T.C. Istanbul Trade Registry Office on 6 June 2018 which was paid in cash. Amendments to the Bank's article has been announced on Turkish Trade Registry Gazette dated 12 June 2018 and numbered 9598.

Partnership structure of the Bank as of 30 June 2018, is stated below:

Name Surname/Commercial Title	Capital	Share Rate
PASHA Bank OJSC	254,795	%50.96
PASHA Holding LLC	245,000	%49.00
Other	205	%0.04
<b>Total</b>	<b>500,000</b>	<b>%100</b>

**III. Explanation on the Board of Directors, members of the audit committee, president and executive vice presidents, changes in these matters (if any) and shares of the Bank they possess:**

Title	Name	Education	Share %
Chairman of the Board of Directors	Jalal Gasimov	Postgraduate	-
Vice President of the Board of Directors	Farid Mammadov	Postgraduate	-
Member of the Board of Directors	Taleh Kazimov	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	PhD	-
Member of the Board of Directors/ Member of Audit Committee	Kamala Nuriyeva	Postgraduate	-
Independent Member of the Board of Directors/ Chairman of the Audit Committee <sup>(1)</sup>	Mesut Özdiñ	Postgraduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Independent Member of the Board of Directors	Meriç Uluşahin	Graduate	-
Member of the Board of Directors/ General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-
Assistant General Manager	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager	Uğur Koç	Graduate	-

The individuals listed above do not possess any direct shareholdship in the Bank.

(1) Independent Member of the Board of the Directors and the Chairman of the Audit Committee Mesut Özdiñ's resignation has been accepted with the decision of the Board of Directors dated 2 July 2018 and numbered 63. Instead of Mesut Özdiñ, Ebru Ogan Knottnerus, to be submitted to shareholders' approval at the first General Meeting of the Bank, has been elected as an Independent Member of the Board of Directors as of 2 July 2018 and has been appointed as the Chairman of the Audit Committee.



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**PASHA YATIRIM BANK A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**GENERAL INFORMATION (Continued)**

**IV. Explanation on shareholders having control shares:**

Explanation on shareholders having control shares of the Bank as of 30 June 2018, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Reveri LLC	198,939	%39.79	198,939	-
Bless LLC	198,939	%39.79	198,939	-
Ador Ltd.	76,438	%15.29	76,438	-
Arif Pashayev	25,479	%5.10	25,479	-

**V. Information on the Bank's service type and field of operations:**

The Bank operates as an investment bank and as of 30 June 2018 the Bank has 48 employees (31 December 2017: 45).

**VI. Existing or Potential, Actual or Legal obstacles on Immediate Equity Transfer Between the Bank and its subsidiaries or Repayment of the Debt:**

None.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

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

		Note (Section Five-I)	Reviewed Current Period 30/06/2018		
			TL	FC	Total
	<b>ASSETS</b>				
<b>I.</b>	<b>FINANCIAL ASSETS (Net)</b>		<b>18,707</b>	<b>212,979</b>	<b>231,686</b>
<b>1.1</b>	<b>Cash and cash equivalents</b>		<b>4,082</b>	<b>211,684</b>	<b>215,766</b>
1.1.1	Cash and balances at Central Bank	(1)	4,040	96,932	100,972
1.1.2	Banks	(3)	42	114,752	114,794
1.1.3	Receivables from Money Markets		-	-	-
<b>1.2</b>	<b>Financial assets at fair value through profit or loss</b>	<b>(2)</b>	<b>3,172</b>	<b>1,295</b>	<b>4,467</b>
1.2.1	Public debt securities		-	-	-
1.2.2	Equity instruments		-	-	-
1.2.3	Other financial assets		3,172	1,295	4,467
<b>1.3</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>(4)</b>	<b>11,720</b>	<b>-</b>	<b>11,720</b>
1.3.1	Public debt securities		7,092	-	7,092
1.3.2	Equity instruments		-	-	-
1.3.3	Other financial assets		4,628	-	4,628
<b>1.4</b>	<b>Financial assets measured at amortised cost</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.4.1	Public debt securities		-	-	-
1.4.2	Other financial assets		-	-	-
<b>1.5</b>	<b>Derivative financial assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
1.5.1	Derivative financial assets at fair value through profit or loss		-	-	-
1.5.2	Derivative financial assets at fair value through other comprehensive income		-	-	-
<b>1.6</b>	<b>Non-performing financial assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>1.7</b>	<b>Allowance for expected credit losses (-)</b>		<b>(267)</b>	<b>-</b>	<b>(267)</b>
<b>II.</b>	<b>LOANS (Net)</b>		<b>531,135</b>	<b>359,465</b>	<b>890,600</b>
<b>2.1</b>	<b>Loans</b>	<b>(5)</b>	<b>520,592</b>	<b>352,687</b>	<b>873,279</b>
2.1.1	Loans measured at amortised cost		520,592	352,687	873,279
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
<b>2.2</b>	<b>Receivables from leasing transactions</b>	<b>(10)</b>	<b>15,311</b>	<b>6,778</b>	<b>22,089</b>
2.2.1	Finance lease receivables		19,070	6,816	25,886
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		(3,759)	(38)	(3,797)
<b>2.3</b>	<b>Factoring receivables</b>		<b>-</b>	<b>-</b>	<b>-</b>
2.3.1	Factoring receivables measured at amortised cost		-	-	-
2.3.2	Factoring receivables at fair value through profit or loss		-	-	-
2.3.3	Factoring receivables at fair value through other comprehensive income		-	-	-
<b>2.4</b>	<b>Non-performing loans</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>2.5</b>	<b>Allowance for expected credit losses (-)</b>	<b>(5)</b>	<b>(4,768)</b>	<b>-</b>	<b>(4,768)</b>
2.5.1	12-Month expected credit losses (Stage 1)		(4,768)	-	(4,768)
2.5.2	Significant increase in credit risk (Stage 2)		-	-	-
2.5.3	Credit-Impaired (Stage 3)		-	-	-
<b>III.</b>	<b>NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1	Held for sale		-	-	-
3.2	Held from discontinued operations		-	-	-
<b>IV.</b>	<b>INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1</b>	<b>Investments in associates (Net)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1	Associates accounted by using equity method		-	-	-
4.1.2	Non-consolidated associates		-	-	-
<b>4.2</b>	<b>Investments in subsidiaries (Net)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1	Non-consolidated financial subsidiaries		-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-
<b>4.3</b>	<b>Jointly Controlled Partnerships (Joint Ventures) (Net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
<b>V.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>(12)</b>	<b>592</b>	<b>-</b>	<b>592</b>
<b>VI.</b>	<b>INTANGIBLE ASSETS AND GOODWILL (Net)</b>	<b>(13)</b>	<b>798</b>	<b>-</b>	<b>798</b>
6.1	Goodwill		-	-	-
6.2	Other		798	-	798
<b>VII.</b>	<b>INVESTMENT PROPERTIES (Net)</b>	<b>(14)</b>	<b>260,916</b>	<b>-</b>	<b>260,916</b>
<b>VIII.</b>	<b>CURRENT TAX ASSETS</b>		<b>45</b>	<b>-</b>	<b>45</b>
<b>IX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>(15)</b>	<b>2,343</b>	<b>-</b>	<b>2,343</b>
<b>X.</b>	<b>OTHER ASSETS</b>	<b>(17)</b>	<b>4,715</b>	<b>8,193</b>	<b>12,908</b>
	<b>TOTAL ASSETS</b>		<b>819,251</b>	<b>580,637</b>	<b>1,399,888</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (Continued)**

	ASSETS	Note (Section Five-I)	Audited Prior Period 31/12/2017		
			TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	<b>9,787</b>	<b>67,786</b>	<b>77,573</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(2)	<b>4,943</b>	<b>-</b>	<b>4,943</b>
2.1	Trading Financial Assets		4,943	-	4,943
2.1.1	Government Debt Securities		-	-	-
2.1.2	Share Certificates		-	-	-
2.1.3	Trading Derivative Financial Assets		-	-	-
2.1.4	Other Marketable Securities		4,943	-	4,943
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
2.2.1	Government Debt Securities		-	-	-
2.2.2	Share Certificates		-	-	-
2.2.3	Loans		-	-	-
2.2.4	Other Marketable Securities		-	-	-
<b>III.</b>	<b>BANKS</b>	(3)	<b>29</b>	<b>73,587</b>	<b>73,616</b>
<b>IV.</b>	<b>MONEY MARKETS</b>		<b>-</b>	<b>-</b>	<b>-</b>
4.1	Interbank Money Market Placements		-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(4)	<b>14,019</b>	<b>7,289</b>	<b>21,308</b>
5.1	Share Certificates		-	-	-
5.2	Government Debt Securities		5,080	-	5,080
5.3	Other Marketable Securities		8,939	7,289	16,228
<b>VI.</b>	<b>LOANS</b>	(5)	<b>485,173</b>	<b>193,926</b>	<b>679,099</b>
6.1	Loans		485,173	193,926	679,099
6.1.1	Loans to Bank's Risk Group		-	555	555
6.1.2	Government Debt Securities		-	-	-
6.1.3	Other		485,173	193,371	678,544
6.2	Loans under Follow-up		-	-	-
6.3	Specific Provisions (-)		-	-	-
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>HELD-TO-MATURITY SECURITIES (Net)</b>	(6)	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Government Debt Securities		-	-	-
8.2	Other Marketable Securities		-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Consolidated Based on Equity Method		-	-	-
9.2	Unconsolidated		-	-	-
9.2.1	Financial Investments in Associates		-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-
<b>X.</b>	<b>SUBSIDIARIES (Net)</b>	(8)	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	(10)	<b>16,931</b>	<b>17,018</b>	<b>33,949</b>
12.1	Financial Lease Receivables		22,076	17,472	39,548
12.2	Operational Lease Receivables		-	-	-
12.3	Other		-	-	-
12.4	Unearned Income (-)		(5,145)	(454)	(5,599)
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(11)	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Foreign Net Investment Hedge		-	-	-
<b>XIV.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	(12)	<b>655</b>	<b>-</b>	<b>655</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(13)	<b>869</b>	<b>-</b>	<b>869</b>
15.1	Goodwill		-	-	-
15.2	Other		869	-	869
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(14)	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>TAX ASSET</b>		<b>902</b>	<b>-</b>	<b>902</b>
17.1	Current Tax Asset		2	-	2
17.2	Deferred Tax Asset	(15)	900	-	900
<b>XVIII.</b>	<b>ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	<b>-</b>	<b>-</b>	<b>-</b>
18.1	Held for Resale		-	-	-
18.2	Discontinued Operations		-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(17)	<b>3,883</b>	<b>48</b>	<b>3,931</b>
	<b>TOTAL ASSETS</b>		<b>537,191</b>	<b>359,654</b>	<b>896,845</b>

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (Continued)**

			Reviewed Current Period 30/06/2018		
			TL	FC	Total
	<b>EQUITY AND LIABILITIES</b>	<b>Note (Section Five-II)</b>			
<b>I.</b>	<b>DEPOSITS</b>	(1)	-	-	-
<b>II.</b>	<b>LOANS RECEIVED</b>	(3)	81,577	405,847	487,424
<b>III.</b>	<b>MONEY MARKET FUNDS</b>	(4)	61,283	2,828	64,111
<b>IV.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	(5)	67,359	228,291	295,650
4.1	Bills		67,359	-	67,359
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	228,291	228,291
<b>V.</b>	<b>FUNDS</b>		2,824	10,125	12,949
5.1	Borrower funds	(6)	2,824	10,125	12,949
5.2	Other		-	-	-
<b>VI.</b>	<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		-	-	-
<b>VII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	-	900	900
7.1	Derivative financial liabilities at fair value through profit or loss		-	900	900
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
<b>VIII.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>IX.</b>	<b>LEASE PAYABLES</b>	(7)	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses ( - )		-	-	-
<b>X.</b>	<b>PROVISIONS</b>	(9)	2,810	-	2,810
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		541	-	541
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		2,269	-	2,269
<b>XI.</b>	<b>CURRENT TAX LIABILITIES</b>	(10)	4,315	-	4,315
<b>XII.</b>	<b>DEFERRED TAX LIABILITIES</b>	(10)	-	-	-
<b>XIII.</b>	<b>LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)</b>	(11)	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
<b>XIV.</b>	<b>SUBORDINATED DEBT</b>	(12)	-	-	-
14.1	Loans		-	-	-
14.2	Other debt instruments		-	-	-
<b>XV.</b>	<b>OTHER LIABILITIES</b>		5,394	34	5,428
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	(13)	526,301	-	526,301
16.1	Paid-in capital		500,000	-	500,000
16.2	Capital reserves		-	-	-
16.2.1	Equity share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		(16)	-	(16)
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		-	-	-
16.5	Profit reserves		5,655	-	5,655
16.5.1	Legal reserves		295	-	295
16.5.2	Statutory reserves		295	-	295
16.5.3	Extraordinary reserves		5,065	-	5,065
16.5.4	Other profit reserves		-	-	-
16.6	Profit or loss		20,662	-	20,662
16.6.1	Prior years' profits or losses		3,606	-	3,606
16.6.2	Current period net profit or loss		17,056	-	17,056
	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>751,863</b>	<b>648,025</b>	<b>1,399,888</b>

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) (Continued)**

	LIABILITIES	Note (Section Five-II)	Audited Prior Period 31/12/2017		
			TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>(1)</b>	-	-	-
1.1	Deposits of Bank's Risk Group		-	-	-
1.2	Other		-	-	-
<b>II.</b>	<b>TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(2)</b>	<b>380</b>	<b>692</b>	<b>1,072</b>
<b>III.</b>	<b>BORROWINGS</b>	<b>(3)</b>	<b>39,590</b>	<b>301,797</b>	<b>341,387</b>
<b>IV.</b>	<b>MONEY MARKETS</b>		<b>62,729</b>	-	<b>62,729</b>
4.1	Funds from Interbank Money Market		-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		54,672	-	54,672
4.3	Funds Provided Under Repurchase Agreements	<b>(4)</b>	8,057	-	8,057
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>87,329</b>	<b>94,412</b>	<b>181,741</b>
5.1	Bills		87,329	-	87,329
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	94,412	94,412
<b>VI.</b>	<b>FUNDS</b>		<b>6,106</b>	<b>13,881</b>	<b>19,987</b>
6.1	Borrower Funds	<b>(6)</b>	6,106	13,881	19,987
6.2	Other		-	-	-
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>178</b>	-	<b>178</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>		<b>7,370</b>	<b>9,590</b>	<b>16,960</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>(7)</b>	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operational Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
<b>XI.</b>	<b>HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(8)</b>	-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>(9)</b>	<b>9,660</b>	-	<b>9,660</b>
12.1	General Loan Loss Provision		7,393	-	7,393
12.2	Restructuring Provisions		-	-	-
12.3	Reserve for Employee Rights		475	-	475
12.4	Insurance Technical Provisions (Net)		-	-	-
12.5	Other Provisions		1,792	-	1,792
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>(10)</b>	<b>2,524</b>	-	<b>2,524</b>
13.1	Current Tax Liability		2,524	-	2,524
13.2	Deferred Tax Liability		-	-	-
<b>XIV.</b>	<b>PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS</b>	<b>(11)</b>	-	-	-
14.1	Held for Resale		-	-	-
14.2	Discontinued Operations		-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>(12)</b>	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(13)</b>	<b>260,606</b>	<b>1</b>	<b>260,607</b>
16.1	Paid-in Capital		255,000	-	255,000
16.2	Capital Reserves		(49)	1	(48)
16.2.1	Share Premium		-	-	-
16.2.2	Share Cancellation Profits		-	-	-
16.2.3	Marketable Securities Valuation Reserve		(49)	1	(48)
16.2.4	Tangible Assets Revaluation Reserve		-	-	-
16.2.5	Intangible Assets Revaluation Reserve		-	-	-
16.2.6	Investment Property Revaluation Reserve		-	-	-
16.2.7	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.8	Hedging Reserves (Effective portion)		-	-	-
16.2.9	Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-
16.2.10	Other Capital Reserves		-	-	-
16.3	Profit Reserves		324	-	324
16.3.1	Legal Reserves		29	-	29
16.3.2	Status Reserves		295	-	295
16.3.3	Extraordinary Reserves		-	-	-
16.3.4	Other Profit Reserves		-	-	-
16.4	Income or (Loss)		5,331	-	5,331
16.4.1	Prior Years' Income/ (Loss)		(10,677)	-	(10,677)
16.4.2	Current Year Income/ (Loss)		16,008	-	16,008
	<b>TOTAL LIABILITIES</b>		<b>476,472</b>	<b>420,373</b>	<b>896,845</b>

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**II. OFF-BALANCE SHEET**

				Reviewed Current Period 30/06/2018	
	OFF BALANCE SHEET COMMITMENTS	Note (Section Five-III)	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)		232,930	197,181	430,111
I.	GUARANTEES AND WARRANTIES	(1)	211,262	168,525	379,787
1.1.	Letters of guarantee		211,262	113,797	325,059
1.1.1.	Guarantees subject to State Tender Law		-	-	-
1.1.2.	Guarantees given for foreign trade operations		-	-	-
1.1.3.	Other letters of guarantee		211,262	113,797	325,059
1.2.	Bank acceptances		-	-	-
1.2.1.	Import letter of acceptance		-	-	-
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		-	-	-
1.3.1.	Documentary letters of credit		-	-	-
1.3.2.	Other letters of credit		-	-	-
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Purchase guarantees for Securities issued		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	54,728	54,728
1.9.	Other warranties		-	-	-
II.	COMMITMENTS	(1)	17	8,133	8,150
2.1.	Irrevocable commitments		17	8,133	8,150
2.1.1.	Asset purchase and sales commitments		-	8,133	8,133
2.1.2.	Deposit purchase and sales commitments		-	-	-
2.1.3.	Share capital commitment to associates and subsidiaries		-	-	-
2.1.4.	Loan granting commitments		-	-	-
2.1.5.	Securities issue brokerage commitments		-	-	-
2.1.6.	Commitments for reserve requirements		-	-	-
2.1.7.	Commitments for checks payments		-	-	-
2.1.8.	Tax and fund liabilities from export commitments		17	-	17
2.1.9.	Commitments for credit card expenditure limits		-	-	-
2.1.10.	Commitments for credit cards and banking services promotions		-	-	-
2.1.11.	Receivables from short sale commitments of marketable securities		-	-	-
2.1.12.	Payables for short sale commitments of marketable securities		-	-	-
2.1.13.	Other irrevocable commitments		-	-	-
2.2.	Revocable commitments		-	-	-
2.2.1.	Revocable loan granting commitments		-	-	-
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2), (3)	21,651	20,523	42,174
3.1.	Derivative financial instruments held for hedging		-	-	-
3.1.1.	Fair value hedges		-	-	-
3.1.2.	Cash flow hedges		-	-	-
3.1.3.	Hedges for investments made in foreign countries		-	-	-
3.2.	Trading transactions		21,651	20,523	42,174
3.2.1.	Forward foreign currency purchase and sale transactions		21,651	20,523	42,174
3.2.1.1.	Forward foreign currency purchase transactions		-	20,523	20,523
3.2.1.2.	Forward foreign currency sale transactions		21,651	-	21,651
3.2.2.	Currency and interest rate swaps		-	-	-
3.2.2.1.	Currency swap purchase transactions		-	-	-
3.2.2.2.	Currency swap sale transactions		-	-	-
3.2.2.3.	Interest rate swap purchase transactions		-	-	-
3.2.2.4.	Interest rate swap sale transactions		-	-	-
3.2.3.	Currency, interest rate and securities options		-	-	-
3.2.3.1.	Currency purchase options		-	-	-
3.2.3.2.	Currency sale options		-	-	-
3.2.3.3.	Interest rate purchase options		-	-	-
3.2.3.4.	Interest rate sale options		-	-	-
3.2.3.5.	Securities purchase options		-	-	-
3.2.3.6.	Securities sale options		-	-	-
3.2.4.	Currency futures		-	-	-
3.2.4.1.	Currency purchase futures		-	-	-
3.2.4.2.	Currency sale futures		-	-	-
3.2.5.	Interest rate futures		-	-	-
3.2.5.1.	Interest rate purchase futures		-	-	-
3.2.5.2.	Interest rate sale futures		-	-	-
3.2.6.	Other		-	-	-
B.	CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		728,107	509,712	1,237,819
IV.	ITEMS HELD IN CUSTODY		19,071	-	19,071
4.1.	Assets under management		-	-	-
4.2.	Securities held in custody		4,704	-	4,704
4.3.	Checks received for collection		14,335	-	14,335
4.4.	Commercial notes received for collection		32	-	32
4.5.	Other assets received for collection		-	-	-
4.6.	Securities received for public offering		-	-	-
4.7.	Other items under custody		-	-	-
4.8.	Custodians		-	-	-
V.	PLEDGED ITEMS		709,001	464,143	1,173,144
5.1.	Marketable securities		64,620	68,411	133,031
5.2.	Guarantee notes		282,845	63,265	346,110
5.3.	Commodity		34,286	30,434	64,720
5.4.	Warrant		-	-	-
5.5.	Immovables		135,347	-	135,347
5.6.	Other pledged items		191,903	302,033	493,936
5.7.	Depositories receving pledged items		-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		35	45,569	45,604
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		961,037	706,893	1,667,930

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED OFF-BALANCE SHEET  
AS AT 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

**II. OFF-BALANCE SHEET (Continued)**

	OFF-BALANCE SHEET COMMITMENTS	Note	Audited Prior Period		
			31/12/2017		
		(Section Five-III)	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>260,679</b>	<b>214,595</b>	<b>475,274</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>205,473</b>	<b>160,454</b>	<b>365,927</b>
1.1.	Letters of Guarantee		205,473	123,303	328,776
1.1.1.	Guarantees Subject to State Tender Law		-	-	-
1.1.2.	Guarantees Given for Foreign Trade Operations		-	-	-
1.1.3.	Other Letters of Guarantee		205,473	123,303	328,776
1.2.	Bank Acceptances		-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-
1.2.2.	Other Bank Acceptances		-	-	-
1.3.	Letters of Credit		-	3,301	3,301
1.3.1.	Documentary Letters of Credit		-	3,301	3,301
1.3.2.	Other Letters of Credit		-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2.	Other Endorsements		-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-
1.7.	Factoring Guarantees		-	-	-
1.8.	Other Guarantees		-	33,850	33,850
1.9.	Other Collaterals		-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1)</b>	<b>2,458</b>	<b>2,438</b>	<b>4,896</b>
2.1.	Irrevocable Commitments		2,458	2,438	4,896
2.1.1.	Asset Purchase and Sales Commitments		2,441	2,438	4,879
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.4.	Commitments for Loan Limits		-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-
2.1.7.	Commitments for Cheques		-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		17	-	17
2.1.9.	Commitments for Credit Card Limits		-	-	-
2.1.10.	Promotion Commitments for Credit Cards and Banking Services		-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-
2.2.	Revocable Commitments		-	-	-
2.2.1.	Revocable Commitments for Loan Limits		-	-	-
2.2.2.	Other Revocable Commitments		-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2), (3)</b>	<b>52,748</b>	<b>51,703</b>	<b>104,451</b>
3.1.	Hedging Derivative Financial Instruments		-	-	-
3.1.1.	Transactions for Fair Value Hedge		-	-	-
3.1.2.	Transactions for Cash Flow Hedge		-	-	-
3.1.3.	Transactions for Foreign Net Investment Hedge		-	-	-
3.2.	Trading Derivative Financial Instruments		52,748	51,703	104,451
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		19,953	19,642	39,595
3.2.1.1.	Forward Foreign Currency Transactions-Buy		19,953	-	19,953
3.2.1.2.	Forward Foreign Currency Transactions-Sell		-	19,642	19,642
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		32,795	32,061	64,856
3.2.2.1.	Foreign Currency Swap-Buy		-	32,061	32,061
3.2.2.2.	Foreign Currency Swap-Sell		32,795	-	32,795
3.2.2.3.	Interest Rate Swap-Buy		-	-	-
3.2.2.4.	Interest Rate Swap-Sell		-	-	-
3.2.3.	Foreign Currency, Interest rate and Securities Options		-	-	-
3.2.3.1.	Foreign Currency Options-Buy		-	-	-
3.2.3.2.	Foreign Currency Options-Sell		-	-	-
3.2.3.3.	Interest Rate Options-Buy		-	-	-
3.2.3.4.	Interest Rate Options-Sell		-	-	-
3.2.3.5.	Securities Options-Buy		-	-	-
3.2.3.6.	Securities Options-Sell		-	-	-
3.2.4.	Foreign Currency Futures		-	-	-
3.2.4.1.	Foreign Currency Futures-Buy		-	-	-
3.2.4.2.	Foreign Currency Futures-Sell		-	-	-
3.2.5.	Interest Rate Futures		-	-	-
3.2.5.1.	Interest Rate Futures-Buy		-	-	-
3.2.5.2.	Interest Rate Futures-Sell		-	-	-
3.2.6.	Other		-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>497,259</b>	<b>366,446</b>	<b>863,705</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>12,408</b>	-	<b>12,408</b>
4.1.	Customer Fund and Portfolio Balances		-	-	-
4.2.	Investment Securities Held in Custody		8,852	-	8,852
4.3.	Cheques Received for Collection		3,556	-	3,556
4.4.	Commercial Notes Received for Collection		-	-	-
4.5.	Other Assets Received for Collection		-	-	-
4.6.	Assets Received for Public Offering		-	-	-
4.7.	Other Items Under Custody		-	-	-
4.8.	Custodians		-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>484,816</b>	<b>320,971</b>	<b>805,787</b>
5.1.	Marketable Securities		63,936	56,579	120,515
5.2.	Guarantee Notes		290,581	67,731	358,312
5.3.	Commodity		27,515	15,747	43,262
5.4.	Warranty		-	-	-
5.5.	Immovable		102,784	-	102,784
5.6.	Other Pledged Items		-	180,914	180,914
5.7.	Pledged Items-Depository		-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>35</b>	<b>45,475</b>	<b>45,510</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>757,938</b>	<b>581,041</b>	<b>1,338,979</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED  
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**III. STATEMENT OF PROFIT OR LOSS**

		Note (Section Five- IV)	Reviewed Current Period 01/01/2018- 30/06/2018	Reviewed Current Period 01/04/2018- 30/06/2018
	<b>INCOME STATEMENT</b>			
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>51,209</b>	<b>29,618</b>
1.1	Interest On Loans		44,131	24,705
1.2	Interest Received From Reserve Deposits		728	420
1.3	Interest Received From Banks		2,954	2,636
1.4	Interest Received From Money Market Transactions		80	75
1.5	Interest Received From Marketable Securities Portfolio		1,476	911
1.5.1	Financial assets at fair value through profit or loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		1,476	911
1.5.3	Financial Assets Measured at Amortised Cost		-	-
1.6	Finance Lease Income		1,840	871
1.7	Other Interest Income		-	-
<b>II.</b>	<b>INTEREST EXPENSES (-)</b>	<b>(2)</b>	<b>(19,175)</b>	<b>(9,642)</b>
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		(7,949)	(4,384)
2.3	Interest on Money Market Transactions		(2,529)	(868)
2.4	Interest on Securities Issued		(8,535)	(4,332)
2.5	Other Interest Expenses	<b>(12)</b>	(162)	(58)
<b>III.</b>	<b>NET INTEREST INCOME/EXPENSE (I - II)</b>		<b>32,034</b>	<b>19,976</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSES</b>		<b>1,382</b>	<b>631</b>
4.1	Fees and Commissions Received		1,880	878
4.1.1	Non-cash loans		1,518	765
4.1.2	Other	<b>(12)</b>	362	113
4.2	Fees and Commissions Paid (-)		(498)	(247)
4.2.1	Non-Cash Loans		(223)	(116)
4.2.2	Other	<b>(12)</b>	(275)	(131)
<b>V.</b>	<b>PERSONNEL EXPENSES (-)</b>	<b>(7)</b>	<b>(6,286)</b>	<b>(3,232)</b>
<b>VI.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>VII.</b>	<b>TRADING PROFIT/LOSS (Net)</b>	<b>(4)</b>	<b>1,318</b>	<b>486</b>
7.1	Profit/Losses From Capital Market Transactions		292	166
7.2	Profit/Losses From Derivative Financial Transactions		(1,877)	(1,139)
7.3	Foreign Exchange Profit/Losses		2,903	1,459
<b>VIII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>414</b>	<b>118</b>
<b>IX.</b>	<b>GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)</b>		<b>28,862</b>	<b>17,979</b>
<b>X.</b>	<b>ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>(1,643)</b>	<b>(1,304)</b>
<b>XI.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(5,324)</b>	<b>(2,845)</b>
<b>XII.</b>	<b>NET OPERATING PROFIT/LOSS (IX-X-XI)</b>		<b>21,895</b>	<b>13,830</b>
<b>XIII.</b>	<b>SURPLUS WRITTEN AS GAIN AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>NET MONETARY POSITION GAIN/LOSS</b>		<b>-</b>	<b>-</b>
<b>XVI.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)</b>	<b>(8)</b>	<b>21,895</b>	<b>13,830</b>
<b>XVII.</b>	<b>PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)</b>	<b>(9)</b>	<b>(4,839)</b>	<b>(3,035)</b>
17.1	Current Tax Provision		(5,212)	(3,437)
17.2	Expense Effect Of Deferred Tax (+)		-	-
17.3	Income Effect Of Deferred Tax (-)		373	402
<b>XVIII.</b>	<b>NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)</b>	<b>(10)</b>	<b>17,056</b>	<b>10,795</b>
<b>XIX.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
19.1	Income From Assets Held For Sale		-	-
19.2	Profit From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
19.3	Other Income From Discontinued Operations		-	-
<b>XX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
20.1	Expenses On Assets Held For Sale		-	-
20.2	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
20.3	Other Expenses From Discontinued Operations		-	-
<b>XXI.</b>	<b>PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONSK/Z (XIX-XX)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>
<b>XXII.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
22.1	Current Tax Provision		-	-
22.2	Expense Effect Of Deferred Tax (+)		-	-
22.3	Income Effect Of Deferred Tax (-)		-	-
<b>XXIII.</b>	<b>NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
<b>XXIV.</b>	<b>NET PROFIT/LOSSES (XVIII+XXIII)</b>	<b>(11)</b>	<b>17,056</b>	<b>10,795</b>
	Profit/Loss Per Share		0.0591	0.0374

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**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**III. STATEMENT OF PROFIT OR LOSS (Continued)**

			Reviewed Prior Period 01/01/2017- 30/06/2017	Reviewed Prior Period 01/04/2017- 30/06/2017
	<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five-IV)</b>		
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>27,439</b>	<b>15,233</b>
1.1	Interest on Loans		24,954	13,933
1.2	Interest Received from Reserve Requirements		233	143
1.3	Interest Received from Banks		172	7
1.4	Interest Received from Money Market Transactions		272	6
1.5	Interest Received from Marketable Securities Portfolio		1,050	535
1.5.1	Trading Financial Assets		-	-
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3	Available-for-sale Financial Assets		1,050	535
1.5.4	Held-to-maturity Investments		-	-
1.6	Financial Lease Income		758	609
1.7	Other Interest Income		-	-
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>(9,098)</b>	<b>(5,231)</b>
2.1	Interest on Deposits (-)		-	-
2.2	Interest on Funds Borrowed (-)		(5,024)	(2,396)
2.3	Interest Expense on Money Market Transactions (-)		(1,078)	(788)
2.4	Interest on Securities Issued (-)		(2,826)	(1,897)
2.5	Other Interest Expenses (-)	(12)	(170)	(150)
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>18,341</b>	<b>10,002</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>821</b>	<b>424</b>
4.1	Fees and Commissions Received		1,091	567
4.1.1	Non-cash Loans		974	527
4.1.2	Other	(12)	117	40
4.2	Fees and Commissions Paid (-)		(270)	(143)
4.2.1	Non-cash Loans (-)		(67)	(46)
4.2.2	Other (-)	(12)	(203)	(97)
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/( LOSS) (Net)</b>	<b>(4)</b>	<b>1,304</b>	<b>687</b>
6.1	Trading Gains/(Losses) on Securities		156	91
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		(1,293)	499
6.3	Foreign Exchange Gains/(Losses)		2,441	97
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>84</b>	<b>31</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>20,550</b>	<b>11,144</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(1,254)</b>	<b>(92)</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(9,948)</b>	<b>(5,332)</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>9,348</b>	<b>5,720</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>9,348</b>	<b>5,720</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>(9)</b>	<b>(2,162)</b>	<b>(1,176)</b>
16.1	Current Tax Provision		(1,844)	(1,330)
16.2	Deferred Tax Provision		(318)	154
<b>XVII.</b>	<b>NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>(10)</b>	<b>7,186</b>	<b>4,544</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1	Income from Non-Current Assets Held for Resale		-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3	Other Income from Discontinued Operations		-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1	Expense from Non-Current Assets Held for Resale		-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3	Other Expenses from Discontinued Operations		-	-
<b>XX.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
<b>XXII.</b>	<b>NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET INCOME/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>7,186</b>	<b>4,544</b>
	Earnings/(Loss) per share		0.0282	0.0178

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.**

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
INCOME**

**FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

		Reviewed	
		Current Period 01/01/2018- 30/06/2018	Current Period 01/04/2018- 30/06/2018
<b>I.</b>	<b>PROFIT (LOSS)</b>	<b>17,056</b>	<b>10,795</b>
<b>II.</b>	<b>OTHER COMPREHENSIVE INCOME</b>	<b>32</b>	<b>10</b>
<b>2.1</b>	<b>Other comprehensive income that will not be reclassified to profit or loss</b>	-	-
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	-	-
2.1.2	Gains (losses) on revaluation of Intangible Assets	-	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	-	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	-
<b>2.2</b>	<b>Other Comprehensive Income That Will Be Reclassified to Profit or Loss</b>	<b>32</b>	<b>10</b>
2.2.1	Exchange Differences on Translation	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	39	12
2.2.3	Income (Loss) Related with Cash Flow Hedges	-	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(7)	(2)
<b>III.</b>	<b>TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)</b>	<b>17,088</b>	<b>10,805</b>

		Reviewed	
		Prior Period 01/01/2017- 30/06/2017	Prior Period 01/04/2017- 30/06/2017
<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>			
<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>		<b>9</b>	<b>43</b>
<b>I.</b>	<b>REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-
<b>III.</b>	<b>REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-
<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>		-	-
<b>IV.</b>	<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>V.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-
<b>VI.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS</b>	-	-
<b>VII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	-	-
<b>VIII.</b>	<b>DEFERRED TAX ON VALUATION DIFFERENCES</b>	(1)	(8)
<b>IX.</b>	<b>NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	<b>8</b>	<b>35</b>
<b>XI.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>7,186</b>	<b>4,544</b>
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-	-
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-
11.4	Other	7,186	4,544
<b>XII.</b>	<b>TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>7,194</b>	<b>4,579</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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

		Note (Section Five-V)	Reviewed														Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
	Prior Period 01/01/2017 – 30/06/2017		Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves		
I.	Balance at the beginning of the period		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
II.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	8	-	-	-	-	8
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	7,186	-	-	-	-	-	-	7,186
XX.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
	Period End Balance (III+ ...+ XX)		255,000	-	-	-	29	295	-	-	7,186	(10,677)	19	-	-	-	-	251,852

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)**

		Reviewed															
Current Period							Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss		Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
01/01/2018 – 30/06/2018																	
		Note (Section Five-V)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurmen t Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss))	Current Period Profit or (Loss)	Total shareholders' Equity	
I.	Balance at the beginning of the period		255,000	-	-	-	-	-	-	-	(48)	-	-	324	(10,677)	16,008	260,607
II.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
2.1	Effect of adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
III.	New balance (I+II)		255,000	-	-	-	-	-	-	-	(48)	-	-	324	(7,071)	16,008	264,213
IV.	Total comprehensive income (loss)	(1)	-	-	-	-	-	-	-	-	32	-	-	-	-	17,056	17,088
V.	Capital increase in cash		245,000	-	-	-	-	-	-	-	-	-	-	-	-	-	245,000
VI.	Capital increase through internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	(3)	-	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)		500,000	-	-	-	-	-	-	-	(16)	-	-	5,655	3,606	17,056	526,301

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**VI. STATEMENT OF CASH FLOW**

		Note (Section Five-VI)	Reviewed Current Period 01/01/2018 - 30/06/2018
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>40,041</b>
1.1.1	Interest Received		44,035
1.1.2	Interest Paid		(9,168)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		1,998
1.1.5	Other Income		19,241
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers		(6,783)
1.1.8	Taxes Paid		(3,446)
1.1.9	Other	(2)	(5,836)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>(88,943)</b>
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		387
1.2.2	Net increase (decrease) in due from banks		(29,028)
1.2.3	Net increase (decrease) in loans		(176,233)
1.2.4	Net increase (decrease) in other assets	(2)	(5,003)
1.2.5	Net increase (decrease) in bank deposits		-
1.2.6	Net increase (decrease) in other deposits		-
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss		-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		142,124
1.2.9	Net Increase/(Decrease) in matured Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	(21,190)
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(48,902)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided from / (Paid For) Investing Activities</b>		<b>(250,634)</b>
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures		-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures		-
2.3	Cash paid for the purchase of tangible and intangible asset		(260,951)
2.4	Cash obtained from the sale of tangible and intangible asset		-
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income		(35,983)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		46,511
2.7	Cash paid for the purchase of financial assets at amortised cost		-
2.8	Cash obtained from sale of financial assets at amortised cost		-
2.9	Other	(2)	(211)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>335,389</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		246,193
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(155,804)
3.3	Equity instruments issued		245,000
3.4	Dividends Paid		-
3.5	Payments for Finance Lease Liabilities		-
3.6	Other		-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>(481)</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>35,372</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>(1)</b>	<b>83,516</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>	<b>(1)</b>	<b>118,888</b>

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE PERIOD ENDED 30 JUNE 2018**

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

**VI. STATEMENT OF CASH FLOW (Continued)**

		Note (Section Five-VI)	Reviewed Prior Period 01/01/2017 – 30/06/2017
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>		
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>8,493</b>
1.1.1	Interest Received		21,687
1.1.2	Interest Paid		(3,271)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		1,254
1.1.5	Other Income		(600)
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers		(5,735)
1.1.8	Taxes Paid		(508)
1.1.9	Other	(2)	(4,334)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>(49,533)</b>
1.2.1	Net (Increase)/Decrease in Trading Securities		(2,500)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3	Net (Increase)/Decrease in Due from Banks		(14,964)
1.2.4	Net (Increase)/Decrease in Loans		(100,738)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	(20,836)
1.2.6	Net Increase/(Decrease) in Bank Deposits		-
1.2.7	Net Increase/(Decrease) in Other Deposits		-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		40,292
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	49,213
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(41,040)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>II.</b>	<b>Net Cash Provided from / (Paid For) Investing Activities</b>		<b>4,245</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3	Purchases of Property and Equipment		(69)
2.4	Disposals of Property and Equipment		1
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(14,812)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		19,333
2.7	Cash Paid for Purchase of Investment Securities		-
2.8	Cash Obtained from Sale of Investment Securities		-
2.9	Other	(2)	(208)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>19,795</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		109,631
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(89,836)
3.3	Issued Capital Instruments		-
3.4	Dividends Paid		-
3.5	Payments for Finance Leases		-
3.6	Other		-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>		<b>182</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(16,818)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>59,134</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>	(1)	<b>42,316</b>

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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**PASHA YATIRIM BANKASI A.Ş.  
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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

- a. The unconsolidated financial statements are prepared in accordance with the “Regulation on the Principles and Procedures Regarding Banks’ Accounting Applications and Safeguarding of Documents”:**

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 unconsolidated financial statements have been prepared in TL, under the historical cost convention except for the financial assets and liabilities carried at fair value.

The preparation of unconsolidated 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 of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, effectiveness date is 1 January 2018, except for TFRS 9 Financial Instruments standard, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS published but not effective as of the date financial statements are signed, will have no impact on the accounting policies, financial condition and performance of the Bank. The impacts of TFRS 9 Financial Instruments standard are explained in the following related disclosures.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**b. The accounting policies and valuation principles applied in the preparation of these financial statements and valuation principles:**

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS. In accordance with the transition rules of TFRS 9, prior year financial statements and disclosures are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the year 2017 are included in Section three note XXIX. Impacts of transition to TFRS 9 and its adoption are disclosed in Section three note XXVIII.

**c. Explanation for convenience translation into English:**

The effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Reporting Legislation and Turkish Accounting Standard 34 “Interim Financial Reporting” except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is shareholders’ equity – internal funding, in addition external funding including funding from repo transactions and borrowing from domestic and foreign financial institutions is utilised. Funds obtained from internal and external sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

Foreign currency denominated monetary assets and liabilities are translated with the Bank’s foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of “Foreign exchange gains or losses”.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Bank does not have any embedded derivative instruments.

Derivative financial instruments of the Bank are classified under "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets/Liabilities Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets/Liabilities Designated at Fair Value through Other Comprehensive Income".

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments designated at fair value through profit or loss are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions. The principles for the recognition of derivative transactions intended for hedging purposes are disclosed in the footnote numbered VIII of Section Four. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

**IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE**

Interest income and expenses are recognized in the income statement by using the "effective interest rate method". In accordance with the accounting policies started to be applied as of 1 January 2018, the Bank will calculate interest income accrual for the non-performing loans in the period they occur. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

**V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE**

All fees and commissions income/expenses are recognised on an accrual basis, except for certain commission income and fees from various banking services which are recorded as income at the time of collection.

Fees and commissions expenses paid to the other institutions regarding financial liabilities are considered a component of interest expense of the related funding and are recognised as transaction costs and recorded as expense in the statement of profit and loss.

Contract-based fees or fees received in return for services such as the purchase and sale of assets on behalf of a third or legal person are recognised as income at the time of collection.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS**

The Bank categorizes its financial assets as "Financial Assets at Fair Value Through Profit/Loss", "Financial Assets at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortized Cost". Such financial assets are recognized or derecognized according to the principles defined in section three of "TFRS 9 Financial Instruments" standard, issued for classification and measurement of the financial instruments, published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

**a. Financial assets at fair value through profit or loss:**

"Financial Assets at Fair Value Through Profit/Loss" are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; 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 making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

**b. Financial Assets at Fair Value Through Other Comprehensive Income:**

"Financial Assets at Fair Value Through Other Comprehensive Income" are financial assets which are managed with business model that aims to hold to collect contractual cash flows and aims to hold to sell; and if the contractual terms of the financial assets lead to cash flows representing solely payments of principal and interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost which reflects the fair value of the financial asset. After initial recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

During initial recognition an entity can make an irrevocable choice as to record the changes of the fair value of investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is recognized in the financial statements as profit or loss.

**c. Financial Assets Measured at Amortized Cost:**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate (internal rate of return) method. Interest income obtained from financial assets measured at amortized cost is accounted in the income statement.

**d. Loans:**

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and subsequently measured at amortized cost using the effective interest rate (internal rate of return) method. Bank's loans are fully recorded under the "Measured at Amortized Cost" account.

**VII. EXPLANATIONS ON EXPECTED CREDIT LOSS**

The Bank allocates allowance for expected loss on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

**Stage 1:**

For the financial assets at initial recognition or for those which do not have a significant increase in credit risk since initial recognition. Allowance for credit risk is recorded in the amount of 12-month expected credit losses.

**Stage 2:**

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Allowance for credit risk is determined on the basis of the instrument's lifetime expected credit losses.

**Stage 3:**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and there is an intention to collect/pay related financial assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

**IX. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND SECURITIES LENDING TRANSACTIONS**

Securities subject to repurchase agreements (“Repo”) are classified as “Financial assets at fair value through profit or loss”, “Available-for-sale” and “Held-to-maturity” according to the investment purposes of the Bank and measured according to the portfolio to which they belong. Funds obtained from repurchase agreements are accounted under “Funds Provided under Repurchase Agreements” in liabilities and the difference between the sale and repurchase price is accrued over the life of repurchase agreements using the effective interest method.

Funds given against securities purchased under agreements (“Reverse repo”) to resell 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”.

**X. EXPLANATIONS ON ASSETS HELD FOR RESALE AND FIXED ASSETS FROM DISCONTINUED OPERATIONS AND LIABILITIES RELATED WITH THESE ASSETS**

According to TFRS 5, non-current asset classified as held for sale (or group of assets to be disposed) is measured by the lowest of book value or sales costs discounted fair value. An asset to be held for sale asset (or group of assets to be disposed) it is necessary that, the related asset has to be commonly seen on the sales of these kind of sales assets, it could be easily immediately sold in the frame of usual conditions and it has to have high sales probability. For the high sales probability, there has to be a plan regarding the sales of asset made by the appropriate management level and by the determination of buyers there has to be an active program started regarding to completion of the plan.

A discontinued operation is a part classified as discarded or held for sales by the bank. Results regarding to discontinue operations are presented individually in income statement.

The Bank has no discontinued operations.

**XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

Intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated amortization and the provision for value decreases, if any.

Intangibles are amortised over their estimated useful lives of three to five years using the straight-line method. The useful life of the asset is determined by assessing the expected useful life of the asset, technical, technological and other kinds of obsolescence and all required maintenance expenses necessary to utilise the economic benefit of the assets.

The Bank expects no change with respect to accounting estimates, amortization period, amortization method, or residual value that will have significant impact on the current or the following periods. Computer software development expenses that add to the economic benefit and extend the useful life of the software are capitalised. These expenses are amortised over the remaining useful life of the related intangible asset using “the straight-line method”.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, property and equipment are carried at cost less accumulated depreciation and provision for value decrease, if any. Depreciation is calculated over the cost of property and equipment using the straight-line method. The depreciation rates are stated below:

Office machine, furniture, leasehold improvements and vehicles	3-10 years
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The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

Where the carrying amount of an asset is greater than its estimated “recoverable amount”, it is written down immediately to its “recoverable amount” and the provision for the diminution in value is charged to the income statement.

Property and equipment are not subject to valuation such that fair value is presented in the financial statements.

Gains and losses on the disposal of property and equipment are determined by deducting the net book value of the property and equipment from its sales revenue.

Expenditures for the regular repair and maintenance of property and equipment are recognised as expense. The capital expenditures made in order to increase the capacity of the tangible asset or to increase its future benefits are capitalised on the cost of the tangible asset. The capital expenditures include the cost components which are used either to increase the useful life or the capacity of the asset, or the quality of the product or to decrease the costs.

There is no pledge, mortgage or commitment on the Bank’s property and equipments.

The Bank expects no change with respect to accounting estimates that have significant impact on the current period or may have significant impact on the following periods.

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

Assets acquired under finance lease agreements are capitalised at the inception of the lease at the “lower of the fair value of the leased asset or the present value of the amount of cash consideration given for the leased asset”. Leased assets are included in the property and equipment and depreciation is charged on a straight-line basis over the useful life of these assets. If there is any diminution in value of the leased asset, a “Provision for value decrease” is recognised. Liabilities arising from the leasing transactions are included in “Financial Lease Payables” on the balance sheet. Interest and foreign exchange expenses regarding lease transactions are charged to the income statement.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

The Bank can engage in financial lease transactions as the lessor. The financial leasing transactions are accounted in accordance with “Turkish Accounting Standard for Leasing Transactions” (TAS 17). The Bank records the gross amount of minimum lease receivables comprising of principal and interest amounts as “financial lease receivables” under lease receivables account. The difference between the aggregate of lease receivables and the cost of the related leased assets, corresponding to interest, is recorded under “unearned income” item. The interest income is recognised in the income statement on an accrual basis.

*Operating Lease*

Leases, in which the majority of risk and return of property belongs to lessor, are classified as operational lease. Payments that are made under operational leases, are accounted in income statements on a straight line basis during the lease period.

**XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS**

Provisions and contingent liabilities except for the financial instruments within the scope of the TFRS 9 or the provisions recognised in accordance with other standards such as TAS 12 and TAS 19 are accounted in accordance with the “Turkish Accounting Standard for Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The provision for contingent liabilities arising from past events should be recognised in the same period of occurrence in accordance with the “Matching principle”. When the amount of the obligation cannot be estimated and there is no possibility of an outflow of resources from the Bank, it is considered that a “Contingent” liability exists and it is disclosed in the related notes to the financial statements.

**XV. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

Obligations related to employee termination and vacation rights are accounted for in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”) and are classified under “Reserve for Employee Rights” account in the balance sheet. Under the Turkish Labour Law, the Bank is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The reserve for employment termination benefits represents the present value of the estimated total reserve for the future probable obligation of the Bank arising from this liability.

According to TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the Communique published in Official Gazette on 12 March 2013 numbered 28585, in the calculation of the employment termination benefit liabilities of the Bank, the recognition option of the actuarial gains and losses derived from the changes in actuarial assumptions or the differences between actuarial assumptions and realizations in the income statement has been eliminated which is effective for annual periods beginning on or after 1 January 2013. The earlier application of the revision is permitted in the section of the transition and effective date of the standard and therefore the Bank has recognised the actuarial gains and losses that occur in related reporting periods in the “Statement of Income and Expense Items Accounted in Equity” and represented in the Prior Periods’ Income/ (Loss) item in the Shareholders Equity section.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

The income tax charge is composed of the sum of current tax and deferred tax.

The current tax liability is calculated over taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible and it further excludes items that are never taxable or deductible. In Turkey corporation tax ratio is 20%. In accordance with the Provisional Article 10 added to the Corporate Tax Act, 20% corporate tax will be applied as 22% for corporate earnings for the tax years 2018, 2019 and 2020.

Deferred tax asset or liability is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and currently enacted tax rates are used to determine deferred tax on income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax asset was not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3. However, in accordance with TFRS 9 articles, beginning from 1 January 2018, deferred tax has started to be measured over expected credit losses constituting temporary differences. Deferred tax is not calculated over free provisions.

Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized and reflected in the income statement as expense or income. Moreover, if the deferred tax is related with items directly recorded under the equity in the same or different period, deferred tax is also associated directly with equity. Deferred tax assets and liabilities are also offset. According to the second paragraph of the Article 53 of the Banking Act No 5411 dated 19 October 2005, all specific reserves for loans and other receivables are considered as deductible expense for determining corporate tax base.

**b. Transfer Pricing:**

Transfer pricing is regulated through article 13 of Corporate Tax Law titled “Transfer Pricing through camouflage of earnings”. Detailed information for the practice regarding the subject is found in the “General Communiqué Regarding Camouflage of Earnings Through Transfer Pricing”. According to the aforementioned regulations, in the case of making purchase or sales of goods or services with relevant persons/corporations at a price that is determined against “arm’s length principle”, the gain is considered to be distributed implicitly through transfer pricing and such distribution of gains is not subject to deductions in means of corporate tax.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON BORROWINGS**

Trading and derivative financial liabilities are valued with their fair values and the other financial liabilities are carried at “amortised cost” using the effective interest method.

The Bank utilises various hedging techniques to minimise the currency, interest rate and liquidity risks of its financial liabilities.

**XVIII. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES**

Transaction costs regarding the issuance of share certificates are accounted under shareholders’ equity after eliminating the tax effects. Dividend payments are determined by the General Assembly of Bank.

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

**XIX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES**

Avalized drafts and acceptances shown as liabilities against assets are included in the “Off-balance sheet commitments”. The Bank has no avalized drafts and acceptances shown as liabilities against assets.

**XX. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 30 June 2018 and 31 December 2017, the Bank has no government grants.

**XXI. EXPLANATIONS ON PROFIT RESERVES AND PROFIT DISTRIBUTION**

Retained earnings as per the statutory financial statements other than legal reserves are available for distribution, subject to the legal reserve requirement referred to below. Under the Turkish Commercial Code (“TCC”) the legal reserves are composed of first and second reserves. The TCC requires first reserves to be 5% of the profit until the total reserve is equal to 20% of issued and fully paid-in share capital. Second reserves are required to be 10% of all cash profit distributions that are in excess of 5% of the issued and fully paid-in share capital. However holding companies are exempt from this application. According to the Turkish Commercial Code, legal reserves can only be used to compensate accumulated losses and cannot be used for other purposes unless they exceed 50% of paid-in capital.

**XXII. EXPLANATIONS ON EARNINGS PER SHARE**

Earnings per share are calculated by dividing net profit for the year to the weighted average number of shares outstanding during the period concerned. Earnings per share disclosed in the income statement are calculated by dividing net profit for the year to the weighted average capital outstanding during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect to bonus shares issued without a corresponding change in resources by giving them a retroactive effect for the year in which they were issued and for each earlier period. Where the number of outstanding shares increase due to distribution of bonus shares after the balance sheet date but before the release of the financial statements, earnings per share computations are performed based on the revised average number of shares.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXIII. EXPLANATIONS ON RELATED PARTIES**

Parties defined in Article 49 of the Banking Law No.5411, Bank’s senior management and Board Members are deemed as related parties. Transactions regarding related parties are presented in Section Five.

**XXIV. EXPLANATIONS ON CASH AND CASH EQUIVALENTS**

For the purposes of the preparation of statement of cash flows, “Cash” includes cash, effectives, and cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and “Cash equivalents” include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

Information on operational fields which are determined in accordance with the Bank’s organisational and internal reporting structure and the requirements of “Turkish Financial Reporting Standards on Segment Reporting” (“TFRS 8”) is disclosed in Section Four.

**XXVI. RECLASSIFICATIONS**

In order to be consistent with the presentation of current period financial statements, there are certain reclassifications. Previous period financial statements are not reclassified in accordance with TFRS 9 requirements as explained above in note I. Therefore the Bank does not have any reclassifications in the prior period’s financial statements.

**XXVII. EXPLANATIONS ON OTHER MATTERS**

None.

**XXVIII. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS STANDARD**

TFRS 9 “Financial Instruments” standard relevant to classification and measurement of financial instruments has been published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) in the Official Gazette numbered 29953 dated 19 January 2017 and replaced TAS 39 Financial Instruments: Recognition and Measurement”, effective as of 1 January 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

**Classification and measurement of financial assets**

According to TFRS 9 requirements, classification and measurement of the financial assets depend on two fundamental criterias:

- The business model within financial assets are managed and
- The features of contractual cash flow; whether contractual cash flows are based on solely payments of principal and interest or not

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

*Assessment for the business model:*

The business model of the Bank represents how the Bank manages its financial assets for generating cash flows. The business model specifies whether cash flows arise from the collection of contractual cash flows or the sale of financial assets, or both. This assessment is based on scenarios the Bank expects to reasonably occur.

*Assessment whether contractual cash flows are solely payments of principal and interest:*

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making such assessment, the Bank considers contingent events that would change the amount and timing of cash flows, conditions that limit the Bank’s claim to cash flows, prepayments and extension terms and features that modify consideration for the time value of money. Such assessments are also briefly defined as contractual cash flow characteristics test.

The Bank fulfills the on-balance sheet classification and measurement criterias by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset is classified as either fair value through profit or loss (“FVTPL”), amortized cost or fair value through other comprehensive income (“FVOCI”). The rules for the classification and measurement of financial liabilities remain largely unchanged as is under TAS 39.

There has been no change in the measurement of financial assets in the opening balance sheet as 1 January 2018 during the transition period of TFRS 9 in accordance with business model and contractual cash flow characteristics. Financial assets which were previously classified as “Available for sale”, are classified as “Financial assets at fair value through other comprehensive income” without changing the measurement bases as of 1 January 2018 within the scope of TFRS 9, since the previous categories under IAS 39 have been derecognised.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

Information on classification and measurement of financial assets summarized in the following table:

	Differently classified as at 31 December 2017	TFRS 9 Measurement bases	Book Value 31 December 2017	Book Value 1 January 2018
<b>Financial Assets</b>				
Cash and cash equivalents, Balances with the CBRT, Due from Banks and Money Markets		Amortised cost	151,189	151,189
Marketable Securities	Trading financial assets	Fair value through profit or loss	4,943	4,943
	Available for sale financial assets	Fair value through other comprehensive income	21,308	21,308
Loans and Lease receivables, Gross	Loans, gross	Amortised cost	713,048	713,048

**Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9**

The Bank has no non-performing loan and provisions for non-performing loans as of 31 December 2017. Regarding financial assets, the Bank has only calculated general loan loss provision in accordance with “Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made” and the amendments made to this regulation published in the Official Gazette No.26333 dated 1 November 2006. The related general provision has presented under liabilities in the balance sheet as of 31 December 2017. Within the framework of TFRS 9, The Bank has calculated the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018 and amended the equity regarding to this calculation.

The following table summarizes the reconciliation of the general loan loss provision of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Before TFRS 9	TFRS 9 Classification	After TFRS 9	Total Differences
	<b>31 December 2017 General Loan Provision</b>		<b>1 January 2018 Allowance for expected losses</b>	
Loan and lease receivables	6,712	Stage 1	3,258	
		Stage 2 ve 3	-	
Cash and Cash equivalents, Balances with the CBRT, Due from Banks and Money Markets	47	Stage 1	27	
		Stage 2 and 3	-	
Marketable securities	133	Stage 1	180	
		Stage 2 ve 3	-	
Non-cash loans, derrivatives and commitments (*)	501	Stage 1	1,390	
		Stage 2 and 3	-	
<b>TOTAL</b>	<b>7,393</b>		<b>4,855</b>	<b>2,538</b>

(\*) In accordance with TFRS 9, allowance for expected credit losses for Stage 1, 2, 3 non-cash loans are presented in “10.4 Other provisions” line under liabilities.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**Effects on equity with IFRS 9 transition:**

According to paragraph 15 of Clause 2 of Article 7 of TFRS 9 Financial Instruments Standard published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, the difference between the book value of 1 January 2018 the date of application should be reflected in the opening balance of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are explained below.

TL 2,538 positive difference (income natured) between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior years' profits or losses" line under shareholders' equity.

As of 1 January 2018 the Bank has started to calculate deferred tax asset for general provisions (allowance for expected credit losses for Stage 1 and Stage 2 loans) in accordance with "Communique on Uniform Chart of Accounts" published at 20 September 2017. Within this scope, deferred tax asset amounting to TL 1,068 has been accounted in the opening balance sheet of current period and the related amount is presented in "Prior years' profits or losses" line under shareholders' equity.

**XXIX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:**

"TFRS 9 Financial Instruments" standard became effective instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

The Bank classifies and accounts its financial assets as "Fair value through profit or loss", "Available-for-sale", "Loans and receivables" or "Held-to-maturity". Sales and purchases of the financial assets mentioned above are recognised at the "settlement dates". The appropriate classification of financial assets of the Bank is determined at the time of purchase by the Bank management, taking into consideration the purpose of holding the investment.

**a. Financial assets at fair value through profit or loss:**

Financial assets are classified either as "Financial assets at fair value through profit or loss" or "Trading financial assets".

Trading financial assets are either acquired for generating profit from short-term fluctuations in the price or dealer's margin, or are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Sales and purchases of trading financial assets are recognised at the "settlement dates". Trading financial assets are initially recognised at fair value plus transactions costs and are subsequently re-measured at their fair value. All gains and losses arising from these evaluations are recognised in the income statement. Interest earned while holding financial assets is reported as interest income and dividends received are included separately in dividend income.

Derivative financial instruments are treated as trading financial assets unless they are not designated as hedge instruments. The principles regarding the accounting of derivative financial instruments are explained in detail in related section.



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**b. Available-for-sale financial assets:**

Available-for-sale financial assets are defined as financial assets other than the ones classified as “Loans and receivables”, “Held-to-maturity assets” or “Financial asset at fair value through profit or loss”.

Government bonds included in the available-for-sale financial assets are subsequently re-measured at fair value. “Unrealised gains and losses” arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders’ equity as “Marketable Securities Valuation Reserve”, until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders’ equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

**c. Loans and receivables:**

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the “Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published in the Official Gazette No. 26333 dated 1 November 2006. Apart from specific provisions, the Bank has general loan loss provision within the scope of the stated regulations. Deferred tax asset is not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA.DZM.2/13/1-a-3.

**d. Held-to-maturity financial assets:**

Held-to-maturity financial assets are assets that are not classified under loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost. Held-to-maturity securities are carried at “amortised cost” net of impairment using the effective interest method after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

The Bank does not have any held-to-maturity financial assets. There are no financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the violation of classification principles.

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**SECTION FOUR**

**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK  
MANAGEMENT**

**I. INFORMATION ABOUT SHAREHOLDERS’ EQUITY ITEMS**

Equity Capital amount and capital adequacy standard ratio is calculated in accordance with the “Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks” and “Regulation on Equities of Banks”.

The current period equity amount of the Bank is TL 529,948 while its capital adequacy standard ratio is 38.02% as of 30 June 2018. The aforementioned capital adequacy calculation includes the equity and allowance for expected credit losses amounts after the transition to TFRS 9. The equity and capital adequacy standard ratio which were calculated regardless of TFRS 9 requirements is TL 267,080 and 31.36% respectively. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

**a. Information on shareholders equity:**

	<b>Current Period 30 June 2018</b>	<b>Prior Period 31 December 2017(*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	500,000	255,000
Share issue premiums	-	-
Retained earnings	5,655	324
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	-	-
Profit	19,086	-
Net profit of the period	17,056	16,008
Profit of the previous years	2,030	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	-
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>524,741</b>	<b>271,332</b>
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	-	-
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	16	10,725
Improvement costs for operating leasing	54	51
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	798	695
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	-
Shortfall of provisions to expected losses	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares	-	-
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-	-
of which: significant investments in the common stock of financials	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments which shall be determined by the Board	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>868</b>	<b>11,471</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>523,873</b>	<b>259,861</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
	-	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	-	-
<b>Additional Tier 1 capital: regulatory adjustments</b>		
Investments in own Additional Tier 1 instruments	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments which shall be determined by the Board	-	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	-	<b>174</b>
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 (-)	-	174
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	-	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	-	-
<b>Total Additional Tier 1 capital</b>	-	-
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>523,873</b>	<b>259,687</b>
<b>TIER 2 CAPITAL</b>		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Provisions (Amounts stated on the 8th article of Regulation on Equities of Banks)	6,075	7,393
<b>Tier 2 capital before regulatory adjustments</b>	<b>6,075</b>	<b>7,393</b>
<b>Tier 2 capital: regulatory adjustments</b>		
Investments in own Tier 2 instruments	-	-

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Reciprocal cross-holdings in Tier 2 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	-
National specific regulatory adjustments which shall be determined by the Board	-	-
<b>Total regulatory adjustments to Tier 2 capital</b>	-	-
<b>Total Tier 2 capital</b>	<b>6,075</b>	<b>7,393</b>
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>529,948</b>	<b>267,080</b>
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-	-
National specific regulatory adjustments which shall be determined by the Board	-	-
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	-	-
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 be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be 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 be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
<b>OWN FUNDS</b>		
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>529,948</b>	<b>267,080</b>
<b>Total Risk Weighted Assets</b>	<b>1,393,832</b>	<b>851,763</b>
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	37.59%	30.51%
Tier 1 Capital Adequacy Ratio (%)	37.59%	30.49%
Capital Adequacy Ratio (%)	38.02%	31.36%
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2.07%</b>	<b>1.37%</b>
a) Bank specific total common equity tier 1 capital ratio	1.875%	1.25%
b) Capital conservation buffer requirement	0.195%	0.12%
c) Systemic significant bank buffer ratio (%) (**)	-	-
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 (%)	29.59%	22.51%

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6,075	7,393
Cap on inclusion of provisions in Tier 2 under standardised approach	6,075	7,393
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	-

(\*) The equity statement as of 31 December 2017 presents the equity and general loan loss provisions before TFRS 9 application. As of 30 June 2018, the “Prior years’ profits or losses” line presents 80% of the positive difference between the allowance for expected credit losses in the opening balance sheet after the adoption of TFRS 9 and the total provision calculated before adoption of TFRS 9 (excluding deferred tax effect) amounting to TL 2,030.

(\*\*) Only systematically important banks with no obligation to prepare consolidated financial statements within the scope of paragraph 4 of Article 4 of the Regulation on Systemically Important Bank Regulation shall be filled with important banks and other banks shall be reported as zero.

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**Explanation on provisional article 5 of Regulation on Equity of Banks:**

<b>EQUITY ITEMS</b>	<b>T</b>	<b>T-1</b>	<b>T-2</b>	<b>T-3</b>	<b>T-4</b>
Common Equity Tier 1 Capital	523,873	523,366	522,858	522,351	521,843
Common Equity Tier 1 Capital which is not applied transition process	521,843	521,843	521,843	521,843	521,843
Tier 1 capital	523,873	523,366	522,858	522,351	521,843
Tier 1 Capital which is not applied transition process	521,843	521,843	521,843	521,843	521,843
Equity	529,948	529,441	528,933	528,426	527,918
Equity which is not applied transition process	527,918	527,918	527,918	527,918	527,918
<b>TOTAL RISK WEIGHTED AMOUNTS</b>					
Total risk weighted amounts	1,393,832	1,393,832	1,393,832	1,393,832	1,393,832
<b>CAPITAL ADEQUACY RATIOS</b>					
Common Equity Tier 1 Capital Adequacy Ratio (%)	37.59%	37.55%	37.51%	37.48%	37.44%
Common Equity Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	37.44%	37.44%	37.44%	37.44%	37.44%
Tier 1 Capital Adequacy Ratio (%)	37.59%	37.55%	37.51%	37.48%	37.44%
Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	37.44%	37.44%	37.44%	37.44%	37.44%
Capital Adequacy Ratio (%)	38.02%	37.98%	37.95%	37.91%	37.88%
Capital Adequacy Ratio which is not applied transition process (%)	37.88%	37.88%	37.88%	37.88%	37.88%
<b>LEVERAGE RATIO</b>					
Leverage ratio total risk amount	1,683,234	1,683,234	1,683,234	1,683,234	1,683,234
Leverage Ratio(%) (*)	21.20%	21.17%	21.14%	21.11%	21.08%
Leverage Ratio which is not applied transition process (%)	21.08%	21.08%	21.08%	21.08%	21.08%

(\*) The leverage ratio is presented not by the 3-month average, but by dividing the tier 1 capital to the total risk amount as of such dates.

**b. Information about instruments that will be included in total capital calculation:**

None.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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**II. EXPLANATIONS ON CURRENCY RISK**

The Bank's foreign currency position is managed within the limits set by legislation and the Bank. The basic principle in foreign currency risk management is not to be exposed to currency risk. Accordingly, the exchange-trading risk positions are not allocated to the limit, banking accounts as of the currency by creating a matched asset-liability structure is aimed to provide natural protection. The Bank uses derivative financial instruments such as forward foreign exchange contracts and currency swaps for hedging purposes in foreign currency denominated transactions.

Bank's methodology of digitising the foreign currency position includes the use of standard method when calculating the capital adequacy ratio and application of internal stress tests/ sensitivity analysis.

The Bank's publicly announced foreign exchange bid rates as of the date of the financial statements and for the last five business days prior to that date:

	USD	EUR
Bid Rate	4.5607	5.3092
1. Bid rate	4.6083	5.3310
2. Bid rate	4.6349	5.3960
3. Bid rate	4.6740	5.4576
4. Bid rate	4.6397	5.4071
5. Bid rate	4.7077	5.4848

The simple arithmetic average of the Bank's foreign exchange bid rates for the last thirty days preceding the balance sheet date:

	USD		EUR	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Arithmetic average – 30/31 days	4.6252	3.8417	5.4066	4.5496

As of 31 December 2017, the Bank's foreign exchange rates are 3.7719 for USD, 4.5496 for EUR.

**Information on currency risk of the Bank:**

The following table shows the foreign currency net general position of the bank on the basis of foreign currencies. In accordance with Uniform Chart of Accounts, assets which are indexed to foreign currency are shown on financial statements as TL rather than foreign currencies.

Assets which are indexed to foreign currency are considered as foreign currency item in calculation of foreign currency net general position. In accordance with the "Regulation on Calculation and Implementation of Foreign currency net general position/equity standard rate by banks on consolidated and non-consolidated basis", derivative financial assets, hedge derivative financial assets, deferred tax asset and prepaid expenses in assets; general provisions, deferred tax liability, derivative financial liabilities, hedge derivative financial liabilities and Equity in liabilities are not taken into account in calculation of exchange risk. Therefore, there are differences between foreign currency assets and liabilities total included in table below and those included in balance sheet. Actual foreign currency position of the Bank is shown in the table below in financial and economic context.

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	EUR	USD	Other FC	Total
<b>30 June 2018</b>				
<b>Assets</b>				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	3,694	93,238	-	96,932
Due from Banks	4,845	109,900	7	114,752
Financial Assets at Fair Value Through Profit or Loss	-	1,295	-	1,295
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans (*)	105,366	300,851	-	406,217
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (****)	-	8,193	-	8,193
<b>Total Assets</b>	<b>113,905</b>	<b>513,477</b>	<b>7</b>	<b>627,389</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	2,828	-	2,828
Funds Borrowed From Other Financial Institutions	105,695	300,152	-	405,847
Marketable Securities Issued	-	228,291	-	228,291
Miscellaneous Payables	-	-	-	-
Derivative Financial Liabilities (***)	-	-	-	-
Other Liabilities	8,120	2,039	-	10,159
<b>Total Liabilities</b>	<b>113,815</b>	<b>533,310</b>	<b>-</b>	<b>647,125</b>
<b>Net On-balance Sheet Position</b>	<b>90</b>	<b>(19,833)</b>	<b>7</b>	<b>(19,736)</b>
<b>Net Off-balance Sheet Position</b>	<b>-</b>	<b>20,523</b>	<b>-</b>	<b>20,523</b>
Derivative Financial Assets (**)	-	20,523	-	20,523
Derivative Financial Liabilities (**)	-	-	-	-
<b>Non-Cash Loans (****)</b>	<b>60,507</b>	<b>108,018</b>	<b>-</b>	<b>168,525</b>
<b>31 December 2017</b>				
<b>Total Assets</b>	<b>117,274</b>	<b>287,321</b>	<b>7,290</b>	<b>411,885</b>
<b>Total Liabilities</b>	<b>93,503</b>	<b>318,927</b>	<b>7,250</b>	<b>419,680</b>
<b>Net On-balance Sheet Position</b>	<b>23,771</b>	<b>(31,606)</b>	<b>40</b>	<b>(7,795)</b>
<b>Net Off-balance Sheet Position</b>	<b>(22,080)</b>	<b>32,061</b>	<b>-</b>	<b>9,981</b>
Derivative Financial Assets	-	32,061	-	32,061
Derivative Financial Liabilities	22,080	-	-	22,080
<b>Non-Cash Loans (****)</b>	<b>87,692</b>	<b>72,762</b>	<b>-</b>	<b>160,454</b>

(\*) Foreign currency indexed loans amounting to TL 46,752 (31 December 2017 : TL 52,231) and foreign currency "Receivables from leasing transactions" amounting to 6,778 are included.

(\*\*) Forward purchase/sell transactions and swaps recorded under commitments are included.

(\*\*\*) Fair value of trading derivative transactions amounting to TL 900 presented under "derivative financial liabilities" account is not included.

(\*\*\*\*) Does not effect currency position.

**Foreign Exchange Sensitivity Analysis:**

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 30 June 2018 and 31 December 2017 on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
USD	% 10	69	46	69	46
EUR	% 10	9	169	9	169



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**III. EXPLANATIONS ON INTEREST RATE RISK**

Interest rate risk is the risk that expresses the effects of fluctuations in the market interest rates on the value increase/decrease of the Bank's interest rate sensitive assets and liabilities.

The interest rate sensitivity of Assets, Liabilities and Off-balance sheet items is carefully followed up by the treasury department of the Bank. Assets and liabilities which are sensitive to interest are managed in such a way that minimizes the interest risk.

The interest rate risk of the banking items is measured legally in accordance with the "Regulation on Measurement and Assessment of Standard Shock Method on the interest rate risk arising from banking accounts", and this legal limit is monitored and reported monthly, based on this measurement.

**Interest rate sensitivity of the Bank:**

**a. Interest rate sensitivity of assets, liabilities and off-balance sheet items based on repricing dates**

<b>30 June 2018</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non-Interest Bearing(***)</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	96,877	-	-	-	-	4,095	100,972
Due from Banks	113,087	-	-	-	-	1,707	114,794
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	4,467	4,467
Money Market Placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	9,815	-	-	1,905	-	-	11,720
Loans(***)	337,343	206,996	196,648	128,413	25,968	(4,768)	890,600
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Other Assets (*) (***)	-	-	-	-	-	277,335	277,335
<b>Total Assets</b>	<b>557,122</b>	<b>206,996</b>	<b>196,648</b>	<b>130,318</b>	<b>25,968</b>	<b>282,836</b>	<b>1,399,888</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	64,111	-	-	-	-	-	64,111
Miscellaneous Payables	-	-	-	-	-	11	11
Marketable Securities Issued	47,846	19,512	-	228,292	-	-	295,650
Funds Borrowed From Other Financial Institutions	125,006	-	362,418	-	-	-	487,424
Other Liabilities (**)	4,004	-	-	-	-	548,688	552,692
<b>Total Liabilities</b>	<b>240,967</b>	<b>19,512</b>	<b>362,418</b>	<b>228,292</b>	<b>-</b>	<b>548,699</b>	<b>1,399,888</b>
<b>Balance Sheet Long Position</b>	<b>316,155</b>	<b>187,484</b>	<b>-</b>	<b>-</b>	<b>25,968</b>	<b>-</b>	<b>529,607</b>
<b>Balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>(165,770)</b>	<b>(97,974)</b>	<b>-</b>	<b>(265,863)</b>	<b>(529,607)</b>
<b>Off-balance Sheet Long Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance Sheet Short Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Position</b>	<b>316,155</b>	<b>187,484</b>	<b>(165,770)</b>	<b>(97,974)</b>	<b>25,968</b>	<b>(265,863)</b>	<b>-</b>

(\*) Property and equipment, intangible assets and non-interest earning assets in other assets, tax assets are presented under "Non-Interest bearing" column of Other Assets' line.

(\*\*) Shareholders' equity, non-interests bearing liabilities in other liabilities, provisions, demand funds and tax liability is presented under "Other Liabilities" in the "Non-Interest Bearing" column.

(\*\*\*) Lease receivables are included in 'loans' line. Allowance for expected credit losses for loans and lease receivables are presented in the "non-interest bearing" column.

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<b>31 December 2017</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	67,673	-	-	-	-	9,900	77,573
Due from Banks	58,478	-	-	-	-	15,138	73,616
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	4,943	4,943
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	2,524	9,303	9,481	-	-	-	21,308
Loans	254,990	169,508	133,604	111,387	9,610	-	679,099
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*) (***)	-	-	17,018	16,931	-	6,357	40,306
<b>Total Assets</b>	<b>383,665</b>	<b>178,811</b>	<b>160,103</b>	<b>128,318</b>	<b>9,610</b>	<b>36,338</b>	<b>896,845</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	62,729	-	-	-	-	-	62,729
Miscellaneous Payables	-	-	-	-	-	178	178
Marketable Securities Issued	29,252	58,077	-	94,412	-	-	181,741
Funds Borrowed From Other Financial Institutions	70,164	27,931	167,656	75,636	-	-	341,387
Other Liabilities (**)	11,997	187	193	-	-	298,433	310,810
<b>Total Liabilities</b>	<b>174,142</b>	<b>86,195</b>	<b>167,849</b>	<b>170,048</b>	<b>-</b>	<b>298,611</b>	<b>896,845</b>
Balance Sheet Long Position	209,523	92,616	-	-	9,610	-	311,749
Balance Sheet Short Position	-	-	(7,746)	(41,730)	-	(262,273)	(311,749)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>209,523</b>	<b>92,616</b>	<b>(7,746)</b>	<b>(41,730)</b>	<b>9,610</b>	<b>(262,273)</b>	<b>-</b>

(\*) Property and equipment, intangible assets and non-interest earning assets in other assets and tax assets are presented under "Non-Interest bearing" column of Other Assets" line.

(\*\*) Shareholders' equity, provisions, non-interest bearing liabilities in other liabilities and tax liability is presented under "Other Liabilities" in the "Non-Interest Bearing" column.

(\*\*\*) Lease receivables are included in other assets line.

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**b. Average interest rates for monetary financial instruments:**

<b>30 June 2018</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.50	-	5.09
Due From Banks	0.88	4.39	-	14.76
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	16.30
Financial assets at fair value through other comprehensive income	-	-	-	15.11
Loans (*)	5.05	7.08	-	17.60
Financial assets measured at amortised cost	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	2.02	-	15.22
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.75	-	15.40
Funds Borrowed From Other Financial Inst.	1.25	3.06	-	15.79

(\*) Average interest rates for “lease receivables” are included in “loans” line.

<b>31 December 2017</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.29	-	4.00
Due From Banks	0.04	1.21	-	13.97
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	13.43
Available-for-Sale Financial Assets	-	-	-	12.14
Loans (*)	4.54	6.09	-	15.33
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	13.72
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.85	-	13.93
Funds Borrowed From Other Financial Inst.	1.43	3.17	-	12.64

(\*) Average interest rates applied to lease receivables are included in the “Loans” line.

**IV. EXPLANATIONS ON EQUITY POSITION RISK**

The Bank does not hold equity position as of 30 June 2018 (31 December 2017: None).

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**V. EXPLANATIONS ON LIQUIDITY RISK**

**a) Information on risk capacity, responsibilities and structure of liquidity risk management, reporting of liquidity risk at bank, liquidity risk management including how liquidity risk strategy, policy and implementations communicates with board of directors and business units:**

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the liquidity of the Bank daily and informs ALCO about the liquidity position of the Bank weekly. Planning the weekly, monthly and annual liquidity management, taking the necessary measures and informing the top managements is the responsibility of Treasury Department.

The Bank forms its assets and liabilities in balance not to create a negative gap on cumulative basis in maturity segments.

In accordance with the “Regulation on Measurement and Evaluation of Liquidity Adequacy of Banks” entered into force after published on Official Gazette dated November 1, 2006 and numbered 26333 by BRSA, starting from June 1, 2007, weekly simple average of total liquidity adequacy rates related to primary maturity segment and total liquidity adequacy rate related to secondary maturity segment cannot be less than 100% while weekly simple average of foreign currency liquidity ratio related to primary maturity segment and foreign currency adequacy rate related to secondary maturity segment cannot be less than 80%.

Regulatory Reporting department is responsible for measuring and reporting of legal liquidity risk. Stress test applied to liquidity position and calculation of liquidity coverage rate is performed by Risk Management Department.

Risk Management Department monitors related unit’s activities and reports to the Senior Management monthly.

**b) Information on centralization grade of liquidity management and funding strategy and its functionality among Bank and its affiliates:**

There is no structured liquidity management requiring centralization between bank and its affiliates.

**c) Information on funding strategy of the Bank including policies related to diversity of funding sources and periods:**

The main funding sources of the Bank are provided by domestic and foreign banks, repo transactions, money market transactions and issued marketable securities and diversification of aforementioned sources are made in order to minimize liquidity risk. Financial Institutions Department carries out studies which are required to relate supplying of long term foreign source.

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**d) Information on liquidity management based on currencies forming at least 5% of total liabilities of the Bank:**

Almost all the liabilities of the Bank consists of TL, USD and EUR and equities mainly forming the TL sources.

TL liquidity of the Bank is managed through funds provided from domestic and foreign banks via repo transactions made in BIST using high quality (premium) securities.

TL and foreign currency cash flow of the Bank in scope of Balance sheet management is monitored separately. Risk Management Unit reports to ALCO weekly and Board of Directors on a monthly basis.

**e) Information on liquidity risk reduction techniques:**

Liquidity limits are determined in order to keep the risk regarding liquidity risk in defined limits and to monitor liquidity position. The aforementioned limits have been determined in accordance with “Regulation on Measurement and Evaluation of Bank’s Liquidity Adequacy” in Risk Limits document and approved by Board of Directors.

**f) Disclosure regarding use of stress test:**

At least one of the following liquidity stress tests related to issues mentioned below is applied on regular basis and result of the related test is reported to Board of Directors by Risk Management Unit.

- Negative influence of economic crisis occurring in domestic finance markets on the liquidity of the bank,
- Negative influence of global crisis on the liquidity of the Bank,
- Negative influence of a problem occurred within the Bank (abuse, fraud, reputation risk etc.).

Threshold of weekly and monthly liquidity rate for stress tests which shall be applied for above mentioned scenarios is taken into consideration as 80% for foreign currency assets/liabilities and as 100% for total assets/liabilities.

**g) Information related to emergency and unexpected situation plan for Liquidity:**

“Emergency and unexpected situation plan for Liquidity” is approved by the Board of Directors and established in order to manage possible liquidity crisis and required actions for losses which can occur in extraordinary conditions are determined with preventing mechanisms and liquidity squeeze scenarios. The scope of the aforementioned plan is to pre-determine applicable scenarios, measurement of liquidity risk and the actions which shall be taken towards those risks.

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**h. Liquidity ratios realized in the current period:**

The liquidity ratios regarding first and second maturity tranches are presented below:

	First Maturity Tranche (Weekly)(*)		Second Maturity Tranche (Monthly)(*)	
	FC	FC +TL	FC	FC +TL
<b>30 June 2018 (*)</b>				
Average (%)	1,192	612	396	406
Maximum (%)	3,732	1,082	738	822
Minimum (%)	171	198	172	211

	First Maturity Tranche (Weekly)(*)		Second Maturity Tranche (Monthly)(*)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2017 (*)</b>				
Average (%)	595	221	180	157
Maximum (%)	1,137	291	382	220
Minimum (%)	190	156	81	107

(\*) Monthly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the tables above.

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**i. Liquidity Coverage Ratio**

Referring to the BRSA's decision dated 12 December 2016 numbered 7123; it is announced that development and investment banks' consolidated and unconsolidated liquidity coverage ratio will be applied as 0 % unless otherwise stated according to paragraph 5 of article 4 of Regulations about Banks' Liquidity Coverage Ratio Measurement.

Current Period-30 June 2018 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			122,747	90,609
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	295,961	52,950	295,961	52,950
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	295,961	52,950	295,961	52,950
9 Secured Debts				-
10 Other Cash Outflows	96,681	36,292	38,734	14,517
11 Derivative liabilities and margin liabilities				
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	96,681	36,292	38,734	14,517
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	48,575	14,277	29,875	14,277
<b>16 TOTAL CASH OUTFLOWS</b>			<b>364,570</b>	<b>81,744</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	314,535	103,068	228,720	91,250
19 Other cash inflows				
<b>20 TOTAL CASH INFLOWS</b>	<b>314,535</b>	<b>103,068</b>	<b>228,720</b>	<b>91,250</b>
			<b>Upper limit applied amount</b>	
<b>21 TOTAL HLA STOCK</b>			<b>122,747</b>	<b>90,609</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>135,850</b>	<b>20,436</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>90.35%</b>	<b>443.37%</b>

(\*) The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

(\*\*) Monthly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.

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Prior Period-31 December 2017 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			77,920	57,566
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	203,346	64,520	203,346	64,520
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	203,346	64,520	203,346	64,520
9 Secured Debts		-	-	-
10 Other Cash Outflows	90,556	31,824	36,222	12,730
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	90,556	31,824	36,222	12,730
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	273,059	128,934	27,306	12,893
<b>16 TOTAL CASH OUTFLOWS</b>			<b>266,874</b>	<b>90,143</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	194,543	54,823	126,410	54,549
19 Other cash inflows	-	-	-	-
<b>20 TOTAL CASH INFLOWS</b>	<b>194,543</b>	<b>54,823</b>	<b>126,410</b>	<b>54,549</b>
			<b>Upper limit applied amount</b>	
<b>21 TOTAL HLA STOCK</b>			<b>77,920</b>	<b>57,566</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>140,464</b>	<b>35,594</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>55.47%</b>	<b>161.73%</b>

(\*) The part of total cash inflows which exceeds 75% of total cash outflows is not being taken into account during the calculation of related amounts.

(\*\*) Monthly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.



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**j. Breakdown of assets and liabilities according to their outstanding maturities:**

	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Unclassified (*)</b>	<b>Total</b>
<b>30 June 2018</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	4,094	96,878	-	-	-	-	-	100,972
Due From Banks	1,707	113,087	-	-	-	-	-	114,794
Financial Assets at Fair Value Through Profit/Loss	4,467	-	-	-	-	-	-	4,467
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	5,185	-	-	3,966	2,569	-	11,720
Loans (*) (***)	-	216,048	135,458	196,939	231,168	115,755	(4,768)	890,600
Financial assets measured at amortised cost	-	-	-	-	-	-	-	-
Other Assets (*) (***)	-	3,684	45	-	-	-	273,606	277,335
<b>Total Assets</b>	<b>10,268</b>	<b>434,882</b>	<b>135,503</b>	<b>196,939</b>	<b>235,134</b>	<b>118,324</b>	<b>268,838</b>	<b>1,399,888</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	125,006	-	362,418	-	-	-	487,424
Funds Borrowed From Money Markets	-	64,111	-	-	-	-	-	64,111
Marketable Securities Issued	-	47,846	19,512	-	228,292	-	-	295,650
Miscellaneous Payables	-	11	-	-	-	-	-	11
Other Liabilities (**)	9,845	8,781	3,448	-	-	-	530,618	552,692
<b>Total Liabilities</b>	<b>9,845</b>	<b>245,755</b>	<b>22,960</b>	<b>362,418</b>	<b>228,292</b>	<b>-</b>	<b>530,618</b>	<b>1,399,888</b>
<b>Liquidity Gap</b>	<b>423</b>	<b>189,127</b>	<b>112,543</b>	<b>(165,479)</b>	<b>6,842</b>	<b>118,324</b>	<b>(261,780)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>(1,128)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,128)</b>
Financial Derivative Assets	-	20,523	-	-	-	-	-	20,523
Financial Derivative Liabilities	-	(21,651)	-	-	-	-	-	(21,651)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>15,262</b>	<b>43,738</b>	<b>146,563</b>	<b>60,764</b>	<b>-</b>	<b>113,460</b>	<b>379,787</b>
<b>31 December 2017</b>								
Total Assets	29,981	318,177	94,002	216,875	222,530	12,133	3,147	896,845
Total Liabilities	8,682	190,755	87,868	167,877	170,048	-	271,615	896,845
<b>Liquidity Gap</b>	<b>21,299</b>	<b>127,422</b>	<b>6,134</b>	<b>48,998</b>	<b>52,482</b>	<b>12,133</b>	<b>(268,468)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>(729)</b>	<b>(47)</b>	<b>356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(420)</b>
Financial Derivative Assets	-	34,503	8,307	11,645	-	-	-	54,455
Financial Derivative Liabilities	-	(35,232)	(8,354)	(11,289)	-	-	-	(54,875)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>4,651</b>	<b>5,493</b>	<b>194,317</b>	<b>51,508</b>	<b>-</b>	<b>109,958</b>	<b>365,927</b>

(\*) Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as property and equipment, intangible assets, associates and subsidiaries, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column. Allowance for expected credit losses for loans and other financial assets are presented in “Unclassified” column.

(\*\*) Shareholders’ equity, provisions and commissions collected in advance is presented under “Other liabilities” item in the “Unclassified” column.

(\*\*\*) Lease receivables are presented under “loans” line.

(\*\*\*\*) Letter of guarantees without a defined maturity are presented under unclassified column.

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**VI. EXPLANATIONS ON LEVERAGE RATIO**

Unconsolidated leverage ratio calculated in accordance with “Regulation on Measurement and Assessment of Banks’ Leverage Level” was realized as 20.8% (31 December 2017: 20.1%). The increase occurred in the on-balance sheet transactions is balanced with decrease occurred in off-balance sheet transactions, and the increase in total risk amount is parallel to the increase in equity which led to an insignificant change in leverage ratio compared to the previous period. Regulation established a 3% minimum requirement for the leverage ratio.

	<b>Current Period*</b>	<b>Prior Period *</b>
<b>Asset On The Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	1,270,958	834,480
(Assets deducted from core capital)	(876)	(865)
Total risk amount for assets on the balance sheet	1,270,082	833,615
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	5	1
Potential credit risk amount of derivative financial instruments and loan derivatives	136	549
Total risk amount of derivative financial instruments and loan derivatives	141	550
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	2,001	652
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	2,001	652
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	413,040	457,103
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	413,040	457,103
<b>Capital and Total Risk</b>		
Core capital	356,831	258,605
Total risk amount	1,685,264	1,291,920
<b>Leverage Ratio</b>		
Leverage ratio *	<b>20.8%</b>	<b>20.1%</b>

\* Arithmetic average of last three months including reporting period.

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**VII. EXPLANATIONS ON THE 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.

**General view to risk weighted amounts**

	Risk weighted amounts		Minimum capital requirements
	Current Period 30 June 2018	Prior Period 31 December 2017	Current Period 30 June 2018
Credit risk (excluding counterparty credit risk) (CCR)	1,322,175	804,097	105,774
Of which standardised approach (SA)	1,322,175	804,097	105,774
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	3,297	2,516	264
Of which standardised approach for counterparty credit risk (SA-CCR)	3,297	2,516	264
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	213	3,288	17
Of which standardised approach (SA)	213	3,288	17
Of which internal model approaches (IMM)	-	-	-
Operational risk	68,147	41,862	5,452
Of which Basic Indicator Approach	68,147	41,862	5,452
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total</b>	<b>1,393,832</b>	<b>851,763</b>	<b>111,507</b>

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**1. CR1 – Credit quality of assets :**

		<b>Gross Carrying Amounts reported in Financial Statements in accordance with TAS</b>		<b>Allowances / amortization and impairment</b>	<b>Net Value</b>
		<b>Defaulted exposures</b>	<b>Non-defaulted exposures</b>		
1	Loans (**)	-	895,368	-	895,368
2	Debt securities	-	11,720	-	11,720
3	Off-balance sheet exposures	-	379,787	-	379,787
4	<b>Total</b>	-	<b>1,286,875</b>	-	<b>1,286,875</b>

\* Since the Bank does not have any impaired loans and receivables in accordance with “Regulation Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” (“Provisioning Regulation”) published in the Official Gazette No. 26333 dated November 1, 2006, the allowances/amortization and impairment has been presented as zero in the table above.

\*\* Includes lease receivables.

**2. CR2 – Changes in stock of defaulted loans and debt securities:**

The table KR2, which shows the changes in stocks of receivables in default and debt instruments is not prepared since the Bank does not have any receivables in default and debt instruments.

**3. CR3 – Credit risk mitigation techniques:**

In order to ensure timely and complete fulfilment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The Bank discounts the collaterals by using some fixed ratios and calculates the expected cash equivalent of the collaterals in case they are transformed into cash. The difference between the credit and the cash equivalent of the collateral is defined as the net risk. In calculation of the net risk, the coefficients in the facility rating model are taken into account.

		<b>Exposures unsecured: carrying amount (According to TAS)</b>	<b>Exposures secured by collateral</b>	<b>Exposures secured by collateral, of which: secured amount</b>	<b>Exposures secured by financial guarantees</b>	<b>Exposures secured by financial guarantees, of which: secured amount</b>	<b>Exposures secured by credit derivatives</b>	<b>Exposures secured by credit derivatives, of which: secured amount</b>
1	Loans (*)	895,368	-	-	-	-	-	-
2	Debt Securities	11,720	-	-	-	-	-	-
3	<b>Total</b>	<b>907,088</b>	-	-	-	-	-	-
4	Defaulted items	-	-	-	-	-	-	-

(\*) Includes lease receivables.

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**4. CR4 – Standardised approach – Credit risk exposure and credit risk mitigation effects:**

	Risk Classifications	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		On balance sheet amount (*)	Off balance sheet amount	On balance sheet amount (*)	Off balance sheet amount	RWA (*)	RWA Density
1	Receivables from Central Governments or Central Banks	104,157	-	104,157	-	-	%0.00
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	%0.00
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	%0.00
4	Receivables from Multilateral Development Banks	-	-	-	-	-	%0.00
5	Receivables from International Organizations	-	-	-	-	-	%0.00
6	Receivables from Banks and Brokerage Corporation	111,412	99,617	111,412	99,617	47,099	%3.55
7	Corporate receivables	1,150,236	280,170	1,150,236	280,170	868,265	%65.51
8	Retail receivables	-	-	-	-	-	%0.00
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	%0.00
10	Collateralized by trading mortgages receivables	22,089	-	22,089	-	11,045	%0.83
11	Non-performing receivables	-	-	-	-	-	%0.00
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	%0.00
13	Securities collateralized by mortgages	-	-	-	-	-	%0.00
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	127,636	-	127,636	-	124,653	%9.40
15	Investments in nature of Collective Investment funds	-	-	-	-	-	%0.00
16	Equity security investments	-	-	-	-	-	%0.00
17	Other receivables	276,754	-	276,754	-	274,411	%20.70
18	<b>Total</b>	<b>1,792,284</b>	<b>379,787</b>	<b>1,792,284</b>	<b>379,787</b>	<b>1,325,472</b>	<b>%100.00</b>

(\*) Credit risk amount resulting from counterparty risk is included.

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**5. CR5 – Standardised approach – exposures by risk classes and risk weights:**

	0%	10%	20%	%50	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	104,157	-	-	-	-	-	-	-	-	104,157
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	2,828	-	2,214	49,536	-	21,888	-	-	-	76,466
7	-	-	154,178	238,801	-	718,029	-	-	-	1,111,008
8	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
10	-	-	-	22,089	-	-	-	-	-	22,089
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	42	6,083	-	121,327	184	-	-	127,636
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	2,343	-	-	-	-	274,411	-	-	-	276,754
18	<b>109,328</b>	<b>-</b>	<b>156,434</b>	<b>316,509</b>	<b>-</b>	<b>1,135,655</b>	<b>184</b>	<b>-</b>	<b>-</b>	<b>1,718,110</b>

- 1- Receivables from Central Governments or Central Banks
- 2- Receivables from Regional Management or Local Governments
- 3- Receivables from Administrative Units or Non-commercial Ventures
- 4- Receivables from Multilateral Development Banks
- 5- Receivables from International Organizations
- 6- Receivables from Banks and Brokerage Corporation
- 7- Corporate receivables
- 8- Retail receivables
- 9- Collateralized by real estate mortgages receivables
- 10- Collateralized by trading mortgages receivables

- 11- Non-performing receivables
- 12- Receivables defined in high risk category by BRSA
- 13- Securities collateralized by mortgages
- 14- Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15- Investments in nature of Collective Investment funds
- 16- Equity security investments
- 17- Other receivables
- 18- Total

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**6. CCR1 – Analysis of counterparty credit risk (CCR) exposure by approach:**

		Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	-	205	-	1.4	205	113
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	3,184
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	<b>Total</b>					-	<b>3,297</b>

**7. CCR2 – Credit valuation adjustment (CVA) capital charge:**

		Risk amount (after credit risk mitigation techniques)	Risk weighted amounts
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	20	20
4	<b>Total subject to the CVA capital charge</b>	<b>20</b>	<b>20</b>

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**8. CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:**

Risk Classifications	Risk Weights								Total Credit Risk
	0%	10%	20%	50%	75%	100%	150%	Other	
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	2,828	-	-	225	-	3,184	-	-	6,237
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>2,828</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>-</b>	<b>3,184</b>	<b>-</b>	<b>-</b>	<b>6,237</b>

**9. CCR4 – Risk class and counterparty credit risk based on PD:**

Since standard approach is used in capital adequacy calculation, the relevant table is not presented.

**10. CCR5 – Composition of collateral for CCR exposure:**

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals taken	Collaterals given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	2,828	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	-	3,952
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	2,060
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,828</b>	<b>6,012</b>



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**11. CCR6 – Kredi türevleri:**

There is no credit derivatives arising from purchasing or selling the credit derivatives of the Bank's portfolio.

**12. CCR8 - Exposures to central counterparties:**

The Bank does not have transactions related with exposures to central counterparty, the related table has not been prepared.

**13. Issues to be announced to public related to securitisation positions:**

The Bank does not have transactions related with securitizations, the related table has not been prepared.

**13. CR8 – Risk weighted assets flow statements of credit risk exposures under internal rating based approach:**

The relevant table was not presented since the Bank does not apply internal rating based approach.

**14. KR10 – IRB (specialized lending and equities under the simple risk-weight method):**

The relevant table was not presented since the Bank does not apply internal rating based model.

**2. CCR7 – Risk weighted assets flow statements of counterparty credit risk exposures under internal model method:**

The relevant table was not presented since the Bank does not apply internal model method.

**15. MR1 – Market risk under standardised approach:**

	RWA
Outright products	
1 Interest rate risk (general and specific)	-
2 Equity risk (general and specific)	-
3 Foreign exchange risk	213
4 Commodity risk	-
Options	-
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisation	-
9 Total	213

**3. MR2 – Risk weighted assets flow statements of market risk exposures under internal models approach:**

The relevant table was not presented since the Bank does not apply internal model method.

**16. MR3 – Internal models approach values for trading portfolios:**

The relevant table was not presented since the Bank does not apply internal model method.

**17. MR4 – Comparison of VaR estimates with gains/losses:**

The relevant table was not presented since the Bank does not apply internal model method.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
RISK MANAGEMENT (Continued)**

**VIII. EXPLANATIONS ON OPERATING SEGMENTS**

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>Total Assets</b>	<b>890,600</b>	<b>509,288</b>	<b>1,399,888</b>
<b>Total Liabilities</b>	<b>12,949</b>	<b>1,386,939</b>	<b>1,399,888</b>
Net Interest Income/(Loss)	45,971	(13,937)	32,034
Net Fee and Commission Income/(Loss)	1,382	-	1,382
Trading Gain/(Loss)	-	1,318	1,318
Other Operating Segments Gain/(Loss)	-	414	414
Provisions for Loan Losses and Other Receivables(-)	(1,643)	-	(1,643)
Other Operating Expense (-)(*)	-	(11,610)	(11,610)
<b>Profit Before Tax</b>	<b>45,710</b>	<b>(23,815)</b>	<b>21,895</b>
Tax Provision	-	(4,839)	(4,839)
<b>Net Profit</b>	<b>45,710</b>	<b>(28,654)</b>	<b>17,056</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>As at 31 December 2017</b>			
<b>Total Assets</b>	<b>713,048</b>	<b>183,797</b>	<b>896,845</b>
<b>Total Liabilities</b>	<b>32,091</b>	<b>864,754</b>	<b>896,845</b>
<b>For the period ended 30 June 2017</b>			
Net Interest Income/(Loss)	25,712	(7,371)	18,341
Net Fee and Commission Income/(Loss)	821	-	821
Trading Gain/(Loss)	-	1,304	1,304
Other Operating Segments Gain/(Loss)	-	84	84
Provisions for Loan Losses and Other Receivables(-)	(1,254)	-	(1,254)
Other Operating Expense (-)	-	(9,948)	(9,948)
<b>Profit Before Tax</b>	<b>25,279</b>	<b>(15,931)</b>	<b>9,348</b>
Tax Provision	-	(2,162)	(2,162)
<b>Net Profit</b>	<b>25,279</b>	<b>(18,093)</b>	<b>7,186</b>

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**SECTION FIVE**

**EXPLANATIONS AND NOTES RELATED TO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

**I. EXPLANATIONS AND NOTES RELATED TO ASSETS**

**1. Information related to cash and the account of The Central Bank of the Republic of Turkey (the “CBRT”):**

**a. Information on cash and the account of the CBRT:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	5	9	33	13
CBRT	4,035	96,923	9,754	67,773
Other	-	-	-	-
<b>Total</b>	<b>4,040</b>	<b>96,932</b>	<b>9,787</b>	<b>67,786</b>

**b. Information on the account of the CBRT:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	4,035	45	9,754	100
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	96,878	-	67,673
<b>Total</b>	<b>4,035</b>	<b>96,923</b>	<b>9,754</b>	<b>67,773</b>

According to CBRT’s “Required Reserves Announcement” numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold. The Bank does not keep reserve requirements in standard gold. CBRT started paying interest on reserve balances in TL starting from November 2014 and held in USD starting from May 2015.

The reserve rates for TL liabilities vary between 4% and 10.5% according to their maturities as of 30 June 2018 (31 December 2017: between 4% and 10.5%). The reserve rates for foreign currency liabilities vary between 4% and 24% according to their maturities as of 30 June 2018 (31 December 2017: between 4% and 24%).

**2. Information on financial assets at fair value through profit or loss:**

- a.** As of 30 June 2018, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2017: None).

As of 30 June 2018; there are no financial assets given as collateral/blocked (31 December 2017: None).

- b. Positive differences related to derivative financial assets:**

None (31 December 2017: None).

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**3. Information on banks:**

**a. Information on banks:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	42	106,336	29	68,871
Foreign	-	8,416	-	4,716
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>42</b>	<b>114,752</b>	<b>29</b>	<b>73,587</b>

**b. Information on foreign banks accounts:**

	Unrestricted Amount		Restricted Amount	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
European Union Countries	302	1,757	-	-
USA, Canada	1,088	2,959	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	7,026	-	-	-
<b>Total</b>	<b>8,416</b>	<b>4,716</b>	<b>-</b>	<b>-</b>

(\*) OECD Countries other than EU countries, USA and Canada.

**4. Information on financial assets at fair value through other comprehensive income:**

- a. As of 30 June 2018 there are financial assets given as collateral/blocked amounting to TL 4,474 (31 December 2017: TL 711).

As of 30 June 2018 there are financial assets at fair value through other comprehensive income subject to repo transactions amounting to TL 6,012 (31 December 2017: TL 9,922).

**b. Information on financial assets at fair value through other comprehensive income:**

	30 June 2018	31 December 2017
Debt Securities	11,720	21,308
Quoted on Stock Exchange	11,720	14,019
Not Quoted	-	7,289
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>11,720</b>	<b>21,308</b>

**5. Explanations on loans:**

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

	30 June 2018		31 December 2017	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	37,407	555	31,699
Legal Entities	-	37,407	555	31,699
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
<b>Total</b>	<b>-</b>	<b>37,407</b>	<b>555</b>	<b>31,699</b>

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- b. Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:**

Cash Loans	Standard Loans	Loans Under Close Monitoring		
		Loans Not Subject to restructuring	Restructured Loans	
			Revised Contract Terms	Refinance
<b>Non-specialized Loans</b>	<b>873,279</b>	-	-	-
Loans given to enterprises	337,586	-	-	-
Export Loans	4,594	-	-	-
Import Loans	-	-	-	-
Loans Granted to Financial Sector	313,686	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	217,413	-	-	-
<b>Specialized Loans</b>	-	-	-	-
<b>Other Receivables</b>	-	-	-	-
<b>Total</b>	<b>873,279</b>	-	-	-

Expected Credit Loss	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	4,768	-
Significant Increase in Credit Risk	-	-
<b>Total</b>	<b>4,768</b>	-

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	8,891	-
Extended by 3,4 or 5 times	8,023	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>16,914</b>	-

Extended period of time	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	8,891	-
2 - 5 Years	8,023	-
5 Years and over	-	-
<b>Total</b>	<b>16,914</b>	-

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**c. Breakdown of loans according to their maturities:**

	Standard Loans and other receivables		Loans and Other Receivables Under Close Monitoring	
	Loans and other receivables	Restructured or rescheduled loans and other receivables	Cash Loans	Loans and other receivables
<b>Cash Loans</b>				
<b>Short-term loans</b>	<b>478,122</b>	<b>8,023</b>	-	-
Non-specialized loans	478,122	8,023	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
<b>Medium/Long-term Loans</b>	<b>378,243</b>	<b>8,891</b>	-	-
Non-specialized loans	378,243	8,891	-	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-

**d. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

None (31 December 2017: None).

**e. Information on commercial instalment loans and corporate credit cards:**

<b>30 June 2018</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	<b>6,007</b>	<b>6,007</b>
Business residential loans	-	-	-
Automobile loans	-	3,900	3,900
Consumer loans	-	2,107	2,107
Other	-	-	-
<b>Commercial installment loans- Indexed to FC</b>	-	<b>19,162</b>	<b>19,162</b>
Business residential loans	-	-	-
Automobile loans	-	4,287	4,287
Consumer loans	-	14,875	14,875
Other	-	-	-
<b>Commercial installment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Overdraft accounts-TC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>25,169</b>	<b>25,169</b>

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<b>Prior Period: 31 December 2017</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	<b>7,003</b>	<b>7,003</b>
Business residential loans	-	-	-
Automobile loans	-	4,949	4,949
Consumer loans	-	2,054	2,054
Other	-	-	-
<b>Commercial installment loans- Indexed to FC</b>	-	<b>3,416</b>	<b>3,416</b>
Business residential loans	-	-	-
Automobile loans	-	3,416	3,416
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Overdraft accounts-TC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>10,419</b>	<b>10,419</b>

**f. Loans according to types of borrowers:**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Public	-	-
Private	873,279	679,099
<b>Total</b>	<b>873,279</b>	<b>679,099</b>

**g. Distribution of domestic and foreign loans:**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Domestic Loans	754,264	621,553
Foreign Loans	119,015	57,546
<b>Total</b>	<b>873,279</b>	<b>679,099</b>

**h. Loans granted to investments in associates and subsidiaries:**

None (31 December 2017: None).

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**i. Specific provisions accounted for loans:**

None (31 December 2017: None).

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

**1. Information on non-performing loans restructured or rescheduled and other receivables:**

None (31 December 2017: None).

**2. Information on the movement of total non-performing loans:**

None (31 December 2017: None).

**3. Information on non-performing loans granted as foreign currency loans:**

None (31 December 2017: None).

**4. Information on non-performing loans based on types of borrowers:**

None (31 December 2017: None).

**5. Information on interest accruals, rediscounts, valuation differences and their provisions calculated for non-performing loans in accordance with TFRS 9:**

None.

**k. Information on the collection policy of non-performing loans and other receivables and information on the write-off policy of the Bank:**

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so. As of 30 June 2018, there is no liquidation or decrease in assets (31 December 2017: None).

**6. Information on financial assets measured at amortised cost:**

None (31 December 2017: None).

**7. Information on investments in associates:**

None (31 December 2017: None).



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**8. Information on subsidiaries (Net):**

None (31 December 2017: None).

**9. Information on joint ventures:**

None (31 December 2017: None).

**10. Information on lease receivables (net):**

a. Remaining maturities of financial lease investments:

	30 June 2018		31 December 2017	
	Gross	Net	Gross	Net
Up to 1 Year	14,688	12,522	17,472	17,018
1 – 4 Years	11,198	9,567	22,076	16,931
Over 4 Years	-	-	-	-
<b>Total</b>	<b>25,886</b>	<b>22,089</b>	<b>39,548</b>	<b>33,949</b>

b. Information on financial lease receivables:

	30 June 2018	31 December 2017
Gross financial lease receivables	25,886	39,548
Unearned income	(3,797)	(5,599)
Canceled leasing amounts	-	-
<b>Net financial lease receivables</b>	<b>22,089</b>	<b>33,949</b>

**11. Information on hedging derivative financial assets:**

None (31 December 2017: None).

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**12. Information on property and equipment:**

<b>Prior Period End: 31 December 2017</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	1,162	1,433
Accumulated Depreciation(-)	-	(271)	(507)	(778)
Net Book Value	-	-	655	655
<b>Current Period End: 30 June 2018</b>				
Net Book Value at the beginning of the Period	-	-	655	655
Additions	-	-	35	35
Disposals(-), net	-	-	-	-
Depreciation (-)	-	-	(98)	(98)
Impairment	-	-	-	-
Cost at Period End	-	271	1,197	1,468
Accumulated Depreciation at Period End (-)	-	(271)	(605)	(876)
Closing Net Book Value	-	-	592	592

<b>Prior Period End: 31 December 2016</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	1,080	1,351
Accumulated Depreciation(-)	-	(203)	(467)	(670)
Net Book Value	-	68	613	681
<b>Current Period End: 31 December 2017</b>				
Net Book Value at the beginning of the Period	-	68	613	681
Additions	-	-	212	212
Disposals(-), net	-	-	(4)	(4)
Depreciation (-)	-	(68)	(166)	(234)
Impairment	-	-	-	-
Cost at Period End	-	271	1,162	1,433
Accumulated Depreciation at Period End (-)	-	(271)	(507)	(778)
Closing Net Book Value	-	-	655	655

**13. Informations on intangible assets:**

	<b>Current Period 30 June 2018</b>	<b>Prior Period 31 December 2017</b>
Net Book Value at the beginning of the Period	869	981
Additions	211	414
Disposals(-), net	-	-
Depreciation (-)	(282)	(526)
Closing Net Book Value	798	869

**14. Information on investment property:**

The Bank has purchased a real estate classified as investment property amounting to TL 260,916 as of balance sheet date with the deed transfer process has completed as of 18 June 2018, the Bank obtained the right of usage of the real estate and (31 December 2017: None). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value in accordance with TAS 40 “Investment Property”.

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**15. Information on deferred tax asset:**

The Bank calculates deferred tax asset or liability on the differences between the applied accounting policies and valuation bases and tax legislation that comes from timing differences and reflects the amount on the financial statements.

As of 30 June 2018, the Bank calculated deferred tax asset amounting TL 2,343 and reflected this amount to the financial statements (31 December 2017: TL 900 deferred tax asset – before TFRS 9 Standard).

In the situation that the difference between the book value and value subject to tax of the assets that are subject to deferred tax is related to equity accounts, deferred tax asset or liability is netted with the relevant accounts in this group.

	<b>30 June 2018</b>		<b>31 December 2017(*)</b>	
	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>
Provision for employee benefits	541	119	475	105
Expense provisions	188	41	256	56
Expected credit losses (*)	6,075	1,336	4,855	1,068
Other	4,774	1,050	3,830	842
<b>Deferred Tax Asset</b>	<b>11,578</b>	<b>2,546</b>	<b>9,416</b>	<b>2,071</b>
Tangible and intangible assets	(423)	(93)	(470)	(103)
Other	(505)	(110)	-	-
<b>Deferred Tax Liability</b>	<b>(928)</b>	<b>(203)</b>	<b>(470)</b>	<b>(103)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>10,650</b>	<b>2,343</b>	<b>8,946</b>	<b>1,968</b>

(\*) Deferred tax asset amounting to TL 1,068 has been accounted in the opening balance sheet of current period in according to TFRS 9 application and the related deferred tax amount is presented in “Prior years’ profits or losses” line under Shareholders’ equity. The table above includes deferred tax amount of TL 1,068 as of 31 December 2017.

**16. Information on assets held for resale and discontinued operations:**

None (31 December 2017: None).

**17. Information on other assets:**

As of 30 June 2018, other assets amount to TL 12,908 (31 December 2017: TL 3,931) and do not exceed 10% of total balance sheet except off balance sheet commitments.

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**II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES**

**1. Information on deposits:**

The Bank has no deposits due to its nature as an investment bank.

**2. Negative differences related to derivative financial liabilities:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Forward	-	900	380	-
Swap	-	-	-	692
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	-	<b>900</b>	<b>380</b>	<b>692</b>

**3. Information on borrowings:**

**a. Information on banks and other financial institutions:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	58,563	-	18,521	27,518
From Foreign Banks, Institutions and Funds	23,014	405,847	21,069	274,279
<b>Total</b>	<b>81,577</b>	<b>405,847</b>	<b>39,590</b>	<b>301,797</b>

**b. Information on maturity structure of borrowings:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	81,577	32,313	39,590	62,390
Medium and Long-term	-	373,534	-	239,407
<b>Total</b>	<b>81,577</b>	<b>405,847</b>	<b>39,590</b>	<b>301,797</b>

**c. Additional explanation related to the concentrations of the Bank’s major liabilities on the basis of concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:**

The Bank, funds its assets mainly with funds borrowed, its capital and securities issued. The major portion of the funds borrowed is provided from the Bank’s main shareholder and its risk group. Additionally, a portion of the issued securities are sold to the risk group companies. The Bank’s total borrowings from its risk group constitutes 26% of total assets.

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**4. Information on Repo Transactions:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
Financial Institutions	-	-	7,224	-
Other	-	2,828	833	-
<b>Total</b>	<b>-</b>	<b>2,828</b>	<b>8,057</b>	<b>-</b>

**5. Securities Issued:**

The Bank has performed five bond issuance until 30 June 2018 in the year 2018. The summary information regarding those issuances and unredeemed bonds as of 30 June 2018 are as follows:

Code of issued security	Security type	Issue date	Issued nominal amount	Maturity date	Total days	Redeem status
AZ2002020173	Couponed	14/06/2018	25,000 USD	14/09/2021	1,188	-
TRFPASH91810	Discounted	23/05/2018	21,083 TL	04/09/2018	104	-
TRFPASH51814	Discounted	22/01/2018	36,000 TL	31/05/2018	129	Redeemed
TRFPASH71812	Discounted	16/02/2018	32,500 TL	06/07/2018	140	-
TRFPASH71820	Discounted	01/03/2018	25,000 TL	31/07/2018	157	-
AZ2001020174	Couponed	22/09/2017	25,000 USD	22/12/2022	1,917	-

Total carrying amount of issued bonds is TL 295,650 as at 30 June 2018 (31 December 2017 – TL 181,741).

**6. Information on maturity of borrower fund:**

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over 5 Years
<b>30 June 2018</b>						
Borrower funds	9,845	2,722	382	-	-	-
<b>31 December 2017</b>						
Borrower fund	8,681	11,306	-	-	-	-

**7. Information on financial lease agreements (Net):**

None (31 December 2017: None).

**8. Information on hedging derivative financial liabilities:**

None (31 December 2017: None).

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**9. Information on provisions:**

**a. Information on general provisions:**

As of 1 January 2018, the Bank has applied TFRS 9 regulation and has started to calculate allowance for expected credit losses. The Bank presented allowance for expected credit losses for loans and lease receivables, banks, securities and other balance sheet items by offsetting the assets in the balance sheet. Allowance for expected credit losses amounting to 1,040 for non-cash loans such as guarantees and warranties which presented in off-balance sheet are presented in “10.4 Other provisions” under “Liabilities”. The summary of respective provisions is as follows:

<b>30 June 2018</b>	<b>Standard Loans</b>	<b>Loans Under Close Monitoring</b>
12 Months Expected Credit Loss	1,040	-
Significant Increase in Credit Risk	-	-
<b>Total</b>	<b>1,040</b>	<b>-</b>

The information on the general provisions of the Bank as of 31 December 2017 before adoption of TFRS 9 is presented below:

	<b>31 December 2017</b>
Provisions for Group I. Loans and Receivables	6,710
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Group II. Loans and Receivables	-
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non Cash Loans	479
Other	204
<b>Total</b>	<b>7,393</b>

**b. Information on provisions related with foreign currency difference of foreign indexed loans:**

None (31 December 2017: TL 99).

**c. Information on specific provisions for non-cash loans that are non-funded and non-transformed into cash:**

None (31 December 2017: None).

**d. Information on other provisions:**

**i. Information on provisions for possible risks:**

None (31 December 2017: None).

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**ii. Obligations related to employee rights:**

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	<b>30 June 2018</b>	<b>31 December 2017</b>
Discount rate (%)	5.14	5.14

The movement of employee termination benefits is shown below:

	<b>30 June 2018</b>	<b>31 December 2017</b>
<b>Balance at the Beginning of the Period</b>	<b>238</b>	<b>180</b>
Provisions Recognised During the Period	48	58
<b>Balance at the end of the period</b>	<b>286</b>	<b>238</b>

In addition, as of 30 June 2018 the Bank has unused vacation provision of TL 255 (31 December 2017: TL 237).

**iii. Other provisions are explained if they exceed 10% of the total provision balance:**

Other provisions amount of TL 2,269 is comprising of TL 1,040 expected credit loss for non-cash loans, TL 967 bonus provisions and TL 262 for ongoing lawsuits (31 December 2017: TL 1,792).

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**10. Information on taxes payable:**

**a. Information on current year tax liability:**

**i) Information on tax provision:**

The explanations on tax calculation has been presented in Section Three. The Bank recognized TL 3,448 as current tax liability as of 30 June 2018 (31 December 2017: TL 1,673).

**ii) Information on taxes payable:**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Corporate Tax Payable	3,448	1,673
Taxation on Marketable Securities	6	10
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	396	278
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	30	162
Other	259	250
<b>Total</b>	<b>4,139</b>	<b>2,373</b>

**iii) Information on premium payables:**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Social Security Premiums – Employee	76	65
Social Security Premiums – Employer	84	72
Bank Social Aid Pension Fund Premium- Employee	-	-
Bank Social Aid Pension Fund Premium – Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance – Employee	5	5
Unemployment Insurance – Employer	11	9
Other	-	-
<b>Total</b>	<b>176</b>	<b>151</b>

**b. Information on deferred tax liability:**

Explanations on the taxation of the Bank are presented in Section Five in related explanations and notes.



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**11. Information on liabilities for assets held for sale and assets of discontinued operations:**

None (31 December 2017: None).

**12. Information on the quantity, maturity date, interest rate and supplier firm of the subordinated loans given to the bank and transactional option if there are any marketable securities:**

None (31 December 2017: None).

**13. Information on shareholders’ equity:**

**a. Presentation of paid-in capital:**

	30 June 2018	31 December 2017
Common Stock	500,000	255,000
Preferred Stock	-	-

**b. Paid-in capital amount, explanation as to whether the registered share capital system is applied and if so, amount of registered share capital ceiling:**

The Bank does not apply the registered share capital system.

**c. Information on share capital increases and their sources; other relevant information on increased share capital in current period:**

The paid-in capital of the Bank has increased from TL 255,000 to TL 500,000 by TL 245,000 cash injection by Pasha Holding LLC in the current period.

**d. Explanation on the transfers from capital reserve to paid-in capital in the current period:**

None.

**e. Information on capital commitments, the general purpose and the estimated sources for these commitments until the end of the fiscal year and the subsequent interim period:**

None (31 December 2017: None).

**f. Information on the Bank’s income, profitability, prior period indicators on liquidity and uncertainty on these indicators and their potential effects on the Bank’s capital:**

The Bank considers there is no uncertainty regarding the prior period income, profitability and liquidity indicators, therefore the Bank does not foresee an effect on capital.

**g. Summary information about privileged shares representing the capital:**

None (31 December 2017: None).

**h. Information on marketable securities value increase fund:**

	30 June 2018		31 December 2017	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(16)	-	(49)	1
Rate difference	-	-	-	-
<b>Total</b>	<b>(16)</b>	<b>-</b>	<b>(49)</b>	<b>1</b>

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**III. EXPLANATIONS AND NOTES RELATED TO OFF-BALANCE SHEET ACCOUNTS**

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

**a. The amount and type of irrevocable commitments:**

<b>Irrevocable Commitments</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
Forward Asset purchase and sale commitments	8,133	4,879
Forward Deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	17
Other Irrevocable commitments	-	-
<b>Total</b>	<b>8,150</b>	<b>4,896</b>

**b. Type and amount of probable losses and obligations arising from off-balance sheet items:**

**1. Non-cash loans including guarantees, bank acceptances, collaterals and others that are accepted as financial commitments and other letter of credits:**

As of 30 June 2018, the Bank has guarantee and indemnities amounting TL 325,059 (31 December 2017: TL 332,077) based upon the letter of guarantee and letter of credit.

**2. Revocable, irrevocable guarantees and other similar commitments and contingencies:**

As of 30 June 2018, the Bank has other guarantees amounting TL 54,728 (31 December 2017: TL 33,850).

**c. Total amount of non-cash loans:**

	<b>30 June 2018</b>	<b>31 December 2017</b>
Non-cash Loans Given against Cash Loans	231,439	207,861
With Original Maturity of 1 Year or Less Than 1 Year	136,203	131,867
With Original Maturity of More Than 1 Year	95,236	75,994
Other Non-cash Loans	148,348	158,066
<b>Total</b>	<b>379,787</b>	<b>365,927</b>

**d. Information on sectoral risk concentrations of non-cash loans:**

	<b>Current Period</b>				<b>Prior Period</b>			
	<b>30 June 2018</b>				<b>31 December 2017</b>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agricultural</b>	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>1,842</b>	<b>0.87</b>	<b>5,164</b>	<b>3.06</b>	<b>1,842</b>	<b>0.90</b>	<b>46,532</b>	<b>29.00</b>
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.86	5,164	3.06	1,817	0.89	46,532	29.00
Electric, Gas and Water	25	0.01	-	-	25	0.01	-	-
<b>Construction</b>	<b>6,307</b>	<b>2.99</b>	<b>24,628</b>	<b>14.61</b>	<b>4,037</b>	<b>1.96</b>	<b>25,873</b>	<b>16.12</b>
<b>Services</b>	<b>203,113</b>	<b>96.14</b>	<b>138,733</b>	<b>82.33</b>	<b>199,594</b>	<b>97.14</b>	<b>88,049</b>	<b>54.88</b>
Wholesale and Retail Trade	9,527	4.51	56,602	33.59	6,303	3.07	27,894	17.38
Hotel, Food and Beverage Services	1,450	0.69	-	-	1,865	0.91	-	-
Transportation and Telecommunication	9,505	4.50	34,107	20.24	18,705	9.10	19,424	12.11
Financial Institutions	182,010	86.15	37,406	22.20	172,087	83.75	31,700	19.76
Real Estate and Leasing Services	621	0.29	10,618	6.30	634	0.31	9,031	5.63
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>211,262</b>	<b>100.00</b>	<b>168,525</b>	<b>100.00%</b>	<b>205,473</b>	<b>100.00</b>	<b>160,454</b>	<b>100.00</b>

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**e. Information on the non-cash loans classified in Group I and Group II:**

30 June 2018	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>211,262</b>	<b>168,525</b>	-	-
Letters of Guarantee	211,262	113,797	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	54,728	-	-

**2. Information on derivative transactions:**

	30 June 2018	31 December 2017
Forward foreign currency purchase transactions	20,523	19,953
Forward foreign currency sell transactions	21,651	19,642
Currency swap-buy	-	32,061
Currency swap-sell	-	32,795
<b>Toplam</b>	<b>42,174</b>	<b>104,451</b>

**3. Information on credit derivatives and related imposed risks:**

None (31 December 2017: None).

**4. Information on Contingent Assets and Liabilities:**

*(i) Contingent assets*

None.

*(ii) Contingent liabilities*

As of 30 June 2018, the Bank has reflected the provision for its ongoing lawsuits amounting TL 262 to the financial statements (31 December 2017: TL 262). The process regarding the law suits is still ongoing and decisions will be finalised after trial.

The Bank issued indemnification letters in favour of the members of Board of Directors engaged in the past to protect them against possible claims.

**5. Information on services in the name of others’ names and accounts:**

None (31 December 2017: None).

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**IV. EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT**

**1. Information on interest income:**

**a. Information on interest income on loans:**

	30 June 2018		30 June 2017	
	TL	FC	TL	FC
Short-term Loans	30,585	295	20,827	183
Medium/Long-term Loans	4,665	8,586	1,504	2,440
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>35,250</b>	<b>8,881</b>	<b>22,331</b>	<b>2,623</b>

(\*) Commission income from cash loans are also included.

**b. Information on interest income on banks:**

	30 June 2018		30 June 2017	
	TL	FC	TL	FC
From the CBRT (*)	728	-	233	-
From Domestic Banks	2,320	628	136	11
From Foreign Banks	-	6	25	-
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>3,048</b>	<b>634</b>	<b>394</b>	<b>11</b>

(\*) The interest income from required reserves are also included.

**c. Information on interest income on marketable securities:**

	30 June 2018		30 June 2017	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From financial assets at fair value through other comprehensive income	1,405	71	669	381
From financial assets measured at amortised cost	-	-	-	-
<b>Total</b>	<b>1,405</b>	<b>71</b>	<b>669</b>	<b>381</b>

**d. Information on interest income received from investments in associates and subsidiaries:**

None (30 June 2017: None).

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**2. Information on interest expense:**

**a. Information on interest expense on borrowings:**

	30 June 2018		30 June 2017	
	TL	FC	TL	FC
Banks	2,661	5,288	2,812	2,212
The CBRT	-	-	-	-
Domestic Banks	642	41	1,109	236
Foreign Banks	2,019	5,247	1,703	1,976
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>2,661</b>	<b>5,288</b>	<b>2,812</b>	<b>2,212</b>

**b. Information on interest expense given to investments in associates and subsidiaries:**

None (30 June 2017: None).

**c. Interest expense on issued marketable securities:**

	30 June 2018		30 June 2017	
	TL	FC	TL	FC
Interest on securities issued	5,771	2,764	2,826	-

**d. Maturity structure of the interest expense on deposits:**

None (30 June 2017: None).

**3. Information on dividend income:**

None (30 June 2017: None).

**4. Information on trading income/loss (Net):**

	30 June 2018	30 June 2017
<b>Income</b>	<b>71,383</b>	<b>50,441</b>
Income from Capital Market Transactions	311	163
Income from Derivative Financial Transactions (*)	108	830
Foreign Exchange Gains	70,964	49,448
<b>Loss (-)</b>	<b>(70,065)</b>	<b>(49,137)</b>
Loss from Capital Market Transactions(-)	(19)	(7)
Loss from Derivative Financial Transactions (-)(*)	(1,985)	(2,123)
Foreign Exchange Loss (-)	(68,061)	(47,007)
<b>Net Trading Income/Loss</b>	<b>1,318</b>	<b>1,304</b>

(\*) Due to the short maturity of derivative financial instruments held by the Bank, the major part of gains and loss from derivative financial transactions are resulted from changes in exchange rates.

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

Other operating income includes TL 350 income from previous years’ provision cancellations and TL 64 income from other operations. There is no income regarding extraordinary accounts (30 June 2017: total other operating income TL 84).

**6. Provision expenses related to loans and other receivables:**

	30 June 2018
<b>Expected Credit Loss</b>	<b>1,570</b>
12 Month Expected Credit Loss (Stage 1)	1,570
Significant increase in credit risk (Stage 2)	-
Non-Performing Loans (Stage 3)	-
<b>Marketable Securities Impairment Provision</b>	<b>73</b>
Financial Assets at Fair Value Through Profit or Loss	73
Financial Assets At Fair Value Through Other Comprehensive Income	-
<b>Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease</b>	<b>-</b>
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	-
<b>Total</b>	<b>1,643</b>

	30 June 2017
Specific Provisions for Loans and Other Receivables	-
III. Group Loans and Receivables	-
IV. Group Loans and Receivables	-
V. Group Loans and Receivables	-
General Provision Expenses	1,254
Provision Expense for Possible Risks	-
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-Maturity Investments	-
Other	-
<b>Total</b>	<b>1,254</b>

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**7. Information related to other operating expenses:**

	<b>30 June 2018</b>	<b>30 June 2017</b>
Personnel Expenses	6,220	5,035
Reserve For Employee Termination Benefits(*)	66	64
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	98	111
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	282	260
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	3,558	2,986
Operational Lease Expenses	989	928
Maintenance Expenses	13	12
Advertising Expenses	108	134
Other Expense	2,448	1,912
Loss on Sales of Assets	-	3
Other	1,386	1,489
<b>Total</b>	<b>11,610</b>	<b>9,948</b>

(\*) Provision expenses for unused vacation provision and employee termination benefits are presented in personnel expenses line of current period profit and loss statement.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**8. Information on income/(loss) before tax from continuing or discontinued operations:**

Profit before tax consists of net interest income/expense amounting TL 32,034, net commission fee income/expense amounting TL 1,382, trading profit/loss amounting TL 1,318, other operating income amounting TL 296, provision for loan losses and other receivables amounting to TL 1,643 and other operating expenses including personnel expenses amounting TL 11,610.

**9. Information on provision for taxes from continuing or discontinued operations:**

As of 30 June 2018 the Bank has current tax expense TL 5,212 TL (30 June 2017: TL 1,844). The Bank has deferred tax gain amounting to TL 373 (30 June 2017: TL 318 loss).

As of 30 June 2018, the Bank doesn't have any discontinued operations.

**10. Information on net income/(loss) from continuing or discontinued operations:**

The Bank doesn't have discontinued operations. The Bank's net profit from continuing operations amounting to TL 17,056 (30 June 2017: TL 7,186).

**11. Information on net income/(loss) for the period:**

- a. If the disclosure of ordinary banking transactions and the composition of income and expense items is necessary to understand the annual performance of Bank, the composition and amount of these items:**

None (30 June 2017: None).

- b. If an accounting estimate change significantly affects the profit/loss in the current period or has a probability to significantly affect the profit/loss in the subsequent periods, the overall effect is disclosed:**

There is no significant change in accounting estimates which would affect the current or the subsequent periods.

**12. Disclosure of 20% of sub-accounts in the case of other line items exceed 10% of the income statement total.**

Information related to other income and disclosure and footnotes related to income statement and information related to other expenses and disclosure and footnotes related to income statement are presented in footnote numbered 5 and footnote numbered 7 respectively.



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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**V. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CHANGES IN THE  
SHAREHOLDERS’ EQUITY**

**1. Information on financial assets at fair value through other comprehensive income:**

“Unrealized gains and losses” arising from changes in the fair value of securities classified as financial assets at fair value through other comprehensive income are not recognized in current year income statements; they are recognized in the “Marketable securities value increase fund” account under equity, until the financial assets are sold, disposed or impaired.

There is gain for marketable securities valuation difference related to financial assets at fair value through other comprehensive income of TL 32 (30 June 2017: TL 8 gain for marketable securities valuation difference).

**2. Amounts transferred to legal reserves:**

In the current period, after distributing TL 5,331 profit for the year 2017, TL 266 is transferred to legal reserves and TL 5,065 extraordinary reserves.

**3. Information on distribution of profit:**

No dividend distribution has been announced after the balance sheet date.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

**1. Information on cash and cash equivalents:**

**Components of cash and cash equivalents and the accounting policy applied in their determination:**

The effect of any change in the accounting policy of current period and the balance sheet recorded amounts of the components that make up cash and cash equivalents (rediscount amounts, excluding reserve requirements, placements with maturity longer than 3 months and blocked accounts) are considered as cash and cash equivalents.

**a. Cash and cash equivalents at the beginning and end of the period:**

<b>Beginning of the period</b>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Cash</b>	<b>77,573</b>	<b>34,436</b>
Cash, Foreign Currency and Other	46	30
T.C. Central Bank	77,527	34,406
Other	-	-
<b>Cash Equivalents</b>	<b>73,616</b>	<b>44,277</b>
Banks	73,616	29,144
Interbank Money Market Placements	-	15,133
<b>Total Cash and Cash Equivalents</b>	<b>151,189</b>	<b>78,713</b>
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(67,673)	(19,579)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>83,516</b>	<b>59,134</b>

<b>End of the period</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
<b>Cash</b>	<b>100,972</b>	<b>47,544</b>
Cash, Foreign Currency and Other	14	31
T.C. Central Bank	100,958	47,513
Other	-	-
<b>Cash Equivalents</b>	<b>114,794</b>	<b>29,260</b>
Banks	114,794	29,260
Interbank Money Market Placements	-	-
<b>Total Cash and Cash Equivalents</b>	<b>215,766</b>	<b>76,804</b>
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(96,878)	(34,488)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>118,888</b>	<b>42,316</b>

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**2. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**

The “Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to TL 5,836 (30 June 2017: TL 4,334) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 5,003 (30 June 2017: TL 20,836) consists of mainly changes in prepaid expenses, lease receivables and other assets.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 21,190 (30 June 2017: 49,213) consists of mainly changes in money market payables, borrower funds, miscellaneous payables, other liabilities and taxes and other duties payable.

The “Other” item under “Net cash provided from / (paid for) investing activities” amounting to TL 211 (30 June 2017: 208) consists of amounts paid for purchases of intangible assets.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)**

**VII. EXPLANATIONS AND NOTES RELATED TO THE BANK’S RISK GROUP**

**1. The volume of transactions relating to the Bank’s risk group, outstanding loan and deposit transactions and profit and loss of the period:**

**a. Current Period:**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	555	31,699	-	-
End of the Period	-	-	-	37,407	-	-
Interest and Commission Income Received	-	-	12	177	-	-

**Prior Period:**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	30,199	-	-
End of the Period	-	-	555	31,699	-	-
Interest and Commission Income Received	-	-	-	134	-	-

**b. Information on deposits of the Bank’s risk group:**

The Bank doesn’t have any deposits since it is an investment bank.

**c. Information on forward and option agreements and other similar agreements made with the Bank’s risk group:**

There are no derivative transactions with the Bank’s Risk Group (31 December 2017: None).

As of 30 June 2018, the Bank has TL 158 due from banks from its risk group (31 December 2017: TL 1).

As of 30 June 2018, the Bank has TL 17 borrower funds from its risk group (31 December 2017: TL 20).

As of 30 June 2018, the Bank has borrowings from its risk group amounting to TL 147,265 (31 December 2017: TL 186,735). Additionally, TL 223,498 of the securities issued abroad were sold to Bank’s risk group (31 December 2017: TL 90,447).

**d. Information on key management compensation:**

As of 30 June 2018, total benefits paid key management amounts to TL 2,625 (30 June 2017: TL 1,204).

**VIII. EXPLANATIONS AND NOTES RELATED TO THE DOMESTIC, FOREIGN, OFF-SHORE BRANCHES AND FOREIGN REPRESENTATIVES OF THE BANK**

None (31 December 2017: None).

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

**I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK**

None.

**II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS**

None.

**III. EXPLANATIONS ON REVIEW REPORT**

The unconsolidated financial statements for the period ended 30 June 2018 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s review report dated 6 August 2018 has been presented preceding the unconsolidated financial statements.

**IV. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS**

None.

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**SECTION SEVEN**

**Explanation related for Interim financial report**

**Message from the Chairman**

Esteemed Stakeholders,

Following robust growth, the Turkish economy is on the path of alignment of current economic performance with potential growth of the country. Soft landing of the economy bears very high importance provided the fact that it decreases overheating symptoms in the economy, for instance, decline in current account deficit, deceleration of inflation, stability of exchange rate etc. It is worth to underline that main international organizations still project positive economic growth for 2018 between the range of 3% to 4% despite latest downward revisions. Having growth rate performance over the 3% is quite strong success factor considering unstable and distressed external environment, namely, monetary normalization of FED, on-going trade disputes between countries, increasing political and geo-political tension etc.

Despite uneasy times, the overall banking system has succeeded to maintain growth and stability performance. In the first half of the year, the total assets of the system has increased by 24% reaching TL 3,672 billion. The same trend was recorded in loan portfolio as well, where growth rate and amount equal to 23% and TL 2,353 billion, respectively. It is worth to note that, around 60% of loan expansion from the beginning of the year is resulted from currency revaluations on the other hand, the increase in TL loans have been %7. In addition, preventive prudential measures by the banking regulator with respect to managing currency risk in big companies borrowing in foreign currency has provided significant buffer for the times of high volatility in exchange rate.

It is definitely our We are proud to say that PASHA Bank as a dynamic market player keeps going on its expansion with the pace of above the market. As a result, the market share of the Bank has gone up, and its total assets have reached TL 1.400 million which is 115% higher compared to the first half of prior year. Our cash loan and leasing receivables portfolio, comprising 64% of total assets, increased by 66% compared to same period of prior year and reached TL 891 million. Due to effective risk management framework, and prudent credit policy pursued by the Bank we have been successful in preserving zero level of NPL in our balance sheet. It is worth to underline that flexible revisiting of credit policy, adjusting tactics of credit and underwriting policy to the current realities of macroeconomic environment etc. are forming substance of the overall risk approach of the Bank. As a reliable indication of trust to the Bank and the national economy, the Bank's paid-in capital has been increased by TL 245 million in cash to a total TL 500 million. Additionally, the Bank has acquired an investment property which is planned to be used as the headquarter in the future.

First half of this year is actually the beginning of new 2020 strategy of the Bank where the strategic objectives have been set as continuing as an investment bank, leveraging up, increasing profitability and achieving diversification. To achieve strategic objectives, the Bank would need to quickly build its balance sheet up. By the end of new strategic period, in 2020, aggressive growth of the business is envisaged where project finance, sale and leaseback and cash loans are supposed to be main drivers. All strategic targets and initiatives of the Bank are supposed to yield two-digit growth in main performance indicators, fast convergence to efficiency and profitability metrics vis-a-vis the benchmark and reliable business partner in supporting regional economic relationships.

In order to execute the strategy successfully we would allocate substantial investments in employee development and information technology to build up the required capabilities. In overall, agility and know-how regarding focus sectors are expected to be differentiating capabilities where the Bank would need to excel. Risk management, credit management, fund raising, talent acquisition etc. are the direct examples for the latter. It is extremely important to remind that initiatives by the Bank with respect to strengthening risk management capacity is proved to be very preventive considering current market challenges and supportive providing transition in provisioning (IFRS 9).

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**Message from the Chairman (continued)**

We will continue to make efforts to diversify bank’s funding structure and expand our correspondent network and investor base. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the current environment characterized with increasing tensions and stress in the market. We shall continue our efforts of offering products and services that are tailored to our customers’ needs to make banking experience a gainful experience with PASHA Bank.

I am truly looking forward to have an operating environment supported with stability at macro level and shared prosperity of stakeholders at micro level. Therefore, I would like to take this opportunity to thank our valued employees and our management team for their dedicated professional work, our customers for their confidence in PASHA Bank and our shareholders and all business partners for their valuable support. It is definitely their goodwill that renews our belief in ourselves and our potential to be more.

Sincerely Yours,

**Jalal Gasimov  
Chairman**

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**Message of General Manager**

The second quarter was more active than the first quarter of the year. We left behind presidential election and the general elections with the decision to hold an early election. Both emerging markets and Turkish financial markets followed a fluctuating course with political and macroeconomic developments. Central Banks of the Turkey continued its tight monetary policy stance by the upward acceleration of inflation and took steps towards simplification. Since the beginning of the year, CBRT has increased by 500 basis points in policy rate. While the meetings and statements of the European Central bank and US Federal Reserve were being monitored, a 25 basis more points interest rate hike by Central Bank of USA, FED.

We, as PASHA Bank, continued to maintain our sustainable profitability target, increasing our product range and diversify our resources as we posted TL 17 million profit at the end of first quarter. Our asset volume reached 1.4 billion TL. Our total loan volume including the lease receivables excluding provisions realized at a level of TL 1.275 million of which TL 895 million comprised of cash loans and lease receivables. Furthermore, in line with the growth target of the Bank, we have acquired a real estate of 22,000 centares on Büyükdere Caddesi to be used as the Bank’s new headquarters building from next year.

Paid-in capital of the Bank has increased by TL 245 million to TL 500 million as an indication of our stakeholders’ confidence to our country and the Bank. We continued issuing TL bonds with diversified maturities and amounts. In the second quarter of 2018, we have issued a three-year bond worth USD 25 million in Azerbaijan.

In the coming period, we plan to continue our funding support required by the real sector and our bond issuances in domestic and foreign markets and provide the financial support that the real sector needed as long as the market conditions are favorable. I wish the second quarter of the year 2018 to be a good year for the whole banking sector.

**H. Cenk Eynehan**  
**General Manager and Member of the Board of Directors**



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**A. ENTRY**

**1. Amendments made in Articles of Incorporation within the period**

There is no amendment in the Articles of Incorporation within the period.

**2. Significant Events and Transactions within the Period**

There is no significant change related to information except for the disclosures including numeric information in financial statements included in interim activity report prepared in accordance with Regulation on Procedures and Principals related to Preparation and Publication of Activity Report, TL 245 million capital increase in current period and TL 261 million acquisition investment property.

**B. NON-CONSOLIDATED FINANCIAL INFORMATION AND 2<sup>nd</sup> QUARTER REVIEWS**

<i>(thousands of TL)</i>	<b>30 June 2018</b>	<b>31 December 2017</b>
Cash and Balances with Central Bank	100,972	77,573
Securities	16,187	26,251
Banks and Money Markets Receivables	114,794	73,616
Loans and lease receivables, Gross	895,368	713,048
Allowance for expected financial assets	(5,035)	-
Other Various Assets	277,602	6,357
<b>Total Assets</b>	<b>1,399,888</b>	<b>896,845</b>
Borrowings	487,424	341,387
Money Market Payables	64,111	62,729
Marketable Securities Issued	295,650	181,741
Other Various Liabilities	26,402	50,381
Paid-in Capital	500,000	255,000
Profit Reserves	5,655	324
Marketable Securities Valuation Reserve	(16)	(48)
Prior Years' Income/ (Loss)	3,606	(10,677)
Current Year Income/ (Loss)	17,056	16,008
<b>Total Liabilities</b>	<b>1,399,888</b>	<b>896,845</b>

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**PASHA Bank 2<sup>nd</sup> QUARTER REVIEWS**

The Bank has completed first half of 2018 with a profit figure of TL 17,056 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 1,399,888 with a 56% increase compared to 2017 year-end. The Bank continues its operations through headquarter units as of 30 June 2018.

The share of our securities in balance sheet is 1%, the loan and lease receivables are TL 890,600 increasing at a ratio of 25% compared to year end of 2017 and the share of loans in total assets is 64%. The Bank has increased its paid-in capital by TL 245,000 and has acquired investment property which costs 260,916 on balance sheet, to be used as headquarters building in the future.

The unconsolidated capital adequacy ratio of the Bank is 38,02% as of 30 June 2018.

The bank has a strong financial structure thanks to its strong capital and asset quality.

**C. EXPECTATIONS OF PASHA BANK REGARDING 2018**

The Bank expects an economic growth of 4.0-4.5% in Turkish economy for the year 2018 and continuum of moderate growth trend, and anticipates an inflation rate of 13-14% effected by increases in currency rates and petroleum prices. The Bank also anticipates that the ratio of current deficit to GDP will be 6.0-6.5%.