

PASHA YATIRIM BANKASI A.Ş.

**INTERIM CONDENSED
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2015**



REPORT ON REVIEW OF INTERIM UNCONSOLIDATED CONDENSED FINANCIAL INFORMATION

To the Board of Directors of Pasha Yatırım Bankası A.Ş.

Introduction

1. We have reviewed the accompanying interim unconsolidated condensed statement of financial position of Pasha Yatırım Bankası A.Ş., (the "Bank") as of 30 June 2015 and the related unconsolidated condensed statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim unconsolidated condensed financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim unconsolidated condensed financial information based on our review.

Scope of Review

2. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim unconsolidated condensed financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 17 August 2015

PASHA YATIRIM BANKASI A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015**

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PASHA YATIRIM BANKASI A.Ş.**CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2015**

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

	Note	30 June 2015	31 December 2014
Assets			
Cash and cash equivalents	5	98,040	1,230
Loans and advances to customers	6	155,266	50,814
Financial assets at fair value			
through profit and loss	7	156	-
Available for sale financial assets	7	5,573	1,764
Property and equipment		316	292
Intangible assets		296	191
Deferred tax assets	10	2,455	3,302
Other assets	11	4,595	3,010
Total assets		266,697	60,603
Liabilities			
Funds borrowed		31,816	6,594
Other money market deposits		3,002	1,100
Financial liabilities at fair value			
through profit and loss		101	-
Financial liabilities		63	135
Taxes payable		260	211
Employee benefits		801	209
Other liabilities and provisions	12	4,945	5,481
Total liabilities		40,988	13,730
Equity			
Share capital	13	255,000	80,000
Legal reserves	13	324	324
Unrealized losses on			
available-for-sale investments, net of tax (-)		(109)	(5)
Accumulated deficit		(29,506)	(33,446)
Total equity		225,709	46,873
Total liabilities and equity		266,697	60,603

The notes on page 5 to 18 are an integral part of these condensed financial statements.

PASHA YATIRIM BANKASI A.Ş.

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2015**

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

	Notes	1 January - 30 June 2015	1 January - 30 June 2014
Interest income	8	11,651	2,858
-Interest income on loans and receivables		5,700	2,248
-Interest income on investment securities		921	111
-Interest income on money market placements		540	153
-Other interest income		4,490	346
Interest expense (-)	8	(364)	(99)
-Interest expense on loans and receivables (-)		(179)	(38)
-Interest expense on money market deposits (-)		(62)	(40)
-Other interest expenses (-)		(123)	(21)
Net interest income		11,287	2,759
Fee and commission income	9	73	46
Fee and commission expense (-)		(44)	(29)
Other operating income		52	92
Net fee and commission income		11,368	2,868
Salaries and employee benefits (-)		(2,686)	(1,942)
General loan loss provision (-)		(797)	(164)
Depreciation and amortisation (-)		(124)	(85)
Other operating expenses (-)	14	(2,939)	(1,261)
Profit/(loss) from operating activities before income tax		4,822	(584)
Income tax expense		-	(1)
Deferred tax (expense)/income	10	(882)	79
Net profit/(loss) for the period from continuing operations		3,940	(506)
Other comprehensive expense			
Unrealized (losses) on available-for-sale investments, net of tax		(130)	-
Income tax on other comprehensive income		26	-
Other comprehensive income for the year, net of income tax		(104)	-
Total comprehensive income/(expense) for the year		3,836	(506)

The notes on page 5 to 18 are an integral part of these condensed financial statements.

PASHA YATIRIM BANKASI A.Ş.

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2015**

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

	Share capital	Adjustment to Share Capital	Legal Reserve	Retained Earnings	Unrealized losses on available for sale - investments, net of tax	Total
Balance at 1 January 2014	80,000	-	324	(31,463)	-	48,861
Net income for period	-	-	-	(506)	-	(506)
Total other comprehensive income for the year	-	-	-	-	-	-
Cash injection	-	-	-	-	-	-
Actuarial gain/loss on employee benefits	-	-	-	-	-	-
Transfer to paid in capital	-	-	-	-	-	-
Balance at 31 December 2014	80,000	-	324	(31,968)	-	48,356
Balance at 1 January 2015	80,000	-	324	(33,446)	(5)	46,873
Cash injection	175,000	-	-	-	-	175,000
Net income for period	-	-	-	3,940	-	3,940
Net change in fair value of available-for-sale financial assets, net of tax	-	-	-	-	(104)	(104)
Balance at 30 June 2015	255,000	-	324	(29,506)	(109)	225,709

The notes on page 5 to 18 are an integral part of these condensed financial statements.

PASHA YATIRIM BANKASI A.Ş.

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2015**

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

	Note	1 January - 30 June 2015	1 January - 30 June 2014
Cash flows from operating activities			
Profit/(loss) for the year		4,822	(1,803)
<i>Adjustments for:</i>			
Taxation income (-)	10	(882)	(79)
Net impairment loss on loans		797	444
Depreciation and amortisation		123	85
Change in other provisions		92	8
Net interest income accrual (-)		(2,955)	41
Acquisition of available for sale financial assets (-)		(5,599)	(3,630)
Disposal of available for sale financial assets		1,193	2,247
Net increase in loans and advances to customers		(102,633)	(21,679)
Net increase in other assets		(1,060)	(1,784)
Net (decrease)/increase in other liabilities		(121)	1,635
Net increase in funds borrowed		25,098	7,814
Net cash (used in) operating activities		(81,125)	(15,482)
Acquisition of property and equipment		(255)	(511)
Issued capital instruments		175,000	-
Net cash provided/(used in) from financing activities		174,745	(511)
Net increase/(decrease) in cash and cash equivalents		93,620	(15,993)
Effect of net foreign exchange difference on cash and cash equivalents		235	32
Cash and cash equivalents at the beginning of the year	4	1,230	19,450
Cash and cash equivalents at the end of the year	4	95,085	3,489

The notes on page 5 to 18 are an integral part of these condensed financial statements.

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

1 ORGANIZATION AND NATURE OF OPERATIONS

Pasha Yatırım Bankası A.Ş. (“the Bank”, “PashaBank”) was incorporated on 25 December 1987 as an investment bank with the permission of the Council of Ministers decision no. 6224 which allows the transfer of the Banks’ net profit after statutory liabilities and in case of liquidation the transfer of capital to foreign shareholders, and started its financial operations on 1 March 1988. As of 30 June 2015, the Bank operates in its head office in Istanbul and there are no other branches. In accordance with the Articles of Association, the Board of Directors shall elect a Chairman among its Turkish members and a Deputy Chairman among its Arab members. The General Manager shall always be nominated by the Arab Shareholders assigned by the Board.

Within the scope of the decision made by the previous parent company of the Bank regarding the sale of shares in the Bank, a share purchase sales agreement was signed with Aksoy Holding A.Ş. on 13 May 2013. With its letter dated 26 June 2013, the BRSA notified the Bank that permission had been given for the direct transfer of 99.4689% of the Bank’s shares to Aksoy Holding A.Ş., in accordance with the application made by Aksoy Holding A.Ş. to the BRSA and the agreement signed between the previous partner company of the Bank and Aksoy Holding A.Ş. In the extraordinary general assembly meeting of the Bank on 31 July 2013, decision no. 32 of the board of directors, dated 31 July 2013, regarding the share transfer transaction made to Aksoy Holding A.Ş. by the previous parent of the Bank was approved, and the share transfer in question was accepted on the conditions that the closing transactions are completed, the share transfer realised and the share transfer transactions completed on 2 August 2013.

In the extraordinary general assembly meeting of the Bank on 31 October 2013, it was decided that the principal capital of the Bank should be increased to TL 39,000 from TL 37,000 and in accordance with the BRSA letter on suitability for capital increase, the principal capital of the Bank was increased to TL 39,000 on 13 November 2013.

In the extraordinary general assembly meeting of the Bank on 21 November 2013, it was decided that the principal capital of the Bank should be increased to TL 80,000 from TL 39,000 and in accordance with the BRSA letter on suitability for capital increase, the principal capital of the Bank was increased to TL 80,000 on 29 November 2013.

Pasha Bank OJSC between controlling shareholder Aksoy Holding A.Ş. has agreed to the transfer of majority shares to the Pasha Bank OJSC. The Bank’s capital take over amounting to TRY 28,795,121 (full TL) after that in according to the changes of articles of incorporation, was decided to increase the principal capital of the Bank from TL 80,000 to TL 255,000 and the Bank’s shares of %79.9196 merged and approved by BRSA decision no 6137 , dated 26 December 2014. The capital increase amounting to TL 175,000 is accounted under paid in capital as of 25 February 2015.

In the extraordinary general assembly meeting of the Bank on 27 January 2015, it was decided to increase paid in capital of the Bank to TL 255,000 by TL 175,000 addition of cash and acceptance of this capital increase share and Article 7 of articles of incorporations was amended as following table and decided to change the Bank title “Pasha Yatırım Bankası A.Ş.” Assignment of share process was completed on January 2015. Transaction regarding to change in title of the Bank registered as at 2 March 2015 was announced at Turkish Trade Registry Gazette dated 6 March 2015 and numbered 8773.

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

1 ORGANIZATION AND NATURE OF OPERATIONS (Continued)

The partnership structure of the Bank as of 30 June 2015, is stated below:

	30 June 2015		31 December 2014	
	Paid in capital TL	Share percentage %	Paid in capital TL	Share percentage %
Pasha Bank OJSC	203,795	79.91	-	-
Aksoy Holding A.Ş.	51,000	20.00	79,795	99.74
Other	205	0.09	205	0.26
Total	255,000	100.00	80,000	100.00

2 BASIS OF PREPARATION

a) *Statement of compliance*

The interim condensed financial statements as of 30 June 2015 have been prepared in accordance with IAS 34 (Interim Financial Reporting). The interim condensed financial statements do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2014.

In preparation of the interim condensed financial statements of the Bank, the same accounting policies and methods of computation have been followed as compared to the most recent annual financial statements except for the adoption of new standards and interpretations as of 1 January 2015, noted below.

New and Revised International Financial Reporting Standards

a. *The new standards, amendments and interpretations which are effective for the financial statements as of 30 June 2015*

- i) IAS 19, "Employee benefits", effective annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- ii) Annual improvements 2012, effective annual periods on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
 - IFRS 2, 'Share-based payment'
 - IFRS 3, 'Business Combinations'
 - IFRS 8, 'Operating segments'
 - IFRS 13, 'Fair value measurement'
 - IAS 16, 'Property, plant and equipment and IAS 38, 'Intangible assets'

Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, Financial instruments – Recognition and measurement'.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015**

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

2. BASIS OF PREPARATION (Continued)

New and Revised International Financial Reporting Standards (continued)

- iii) Annual improvements 2013, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
- IFRS 1, 'First time adoption'
 - IFRS 3, 'Business combinations'
 - IFRS 13, 'Fair value measurement' and
 - IAS 40, 'Investment property'.

b. *The new standards, amendments and interpretations introduced to the prior Financial Statements as of 30 June 2015*

- i) Amendment to IFRS 11, 'Joint arrangements', effective annual periods beginning on or after 1 January 2016. It is about acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- ii) Amendments to IAS 16, 'Property, plant and equipment', and IAS 41, 'Agriculture', effective annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- iii) Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', effective annual periods beginning on or after 1 January 2016. In this amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- iv) IFRS 14 'Regulatory deferral accounts', effective annual periods beginning on or after 1 January 2016. This standard permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- v) Amendments to IAS 27, 'Separate financial statements', effective annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015**

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

2. BASIS OF PREPARATION (Continued)

New and Revised International Financial Reporting Standards (continued)

- vi) Amendments to IFRS 10, ‘Consolidated financial statements’ and IAS 28, ‘Investments in associates and joint ventures’, effective annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- vii) Annual improvements 2014, effective annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - IFRS 5, ‘Non-current assets held for sale and discontinued
 - IFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, ‘Employee benefits’ regarding discount rates.
 - IAS 34, ‘Interim financial reporting’ regarding disclosure of information.
- viii) Amendment to IAS 1, ‘Presentation of financial statements’, effective annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports.
- ix) Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- x) IFRS 15 ‘Revenue from contracts with customers’, effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- xi) IFRS 9 ‘Financial instruments’; effective annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The new standards, amendments and interpretations which will be effective after 1 July 2015 are not expected to a material impact on the Bank.

The preparation of interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Bank’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2014.

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

3 USE OF ESTIMATES AND JUDGMENTS

Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in *Note 3(c) (iv)*. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Critical accounting judgments in applying the Bank’s accounting policies

Critical accounting judgments made in applying the Bank’s accounting policies include:

Financial asset and liability classification

The Bank’s accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as “trading”, the Bank has determined that it meets the description of trading assets and liabilities set out in *Note 3(c)*.
- In designating financial assets or liabilities at fair value through profit or loss, the Bank has determined that it has met one of the criteria for this designation set out in *Note 3(c)*.
- In classifying financial assets as held-to-maturity, the Bank has determined that it has both the positive intention and ability to hold the assets until their maturity date as required by *Note 3(c)*.

The table below shows the carrying and fair values of financial assets and liabilities of the Bank:

	<u>30 June 2015</u>		<u>31 December 2014</u>	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Assets				
Cash and cash equivalents	98,040	98,040	1,230	1,230
Loans and advances to customers	155,266	155,266	50,814	50,814
Available for sale financial assets	5,573	5,647	1,764	1,764
Financial assets through profit and loss	156	156	-	-
Total financial assets	259,035	259,109	53,808	53,808
Liabilities				
Funds borrowed	31,816	31,816	6,594	6,594
Other money market deposits	3,002	3,002	1,100	1,100
Total financial liabilities	34,818	34,818	7,694	7,694

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

3 USE OF ESTIMATES AND JUDGMENTS (Continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or,
- Level 3: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

30 June 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	156	-	-	156
Available for sale financial assets	5,573	-	-	5,573
Total	5,729	-	-	5,729

31 December 2014	Level 1	Level 2	Level 3	Total
Available for sale financial assets	1,764	-	-	1,764
Total	1,764	-	-	1,764

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, balances with banks with original maturity periods of less than three months. As at 30 June 2015 and 31 December 2014, cash and cash equivalents presented in the statement of financial position and cash flows are as follows:

	30 June 2015	31 December 2014
Cash on hand	29	4
Loans and advances to banks with original maturity less than three months	94,323	1,094
Balances with the Central Bank reserve deposits (*)	3,688	132
Cash and cash equivalents (**)	98,040	1,230

(*) According to CBRT's "Required Reserves Announcement" numbered 2005/1, for Turkish currency and foreign currency denominated liabilities, reserve requirement amounts held in CBRT have been included in cash and cash equivalents. Reserve deposits required by the Central Bank of Turkey are interest bearing.

(**) For the purposes of the cash flow statement, cash and cash equivalents amounting to TL 95,085 (30 June 2014: TL 3,489) as of 30 June 2015 comprised from cash and due from banks excluding accrued interest and blocked deposits.

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

4 CASH AND CASH EQUIVALENTS (Continued)

Loans and advances to banks with original maturity less than three months

	30 June 2015	31 December 2014
Loan and advances to banks - time	93,266	-
Loan and advances to banks - demand	1,057	1,094
Loan and advances to banks	94,323	1,094

5 LOANS AND ADVANCES TO CUSTOMERS

Outstanding loans and advances to customers are as follows:

	30 June 2015	31 December 2014
Loans to financial institutions	89,255	37,605
Corporate loans	67,276	13,677
Total performing loans	156,531	51,282
Non-performing loans	-	-
Total gross loans	156,531	51,282
Impairment provision for loans	(1,265)	(468)
Loans and advances to customers, net	155,266	50,814

The Bank generally seeks collateral security comprising real estate and other mortgages of varying ranking, cheques and bills, cash collaterals, personal guarantee of shareholders, and similar items.

The specific reserve for impairment losses is comprised of amounts for specifically identified problem and non-performing loans and advances plus a further amount considered adequate to cover the inherent risk of loss present in the lending relationships presently performing in accordance with agreements made with borrowers.

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

6 AVAILABLE FOR SALE FINANCIAL ASSETS

Investment securities as of 30 June 2015 and 31 December 2014 comprise the following:

	Face value	Carrying value	Interest rate (%)	Latest maturity
Available-for-sale financial assets				
Equity instruments:				
Government bonds	5,500	5,573	4.10	16 November 2016
Total available-for-sale financial assets	5,500	5,573		

The movement in available for sale financial assets is summarised as follows:

	30 June 2015			31 December 2014		
	Available for Sale	Held to Maturity	Total	Available for Sale	Held to Maturity	Total
At 1 January	1,764	-	1,764	293	-	293
Additions	5,599	-	5,599	3,654	-	3,654
Change in amortised costs	(103)	-	(103)	99	-	99
Disposals (sale and redemption)	(1,687)	-	(1,687)	(2,282)	-	(2,282)
At 31 December	5,573	-	5,573	1,764	-	1,764

As of 30 June 2015, the Bank does not have any marketable securities subjected to repurchase transactions (At 31 December 2014: None). As of 30 June 2015, the Bank does not have any amount of security held on collateral/blocked for guarantee. (At 31 December 2014: None)

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	30 June 2015	31 December 2014
Derivatives held for trading	156	-
Total financial assets fair value Through profit and loss	156	-

In the ordinary course of business, the Bank enters into derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments include swaps.

PASHA YATIRIM BANKASI A.Ş.

**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015**

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

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Continued)

The table below shows the fair values of derivative financial instruments. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at period end and are neither indicative of the market risk nor credit risk.

	Fair value Assets	Fair value liabilities (-)
Derivatives held for trading	156	(100)
Total financial assets fair value Through profit and loss	156	(100)

8 NET INTEREST INCOME

	1 January - 30 June 2015	1 January - 30 June 2014
Interest income		
<i>Loans and advances to customers</i>	5,700	2,248
<i>On time deposits</i>	4,490	346
<i>Investment securities</i>	921	111
<i>Money market transactions</i>	540	153
	11,651	2,858
Interest expense and similar charges		
<i>Funds borrowed</i>	(180)	(38)
<i>Money market deposits</i>	(62)	(40)
<i>Other interest expenses</i>	(122)	(21)
	(364)	(99)
Net interest income	11,287	2,759

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

9 NET FEE AND COMMISSION INCOME

	1 January - 30 June 2015	1 January - 30 June 2014
Fee and commission income		
Fees from banking services	49	16
Non-cash loans	11	28
Other	13	2
	73	46
Fee and commission expense		
Fees for banking service expense (-)	(44)	(29)
	(44)	(29)
Net fee and commission income	29	17

10 TAXATION

The total provision for taxes on income is different than the amount computed by applying the statutory tax rate to profit before provision for taxes on income as shown in the following reconciliation tables for the years ended 30 June 2015 and 31 December 2014:

	30 June 2015	31 December 2014
Profit/(loss) before taxation (-)	4,821	(1,995)
Theoretical tax (expense)/income with 20% tax rate	(964)	399
Disallowable expenses	(25)	-
Tax free income	107	(34)
Income tax expense	(882)	365

Current year taxation income comprises the following:

	30 June 2015	31 December 2014
Current tax expense	-	-
Deferred tax (expense)/income	(882)	365
Income tax expense	(882)	365

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**NOTES TO CONDENSED FINANCIAL STATEMENTS
AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015**

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10 TAXATION (Continued)

Deferred tax assets and liabilities are attributable to the items detailed in the table below:

<i>Deferred tax assets</i>	30 June 2015	31 December 2014
Financial losses	1,912	3,212
Reserve for employee benefits	50	42
General loan loss provision	253	-
Others	245	58
Total deferred tax assets	2,460	3,312
<i>Deferred tax liabilities</i>		
Amortization and depreciation	(5)	(8)
Other	-	(2)
Total deferred tax liabilities	(5)	(10)
Net deferred tax assets	2,455	3,302
	Allowable financial losses	Last date of sale
2015	51	31 December 2020
2016	871	31 December 2021
2017	560	31 December 2022
2018	430	31 December 2023
	1,912	

The movements in the deferred tax asset/liability for the year ended 30 June 2015 and 31 December 2014 are as follow:

	30 June 2015	31 December 2014
Deferred tax asset at the beginning of the year	3,302	2,937
Recognised in profit or loss during the year	(882)	365
Recognised in other comprehensive income	35	-
Deferred tax asset at the end of the year	2,455	3,302

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NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

11 OTHER ASSETS

	30 June 2015	31 December 2014
Clearance cheque accounts	4,078	2,698
Prepaid expenses	222	103
Collaterals and deposits given	46	12
Other	249	197
	4,595	3,010

12 OTHER LIABILITIES

	30 June 2015	31 December 2014
Clearance cheque accounts	4,078	2,698
Borrower funds	469	2,396
Expense accruals	194	208
Lawsuit provision	183	83
Other	21	96
	4,945	5,481

13 SHARE CAPITAL AND LEGAL RESERVES

Share capital:

As of 30 June 2015, the authorised nominal share capital of Pasha Yatırım Bankası A.Ş. amounted to TL 255,000 (31 December 2014: TL 80,000), comprising 80 million (Full TL) registered shares of one TL 0.01 each.

As of 30 June 2015 the Bank's historical subscribed and issued share capital was TL 255,000 (31 December 2014: TL 80,000).

As of 30 June 2015 and 31 December 2014 the composition of shareholders and their respective percentage of ownership can be summarised as follows:

	30 June 2015		31 December 2014	
	Paid in capital TL	Share percentage %	Paid in capital TL	Share percentage %
Pasha Bank OJSC	203,795	79.91	-	-
Aksoy Holding A.Ş.	51,000	20.00	79,795	99.74
Other	205	0.09	205	0.26
Total	255,000	100.00	80,000	100.00
Adjustment to share capital	-	-	-	-
Total	255,000		80,000	

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NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

13 SHARE CAPITAL AND LEGAL RESERVES (Continued)

Legal reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. The statutory legal reserve is 324 as of 30 June 2015 and 31 December 2014.

Within the scope of the decision taken by the previous parent company of the Bank regarding the sale of shares in the Bank, a share purchase sales agreement was signed with Aksoy Holding A.Ş. on 13 May 2013. It was declared to the Bank with the correspondence of BRSA dated 26 June 2013 that the Bank is permitted to transfer %99.4689 of its shares to Aksoy Holding A.Ş. within the scope of the application made by Aksoy Holding A.Ş. and the agreement signed between Aksoy Holding A.Ş. and the Bank by BRSA.

In the general assembly of the Bank dated 31 October 2013, it was decided to increase the principal capital of the Bank from TL 37,000 to TL 39,000, and with respect to the BRSA's suitability correspondence the Bank's principal capital has been increased to TL 39,000 on 13 November 2013.

In the general assembly of the Bank on 21 November 2013, it was decided to increase the principal capital of the Bank from TL 39,000 to TL 80,000 and with respect to the BRSA's suitability correspondence the Bank's principal capital has been increased to TL 80,000 on 29 November 2013.

The approval regarding to the Pasha Bank OJSC's acquisition of the TL 28,795,121 (full TL) of the Bank's paid in capital after then holding % 79.9196 of the Bank's shares after increasing the Bank's total paid in capital from TL 175,000 to TL 225,000 and change in Bank's articles of incorporation was stated to the Bank by BRSA's decision dated 26 December 2014 and numbered 6137.

14 OTHER OPERATING EXPENSES

	1 January - 30 June 2015	1 January - 30 June 2014
Bonus provision	550	-
IT expenses	411	303
Rent expenses	361	171
Office expenses	305	53
Licensee subscription expenses	302	306
Consulting expenses	236	215
Tax expenses	165	23
Lawsuit provision expenses	100	-
Communication expenses	84	54
Travel expenses	62	28
Employee benefit provision expenses	42	98
Transportation expenses	6	10
Other	315	-
	2,939	1,261

PASHA YATIRIM BANKASI A.Ş.

NOTES TO CONDENSED FINANCIAL STATEMENTS AS AT AND FOR THE PERIOD ENDED 30 JUNE 2015

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

15 COMMITMENTS AND CONTINGENT LIABILITIES

27.1 Letters of guarantee, letters of credit, acceptances and other credit related commitments

Commitments and contingent liabilities arising in the ordinary course of business comprised the following principal items:

	30 June 2015	31 December 2014
Guarantee notes	92,493	38,371
Trading derivative financial instruments	31,910	-
Letters of guarantee and credit	11,653	6,813
Commercial notes received for collection	719	774
Other guarantees	32,163	10
Total	168,938	45,968

Outstanding letters of guarantee of the Bank are presented based on economic sectors as follows:

	30 June 2015	31 December 2014
Wholesale and retail	3,092	2,090
Hotel, Food and Beverage Services	3,219	4,247
Construction	2,182	-
Others	3,160	476
Total	11,653	6,813

27.3 Litigation

The Bank has provided TL 183 (31 December 2014: TL 83) of provision for the disputed legal cases filed by various persons and institutions, high probability of occurrence and requiring cash outflow. Although there are other ongoing lawsuits that against the Bank, do not expect high possibility of against result and cash outflows related to these cases.

16 SUBSEQUENT EVENTS

With the resolution of the Board of Directors of the Bank, dated on 23 July 2015 and numbered as 2015/66, the issuance of debt securities amounted up to TL 150,000,000 TL (Full TL) until 30 November 2016 has been decided.

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