

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 SEPTEMBER 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 September 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 nine-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 and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA 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 September 2018 and of the results of its operations and its cash flows for the nine-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 Çelik, SMMM
Associate Partner

November 7, 2018

İstanbul, Türkiye



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

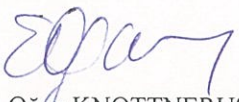
Address of the Bank's Headquarters : A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7
34398 Maslak İstanbul, Türkiye
Telephone of the Bank : (0 212) 705 89 00
Fax of the Bank : (0 212) 345 07 12
Web site of the Bank : www.pashabank.com.tr
E-mail for correspondence : info@pashabank.com.tr


The unconsolidated nine-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

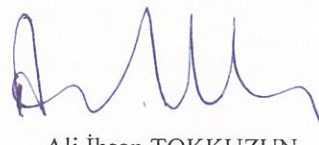
The accompanying unconsolidated interim financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira ("TL"), have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on Accounting 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


Ebru Oğan KNOTTNERUS
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:

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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 SEPTEMBER 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 September 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	www.pashabank.com.tr
E-mail	info@pashabank.com.tr

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 September 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 7th 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 SEPTEMBER 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 September 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
Total	500,000	%100

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 ⁽¹⁾	Ebru Oğan Knottnerus	Graduate	-
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 shareholdership in the Bank.

(1) Independent Member of the Board of the Directors and the Chairman of the Audit Committee Mesut Özdinc's resignation has been accepted with the decision of the Board of Directors dated 2 July 2018 and numbered 63. Instead of Mesut Özdinc, 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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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 SEPTEMBER 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 September 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 September 2018 the Bank has 45 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 SEPTEMBER 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)

	ASSETS	Note (Section Five-I)	Reviewed Current Period 30/09/2018		
			TL	FC	Total
I.	FINANCIAL ASSETS (Net)		20,564	382,710	403,274
1.1	Cash and cash equivalents		11,646	343,665	355,311
1.1.1	Cash and balances at Central Bank	(1)	5,418	118,075	123,493
1.1.2	Banks	(3)	6,228	225,590	231,818
1.1.3	Receivables from Money Markets		-	-	-
1.2	Financial assets at fair value through profit or loss	(2)	3,316	1,654	4,970
1.2.1	Public debt securities		-	-	-
1.2.2	Equity instruments		-	-	-
1.2.3	Other financial assets		3,316	1,654	4,970
1.3	Financial assets at fair value through other comprehensive income	(4)	6,449	-	6,449
1.3.1	Public debt securities		1,866	-	1,866
1.3.2	Equity instruments		-	-	-
1.3.3	Other financial assets		4,583	-	4,583
1.4	Financial assets measured at amortised cost	(6)	-	26,302	26,302
1.4.1	Public debt securities		-	-	-
1.4.2	Other financial assets		-	26,302	26,302
1.5	Derivative financial assets		-	11,089	11,089
1.5.1	Derivative financial assets at fair value through profit or loss	(2)	-	11,089	11,089
1.5.2	Derivative financial assets at fair value through other comprehensive income	(11)	-	-	-
1.6	Non-performing financial assets		-	-	-
1.7	Allowance for expected credit losses (-)		(847)	-	(847)
II.	LOANS (Net)		470,937	446,630	917,567
2.1	Loans	(5)	465,771	446,630	912,401
2.1.1	Loans measured at amortised cost		465,771	446,630	912,401
2.1.2	Loans at fair value through profit or loss		-	-	-
2.1.3	Loans at fair value through other comprehensive income		-	-	-
2.2	Receivables from leasing transactions	(10)	13,978	-	13,978
2.2.1	Finance lease receivables		17,102	-	17,102
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		(3,124)	-	(3,124)
2.3	Factoring receivables		-	-	-
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		-	-	-
2.4	Non-performing loans		-	-	-
2.5	Allowance for expected credit losses (-)	(5)	(8,812)	-	(8,812)
2.5.1	12-Month expected credit losses (Stage 1)		(7,727)	-	(7,727)
2.5.2	Significant increase in credit risk (Stage 2)		(1,085)	-	(1,085)
2.5.3	Credit-impaired (Stage 3)		-	-	-
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"	(16)	-	-	-
3.1	Held for sale		-	-	-
3.2	Held from discontinued operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-
4.1	Investments in associates (Net)	(7)	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-
4.1.2	Non-consolidated associates		-	-	-
4.2	Investments in subsidiaries (Net)	(8)	-	-	-
4.2.1	Non-consolidated financial subsidiaries		-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(9)	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-
V.	TANGIBLE ASSETS (Net)	(12)	580	-	580
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	(13)	1,232	-	1,232
6.1	Goodwill		-	-	-
6.2	Other		1,232	-	1,232
VII.	INVESTMENT PROPERTIES (Net)	(14)	260,916	-	260,916
VIII.	CURRENT TAX ASSETS		87	-	87
IX.	DEFERRED TAX ASSETS	(15)	661	-	661
X.	OTHER ASSETS	(17)	2,958	386	3,344
	TOTAL ASSETS		767,935	829,726	1,587,661

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 FINANCIAL POSITION
AS AT 30 SEPTEMBER 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
I.	CASH AND BALANCES WITH CENTRAL BANK	(1)	9,787	67,786	77,573
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(2)	4,943	-	4,943
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		-	-	-
III.	BANKS	(3)	29	73,587	73,616
IV.	MONEY MARKETS		-	-	-
4.1	Interbank Money Market Placements		-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-
V.	AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(4)	14,019	7,289	21,308
5.1	Share Certificates		-	-	-
5.2	Government Debt Securities		5,080	-	5,080
5.3	Other Marketable Securities		8,939	7,289	16,228
VI.	LOANS	(5)	485,173	193,926	679,099
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 (-)		-	-	-
VII.	FACTORING RECEIVABLES		-	-	-
VIII.	HELD-TO-MATURITY SECURITIES (Net)	(6)	-	-	-
8.1	Government Debt Securities		-	-	-
8.2	Other Marketable Securities		-	-	-
IX.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
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		-	-	-
X.	SUBSIDIARIES (Net)	(8)	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
XI.	JOINT VENTURES (Net)	(9)	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-
11.2	Unconsolidated		-	-	-
11.2.1	Financial Joint Ventures		-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-
XII.	LEASE RECEIVABLES (Net)	(10)	16,931	17,018	33,949
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)
XIII.	HEDGING DERIVATIVE FINANCIAL ASSETS	(11)	-	-	-
13.1	Fair Value Hedge		-	-	-
13.2	Cash Flow Hedge		-	-	-
13.3	Foreign Net Investment Hedge		-	-	-
XIV.	PROPERTY AND EQUIPMENT (Net)	(12)	655	-	655
XV.	INTANGIBLE ASSETS (Net)	(13)	869	-	869
15.1	Goodwill		-	-	-
15.2	Other		869	-	869
XVI.	INVESTMENT PROPERTY (Net)	(14)	-	-	-
XVII.	TAX ASSET		902	-	902
17.1	Current Tax Asset		2	-	2
17.2	Deferred Tax Asset	(15)	900	-	900
XVIII.	ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-
18.1	Held for Resale		-	-	-
18.2	Discontinued Operations		-	-	-
XIX.	OTHER ASSETS	(17)	3,883	48	3,931
	TOTAL ASSETS		537,191	359,654	896,845

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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 SEPTEMBER 2018**

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

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

		Note (Section Five-II)	Reviewed Current Period 30/09/2018		
			TL	FC	Total
	EQUITY AND LIABILITIES				
I.	DEPOSITS	(1)	-	-	-
II.	LOANS RECEIVED	(3)	37,481	604,103	641,584
III.	MONEY MARKET FUNDS	(4)	-	-	-
IV.	MARKETABLE SECURITIES ISSUED (Net)	(5)	83,118	299,870	382,988
4.1	Bills		83,118	-	83,118
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	299,870	299,870
V.	FUNDS		5,573	10,164	15,737
5.1	Borrower funds	(6)	5,573	10,164	15,737
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	-	-
7.1	Derivative financial liabilities at fair value through profit or loss	(2)	-	-	-
7.2	Derivative financial liabilities at fair value through other comprehensive income	(8)	-	-	-
VIII.	FACTORING PAYABLES		-	-	-
IX.	LEASE PAYABLES	(7)	-	-	-
9.1	Finance lease payables		-	-	-
9.2	Operating lease payables		-	-	-
9.3	Other		-	-	-
9.4	Deferred finance lease expenses (-)		-	-	-
X.	PROVISIONS	(9)	7,054	-	7,054
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		680	-	680
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		6,374	-	6,374
XI.	CURRENT TAX LIABILITIES	(10)	1,430	-	1,430
XII.	DEFERRED TAX LIABILITIES	(10)	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	(11)	-	-	-
13.1	Held for sale		-	-	-
13.2	Related to discontinued operations		-	-	-
XIV.	SUBORDINATED DEBT	(12)	-	-	-
14.1	Loans		-	-	-
14.2	Other debt instruments		-	-	-
XV.	OTHER LIABILITIES		4,715	2,160	6,875
XVI.	SHAREHOLDERS' EQUITY	(13)	531,993	-	531,993
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		(368)	-	(368)
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		26,706	-	26,706
16.6.1	Prior years' profits or losses		3,606	-	3,606
16.6.2	Current period net profit or loss		23,100	-	23,100
	TOTAL EQUITY AND LIABILITIES		671,364	916,297	1,587,661

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 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
I.	DEPOSITS	(1)	-	-	-
1.1	Deposits of Bank's Risk Group		-	-	-
1.2	Other		-	-	-
II.	TRADING DERIVATIVE FINANCIAL LIABILITIES	(2)	380	692	1,072
III.	BORROWINGS	(3)	39,590	301,797	341,387
IV.	MONEY MARKETS		62,729	-	62,729
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	(4)	8,057	-	8,057
V.	MARKETABLE SECURITIES ISSUED (Net)	(5)	87,329	94,412	181,741
5.1	Bills		87,329	-	87,329
5.2	Asset Backed Securities		-	-	-
5.3	Bonds		-	94,412	94,412
VI.	FUNDS		6,106	13,881	19,987
6.1	Borrower Funds	(6)	6,106	13,881	19,987
6.2	Other		-	-	-
VII.	MISCELLANEOUS PAYABLES		178	-	178
VIII.	OTHER LIABILITIES		7,370	9,590	16,960
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES (Net)	(7)	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operational Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(8)	-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
XII.	PROVISIONS	(9)	9,660	-	9,660
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
XIII.	TAX LIABILITY	(10)	2,524	-	2,524
13.1	Current Tax Liability		2,524	-	2,524
13.2	Deferred Tax Liability		-	-	-
XIV.	PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS	(11)	-	-	-
14.1	Held for Resale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(12)	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(13)	260,606	1	260,607
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
	TOTAL LIABILITIES		476,472	420,373	896,845

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I OF SECTION THREE**

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

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

II. OFF-BALANCE SHEET

	OFF BALANCE SHEET COMMITMENTS	Note (Section Five-III)	Reviewed Current Period 30/09/2018		
			TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)		300,385	303,519	603,904
I.	GUARANTEES AND WARRANTIES	(1)	254,589	251,004	505,593
1.1.	Letters of guarantee		254,589	168,216	422,805
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		254,589	168,216	422,805
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.	Pre-financing 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		-	82,788	82,788
1.9.	Other warranties		-	-	-
II.	COMMITMENTS	(1)	82	-	82
2.1.	Irrevocable commitments		82	-	82
2.1.1.	Asset purchase and sales commitments		-	-	-
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		65	-	65
2.2.	Revocable commitments		-	-	-
2.2.1.	Revocable loan granting commitments		-	-	-
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2), (3)	45,714	52,515	98,229
3.1.	Derivative financial instruments held for hedging		45,714	52,515	98,229
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		45,714	52,515	98,229
3.2.1.	Forward foreign currency purchase and sale transactions		45,714	52,515	98,229
3.2.1.1.	Forward foreign currency purchase transactions		-	52,515	52,515
3.2.1.2.	Forward foreign currency sale transactions		45,714	-	45,714
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)		887,907	628,443	1,516,350
IV.	ITEMS HELD IN CUSTODY		27,234	-	27,234
4.1.	Assets under management		-	-	-
4.2.	Securities held in custody		11,366	-	11,366
4.3.	Checks received for collection		15,851	-	15,851
4.4.	Commercial notes received for collection		17	-	17
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		860,638	568,901	1,429,539
5.1.	Marketable securities		103,828	89,833	193,661
5.2.	Guarantee notes		273,913	83,203	357,116
5.3.	Commodity		67,647	-	67,647
5.4.	Warrant		-	-	-
5.5.	Immovables		213,347	-	213,347
5.6.	Other pledged items		201,903	395,845	597,748
5.7.	Depositories receiving pledged items		-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		35	59,642	59,577
TOTAL	OFF BALANCE SHEET COMMITMENTS (A+B)		1,188,292	931,962	2,120,254

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**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET
AS AT 30 SEPTEMBER 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
A.	OFF-BALANCE SHEET COMMITMENTS (I-II+III)		260,679	214,595	475,274
I.	GUARANTEES AND WARRANTIES	(1)	205,473	160,454	365,927
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		-	-	-
1.3.1.	Documentary Letters of Credit		-	3,301	3,301
1.3.2.	Other Letters of Credit		-	3,301	3,301
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		-	-	-
II.	COMMITMENTS	(1)	2,458	2,438	4,896
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		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2), (3)	52,748	51,703	104,451
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.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		497,259	366,446	863,705
IV.	ITEMS HELD IN CUSTODY		12,408	-	12,408
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		-	-	-
V.	PLEDGES RECEIVED		484,816	320,971	805,787
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		-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		35	45,475	45,510
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		757,938	581,041	1,338,979

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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 PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 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- 30/09/2018	Reviewed Current Period 01/07 /2018-30/09/2018
	INCOME STATEMENT			
I.	INTEREST INCOME	(1)	87,281	36,072
1.1	Interest On Loans		76,914	32,783
1.2	Interest Received From Reserve Deposits		1,208	480
1.3	Interest Received From Banks		3,950	996
1.4	Interest Received From Money Market Transactions		137	57
1.5	Interest Received From Marketable Securities Portfolio		2,550	1,074
1.5.1	Financial assets at fair value through profit or loss		-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		2,060	584
1.5.3	Financial Assets Measured at Amortised Cost		490	490
1.6	Finance Lease Income		2,522	682
1.7	Other Interest Income		-	-
II.	INTEREST EXPENSES (-)	(2)	(34,210)	(15,035)
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		(14,526)	(6,577)
2.3	Interest on Money Market Transactions		(4,032)	(1,503)
2.4	Interest on Securities Issued		(15,373)	(6,838)
2.5	Other Interest Expenses	(12)	(279)	(117)
III.	NET INTEREST INCOME/EXPENSE (I - II)		53,071	21,037
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		2,156	774
4.1	Fees and Commissions Received		2,970	1,090
4.1.1	Non-cash loans		2,510	992
4.1.2	Other	(12)	460	98
4.2	Fees and Commissions Paid (-)		(814)	(316)
4.2.1	Non-Cash Loans		(288)	(65)
4.2.2	Other	(12)	(526)	(251)
V.	PERSONNEL EXPENSES (-)	(7)	(9,813)	(3,527)
VI.	DIVIDEND INCOME	(3)	-	-
VII.	TRADING PROFIT/LOSS (Net)	(4)	2,189	871
7.1	Profit/Losses From Capital Market Transactions		435	143
7.2	Profit/Losses From Derivative Financial Transactions		11,255	13,132
7.3	Foreign Exchange Profit/Losses		(9,501)	(12,404)
VIII.	OTHER OPERATING INCOME	(5)	463	49
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		48,066	19,204
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(6)	(9,591)	(7,948)
XI.	OTHER OPERATING EXPENSES (-)	(7)	(8,455)	(3,131)
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		30,020	8,125
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XV.	NET MONETARY POSITION GAIN/LOSS		-	-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	(8)	30,020	8,125
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(6,920)	(2,081)
17.1	Current Tax Provision		(5,597)	(385)
17.2	Expense Effect Of Deferred Tax (+)		(1,323)	(1,696)
17.3	Income Effect Of Deferred Tax (-)		-	-
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	(10)	23,100	6,044
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
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		-	-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONSK/Z (XIX-XX)	(8)	-	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(9)	-	-
22.1	Current Tax Provision		-	-
22.2	Expense Effect Of Deferred Tax (+)		-	-
22.3	Income Effect Of Deferred Tax (-)		-	-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)	(10)	-	-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	(11)	23,100	6,044
	Profit/Loss Per Share		0.0642	0.0168

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 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- 30/09/2017	Reviewed Prior Period 01/07/2017- 30/09/2017
	INCOME AND EXPENSE ITEMS	Note (Section Five-IV)		
I.	INTEREST INCOME	(1)	44,615	17,176
1.1	Interest on Loans		40,625	15,671
1.2	Interest Received from Reserve Requirements		462	229
1.3	Interest Received from Banks		408	236
1.4	Interest Received from Money Market Transactions		284	12
1.5	Interest Received from Marketable Securities Portfolio		1,454	404
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		1,454	404
1.5.4	Held-to-maturity Investments		-	-
1.6	Financial Lease Income		1,382	624
1.7	Other Interest Income		-	-
II.	INTEREST EXPENSE	(2)	(16,062)	(6,964)
2.1	Interest on Deposits		-	-
2.2	Interest on Funds Borrowed		(7,700)	(2,676)
2.3	Interest Expense on Money Market Transactions		(2,246)	(1,168)
2.4	Interest on Securities Issued		(5,840)	(3,014)
2.5	Other Interest Expenses	(12)	(276)	(106)
III.	NET INTEREST INCOME (I + II)		28,553	10,212
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		1,219	398
4.1	Fees and Commissions Received		1,678	587
4.1.1	Non-cash Loans		1,510	536
4.1.2	Other	(12)	168	51
4.2	Fees and Commissions Paid		(459)	(189)
4.2.1	Non-cash Loans		(139)	(72)
4.2.2	Other	(12)	(320)	(117)
V.	DIVIDEND INCOME	(3)	-	-
VI.	TRADING INCOME/(LOSS) (Net)	(4)	2,365	1,061
6.1	Trading Gains/(Losses) on Securities		293	137
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		(1,234)	59
6.3	Foreign Exchange Gains/(Losses)		3,306	865
VII.	OTHER OPERATING INCOME	(5)	91	7
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		32,228	11,678
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	(6)	(1,947)	(693)
X.	OTHER OPERATING EXPENSES	(7)	(15,443)	(5,495)
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		14,838	5,490
XII.	EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-	-
XIII.	INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-
XIV.	INCOME/(LOSS) ON NET MONETARY POSITION		-	-
XV.	INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	14,838	5,490
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	(9)	(3,407)	(1,245)
16.1	Current Tax Provision		(3,233)	(1,389)
16.2	Deferred Tax Provision		(174)	144
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	(10)	11,431	4,245
XVIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XIX.	EXPENSES FROM DISCONTINUED OPERATIONS		-	-
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		-	-
XX.	INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-	-
XXI.	TAX PROVISION FOR DISCONTINUED OPERATIONS (-)	(9)	-	-
21.1	Current tax provision		-	-
21.2	Deferred tax provision		-	-
XXII.	NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)	(10)	-	-
XXIII.	NET INCOME/(LOSS) (XVII+XXII)	(11)	11,431	4,245
	Earnings/(Loss) per share		0.0448	0.0166

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**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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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 SEPTEMBER 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- 30/09/2018	Current Period 01/07/2018- 30/09/2018
I.	PROFIT (LOSS)	23,100	6,044
II.	OTHER COMPREHENSIVE INCOME	(320)	(352)
2.1	Other comprehensive income that will not be reclassified to profit or loss	-	-
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	-	-
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	(320)	(352)
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	(412)	(451)
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	92	99
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	22,780	5,692

		Reviewed	
		Prior Period 01/01/2017- 30/09/2017	Prior Period 01/07/2017- 30/09/2017
	INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY		
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(39)	(48)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	8	9
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	(31)	(39)
XI.	CURRENT PERIOD INCOME/LOSS	11,431	4,245
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	11,431	4,245
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	11,400	4,206

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Prior Period 01/01/2017 - 30/09/2017	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Statute 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	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
I.	Balance at the beginning of the period		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
II.	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Increase / Decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(31)	-	-	-	-	(31)
V.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V1.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X1.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	11,431	-	-	-	-	-	-	-
XVIII.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	11,431
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
-	Period End Balance (I+II+III+...+XVI+XVII+XVIII)		255,000	-	-	-	29	295	-	-	11,431	(10,677)	(20)	-	-	-	-	256,058

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 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 - 30/09/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
I.1	Operating Profit Before Changes in Operating Assets and Liabilities		75,356
1.1.1	Interest Received		74,772
1.1.2	Interest Paid		(25,867)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		3,483
1.1.5	Other Income		47,732
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers		(9,670)
1.1.8	Taxes Paid		(6,851)
1.1.9	Other	(2)	(8,243)
I.2	Changes in Operating Assets and Liabilities		(37,506)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(42)
1.2.2	Net increase (decrease) in due from banks		(49,552)
1.2.3	Net increase (decrease) in loans		(202,736)
1.2.4	Net increase (decrease) in other assets	(2)	2,256
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		292,155
1.2.9	Net Increase/(Decrease) in matured Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	(79,587)
I.	Net Cash Provided from Banking Operations		37,850
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities		(272,116)
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		(260,991)
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		51,511
2.7	Cash paid for the purchase of financial assets at amortised cost		(25,812)
2.8	Cash obtained from sale of financial assets at amortised cost		-
2.9	Other	(2)	(841)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		390,408
3.1	Cash Obtained from Funds Borrowed and Securities Issued		398,280
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(252,872)
3.3	Equity instruments issued		245,000
3.4	Dividends Paid		-
3.5	Payments for Finance Lease Liabilities		-
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(1,905)
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		154,237
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	83,516
VII.	Cash and Cash Equivalents at the End of the Period (V+VI)	(1)	237,753

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 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 – 30/09/2017
A.	CASH FLOWS FROM BANKING OPERATIONS		
I.1	Operating Profit Before Changes in Operating Assets and Liabilities		15,217
1.1.1	Interest Received		40,363
1.1.2	Interest Paid(-)		(9,046)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		2,283
1.1.5	Other Income		855
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers(-)		(8,044)
1.1.8	Taxes Paid(-)		(3,342)
1.1.9	Other	(2)	(7,852)
1.2	Changes in Operating Assets and Liabilities		(136,092)
1.2.1	Net (Increase)/Decrease in Trading Securities		(4,500)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3	Net (Increase)/Decrease in Due from Banks		(12,909)
1.2.4	Net (Increase)/Decrease in Loans		(225,617)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	(20,434)
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		92,162
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	35,206
I.	Net Cash Provided from Banking Operations		(120,875)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities		7,502
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(-)		(77)
2.4	Disposals of Property and Equipment		1
2.5	Cash Paid for Purchase of Investments Available-for-Sale(-)		(15,662)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		23,480
2.7	Cash Paid for Purchase of Investment Securities(-)		-
2.8	Cash Obtained from Sale of Investment Securities		-
2.9	Other	(2)	(240)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		139,966
3.1	Cash Obtained from Funds Borrowed and Securities Issued		271,213
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued(-)		(131,247)
3.3	Issued Capital Instruments		-
3.4	Dividends Paid(-)		-
3.5	Payments for Finance Leases(-)		-
3.6	Other		-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		201
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		26,794
VI.	Cash and Cash Equivalents at the Beginning of the Period	(1)	59,134
VII.	Cash and Cash Equivalents at the End of the Period (V+VI)	(1)	85,928

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.

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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)

In the general application of TFRS 9, the probability of default (PD) and loss given default (LGD) is determined within the framework of the Bank's models and expected loss provisions are calculated by taking into account the exposure at default (EAD).

Within the scope of TFRS 9, three types of expected loss provisions are defined:

- a. 12-month expected credit losses: For the financial assets that do not have a significant increase in credit risk since initial recognition. Impairment for these classes of assets are recorded in Stage 1.
- b. Lifetime expected credit losses: It expresses credit losses that have significant increase in credit risk since initial recognition. These assets are evaluated in Stage 2.
- c. Provision for defaulted financial assets: This classification represents the losses that are subject to default. It is used for assets classified as Stage 3.

The expected loss calculations are used for financial assets at amortized cost and financial assets at fair value through other comprehensive income. In addition, expected loss provision is calculated for financial guarantees, sureties and liabilities that are monitored in off-balance sheet accounts, where the Bank will be exposed to a credit risk.

While the Bank takes into account the interest amount in the calculation of the impairment, Stage 1 and Stage 2 consider the interest for the financial assets as gross value and the interest rate for Stage 3 is based on net value.

Within the framework of the credit rating methodology, the Bank uses LGD ratios to be calculated by using the PDs corresponding to the external / internal ratings and the coefficient of approximation used within the framework of Basel and BRSA applications.

The basic methodology to be applied for expected loss calculated for corporate loans and financial assets are organized within the framework of a global statistical modeling published by an internationally recognized rating company and assigned to each credit rating and made within the framework of PD's. In this PD application, the Bank primarily looks at whether the financial asset is have an external rating, and if there is an internationally recognized rating note, Banks apply the corresponding PD. If the assessed asset does not have an external rating, then Bank is checked whether the risk group or the main partner of the asset have an external rating, and if external rate is determined by the internationally rating agency this PD ratio is used for that asset. Finally, for the assets that do not have any external rating, the rating grade from the rating matrix modeled by the Bank is taken into consideration. Since the Bank has started to provide loans as of 2015 and since there has been no default, the Bank has applied to external rating approach for credit risk calculation for PD's calculations.

The PD ratio of an asset in Stage 1 is calculated using the linear projection method (interpolation) according to the specific maturity tranches that correspond to the remaining maturity of the 12 month PD rate on a one-year basis.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

During the transition of the asset to Stage 2, the ratio in the linear projection method that corresponds to the maturity segment corresponding to the remaining maturity of the financial asset is used for the lifetime PD ratio. PD rates of assets which in Stage 3 are considered as 100%.

Asset that transition from Stage 1 to Stage 2 is less than 12 months, the credit rating of the asset will be updated and the PD corresponding to the new rating grade will be used.

For LGD ratios, conversion rates of the collaterals received for the financial asset are taken into consideration in the framework of certain coefficients considering the general banking practices and the information published by Basel and BRSA. Personal or corporate warranties received for collaterals are not taken into account in LGD ratio calculation.

For EAD to be calculated for the risks that are monitored in the off-balance sheet, the Bank includes to the calculation of the relevant risks within the framework of a credit conversion rate (CCF) application. Applied CCRs were considered as 100% for non-cash risks and 50% for others for cash supply purposes.

With the respect of criterias that mentioned in above paragraph, the expected credit loss provision (ECL), which is ultimately calculated for a financial asset, is calculated as follows:

$$ECL = PD * LGD * EAD * (if any CCF)$$

Expected credit loss calculation is calculated over financial assets and off-balance sheet risks that are present each reporting period.

The ratings of financial assets subject to PD calculations are reviewed and updated annually (unless there is a significant improvement in the credit risk of the counterparty). In the case of delay over 30 days, which is the main criteria for transition from Stage 1 to Stage 2, the rating of financial asset is revised.

For transitions between stages, certain criterias have been defined by taking into account the relevant regulations/circulars of the BRSA and the notifications issued. In case of following criteria; if the principal or interest/commission collection delays exceed 30 days or the credit rating falls down to two grades relative to the country rating, or restructuring of loan due to debtor has difficulty on payment, the transition criteria from Stage 1 to Stage 2 is applied. The fact that the principal and interest/commission collection delays of 90 days or more is also applied for the transition to Stage 3. In addition, in case the Bank management considers that it is appropriate, the Bank will be able to transition between stages whether not to meet with criterias.

The expected loss provision for the assets in Stage 1 are presented under the "12 Months Expected Credit Losses (Stage 1)", expected loss provision for the assets in Stage 2 are presented under the "Significant Increase in Credit Risk" and expected loss provision for financial assets in Stage 3 are followed as "Credit-Impaired (Stage 3)".

Due to the deterioration in the credit risk between stages, there may be downgrade transitions as well as improvements between stages.

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

**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 Communiqué 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

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.

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

(*) 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 543,807 while its capital adequacy standard ratio is 36.70% as of 30 September 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:

	Current Period 30 September 2018	Prior Period 31 December 2017(*)
COMMON EQUITY TIER 1 CAPITAL		
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	25,130	16,008
Net profit of the period	23,100	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	-	-
Common Equity Tier 1 capital before regulatory adjustments	530,785	271,332
Common Equity Tier 1 capital: regulatory adjustments		
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(-)(***)	-	10,725
Improvement costs for operating leasing(-)	49	51
Goodwill (net of related tax liability) (-)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)(-)	1,232	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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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(-)	-	-
Total regulatory adjustments to Common equity Tier 1	1,281	11,471
Common Equity Tier 1 capital (CET1)	529,504	259,861
ADDITIONAL TIER 1 CAPITAL		
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Additional Tier 1 capital before regulatory adjustments	-	-
Additional Tier 1 capital: regulatory adjustments		
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(-)	-	-
Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period	-	174
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(-)	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-
Total Additional Tier 1 capital	-	-
Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)(***)	529,504	259,687
TIER 2 CAPITAL		
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-	-
Provisions (Amounts stated on the 8th article of Regulation on Equities of Banks)(*)	14,303	7,393
Tier 2 capital before regulatory adjustments	14,303	7,393
Tier 2 capital: regulatory adjustments		
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(-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Total Tier 2 capital	14,303	7,393
Total Capital (The sum of Tier 1 capital and Tier 2 capital) (***)	543,807	267,080
The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law(-)	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(-)	-	-
National specific regulatory adjustments which shall be determined by the Board(-)	-	-
Regulatory Adjustments which will be deducted from Total Capital during the transition period	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not 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 (-)	-	-
OWN FUNDS	-	-
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	543,807	267,080
Total Risk Weighted Assets(***)	1,481,724	851,763
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio(***)	35.74%	30.51%
Tier 1 Capital Adequacy Ratio (***)	35.74%	30.49%
Capital Adequacy Ratio (***)	36.70%	31.36%
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2.142%	1.37%
a) Bank specific total common equity tier 1 capital ratio	1.875%	1.25%
b) Capital conservation buffer requirement	0.267%	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 (***)	27.74%	22.51%

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Amounts below the thresholds for deduction (before risk weighting)		
Non-significant investments in the capital of other financials	-	-
Significant investments in the common stock of financials	-	-
Mortgage servicing rights (net of related tax liability)	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
Applicable caps on the inclusion of provisions in Tier 2 capital	-	-
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	14,303	7,393
Cap on inclusion of provisions in Tier 2 under standardised approach	14,303	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	-	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)	-	-
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks' Own Funds	-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks' Own Funds	-	-

- (*) The equity statement as of 31 December 2017 presents the equity and general loan loss provisions before TFRS 9 application. As of 30 September 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.
- (***) As of BRSA's regulation No: 10578, dated August 13, 2018: In the calculation of amount subject to credit risk, the foreign exchange bid rate to be used shall be determined as the higher of average CBRT's foreign exchange bid rate of 252 business days prior to the calculation date or foreign exchange bid rate used in the preparation of financial statements as of 30 June 2018. In addition BRSA's Regulation No: 10513, dated August 12, 2018: The valuation differences of the securities included in the "Financial Assets at Fair Value through Other Comprehensive Income" portfolio shall be calculated in accordance with the regulation and shall not be taken into consideration in the equity amount that in the capital adequacy ratio calculation as of 12 August 2018.

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

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity Tier 1 Capital	529,504	528,997	528,489	527,982	527,474
Common Equity Tier 1 Capital which is not applied transition process	527,474	527,474	527,474	527,474	527,474
Tier 1 capital	529,504	528,997	528,489	527,982	527,474
Tier 1 Capital which is not applied transition process	527,474	527,474	527,474	527,474	527,474
Equity	543,807	543,300	542,792	542,285	541,777
Equity which is not applied transition process	541,777	541,777	541,777	541,777	541,777
TOTAL RISK WEIGHTED AMOUNTS					
Total risk weighted amounts	1,481,724	1,481,724	1,481,724	1,481,724	1,481,724
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	35.74%	35.70%	35.67%	35.63%	35.60%
Common Equity Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	35.60%	35.60%	35.60%	35.60%	35.60%
Tier 1 Capital Adequacy Ratio (%)	35.74%	35.70%	35.67%	35.63%	35.60%
Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	35.60%	35.60%	35.60%	35.60%	35.60%
Capital Adequacy Ratio (%)	36.70%	36.67%	36.63%	36.60%	36.56%
Capital Adequacy Ratio which is not applied transition process (%)	36.56%	36.56%	36.56%	36.56%	36.56%
LEVERAGE RATIO					
Leverage ratio total risk amount	2,268,346	2,268,346	2,268,346	2,268,346	2,268,346
Leverage Ratio(%) (*)	23.26%	23.23%	23.21%	23.19%	23.17%
Leverage Ratio which is not applied transition process (%)	23.17%	23.17%	23.17%	23.17%	23.17%

(*) 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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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	5.9902	6.9505
1. Bid rate	6.0752	7.1130
2. Bid rate	6.1242	7.2007
3. Bid rate	6.1240	7.2057
4. Bid rate	6.2287	7.3234
5. Bid rate	6.2671	7.3794

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 September 2018	31 December 2017	30 September 2018	31 December 2017
Arithmetic average – 30/31 days	6.3154	3.8417	7.3665	4.5496

As of 31 December 2017, the Bank's foreign exchange rates are 3.7719 for USD, 4.5155 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
30 September 2018				
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	37,598	80,477	-	118,075
Due from Banks	15,429	210,160	1	225,590
Financial Assets at Fair Value Through Profit or Loss	-	1,654	-	1,654
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans (*)	160,716	330,509	-	491,225
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	26,302	-	26,302
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (****)	-	386	-	386
Total Assets	213,743	649,488	1	863,232
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	204,864	399,239	-	604,103
Marketable Securities Issued	-	299,870	-	299,870
Miscellaneous Payables	-	1,797	-	1,797
Derivative Financial Liabilities (**)	-	-	-	-
Other Liabilities	8,799	1,728	-	10,527
Total Liabilities	213,663	702,634	-	916,297
Net On-balance Sheet Position	80	(53,146)	1	(53,065)
Net Off-balance Sheet Position	-	52,515	-	52,515
Derivative Financial Assets (**)	-	52,515	-	52,515
Derivative Financial Liabilities (**)	-	-	-	-
Non-Cash Loans (****)	107,463	135,884	7,657	251,004
31 December 2017				
Total Assets	117,274	287,321	7,290	411,885
Total Liabilities	93,503	318,927	7,250	419,680
Net On-balance Sheet Position	23,771	(31,606)	40	(7,795)
Net Off-balance Sheet Position	(22,080)	32,061	-	9,981
Derivative Financial Assets	-	32,061	-	32,061
Derivative Financial Liabilities	22,080	-	-	22,080
Non-Cash Loans (****)	87,692	72,762	-	160,454

(*) Foreign currency indexed loans amounting to TL 44,595 (31 December 2017 : TL 52,231) are included.

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

(***) Fair value of trading derivative transactions amounting to TL 11,089 presented under "derivative financial liabilities" account is not included.

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

Foreign Exchange Sensitivity Analysis:

The effects (excluding tax effects) of 20% weakening of TL against the foreign currencies below at 30 September 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 September 2018	31 December 2017(*)	30 September 2018	31 December 2017(*)
USD	%10	(126)	46	(126)	46
EUR	%10	16	169	16	169

(*) The effect of the exchange rate change as of 31 December 2017 is calculated with the assumption of 10% depreciation of TL against such currencies.

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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

30 September 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non-Interest Bearing(***)	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	117,558	-	-	-	-	5,935	123,493
Due from Banks	223,619	-	-	-	-	8,199	231,818
Financial Assets at Fair Value Through Profit/Loss	-	-	11,089	-	-	4,970	16,059
Money Market Placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,555	2,026	-	1,868	-	-	6,449
Loans(***)	396,305	189,305	207,937	99,642	33,190	(8,812)	917,567
Financial assets measured at amortised cost	-	-	-	26,302	-	-	26,302
Other Assets (*) (**)	-	-	-	-	-	265,973	265,973
Total Assets	740,037	191,331	219,026	127,812	33,190	276,265	1,587,661
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	2,258	2,258
Marketable Securities Issued	23,967	59,151	-	299,870	-	-	382,988
Funds Borrowed From Other Financial Institutions	65,709	176,969	398,906	-	-	-	641,584
Other Liabilities (**)	5,448	-	-	-	-	555,383	560,831
Total Liabilities	95,124	236,120	398,906	299,870	-	557,641	1,587,661
Balance Sheet Long Position	644,913	-	-	-	33,190	-	678,103
Balance Sheet Short Position	-	(44,789)	(179,880)	(172,058)	-	(281,376)	(678,103)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	644,913	(44,789)	(179,880)	(172,058)	33,190	(281,376)	-

(*) 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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31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing	Total
Assets							
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
Total Assets	383,665	178,811	160,103	128,318	9,610	36,338	896,845
Liabilities							
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
Total Liabilities	174,142	86,195	167,849	170,048	-	298,611	896,845
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	-	-	-	-	-	-	-
Total Position	209,523	92,616	(7,746)	(41,730)	9,610	(262,273)	-

(*) 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:

30 September 2018	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.50	-	8.77
Due From Banks	0.23	3.61	-	15.14
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	1.98	-	16.71
Financial assets at fair value through other comprehensive income	-	-	-	17.37
Loans (*)	5.12	7.20	-	19.81
Financial assets measured at amortised cost	-	9.71	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	2.02	-	17.31
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.42	-	17.03
Funds Borrowed From Other Financial Inst.	1.23	3.07	-	17.37

(*) Average interest rates for "lease receivables" are included in "loans" line.

31 December 2017	EUR %	USD %	JPY %	TL %
Assets				
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	-	-	-	-
Liabilities				
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 September 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
30 September 2018 (*)				
Average (%)	1,235	677	745	460
Maximum (%)	3,493	2,544	1,284	865
Minimum (%)	176	204	166	194

	First Maturity Tranche (Weekly)(*)		Second Maturity Tranche (Monthly)(*)	
	FC	FC +TL	FC	FC +TL
31 December 2017 (*)				
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 September 2018 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			134,656	120,888
Cash Outflows				
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	180,148	68,988	180,148	68,988
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	180,148	68,988	180,148	68,988
9 Secured Debts				-
10 Other Cash Outflows	146,389	52,362	58,634	24,332
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	146,389	52,362	58,634	24,332
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	42,869	17,785	33,044	17,785
16 TOTAL CASH OUTFLOWS			271,826	111,105
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	391,742	235,906	300,031	220,340
19 Other cash inflows				
20 TOTAL CASH INFLOWS	391,742	235,906	300,031	220,340
			Upper Limit Applied Amount	
21 TOTAL HLA STOCK			134,656	120,888
22 TOTAL NET CASH OUTFLOWS (*)			67,957	27,776
23 LIQUIDITY COVERAGE RATION (%)			%198.15	%435.22

(*) 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.

(**) Simple arithmetic mean of weekly 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
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			77,920	57,566
Cash Outflows				
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
16 TOTAL CASH OUTFLOWS			266,874	90,143
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	194,543	54,823	126,410	54,549
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	194,543	54,823	126,410	54,549
			Upper limit applied amount	
21 TOTAL HLA STOCK			77,920	57,566
22 TOTAL NET CASH OUTFLOWS (*)			140,464	35,594
23 LIQUIDITY COVERAGE RATION (%)			55.47%	161.73%

(*) 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.

(**) Simple arithmetic mean of weekly 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:

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified (*)	Total
30 September 2018								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	5,935	117,558	-	-	-	-	-	123,493
Due From Banks	8,199	223,619	-	-	-	-	-	231,818
Financial Assets at Fair Value Through Profit/Loss	4,970	-	-	11,089	-	-	-	16,059
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-	3,894	2,555	-	6,449
Loans (***)	-	231,172	85,917	230,279	226,359	152,652	(8,812)	917,567
Financial assets measured at amortised cost	-	-	-	-	26,302	-	-	26,302
Other Assets (*)	-	1,887	87	-	-	-	263,999	265,973
Total Assets	19,104	574,236	86,004	241,368	256,555	155,207	255,187	1,587,661
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	65,709	176,969	398,906	-	-	-	641,584
Funds Borrowed From Money Markets	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	23,967	59,151	-	299,870	-	-	382,988
Miscellaneous Payables	-	461	-	1,797	-	-	-	2,258
Other Liabilities (**)	10,289	9,307	343	-	-	-	540,892	560,831
Total Liabilities	10,289	99,444	236,463	400,703	299,870	-	540,892	1,587,661
Liquidity Gap	8,815	474,792	(150,459)	(159,335)	(43,315)	155,207	(285,705)	-
Net Off-Balance Sheet Liquidity Gap	-	-	-	6,801	-	-	-	6,801
Financial Derivative Assets	-	-	-	52,515	-	-	-	52,515
Financial Derivative Liabilities	-	-	-	(45,714)	-	-	-	(45,714)
Non-cash Loans (****)	-	57,321	12,275	258,001	62,694	-	115,302	505,593
31 December 2017								
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
Liquidity Gap	21,299	127,422	6,134	48,998	52,482	12,133	(268,468)	-
Net Off-Balance Sheet Liquidity Gap	-	(729)	(47)	356	-	-	-	(420)
Financial Derivative Assets	-	34,503	8,307	11,645	-	-	-	54,455
Financial Derivative Liabilities	-	(35,232)	(8,354)	(11,289)	-	-	-	(54,875)
Non-cash Loans (****)	-	4,651	5,493	194,317	51,508	-	109,958	365,927

(*) 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 23.3% (31 December 2017: 20.1%). The increase occurred in the on and off balance sheet transactions and with the effect of the increase in paid in capital which resulted a higher increase in equity in comperation with the total risk amount led 3.2% increase in leverage ratio compared to the previous period. Regulation established a 3% minimum requirement for the leverage ratio.

	Current Period*	Prior Period *
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	1,653,558	834,480
(Assets deducted from core capital)	(1,330)	(865)
Total risk amount for assets on the balance sheet	1,652,228	833,615
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	-	1
Potential credit risk amount of derivative financial instruments and loan derivatives	650	549
Total risk amount of derivative financial instruments and loan derivatives	650	550
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	2,349	652
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	2,349	652
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	613,119	457,103
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	613,119	457,103
Capital and Total Risk		
Core capital	527,103	258,605
Total risk amount	2,268,346	1,291,920
Leverage Ratio		
Leverage ratio *	23.3%	20.1%

* 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 September 2018	Prior Period 31 December 2017	Current Period 30 September 2018
Credit risk (excluding counterparty credit risk) (CCR)	1,407,748	804,097	112,620
Of which standardised approach (SA)	1,407,748	804,097	112,620
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	291	2,516	23
Of which standardised approach for counterparty credit risk (SA-CCR)	291	2,516	23
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	5,538	3,288	443
Of which standardised approach (SA)	5,538	3,288	443
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	-	-	-
Total	1,481,724	851,763	118,538

1. CR8 – Table of changes in risk-weighted amounts under the internal rating-based (IRB) approach:

Since the Bank does not apply an internal rating based approach, no related table has been prepared.

2. CCR7 – Change of risk weighted assets related to counterparty credit risk within the internal model method:

Since the Bank does not apply the internal model method, no related table has been prepared.

3. MR2 – Change in risk weighted assets related to market risk according to the internal model approach:

Since the Bank does not apply the internal model method, no related table has been prepared.

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VIII. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	917,567	670,094	1,587,661
Total Liabilities	15,737	1,571,924	1,587,661
Net Interest Income/(Loss)	79,436	(26,365)	53,071
Net Fee and Commission Income/(Loss)	2,156	-	2,156
Trading Gain/(Loss)	-	2,189	2,189
Other Operating Segments Gain/(Loss)	-	463	463
Provisions for Loan Losses and Other Receivables(-)	(8,808)	(783)	(9,591)
Other Operating Expense (-)(*)	-	(18,268)	(18,268)
Profit Before Tax	72,784	(42,764)	30,020
Tax Provision	-	(6,920)	(6,920)
Net Profit	72,784	(49,684)	23,100

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
As at 31 December 2017			
Total Assets	713,048	183,797	896,845
Total Liabilities	32,091	864,754	896,845
For the period ended 30 September 2017			
Net Interest Income/(Loss)	42,007	(13,454)	28,553
Net Fee and Commission Income/(Loss)	1,219	-	1,219
Trading Gain/(Loss)	-	2,365	2,365
Other Operating Segments Gain/(Loss)	-	91	91
Provisions for Loan Losses and Other Receivables(-)	(1,947)	-	(1,947)
Other Operating Expense (-)	-	(15,443)	(15,443)
Profit Before Tax	41,279	(26,441)	14,838
Tax Provision	-	(3,407)	(3,407)
Net Profit	41,279	(29,848)	11,431

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SECTION FIVE

**EXPLANATIONS AND NOTES RELATED TO
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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 September 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	11	11	33	13
CBRT	5,407	118,064	9,754	67,773
Other	-	-	-	-
Total	5,418	118,075	9,787	67,786

b. Information on the account of the CBRT:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	5,407	506	9,754	100
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	117,558	-	67,673
Total	5,407	118,064	9,754	67,773

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 1.5% and 8% according to their maturities as of 30 September 2018 (31 December 2017: between 4% and 10.5%). The reserve rates for foreign currency liabilities vary between 4% and 20% according to their maturities as of 30 September 2018 (31 December 2017: between 4% and 24%).

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

a. As of 30 September 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 September 2018; there are no financial assets at fair value through profit or loss given as collateral/blocked (31 December 2017: None).

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b. Positive differences related to derivative financial assets:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Futures	-	11,089	-	-
Swap Operations	-	-	-	-
Futures Operations	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	11,089	-	-

3. Information on banks:

a. Information on banks:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	6,228	193,875	29	68,871
Foreign	-	31,715	-	4,716
Headquarters and Branches Abroad	-	-	-	-
Total	6,228	225,590	29	73,587

b. Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017
European Union Countries	6,388	1,757	-	-
USA, Canada	722	2,959	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	24,605	-	-	-
Total	31,715	4,716	-	-

(*) 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 September 2018 there are financial assets given as collateral/blocked amounting to TL 4,423 (31 December 2017: TL 711).

As of 30 September 2018, the Bank has no financial assets at fair value through profit or loss subject to repurchase agreements (31 December 2017: TL 9,922).

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

	30 September 2018	31 December 2017
Debt Securities	6,475	21,308
Quoted on Stock Exchange	6,475	14,019
Not Quoted	-	7,289
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	(26)	-
Total	6,449	21,308

5. Explanations on loans:

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

	30 December 2018		31 December 2017	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	897	50,710	555	31,699
Legal Entities	897	50,710	555	31,699
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total	897	50,710	555	31,699

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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
Non-specialized Loans	909,849	2,552	-	-
Loans given to enterprises	322,923	2,552	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Loans Granted to Financial Sector	270,034	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	316,892	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	909,849	2,552	-	-

Expected Credit Loss	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	7,727	-
Significant Increase in Credit Risk	-	1,085
Total	7,727	1,085

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	11,250	-
Extended by 3,4 or 5 times	10,388	-
Extended by more than 5 times	-	-
Total	21,638	-

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	11,250	-
2 - 5 Years	10,388	-
5 Years and over	-	-
Total	21,638	-

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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
Cash Loans				
Short-term loans	405,060	10,388	2,552	-
Non-specialized loans	405,060	10,388	2,552	-
Specialized loans	-	-	-	-
Other receivables	-	-	-	-
Medium/Long-term Loans				
Non-specialized loans	483,151	11,250	-	-
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:

30 September 2018	Short Term	Medium-Long Term	Total
Commercial installment loans-TC	-	5,567	5,567
Business residential loans	-	-	-
Automobile loans	-	3,697	3,697
Consumer loans	-	1,870	1,870
Other	-	-	-
Commercial installment loans- Indexed to FC	-	24,192	24,192
Business residential loans	-	-	-
Automobile loans	-	5,158	5,158
Consumer loans	-	19,034	19,034
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-TC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	-	29,759	29,759

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

f. Loans according to types of borrowers:

	30 September 2018	31 December 2017
Public	-	-
Private	912,401	679,099
Total	912,401	679,099

g. Distribution of domestic and foreign loans:

	30 September 2018	31 December 2017
Domestic Loans	758,571	621,553
Foreign Loans	153,830	57,546
Total	912,401	679,099

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 September 2018, there is no liquidation or decrease in assets (31 December 2017: None).

6. Information on financial assets measured at amortised cost:

a. As of 30 September 2018, there are no financial assets subject to repurchase agreements as of 30 September 2018 (31 December 2017: None).

As of 30 September 2018, there are no financial assets given for collateral / blocked financial assets over their amortized cost (31 December 2017: None).

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b. Information on government debt securities measured at amortized cost:

As of 30 September 2018, there are no government debt securities classified as financial assets at amortized cost (31 December 2017: None).

c. Information on Financial Assets Measured at Amortised Cost:

	30 September 2018	31 December 2017
Debt Securities	26,302	-
Stock Exchange	-	-
Unprocessed on the Exchange	26,302	-
Provision for impairment (-)	-	-
Total	26,302	-

d. The movement of financial assets measured at amortized cost during the year:

	30 September 2018	31 December 2017
Value at the Beginning of the Period	-	-
Foreign Exchange Differences in Monetary Assets	4,282	-
Purchases within the Year	22,020	-
Disposal through Sales and Redemption	-	-
Provision for impairment (-)	-	-
Total	26,302	-

6. Information on investments in associates:

None (31 December 2017: None).

7. Information on subsidiaries (Net):

None (31 December 2017: None).

8. Information on joint ventures:

None (31 December 2017: None).

9. Information on lease receivables (net):

a. Remaining maturities of financial lease investments:

	30 September 2018		31 December 2017	
	Gross	Net	Gross	Net
Up to 1 Year	7,872	5,947	17,472	17,018
1 – 4 Years	9,230	8,031	22,076	16,931
Over 4 Years	-	-	-	-
Total	17,102	13,978	39,548	33,949

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b. Information on financial lease receivables:

	30 September 2018	31 December 2017
Gross financial lease receivables	17,102	39,548
Unearned income	(3,124)	(5,599)
Canceled leasing amounts	-	-
Net financial lease receivables	13,978	33,949

10. Information on hedging derivative financial assets:

None (31 December 2017: None).

11. Information on property and equipment:

Prior Period End: 31 December 2017	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	271	1,162	1,433
Accumulated Depreciation(-)	-	(271)	(507)	(778)
Net Book Value	-	-	655	655
Current Period End: 30 September 2018				
Net Book Value at the beginning of the Period	-	-	655	655
Additions	-	-	75	75
Disposals(-), net	-	-	-	-
Depreciation (-)	-	-	(150)	(150)
Impairment	-	-	-	-
Cost at Period End	-	271	1,237	1,508
Accumulated Depreciation at Period End (-)	-	(271)	(657)	(928)
Closing Net Book Value	-	-	580	580

Prior Period End: 31 December 2016	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	271	1,080	1,351
Accumulated Depreciation(-)	-	(203)	(467)	(670)
Net Book Value	-	68	613	681
Current Period End: 31 December 2017				
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

12. Informations on intangible assets:

	Current Period 30 September 2018	Prior Period 31 December 2017
Net Book Value at the beginning of the Period	869	981
Additions	841	414
Disposals(-), net	-	-
Depreciation (-)	(478)	(526)
Closing Net Book Value	1,232	869

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13. 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".

14. 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 September 2018, the Bank calculated deferred tax asset amounting TL 661 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.

	30 September 2018		31 December 2017(*)	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	680	150	475	105
Expense provisions	355	78	256	56
Expected credit losses (*)	14,303	3,147	4,855	1,068
Other	3,325	731	3,830	842
Deferred Tax Asset	18,663	4,106	9,416	2,071
Tangible and intangible assets	(4,419)	(972)	(470)	(103)
Other	(11,239)	(2,473)	-	-
Deferred Tax Liability	(15,658)	(3,445)	(470)	(103)
Deferred Tax Asset/ (Liability), net	3,005	661	8,946	1,968

- (*) 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.

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15. Information on assets held for resale and discontinued operations:

None (31 December 2017: None).

16. Information on other assets:

As of 30 September 2018, other assets amount to TL 3,344 (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 September 2018		31 December 2017	
	TL	FC	TL	FC
Forward	-	-	380	-
Swap	-	-	-	692
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	-	380	692

3. Information on borrowings:

a. Information on banks and other financial institutions:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	-	-	18,521	27,518
From Foreign Banks, Institutions and Funds	37,481	604,103	21,069	274,279
Total	37,481	604,103	39,590	301,797

b. Information on maturity structure of borrowings:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	37,481	42,466	39,590	62,390
Medium and Long-term	-	561,637	-	239,407
Total	37,481	604,103	39,590	301,797

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 31% of total assets.

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4. Information on Repo Transactions:

	30 September 2018		31 December 2017	
	TL	FC	TL	FC
Financial Institutions	-	-	7,224	-
Other	-	-	833	-
Total	-	-	8,057	-

5. Securities Issued:

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

Code of issued security	Security type	Issue date	Issued nominal amount	Maturity date	Total days	Redeem status
AZ2001020174	Couponed	22.09.2017	25,000 USD	22.12.2022	1,917	-
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	Redeemed
TRFPASH71820	Discounted	01.03.2018	25,000 TL	31.07.2018	157	Redeemed
TRFPASH91810	Discounted	23.05.2018	21,083 TL	04.09.2018	104	Redeemed
AZ2002020173	Couponed	14.06.2018	25,000 USD	14.09.2021	1,188	-
TRFPASHE1819	Discounted	06.07.2018	33,224 TL	19.10.2018	105	-
TRFPASHK1811	Discounted	31.07.2018	48,500 TL	13.11.2018	105	-
TRFPASHK1829	Discounted	04.09.2018	23,820 TL	02.11.2018	59	-

Total carrying amount of issued bonds is TL 382,988 as at 30 September 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
30 September 2018						
Borrower funds	10,289	5,448	-	-	-	-
31 December 2017						
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 4,644 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:

30 September 2018	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	3,775	-
Significant Increase in Credit Risk	-	869
Total	3,775	869

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

	31 December 2017
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
Total	7,393

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.

	30 September 2018	31 December 2017
Discount rate (%)	5.14	5.14

The movement of employee termination benefits is shown below:

	30 September 2018	31 December 2017
Balance at the Beginning of the Period	238	180
Provisions Recognised During the Period	82	58
Balance at the end of the period	320	238

In addition, as of 30 September 2018 the Bank has unused vacation provision of TL 360 (31 December 2017: TL 237).

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

Other provisions amount of TL 6,374 is comprising of TL 4,644 expected credit loss for non-cash loans, TL 1,468 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 343 as current tax liability as of 30 September 2018 (31 December 2017: TL 1,673).

ii) Information on taxes payable:

	30 September 2018	31 December 2017
Corporate Tax Payable	343	1,673
Taxation on Marketable Securities	43	10
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	573	278
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	26	162
Other	273	250
Total	1,258	2,373

iii) Information on premium payables:

	30 September 2018	31 December 2017
Social Security Premiums – Employee	74	65
Social Security Premiums – Employer	82	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	-	-
Total	172	151

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 September 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 September 2018		31 December 2017	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(368)	-	(49)	1
Rate difference	-	-	-	-
Total	(368)	-	(49)	1

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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:

Irrevocable Commitments	30 September 2018	31 December 2017
Forward Asset purchase and sale commitments	-	4,879
Forward Deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	17
Other Irrevocable commitments	65	-
Total	82	4,896

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 September 2018, the Bank has guarantee and indemnities amounting TL 422,805 (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 September 2018, the Bank has other guarantees amounting TL 82,788 (31 December 2017: TL 33,850).

c. Total amount of non-cash loans:

	30 September 2018	31 December 2017
Non-cash Loans Given against Cash Loans	299,082	207,861
With Original Maturity of 1 Year or Less Than 1 Year	154,263	131,867
With Original Maturity of More Than 1 Year	144,819	75,994
Other Non-cash Loans	206,511	158,066
Total	505,593	365,927

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

	Current Period				Prior Period			
	30 September 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	1,842	0.72	12,770	5.09	1,842	0.90	46,532	29.00
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.71	12,770	5.09	1,817	0.89	46,532	29.00
Electric, Gas and Water	25	0.01	-	-	25	0.01	-	-
Construction	4,087	1.61	31,018	12.36	4,037	1.96	25,873	16.12
Services	248,660	97.67	207,216	82.55	199,594	97.14	88,049	54.88
Wholesale and Retail Trade	4,287	1.68	97,855	38.99	6,303	3.07	27,894	17.38
Hotel, Food and Beverage Services	1,450	0.57	-	-	1,865	0.91	-	-
Transportation and Telecommunication	9,505	3.73	44,752	17.83	18,705	9.10	19,424	12.11
Financial Institutions	232,797	91.45	50,708	20.19	172,087	83.75	31,700	19.76
Real Estate and Leasing Services	621	0.24	13,901	5.54	634	0.31	9,031	5.63
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	254,589	100.00	251,004	100.00%	205,473	100.00	160,454	100.00

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

30 September 2018	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	250,502	251,004	4,087	-
Letters of Guarantee	250,502	168,216	4,087	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	82,788	-	-

2. Information on derivative transactions:

	30 September 2018	31 December 2017
Forward foreign currency purchase transactions	52,515	19,953
Forward foreign currency sell transactions	45,714	19,642
Currency swap-buy	-	32,061
Currency swap-sell	-	32,795
Toplam	98,229	104,451

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 September 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 September 2018		30 September 2017	
	TL	FC	TL	FC
Short-term Loans	51,666	1,216	32,761	265
Medium/Long-term Loans	7,297	16,735	3,080	4,519
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total (*)	58,963	17,951	35,841	4,784

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

b. Information on interest income on banks:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
From the CBRT (*)	1,208	-	462	-
From Domestic Banks	2,492	1,264	306	68
From Foreign Banks	-	194	34	-
Headquarters and Branches Abroad	-	-	-	-
Total	3,700	1,458	802	68

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

c. Information on interest income on marketable securities:

	30 September 2018		30 September 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	1,989	71	889	565
From financial assets measured at amortised cost	-	490	-	-
Total	1,989	561	889	565

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

None (30 September 2017: None).

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2. Information on interest expense:

a. Information on interest expense on borrowings:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
Banks	4,117	10,409	3,999	3,701
The CBRT	-	-	-	-
Domestic Banks	885	44	1,404	281
Foreign Banks	3,232	10,365	2,595	3,420
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	4,117	10,409	3,999	3,701

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

None (30 September 2017: None).

c. Interest expense on issued marketable securities:

	30 September 2018		30 September 2017	
	TL	FC	TL	FC
Interest on securities issued	9,513	5,860	5,730	110

d. Maturity structure of the interest expense on deposits:

None (30 September 2017: None).

3. Information on dividend income:

None (30 September 2017: None).

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

	30 September 2018	30 September 2017
Income	509,138	61,407
Income from Capital Market Transactions	454	300
Income from Derivative Financial Transactions (*)	12,424	1,183
Foreign Exchange Gains	496,260	59,924
Loss (-)	(506,949)	(59,042)
Loss from Capital Market Transactions(-)	(19)	(7)
Loss from Derivative Financial Transactions (-)(*)	(1,169)	(2,417)
Foreign Exchange Loss (-)	(505,761)	(56,618)
Net Trading Income/Loss	2,189	2,365

(*) 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 is TL 327 income from tax deductible from previous years, rent income from investment property amounting to TL 60 and income from other operations amounting to TL 76. There is no income regarding extraordinary accounts (30 September 2017: total other operating income TL 91).

6. Provision expenses related to loans and other receivables:

	30 September 2018
Expected Credit Loss	6,194
12 Month Expected Credit Loss (Stage 1)	5,109
Significant increase in credit risk (Stage 2)	1,085
Non-Performing Loans (Stage 3)	-
Marketable Securities Impairment Provision	143
Financial Assets at Fair Value Through Profit or Loss	143
Financial Assets At Fair Value Through Other Comprehensive Income	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Other	3,254
Total	9,591

(*)Other provisions consist of expected loss provision for non-cash loans.

	30 September 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	1,947
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	-
Total	1,947

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7. Information related to other operating expenses:

	30 September 2018	30 September 2017
Personnel Expenses (*)	9,608	7,669
Reserve For Employee Termination Benefits(*)	205	81
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	150	171
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	478	390
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	5,740	4,716
Operational Lease Expenses	1,590	1,385
Maintenance Expenses	47	22
Advertising Expenses	232	233
Other Expense	3,871	3,076
Loss on Sales of Assets	-	3
Other	2,087	2,413
Total	18,268	15,443

(*) 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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8. Information on income/(loss) before tax from continuing or discontinued operations:

Profit before tax consists of net interest income/expense amounting TL 53,071, net commission fee income/expense amounting TL 2,156, trading profit/loss amounting TL 2,189, other operating income amounting TL 463, provision for loan losses and other receivables amounting to TL 9,591 and other operating expenses including personnel expenses amounting TL 18,268.

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

As of 30 September 2018 the Bank has current tax expense TL 5,597 TL (30 September 2017: TL 3,233). The Bank has deferred tax gain amounting to TL 1,323 (30 September 2017: TL 174 loss).

As of 30 September 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 23,100 (30 September 2017: TL 11,431).

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 September 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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**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.

The Bank has booked loss for marketable securities valuation difference related to financial assets at fair value through other comprehensive income of TL 320 (30 September 2017: TL 31 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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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:

Beginning of the period	31 December 2017	31 December 2016
Cash	77,573	34,436
Cash, Foreign Currency and Other	46	30
T.C. Central Bank	77,527	34,406
Other	-	-
Cash Equivalents	73,616	44,277
Banks	73,616	29,144
Interbank Money Market Placements	-	15,133
Total Cash and Cash Equivalents	151,189	78,713
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)
Cash Flow Statements Cash and Cash Equivalents	83,516	59,134

End of the period	30 September 2018	30 September 2017
Cash	123,493	45,607
Cash, Foreign Currency and Other	22	42
T.C. Central Bank	123,471	45,565
Other	-	-
Cash Equivalents	231,818	73,011
Banks	231,818	73,011
Interbank Money Market Placements	-	-
Total Cash and Cash Equivalents	355,311	118,618
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	(117,558)	(32,690)
Cash Flow Statements Cash and Cash Equivalents	237,753	85,928

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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 8,243 (30 September 2017: TL 7,852) 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 2,256 (30 September 2017: TL 20,434) 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 79,587 (30 September 2017: 35,206) 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 841 (30 September 2017: 240) consists of amounts paid for purchases of intangible assets.

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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	-	-	897	50,710	-	-
Interest and Commission Income Received	-	-	31	262	-	-

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	-	-	-	232	-	-

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 September 2018, the Bank has TL1 due from banks from its risk group (31 December 2017: TL 1).

As of 30 September 2018, the Bank has TL 137 borrower funds from its risk group (31 December 2017: TL 20).

As of 30 September 2018, the Bank has borrowings from its risk group amounting to TL 193,171 (31 December 2017: TL 186,735). Additionally, TL 293,573 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 September 2018, total benefits paid key management amounts to TL 3,522 (30 September 2017: TL 1,815).

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 September 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 7 November 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,

The Turkish economy does clearly demonstrate rebalancing, namely putting, improvement of external balance and adaptation of domestic demand to new prices in the economy following exchange rate depreciation. Release of New Economic Program, increase of the policy rate by the Central Bank, some improvement in political side have resulted in exchange rate to stabilize and even to appreciate further. It is obvious that some economic fundamentals, including activity indicators like, industrial production, GDP growth, unemployment would see deterioration, but government's proactive policy aspirations and dynamic nature of Turkish market increase the probability of rebound within the relatively short period of time.

Relative slowdown in economic activities are being reflected into the performance indicators of the overall banking system. Despite this trend, in the first nine months of the year, the total assets of the system has increased by 29% compared to 2018 year-end reaching TL 4,211 billion. The same trend was recorded in loan portfolio as well, where growth rate and amount equal to 23% and TL 2,588 billion, respectively. 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.

We are proud to say that PASHA Bank as a dynamic market player keeps going on its healthy expansion with the pace of above the market. In general, continuous investment onto strengthening of internal capabilities, starting from building core competencies for managing business to increasing human capital potential of the Bank, has already demonstrated its strategic return in the form of capable navigation through the stressful times.

As a result, the market share of the Bank has gone up, and its total assets have doubled and reached TL 1.588 million compared to the first nine months of prior year. Our cash loan and leasing receivables portfolio, comprising 58% of total assets, increased by 40% compared to same period of prior year and reached TL 918 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.

The year of 2018 is actually the beginning of new 2020 strategy of the Bank where the strategic objectives have been set like 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 overall, the designed strategy of the Bank doesn't only cover impressive bottomline performance, in addition, it focuses on introducing totally different value proposition to the market, which in turn acquire its aspiration from the values of the Bank and the shareholders.

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Message from the Chairman (continued)

In order to execute the strategy successfully we would allocate substantial investments in strengthening internal capabilities, including employee development, information technology, risk management, credit management, fund raising, talent acquisition etc. 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).

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 share prosperous operating environment with all stakeholders which provides enormous benefit to all parts, and serves to build business relationships based on mutual interest. 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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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2018**

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

Message by the General Manager

In the third quarter of the year, both emerging markets and Turkish financial markets took a volatile course with political and macroeconomic developments. With the Turkish Lira's rapid depreciation against foreign currencies and upward acceleration in inflation, the Central Bank of the Republic of Turkey maintained its tight monetary policy stance and increased the weekly repo rate to 24% by raising the policy rate by 625 basis points. The three-year New Economic Program and the All-Out Fight Against Inflation actions announced by the Ministry of Treasury and Finance were positively perceived by the markets, with diplomatic relations with the US entering the normalization process, the renewal of syndicated loans by banks, and value of TL assets down to extremely low levels, increases have started to be observed in the risk appetite of foreigners from mid-September. While Turkey's risk premium fell, the Turkish lira partly won back losses against the dollar. While the US and European Central Bank meetings and narrative continued to be followed up, the US Central Bank FED realized another interest rate increase of 25 basis points in September.

As PASHA Bank, we continued to maintain our sustainable profitability target, increase our product mix and diversify our resources by making a profit of TL 23 million by the end of the third quarter of 2018. Our asset size reached TL 1.6 billion. Total credits and receivables, also including receivables from leasing transactions, amounted to TL 1,432 million before provisions, with TL 926 million of this amount consisting of cash loans and receivables from leasing transactions.

While entering the last quarter of the year, I expect the Turkish economy to take a more moderate course with the steps taken in monetary and fiscal policies and the measures taken. I hope that the rest of 2018 will be positive for the whole banking industry.



H. Cenk Eynehan
General Manager and Board Member

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A. ENTRY

1. Amendments made in Articles of Incorporation within the period

During the reporting period, there has been no change in the Articles of Incorporation except the amendments to Article 7 regarding the capital increase and changes in the shareholder structure.

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 3rd QUARTER REVIEWS

<i>(thousands of TL)</i>	30 September 2018	31 December 2017
Cash and Balances with Central Bank	123,493	77,573
Securities	37,721	26,251
Banks and Money Markets Receivables	231,818	73,616
Loans and lease receivables, Gross	926,379	713,048
Allowance for expected financial assets	(9,659)	-
Other Various Assets	277,909	6,357
Total Assets	1,587,661	896,845
Borrowings	641,584	341,387
Money Market Payables	-	62,729
Marketable Securities Issued	382,988	181,741
Other Various Liabilities	31,096	50,381
Paid-in Capital	500,000	255,000
Profit Reserves	5,655	324
Marketable Securities Valuation Reserve	(368)	(48)
Prior Years' Income/ (Loss)	3,606	(10,677)
Current Year Income/ (Loss)	23,100	16,008
Total Liabilities	1,587,661	896,845

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PASHA Bank 3rd QUARTER REVIEWS

The Bank has doubled the profit amount in comparasion with the same period of last year and completed first nine months of 2018 with a profit figure of TL 23,100 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 1,587,661 with a 77% increase compared to 2017 year-end. The Bank continues its operations through headquarter units as of 30 September 2018.

The share of our securities in balance sheet is 2%, the loan and lease receivables are TL 917,567 increasing at a ratio of 29% compared to year end of 2017 and the share of loans and leasing receivables in total assets is 58%. 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 36,70% as of 30 September 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 3.0-3.5% in Turkish economy for the year 2018 and continuum of moderate growth trend, and anticipates an inflation rate of 22-24% effected by increases in currency rates and petroleum prices. The Bank also anticipates that the ratio of current deficit to GDP will be 5.0-5.5%.