

**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 31 MARCH 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 31 March 2018 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, 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 three-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 interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited 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 31 March 2018 and of the results of its operations and its cash flows for the three-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



Yasar Bivas, SMMM

Partner

İstanbul, 3 May 2018



**THE THREE MONTH UNCONSOLIDATED INTERIM FINANCIAL REPORT OF
PASHA YATIRIM BANKASI A.Ş. AS OF 31 MARCH 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 three-month financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

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

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

Jalal GASIMOV
Chairman of the Board of Directors

Mesut ÖZDİNÇ
Chairman of the Audit Committee

Kamala NURIYEVA
Member of the Audit Committee

H.Cenk EYNEHAN
General Manager

Ali İhsan TOKKUZUN
Deputy General Manager

Özgür İÇİN
Financial Planning, Strategy and
Budget Dept. Manager

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

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FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 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 - 31 March 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 17.06.1987 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 21.12.1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25.12.1987 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 31 March 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 increase from TL 80,000 to TL 255,000 by TL 175,000 cash, approval of the share transfer 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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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 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.

Partnership structure of the Bank as of 31 March 2018, is stated below:

Name Surname/Commercial Title	Capital	Share Rate
PASHA Bank OJSC	254,795	%99.9196
Other	205	%0.0804
Total	255,000	%100

In accordance with the Board of Directors decision dated 16 March 2018 numbered 2018/29, the outstanding TL 255,000 paid-in capital will be increased to TL 500,000 with cash injection of TL 245,000. The related capital increase, committed by Pasha Holding LLC, will be accounted in the statutory accounting records and 245,000,000 shares of Pasha Holding LLC will be registered within the approval in the Extraordinary General Meeting to be held subsequent to the receipt of necessary permissions of related institutions and organizations. The main agreement of the Bank will be revised accordingly. The Extraordinary General Meeting regarding the share capital increase is decided to be held at 18 May 2018 with the Board of Directors decision dated 16 March 2018 and numbered 2018/31.

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 Percentage
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	Mesut Özdiñ	Postgraduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Independent Member of the Board of Directors	Meriç Uluşahin	Graduate	-
Member of the Board of Directors/ General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-
Assistant General Manager	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager	Uğur Koç	Graduate	-

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED
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**PASHA YATIRIM BANK A.Ş.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
AT 31 MARCH 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 31 March 2018, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
PASHA Holding Ltd.	152,877	%59.95	152,877	-
Ador Ltd.	76,439	%29.98	76,439	-
Arif Pashayev	25,480	%9.99	25,480	-

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

The Bank operates as an investment bank and as of 31 March 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
AT 31 MARCH 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)	Current Period 31/03/2018		
			TL	FC	Total
I.	FINANCIAL ASSETS (Net)		23,097	166,377	189,474
1.1	Cash and cash equivalents		6,036	165,196	171,232
1.1.1	Cash and balances at Central Bank	(1)	6,000	81,831	87,831
1.1.2	Banks	(3)	36	83,365	83,401
1.1.3	Receivables from Money Markets		-	-	-
1.2	Financial assets at fair value through profit or loss	(2)	3,061	1,181	4,242
1.2.1	Public debt securities		-	-	-
1.2.2	Equity instruments		-	-	-
1.2.3	Other financial assets		3,061	1,181	4,242
1.3	Financial assets at fair value through other comprehensive income	(4)	14,152	-	14,152
1.3.1	Public debt securities		5,033	-	5,033
1.3.2	Equity instruments		-	-	-
1.3.3	Other financial assets		9,119	-	9,119
1.4	Financial assets measured at amortised cost	(6)	-	-	-
1.4.1	Public debt securities		-	-	-
1.4.2	Other financial assets		-	-	-
1.5	Derivative financial assets		-	-	-
1.5.1	Derivative financial assets at fair value through profit or loss		-	-	-
1.5.2	Derivative financial assets at fair value through other comprehensive income		-	-	-
1.6	Non-performing financial assets		-	-	-
1.7	Allowance for expected credit losses (-)		(152)	-	(152)
II.	LOANS (Net)		503,269	260,613	763,882
2.1	Loans	(5)	490,409	246,059	736,468
2.1.1	Loans measured at amortised cost		490,409	246,059	736,468
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)	16,509	14,554	31,063
2.2.1	Finance lease receivables		20,951	14,755	35,706
2.2.2	Operational lease receivables		-	-	-
2.2.3	Unearned income (-)		(4,442)	(201)	(4,643)
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)	(3,649)	-	(3,649)
2.5.1	12-Month expected credit losses (Stage 1)		(3,649)	-	(3,649)
2.5.2	Significant increase in credit risk (Stage 2)		-	-	-
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)	616	-	616
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	(13)	821	-	821
6.1	Goodwill		-	-	-
6.2	Other		821	-	821
VII.	INVESTMENT PROPERTIES (Net)	(14)	-	-	-
VIII.	CURRENT TAX ASSETS		12	-	12
IX.	DEFERRED TAX ASSETS	(15)	1,943	-	1,943
X.	OTHER ASSETS	(17)	12,017	40,131	52,148
	TOTAL ASSETS		541,775	467,121	1,008,896

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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UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED
IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 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)	Prior Period 31 December 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
AT 31 MARCH 2018**

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

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

	EQUITY AND LIABILITIES	Note (Section Five-II)	Current Period 31/03/2018		
			TL	FC	Total
I.	DEPOSITS	(1)	-	-	-
II.	LOANS RECEIVED	(3)	55,091	403,209	458,300
III.	MONEY MARKET FUNDS	(4)	63,022	1,345	64,367
IV.	MARKETABLE SECURITIES ISSUED (Net)	(5)	89,492	98,826	188,318
4.1	Bills		89,492	-	89,492
4.2	Asset backed securities		-	-	-
4.3	Bonds		-	98,826	98,826
V.	FUNDS		4,231	4,837	9,068
5.1	Borrower funds	(6)	4,231	4,837	9,068
5.2	Other		-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES	(2)	646	-	646
7.1	Derivative financial liabilities at fair value through profit or loss		646	-	646
7.2	Derivative financial liabilities at fair value through other comprehensive income		-	-	-
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)	2,437	-	2,437
10.1	Provision for restructuring		-	-	-
10.2	Reserves for employee benefits		527	-	527
10.3	Insurance technical reserves (Net)		-	-	-
10.4	Other provisions		1,910	-	1,910
XI.	CURRENT TAX LIABILITIES	(10)	3,124	-	3,124
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		11,980	160	12,140
XVI.	SHAREHOLDERS' EQUITY	(13)	270,496	-	270,496
16.1	Paid-in capital		255,000	-	255,000
16.2	Capital reserves		-	-	-
16.2.1	Equity share premiums		-	-	-
16.2.2	Share cancellation profits		-	-	-
16.2.3	Other capital reserves		-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		-	-	-
16.4	Other accumulated comprehensive income that will be reclassified in profit or loss		(26)	-	(26)
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		9,867	-	9,867
16.6.1	Prior years' profits or losses		3,606	-	3,606
16.6.2	Current period net profit or loss		6,261	-	6,261
	TOTAL EQUITY AND LIABILITIES		500,519	508,377	1,008,896

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 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)	Prior Period 31 December 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)	7,370	9,590	16,960
IX.	FACTORING PAYABLES		-	-	-
X.	LEASE PAYABLES (Net)	(8)	-	-	-
10.1	Financial Lease Payables		-	-	-
10.2	Operational Lease Payables		-	-	-
10.3	Other		-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-
XI.	HEDGING DERIVATIVE FINANCIAL LIABILITIES	(9)	-	-	-
11.1	Fair Value Hedge		-	-	-
11.2	Cash Flow Hedge		-	-	-
11.3	Foreign Net Investment Hedge		-	-	-
XII.	PROVISIONS	(10)	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	(11)	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	(12)	-	-	-
14.1	Held for Resale		-	-	-
14.2	Discontinued Operations		-	-	-
XV.	SUBORDINATED LOANS	(13)	-	-	-
XVI.	SHAREHOLDERS' EQUITY	(14)	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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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AT 31 MARCH 2018**

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

II. OFF-BALANCE SHEET

			Current Period 31/03/2018		
	OFF BALANCE SHEET COMMITMENTS	Note (Section Five-III)	TL	FC	Total
A.	OFF BALANCE SHEET COMMITMENTS (I+II+III)		215,181	196,797	411,978
I.	GUARANTEES AND WARRANTIES	(1)	203,518	184,629	388,147
1.1.	Letters of guarantee		203,518	121,804	325,322
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		203,518	121,804	325,322
1.2.	Bank acceptances		-	-	-
1.2.1.	Import letter of acceptance		-	-	-
1.2.2.	Other bank acceptances		-	-	-
1.3.	Letters of credit		-	3,428	3,428
1.3.1.	Documentary letters of credit		-	3,428	3,428
1.3.2.	Other letters of credit		-	-	-
1.4.	Prefinancing given as guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of Turkey		-	-	-
1.5.2.	Other endorsements		-	-	-
1.6.	Purchase guarantees for Securities issued		-	-	-
1.7.	Factoring guarantees		-	-	-
1.8.	Other guarantees		-	59,397	59,397
1.9.	Other warranties		-	-	-
II.	COMMITMENTS	(1)	17	-	17
2.1.	Irrevocable commitments		17	-	17
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		-	-	-
2.2.	Revocable commitments		-	-	-
2.2.1.	Revocable loan granting commitments		-	-	-
2.2.2.	Other revocable commitments		-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS	(2), (3)	11,646	12,168	23,814
3.1	Derivative financial instruments held for hedging		-	-	-
3.1.1	Fair value hedges		-	-	-
3.1.2	Cash flow hedges		-	-	-
3.1.3	Hedges for investments made in foreign countries		-	-	-
3.2	Trading transactions		11,646	12,168	23,814
3.2.1	Forward foreign currency purchase and sale transactions		11,646	12,168	23,814
3.2.1.1	Forward foreign currency purchase transactions		11,646	-	11,646
3.2.1.2	Forward foreign currency sale transactions		-	12,168	12,168
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)		538,537	407,504	946,041
IV.	ITEMS HELD IN CUSTODY		16,257	-	16,257
4.1.	Assets under management		-	-	-
4.2.	Securities held in custody		8,477	-	8,477
4.3.	Checks received for collection		7,780	-	7,780
4.4.	Commercial notes received for collection		-	-	-
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		522,245	366,151	888,396
5.1.	Marketable securities		64,236	59,234	123,470
5.2.	Guarantee notes		296,948	81,240	378,188
5.3.	Commodity		24,714	17,923	42,637
5.4.	Warrant		-	-	-
5.5.	Immovables		136,347	-	136,347
5.6.	Other pledged items		-	207,754	207,754
5.7.	Depositories receving pledged items		-	-	-
VI.	ACCEPTED GUARANTEES AND WARRANTIES		35	41,353	41,388
	TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		753,718	604,301	1,358,019

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**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS
AT 31 MARCH 2018**

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

II. OFF-BALANCE SHEET (Continued)

	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five-III)	Prior Period 31 December 2017		
			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		-	3,301	3,301
1.3.1.	Documentary Letters of Credit		-	3,301	3,301
1.3.2.	Other Letters of Credit		-	-	-
1.4.	Prefinancing Given as Guarantee		-	-	-
1.5.	Endorsements		-	-	-
1.5.1.	Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2.	Other Endorsements		-	-	-
1.6.	Securities Issue Purchase Guarantees		-	-	-
1.7.	Factoring Guarantees		-	-	-
1.8.	Other Guarantees		-	33,850	33,850
1.9.	Other Collaterals		-	-	-
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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**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED INCOME STATEMENT
AT 31 MARCH 2018**

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

III. STATEMENT OF PROFIT AND LOSS

	INCOME STATEMENT	Note (Section Five-IV)	Current Period 01/01/2018- 31/03/2018
I.	INTEREST INCOME	(1)	21,591
1.1	Interest On Loans		19,426
1.2	Interest Received From Reserve Deposits		308
1.3	Interest Received From Banks		318
1.4	Interest Received From Money Market Transactions		5
1.5	Interest Received From Marketable Securities Portfolio		565
1.5.1	Financial assets at fair value through profit or loss		-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		565
1.5.3	Financial Assets Measured at Amortised Cost		-
1.6	Finance Lease Income		969
1.7	Other Interest Income		-
II.	INTEREST EXPENSES (-)	(2)	(9,533)
2.1	Interest on Deposits		-
2.2	Interest on Funds Borrowed		(3,565)
2.3	Interest on Money Market Transactions		(1,661)
2.4	Interest on Securities Issued		(4,203)
2.5	Other Interest Expenses	(12)	(104)
III.	NET INTEREST INCOME/EXPENSE (I - II)		12,058
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		751
4.1	Fees and Commissions Received		1,002
4.1.1	Non-cash loans		753
4.1.2	Other	(12)	249
4.2	Fees and Commissions Paid (-)		(251)
4.2.1	Non-Cash Loans		(107)
4.2.2	Other	(12)	(144)
V.	PERSONNEL EXPENSES (-)	(7)	(3,054)
VI.	DIVIDEND INCOME	(3)	-
VII.	TRADING PROFIT/LOSS (Net)	(4)	832
7.1	Profit/Losses From Capital Market Transactions		126
7.2	Profit/Losses From Derivative Financial Transactions		(738)
7.3	Foreign Exchange Profit/Losses		1,444
VIII.	OTHER OPERATING INCOME	(5)	296
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		10,883
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(6)	(339)
XI.	OTHER OPERATING EXPENSES (-)	(7)	(2,479)
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		8,065
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)	8,065
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(9)	(1,804)
17.1	Current Tax Provision		(1,775)
17.2	Expense Effect Of Deferred Tax (+)		(29)
17.3	Income Effect Of Deferred Tax (-)		-
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI±XVII)	(10)	6,261
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 OPERATIONS K/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)	6,261
	Profit/Loss Per Share		0.0246

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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 INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2018**

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

III. STATEMENT OF PROFIT AND LOSS (Continued)

	INCOME AND EXPENSE ITEMS	Note (Section Five-IV)	Prior Period 01/01/2017 – 31/03/2017
I.	INTEREST INCOME	(1)	12,206
1.1	Interest on Loans		11,021
1.2	Interest Received from Reserve Requirements		90
1.3	Interest Received from Banks		165
1.4	Interest Received from Money Market Transactions		266
1.5	Interest Received from Marketable Securities Portfolio		515
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		515
1.5.4	Held-to-maturity Investments		-
1.6	Financial Lease Income		149
1.7	Other Interest Income		-
II.	INTEREST EXPENSE (-)	(2)	(3,867)
2.1	Interest on Deposits (-)		-
2.2	Interest on Funds Borrowed (-)		(2,628)
2.3	Interest Expense on Money Market Transactions (-)		(290)
2.4	Interest on Securities Issued (-)		(929)
2.5	Other Interest Expenses (-)	(12)	(20)
III.	NET INTEREST INCOME (I + II)		8,339
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSE		397
4.1	Fees and Commissions Received		524
4.1.1	Non-cash Loans		447
4.1.2	Other	(12)	77
4.2	Fees and Commissions Paid (-)		(127)
4.2.1	Non-cash Loans (-)		(21)
4.2.2	Other (-)	(12)	(106)
V.	DIVIDEND INCOME	(3)	-
VI.	TRADING INCOME/(LOSS) (Net)	(4)	617
6.1	Trading Gains/(Losses) on Securities		65
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		(1,792)
6.3	Foreign Exchange Gains/(Losses)		2,344
VII.	OTHER OPERATING INCOME	(5)	53
VIII.	TOTAL OPERATING INCOME (III+IV+V+VI+VII)		9,406
IX.	PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)	(6)	(1,162)
X.	OTHER OPERATING EXPENSES (-)	(7)	(4,616)
XI.	NET OPERATING INCOME/(LOSS) (VIII+IX+X)		3,628
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)	3,628
XVI.	TAX PROVISION FOR CONTINUING OPERATIONS (-)	(9)	(986)
16.1	Current Tax Provision		(514)
16.2	Deferred Tax Provision		(472)
XVII.	NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	(10)	2,642
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)	2,642
	Earnings/(Loss) per share		0.0104

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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 INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018**

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

IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY

		Current Period 01/01/2018- 31/03/2018
I.	PROFIT (LOSS)	6,261
II.	OTHER COMPREHENSIVE INCOME	22
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	22
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	27
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	(5)
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	6,283

		Prior Period 01/01/2017- 31/03/2017
	INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(34)
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	7
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	(27)
XI.	CURRENT PERIOD INCOME/LOSS	2,642
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	2,642
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	2,615

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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.
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 MARCH 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 – 31/03/2017	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	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.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
	Changes in the Period																	
VI.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(27)	-	-	-	-	(27)
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	2,642	-	-	-	-	-	-	2,642
XX.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
	Period End Balance (III+ ...+ XX)		255,000	-	-	-	29	295	-	-	2,642	(10,677)	(16)	-	-	-	-	247,273

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED 31 MARCH 2018**

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

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

Current Period							Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss							
01/01/2018 – 31/03/2018																	
		Note (Section Five-V)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurmen t Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency anslation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss))	urrent Period Profit or (Loss)	Total Shareholders' Equity	
I.	Balance at the beginning of the period		255,000	-	-	-	-	-	-	-	(48)	-	-	324	(10,677)	16,008	260,607
II.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
2.1	Effect of adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
III.	New balance (I+II)		255,000	-	-	-	-	-	-	-	(48)	-	-	324	(7,071)	16,008	264,213
IV.	Total comprehensive income (loss)	(1)	-	-	-	-	-	-	-	-	22	-	-	-	-	-	-
V.	Capital increase in cash		-	-	-	-	-	-	-	-	-	-	-	-	-	6,261	6,283
VI.	Capital increase through internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	(3)	-	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.1	Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)		255,000	-	-	-	-	-	-	-	(26)	-	-	5,655	3,606	6,261	270,496

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2018**

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

VI. STATEMENT OF CASH FLOW

		Note (Section Five-VI)	Current Period 01/01/2018 - 31/03/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
I.1	Operating Profit Before Changes in Operating Assets and Liabilities		11,953
1.1.1	Interest Received		19,935
1.1.2	Interest Paid		(4,449)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		872
1.1.5	Other Income		4,413
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers		(4,031)
1.1.8	Taxes Paid		(1,671)
1.1.9	Other	(2)	(3,116)
I.2	Changes in Operating Assets and Liabilities		(12,315)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		570
1.2.2	Net increase (decrease) in due from banks		(13,932)
1.2.3	Net increase (decrease) in loans		(53,088)
1.2.4	Net increase (decrease) in other assets	(2)	(37,226)
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		115,471
1.2.9	Net Increase/(Decrease) in matured Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	(24,110)
I.	Net Cash Provided from Banking Operations		(362)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities		7,265
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		(10)
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		(10,548)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		17,911
2.7	Cash paid for the purchase of financial assets at amortised cost		-
2.8	Cash obtained from sale of financial assets at amortised cost		-
2.9	Other	(2)	(88)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		(1,469)
3.1	Cash Obtained from Funds Borrowed and Securities Issued		98,746
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(100,215)
3.3	Equity instruments issued		-
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		607
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		6,041
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)	89,557

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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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2018**

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

VI. STATEMENT OF CASH FLOW (Continued)

		Note (Section Five-VI)	Prior Period 01/01/2017 – 31/03/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		2,902
1.1.1	Interest Received		10,236
1.1.2	Interest Paid		(1,338)
1.1.3	Dividend Received		-
1.1.4	Fees and Commissions Received		746
1.1.5	Other Income		(971)
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-
1.1.7	Payments to Personnel and Service Suppliers		(3,358)
1.1.8	Taxes Paid		(1)
1.1.9	Other	(2)	(2,412)
1.2	Changes in Operating Assets and Liabilities		(64,332)
1.2.1	Net (Increase)/Decrease in Trading Securities		(2,500)
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3	Net (Increase)/Decrease in Due from Banks		(3,123)
1.2.4	Net (Increase)/Decrease in Loans		(91,890)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	(20,691)
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		34,214
1.2.9	Net Increase/(Decrease) in Payables		-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	19,658
I.	Net Cash Provided from Banking Operations		(61,430)
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities		595
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		(4)
2.4	Disposals of Property and Equipment		-
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(9,042)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		9,843
2.7	Cash Paid for Purchase of Investment Securities		-
2.8	Cash Obtained from Sale of Investment Securities		-
2.9	Other	(2)	(202)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities		5,848
3.1	Cash Obtained from Funds Borrowed and Securities Issued		43,348
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(37,500)
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		211
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		(54,776)
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)	4,358

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)

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

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

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

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

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

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

The Bank has no discontinued operations.

XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

The Bank expects no change with respect to accounting estimates, amortization period, amortization method, or residual value that will have significant impact on the current or the following periods.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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”.

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

XIII. EXPLANATIONS ON LEASING TRANSACTIONS

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Operating Lease

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

XIV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS

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

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

XV. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON TAXATION

a. Current Tax:

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

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

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

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

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

b. Transfer Pricing:

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON BORROWINGS

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

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

XVIII. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES

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

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

XIX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XX. EXPLANATIONS ON GOVERNMENT GRANTS

As of 31 March 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	TFRS 9 Classification	After TFRS 9	Total Differences
	31 December 2017 General Loan Provision		1 January 2018 Allowance for expected losses	
Loan and lease receivables	6,712	Stage 1	3,258	
		Stage 2 ve 3	-	
Cash and Cash equivalents, Balances with the CBRT, Due from Banks and Money Markets	47	Stage 1	27	
		Stage 2 and 3	-	
Marketable securities	133	Stage 1	180	
		Stage 2 ve 3	-	
Non-cash loans, derrivatives and commitments (*)	501	Stage 1	1,390	
		Stage 2 and 3	-	
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 272,999 while its capital adequacy standard ratio is 27.38% as of 31 March 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 31 March 2018	Prior Period 31 December 2017(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-up Capital	255,000	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	-	-
Net profit of the period	6,261	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	268,946	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	26	10,725
Improvement costs for operating leasing	48	51
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	821	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	895	11,471
Common Equity Tier 1 capital (CET1)	268,051	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)	268,051	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)	4,948	7,393
Tier 2 capital before regulatory adjustments	4,948	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	4,948	7,393
Total Capital (The sum of Tier 1 capital and Tier 2 capital)	272,999	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)	272,999	267,080
Total Risk Weighted Assets	997,221	851,763
CAPITAL ADEQUACY RATIOS		
Common Equity Tier 1 Capital Adequacy Ratio (%)	26.88%	30.51%
Tier 1 Capital Adequacy Ratio (%)	26.88%	30.49%
Capital Adequacy Ratio (%)	27.38%	31.36%
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2.11%	1.37%
a) Bank specific total common equity tier 1 capital ratio	1.875%	1.25%
b) Capital conservation buffer requirement	0.23%	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 (%)	18.88%	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)	4,948	7,393
Cap on inclusion of provisions in Tier 2 under standardised approach	4,948	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 31 March 2018, the “Prior years’ profits or losses” line presents 80% of the positive difference between the allowance for expected credit losses in the opening balance sheet after the adoption of TFRS 9 and the total provision calculated before adoption of TFRS 9 (excluding deferred tax effect) amounting to TL 2,030.

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

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

EQUITY ITEMS	T	T-1	T-2	T-3	T-4
Common Equity Tier 1 Capital	268,051	267,544	267,036	266,529	266,021
Common Equity Tier 1 Capital which is not applied transition process	266,021	266,021	266,021	266,021	266,021
Tier 1 capital	268,051	267,544	267,036	266,529	266,021
Tier 1 Capital which is not applied transition process	266,021	266,021	266,021	266,021	266,021
Equity	272,999	272,492	271,984	271,477	270,969
Equity which is not applied transition process	270,969	270,969	270,969	270,969	270,969
TOTAL RISK WEIGHTED AMOUNTS					
Total risk weighted amounts	997,221	997,221	997,221	997,221	997,221
CAPITAL ADEQUACY RATIOS					
Common Equity Tier 1 Capital Adequacy Ratio (%)	26.88%	26.83%	26.78%	26.73%	26.68%
Common Equity Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	26.68%	26.68%	26.68%	26.68%	26.68%
Tier 1 Capital Adequacy Ratio (%)	26.88%	26.83%	26.78%	26.73%	26.68%
Tier 1 Capital Adequacy Ratio which is not applied transition process (%)	26.68%	26.68%	26.68%	26.68%	26.68%
Capital Adequacy Ratio (%)	27.38%	27.33%	27.27%	27.22%	27.17%
Capital Adequacy Ratio which is not applied transition process (%)	27.17%	27.17%	27.17%	27.17%	27.17%
LEVERAGE RATIO					
Leverage ratio total risk amount	1,342,716	1,342,716	1,342,716	1,342,716	1,342,716
Leverage Ratio(%) (*)	19.92%	19.88%	19.85%	19.81%	19.77%
Leverage Ratio which is not applied transition process (%)	19.77%	19.77%	19.77%	19.77%	19.77%

(*) 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:

	31 March 2018		31 December 2017	
	USD	EUR	USD	EUR
Bid Rate	3.9489	4.8673	3.7719	4.5155
1. Bid rate	3.9949	4.9191	3.8104	4.5478
2. Bid rate	3.9931	4.9500	3.8197	4.5385
3. Bid rate	3.9757	4.9414	3.8029	4.5116
4. Bid rate	3.9742	4.9251	3.8087	4.5205
5. Bid rate	3.9608	4.8853	3.8113	4.5171

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

	USD		EUR	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
Arithmetic average - 30 days	3.8854	3.8417	4.7902	4.5496

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 Unifom 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
31 March 2018				
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	3,387	78,444	-	81,831
Due from Banks	32,112	51,251	2	83,365
Financial Assets at Fair Value Through Profit or Loss	-	1,181	-	1,181
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans (*) (****)	112,340	203,632	-	315,972
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (****)	-	40,131	-	40,131
Total Assets	147,839	374,639	2	522,480
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	1,345	-	1,345
Funds Borrowed From Other Financial Institutions	134,695	268,514	-	403,209
Marketable Securities Issued	-	98,826	-	98,826
Miscellaneous Payables	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (**)	446	4,551	-	4,997
Total Liabilities	135,141	373,236	-	508,377
Net On-balance Sheet Position	12,698	1,403	2	14,103
Net Off-balance Sheet Position	(12,168)	-	-	(12,168)
Derivative Financial Assets	-	-	-	-
Derivative Financial Liabilities	12,168	-	-	12,168
Non-Cash Loans (****)	87,514	97,115	-	184,629
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 55,359 (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 646 presented under "derivative financial liabilities" account is not included.

(****) Lease receivables amounting to TL 14,554 are included in 'Loans' line.

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

Foreign Exchange Sensitivity Analysis

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 31 March 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	
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
USD	% 10	140	46	140	46
EUR	% 10	53	169	53	169

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III. EXPLANATIONS ON INTEREST RATE RISK

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

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

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

Interest rate sensitivity of the Bank:

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

31 March 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	81,675	-	-	-	-	6,156	87,831
Due from Banks	49,791	-	-	-	-	33,610	83,401
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	4,242	4,242
Money Market Placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	2,518	6,601	5,033	-	-	-	14,152
Loans(***)	299,397	174,658	139,300	130,275	23,901	(3,649)	763,882
Financial assets measured at amortised cost	-	-	-	-	-	-	-
Other Assets (*) (***)	-	-	-	-	-	55,388	55,388
Total Assets	433,381	181,259	144,333	130,275	23,901	95,747	1,008,896
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	64,367	-	-	-	-	-	64,367
Miscellaneous Payables	-	-	-	-	-	18	18
Marketable Securities Issued	-	34,554	54,938	98,826	-	-	188,318
Funds Borrowed From Other Financial Institutions	95,461	37,442	296,191	29,206	-	-	458,300
Other Liabilities (**)	6,900	187	-	-	-	290,806	297,893
Total Liabilities	166,728	72,183	351,129	128,032	-	290,824	1,008,896
Balance Sheet Long Position	266,653	109,076	-	2,243	23,901	-	401,873
Balance Sheet Short Position	-	-	(206,796)	-	-	(195,077)	(401,873)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	266,653	109,076	(206,796)	2,243	23,901	(195,077)	-

(*) Property and equipment, intangible assets and non-interest earning assets in other assets, tax assets and allowance for expected credit losses for financial assets other than loans 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:

31 March 2018	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.49	-	4.35
Due From Banks	-	1.55	-	13.30
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	14.32
Financial assets at fair value through other comprehensive income	-	-	-	14.90
Loans (*)	4.90	6.66	-	17.01
Financial assets measured at amortised cost	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	2.02	-	14.24
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.85	-	15.20
Funds Borrowed From Other Financial Inst.	1.30	3.08	-	15.25

(*) 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 31 March 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 cash flow and the liquidity of the Bank and informs ALCO about the liquidity position of the Bank. Planning the weekly, monthly and annual liquidity management and taking the necessary measures is the responsibility of Treasury Department, informing the top managements is the responsibility of Risk Management 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 ratios. 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 within the scope of ISEDES 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
31 March 2018 (*)				
Average (%)	936	334	461	262
Maximum (%)	2,291	461	621	337
Minimum (%)	446	254	306	223

	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-31 March 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			92,637	73,004
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	156,213	29,225	156,213	29,225
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	156,213	29,225	156,213	29,225
9 Secured Debts			-	-
10 Other Cash Outflows	66,560	24,234	26,670	9,694
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	66,560	24,234	26,670	9,694
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	219,166	99,901	21,156	9,994
16 TOTAL CASH OUTFLOWS			204,039	48,913
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	171,437	52,573	111,924	51,592
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	171,437	52,573	111,924	51,592
			Upper limit applied amount	
21 TOTAL HLA STOCK			92,637	73,004
22 TOTAL NET CASH OUTFLOWS (*)			92,115	12,228
23 LIQUIDITY COVERAGE RATION (%)			100.57%	597.02%

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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.

(**) Monthly simple arithmetic average of weekly unconsolidated liquidity coverage ratios for the first quarter of 2017 are calculated.

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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
31 March 2018								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	6,156	81,675	-	-	-	-	-	87,831
Due From Banks	33,610	49,791	-	-	-	-	-	83,401
Financial Assets at Fair Value Through Profit/Loss	4,242	-	-	-	-	-	-	4,242
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	4,568	5,033	2,033	2,518	-	14,152
Loans (*) (***)	-	200,053	96,333	210,555	208,960	51,630	(3,649)	763,882
Financial assets measured at amortised cost	-	-	-	-	-	-	-	-
Other Assets (*) (***)	-	10,503	12	-	-	-	44,873	55,388
Total Assets	44,008	342,022	100,913	215,588	210,993	54,148	41,224	1,008,896
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	95,461	37,442	296,191	29,206	-	-	458,300
Funds Borrowed From Money Markets	-	64,367	-	-	-	-	-	64,367
Marketable Securities Issued	-	-	34,554	54,938	98,826	-	-	188,318
Miscellaneous Payables	-	18	-	-	-	-	-	18
Other Liabilities (**)	2,626	19,114	1,972	-	-	-	274,181	297,893
Total Liabilities	2,626	178,960	73,968	351,129	128,032	-	274,181	1,008,896
Liquidity Gap	41,382	163,062	26,945	(135,541)	82,961	54,148	(232,957)	-
Net Off-Balance Sheet Liquidity Gap	-	(395)	(127)	-	-	-	-	(522)
Financial Derivative Assets	-	6,906	4,740	-	-	-	-	11,646
Financial Derivative Liabilities	-	(7,301)	(4,867)	-	-	-	-	(12,168)
Non-cash Loans (****)	-	11,213	59,236	138,615	65,232	-	113,851	388,147
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 20.0% (31 December 2017: 20.1%). The increase occurred in the on-balance sheet transactions is balanced with decrease occurred in off-balance sheet transactions, and the increase in total risk amount is parallel to the increase in equity which led to an insignificant change in leverage ratio compared to the previous period. Regulation established a 3% minimum requirement for the leverage ratio.

	Current Period*	Prior Period *
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	940,122	834,480
(Assets deducted from core capital)	(1,562)	(865)
Total risk amount for assets on the balance sheet	938,560	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	200	549
Total risk amount of derivative financial instruments and loan derivatives	200	550
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	2,341	652
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	2,341	652
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	401,615	457,103
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	401,615	457,103
Capital and Total Risk		
Core capital	267,480	258,605
Total risk amount	1,342,716	1,291,920
Leverage Ratio		
Leverage ratio *	20.0%	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.

a. General view to risk weighted amounts

	Risk weighted amounts		Minimum capital requirements
	Current Period 31 March 2018	Prior Period 31 December 2017	Current Period 31 March 2018
Credit risk (excluding counterparty credit risk) (CCR)	924,427	804,097	73,954
Of which standardised approach (SA)	924,427	804,097	73,954
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	2,672	2,516	214
Of which standardised approach for counterparty credit risk (SA-CCR)	2,672	2,516	214
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	1,975	3,288	158
Of which standardised approach (SA)	1,975	3,288	158
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+4+7+8+9+10+11+12+16+19+23+24)	997,221	851,763	79,778

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

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

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

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

3. PR2 – Risk weighted assets flow statements of market risk exposures under internal models approach:

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

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VIII. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	763,882	245,014	1,008,896
Total Liabilities	9,068	999,828	1,008,896
Net Interest Income/(Loss)	20,395	(8,337)	12,058
Net Fee and Commission Income/(Loss)	751	-	751
Trading Gain/(Loss)	-	832	832
Other Operating Segments Gain/(Loss)	-	296	296
Provisions for Loan Losses and Other Receivables(-)	(339)	-	(339)
Other Operating Expense (-)(*)	-	(5,533)	(5,533)
Profit Before Tax	20,807	(12,742)	8,065
Tax Provision	-	(1,804)	(1,804)
Net Profit	20,807	(14,546)	6,261

(*) Personnel expenses are included.

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 31 March 2017			
Net Interest Income/(Loss)	11,170	(2,831)	8,339
Net Fee and Commission Income/(Loss)	397	-	397
Trading Gain/(Loss)	-	617	617
Other Operating Segments Gain/(Loss)	-	53	53
Provisions for Loan Losses and Other Receivables(-)	(1,162)	-	(1,162)
Other Operating Expense (-)	-	(4,616)	(4,616)
Profit Before Tax	10,405	(6,777)	3,628
Tax Provision	-	(986)	(986)
Net Profit	10,405	(7,763)	2,642

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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:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Cash/Foreign currency	19	13	33	13
CBRT	5,981	81,818	9,754	67,773
Other	-	-	-	-
Total	6,000	81,831	9,787	67,786

b. Information on the account of the CBRT:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Demand Unrestricted Amount	5,981	143	9,754	100
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	81,675	-	67,673
Total	5,981	81,818	9,754	67,773

c. Explanations on reserve requirement

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

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

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

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

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

b. Positive differences related to derivative financial assets:

None (31 December 2017: None).

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3. Information on banks:

a. Information on banks:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Banks				
Domestic	36	49,798	29	68,871
Foreign	-	33,567	-	4,716
Headquarters and Branches Abroad	-	-	-	-
Total	36	83,365	29	73,587

b. Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
European Union Countries	32,109	1,757	-	-
USA, Canada	1,428	2,959	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	30	-	-	-
Total	33,567	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 31 March 2018 there are financial assets given as collateral/blocked amounting to TL 5,044 (31 December 2017: TL 711).

As of 31 March 2018 there are financial assets at fair value through other comprehensive income subject to repo transactions amounting to TL 5,921 (31 December 2017: TL 9,922).

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

	31 March 2018	31 December 2017
Debt Securities	14,152	21,308
Quoted on Stock Exchange	14,152	14,019
Not Quoted	-	7,289
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	14,152	21,308

5. Explanations on loans:

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

	31 March 2018		31 December 2017	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	233	34,287	555	31,699
Legal Entities	233	34,287	555	31,699
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total	233	34,287	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	736,468	-	-	-
Loans given to enterprises	317,161	-	-	-
Export Loans	3,470	-	-	-
Import Loans	-	-	-	-
Loans Granted to Financial Sector	260,100	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	155,737	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	736,468	-	-	-

(*) Provision

Expected Credit Loss	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss (*)	3,649	-
Significant Increase in Credit Risk	-	-
Total	3,649	-

(*) Provisions for lease receivables amounting to TL192 are included.

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	8,236	-
Extended by 3,4 or 5 times	6,947	-
Extended by more than 5 times	-	-
Total	15,183	-

Extended period of time	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	8,236	-
2 - 5 Years	6,947	-
5 Years and over	-	-
Total	15,183	-

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c. Breakdown of loans according to their maturities:

		Loans Under Close Monitoring	
		Loans Not Subject to restructuring	Restructured Loans
Cash Loans	Standard Loans		
Short-term loans	409,601	-	-
Medium and Long-term loans	326,867	-	-

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:

31 March 2018	Short Term	Medium-Long Term	Total
Commercial installment loans-TC	-	6,688	6,688
Business residential loans	-	-	-
Automobile loans	-	4,584	4,584
Consumer loans	-	2,104	2,104
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,273	18,273
Business residential loans	-	-	-
Automobile loans	-	4,245	4,245
Consumer loans	-	14,028	14,028
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	-	24,961	24,961

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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:

	31 March 2018	31 December 2017
Public	-	-
Private	736,468	679,099
Total	736,468	679,099

g. Distribution of domestic and foreign loans:

	31 March 2018	31 December 2017
Domestic Loans	630,989	621,553
Foreign Loans	105,479	57,546
Total	736,468	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 31 March 2018, there is no liquidation or decrease in assets. (31 December 2017: None).

6. Information on financial assets measured at amortised cost:

None (31 December 2017: None).

7. Information on investments in associates:

None (31 December 2017: None).

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8. Information on subsidiaries (Net):

None (31 December 2017: None).

9. Information on joint ventures:

None (31 December 2017: None).

10. Information on lease receivables (net):

a. Remaining maturities of financial lease investments:

	31 March 2018		31 December 2017	
	Gross	Net	Gross	Net
Up to 1 Year	14,755	14,554	17,472	17,018
1 – 4 Years	20,951	16,509	22,076	16,931
Over 4 Years	-	-	-	-
Total	35,706	31,063	39,548	33,949

b. Information on financial lease receivables:

	31 March 2018	31 December 2017
Gross financial lease receivables	35,706	39,548
Unearned income	(4,643)	(5,599)
Canceled leasing amounts	-	-
Net financial lease receivables	31,063	33,949

11. Information on hedging derivative financial assets:

None (31 December 2017: None).

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12. 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: 31 March 2018				
Net Book Value at the beginning of the Period	-	-	655	655
Additions	-	-	10	10
Disposals(-), net	-	-	-	-
Depreciation (-)	-	-	(49)	(49)
Impairment	-	-	-	-
Cost at Period End	-	271	1,172	1,443
Accumulated Depreciation at Period End (-)	-	(271)	(556)	(827)
Closing Net Book Value	-	-	616	616

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

13. Informations on intangible assets:

	Current Period 31 March 2018	Prior Period 31 December 2017
Net Book Value at the beginning of the Period	869	981
Additions	88	414
Disposals(-), net	-	-
Depreciation (-)	(136)	(526)
Other (*)	821	869

14. Information on investment property:

None (31 December 2017: None).

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15. Information on deferred tax asset:

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

As of 31 March 2018, the Bank calculated deferred tax asset amounting TL 1,943 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.

	31 March 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	527	116	475	105
Expense provisions	113	25	256	56
Expected credit losses (*)	4,948	1,089	4,855	(*) 1,068
Other	4,118	906	3,830	842
Deferred Tax Asset, net	9,706	2,136	9,416	2,071
Tangible and intangible assets	(423)	(93)	(470)	(103)
Other	(454)	(100)	-	-
Deferred Tax Liability, net	(877)	(193)	(470)	(103)
Deferred Tax Asset/ (Liability), net	8,829	1,943	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.

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

None (31 December 2017: None).

17. Information on other assets:

As of 31 March 2018, other assets amount to TL 52,148 (31 December 2017: TL 3,931) and don’t 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:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Forward	646	-	380	-
Swap	-	-	-	692
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	646	-	380	692

3. Information on borrowings:

a. Information on banks and other financial institutions:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	20,515	37,048	18,521	27,518
From Foreign Banks, Institutions and Funds	34,576	366,161	21,069	274,279
Total	55,091	403,209	39,590	301,797

b. Information on maturity structure of borrowings:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Short-term	55,091	69,676	39,590	62,390
Medium and Long-term	-	333,533	-	239,407
Total	55,091	403,209	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 26% of total assets.

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4. Information on Repo Transactions:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
Financial Institutions	1,971	-	7,224	-
Other	-	1,345	833	-
Total	1,971	1,345	8,057	-

5. Securities Issued:

The Bank has performed three bond issuance until 31 March 2018 in the year 2018. The summary information regarding those issuances and unredeemed bonds as of 31 March 2018 are as follows:

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

The carrying amount of issued bonds is TL 188,318 as at 31 March 2018 (31 December 2017 – TL 181,741).

6. Information on contractual maturity of borrower fund:

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over 5 Years
31 March 2018						
Borrower funds	2,627	6,120	321	-	-	-
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 1,147 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:

31 March 2018	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss (*)	1,147	-
Significant Increase in Credit Risk	-	-
Total	1,147	-

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
General Provisions	7,393

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

As of 31 March 2018, provisions related with foreign currency difference of foreign indexed loans amount 180 TL (31 December 2017: TL 99) and is offsetted with loans amount on the balance sheet.

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.

	31 March 2018	31 December 2017
Discount rate (%)	5.14	5.14

The movement of employee termination benefits is shown below:

	31 March 2018	31 December 2017
Balance at the Beginning of the Period	238	180
Provisions Recognised During the Period	30	58
Balance at the end of the period	268	238

In addition, as of 31 March 2018 the Bank has unused vacation provision of TL 259 (31 December 2017: TL 237).

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

Other provisions amount of TL 1,910 is comprising of TL 1,147 expected credit loss for non-cash loans, TL 501 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 1,785 as current tax liability as of 31 March 2018 (31 December 2017: TL 1,673).

ii) Information on taxes payable:

	31 March 2018	31 December 2017
Corporate Tax Payable	1,785	1,673
Taxation on Marketable Securities	11	10
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	414	278
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	34	162
Other	689	250
Total	2,933	2,373

iii) Information on premium payables:

	31 March 2018	31 December 2017
Social Security Premiums – Employee	82	65
Social Security Premiums – Employer	91	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	6	5
Unemployment Insurance – Employer	12	9
Other	-	-
Total	191	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:

	31 March 2018	31 December 2017
Common Stock	255,000	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:

None.

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:

	31 March 2018		31 December 2017	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(26)	-	(49)	1
Rate difference	-	-	-	-
Total	(26)	-	(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	31 March 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	-	-
Total	17	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 31 March 2018, the Bank has guarantee and indemnities amounting TL 328,750 (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 31 March 2018, the Bank has other guarantees amounting TL 59,397 (31 December 2017: TL 33,850).

c. Total amount of non-cash loans:

	31 March 2018	31 December 2017
Non-cash Loans Given against Cash Loans	230,375	207,861
With Original Maturity of 1 Year or Less Than 1 Year	154,879	131,867
With Original Maturity of More Than 1 Year	75,496	75,994
Other Non-cash Loans	157,772	158,066
Total	388,147	365,927

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

	Current Period				Prior Period			
	31 March 2018				31 December 2017			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	1,842	0.90	42,661	23.11	1,842	0.90	46,532	29.00
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.90	42,661	23.11	1,817	0.89	46,532	29.00
Electric, Gas and Water	25	-	-	-	25	0.01	-	-
Construction	4,037	1.98	24,405	13.22	4,037	1.96	25,873	16.12
Services	197,639	97.12	117,563	63.67	199,594	97.14	88,049	54.88
Wholesale and Retail Trade	9,527	4.68	53,205	28.82	6,303	3.07	27,894	17.38
Hotel, Food and Beverage Services	1,450	0.71	-	-	1,865	0.91	-	-
Transportation and Telecommunication	18,705	9.19	20,336	11.01	18,705	9.10	19,424	12.11
Financial Institutions	167,336	82.23	34,287	18.57	172,087	83.75	31,700	19.76
Real Estate and Leasing Services	621	0.31	9,735	5.27	634	0.31	9,031	5.63
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	203,518	100.00	184,629	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:

31 March 2018	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	203,518	184,629	-	-
Letters of Guarantee	203,518	121,804	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	3,428	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	59,397	-	-

2. Information on derivative transactions:

	31 March 2018	31 December 2017
Forward foreign currency purchase transactions	11,646	19,953
Forward foreign currency sell transactions	12,168	19,642
Currency swap-buy	-	32,061
Currency swap-sell	-	32,795
Toplam	23,814	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 31 March 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 its members of Board of Directors 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:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
Short-term Loans	13,943	87	9,244	89
Medium/Long-term Loans	2,158	3,238	615	1,073
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total (*)	16,101	3,325	9,859	1,162

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

b. Information on interest income on banks:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
From the CBRT (*)	308	-	90	-
From Domestic Banks	63	255	130	10
From Foreign Banks	-	-	25	-
Headquarters and Branches Abroad	-	-	-	-
Total	371	255	245	10

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

c. Information on interest income on marketable securities:

	31 March 2018		31 March 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	494	71	330	185
From financial assets measured at amortised cost	-	-	-	-
Total	494	71	330	185

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

None (31 March 2017: None).

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2. Information on interest expense:

a. Information on interest expense on borrowings:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
Banks	1,412	2,153	1,464	1,164
The CBRT	-	-	-	-
Domestic Banks	451	39	629	119
Foreign Banks	961	2,114	835	1,045
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	1,412	2,153	1,464	1,164

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

None (31 March 2017: None).

c. Interest expense on issued marketable securities:

	31 March 2018		31 March 2017	
	TL	FC	TL	FC
Interest on securities issued	3,022	1,181	929	-

d. Maturity structure of the interest expense on deposits:

None (31 March 2017: None).

3. Information on dividend income:

None (31 March 2017: None).

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

	31 March 2018	31 March 2017
Income	9,174	40,558
Income from Capital Market Transactions	137	65
Income from Derivative Financial Transactions (*)	-	215
Foreign Exchange Gains	9,037	40,278
Loss (-)	(8,342)	(39,941)
Loss from Capital Market Transactions(-)	(11)	-
Loss from Derivative Financial Transactions (-)(*)	(738)	(2,007)
Foreign Exchange Loss (-)	(7,593)	(37,934)
Net Trading Income/Loss	832	617

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

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5. Information on other operating income:

Other operating income includes TL 243 income from previous years’ provision cancellations and TL 53 income from other operations. There is no income regarding extraordinary accounts (31 March 2017: total other operating income TL 53).

6. Provision expenses related to loans and other receivables:

	31 Mart 2018
Expected Credit Loss	336
12 Month Expected Credit Loss (Stage 1)	336
Significant increase in credit risk (Stage 2)	-
Non-Performing Loans (Stage 3)	-
Marketable Securities Impairment Provision	3
Financial Assets at Fair Value Through Profit or Loss	3
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	-
Total	339

	31 March 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	1,162
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	1,162

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7. Information related to other operating expenses:

	31 March 2018	31 March 2017
Personnel Expenses(*)	3,002	2,478
Reserve For Employee Termination Benefits	52	80
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	49	55
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	136	129
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	1,620	1,481
Operational Lease Expenses	483	467
Maintenance Expenses	9	9
Advertising Expenses	52	83
Other Expense	1,076	922
Loss on Sales of Assets	-	-
Other	674	393
Total	5,533	4,616

(*) The personnel expenses which is presented separately in Income Statement and not included in “Other Operating Expenses” line in Income Statement of 2018 is also shown in this table.

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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 12,058, net commission fee income/expense amounting TL 751, trading profit/loss amounting TL 832, other operating income amounting TL 296, provision for loan losses and other receivables amounting to TL 339 and other operating expenses including personnel expenses amounting TL 5,533.

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

As of 31 March 2018 the Bank has current tax expense TL 1,775 TL (31 March 2017: TL 514). The Bank has deferred tax loss amounting to TL 29 (31 March 2017: TL 472).

As of 31 March 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 6,261 (31 March 2017: TL 2,642).

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 (31 March 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.

There is gain for marketable securities valuation difference related to financial assets at fair value through other comprehensive income of TL 22 (31 March 2017: TL 27 loss 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 (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	31 March 2018	31 March 2017
Cash	87,831	25,888
Cash, Foreign Currency and Other	32	25
T.C. Central Bank	87,799	25,863
Other	-	-
Cash Equivalents	83,401	1,065
Banks	83,401	1,065
Interbank Money Market Placements	-	-
Total Cash and Cash Equivalents	171,232	26,953
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	(81,675)	(22,595)
Cash Flow Statements Cash and Cash Equivalents	89,557	4,358

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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 3,116 (31 March 2017: TL 2,412) 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 37,226 (31 March 2017: TL 20,691) consists of mainly changes in prepaid expenses and other assets. Changes in lease receivables item is presented in “Net (Increase)/Decrease in Loans” line.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 24,110 (31 March 2017: 19,658) 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 88 (31 March 2017: 202) 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	-	-	233	34,287	-	-
Interest and Commission Income Received	-	-	9	85	-	-

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	-	-	-	79	-	-

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

As of 31 March 2018, the Bank has TL 331 borrower funds from its risk group (31 December 2017: TL 20).

As of 31 March 2018, the Bank has borrowings from its risk group amounting to TL 166,587 (31 December 2017: TL 186,735). Additionally, TL 94,675 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 31 March 2018, total benefits paid key management amounts to TL 1,699 (31 March 2017: TL 595).

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

As explained in Section One Note II, in accordance with the Board of Directors decision dated 16 March 2018 numbered 2018/29, the outstanding TL 255,000 paid-in capital will be increased to TL 500,000 with cash injection of TL 245,000. The Extraordinary General Meeting regarding the share capital increase is decided to be held at 18 May 2018 with the Board of Directors decision dated 16 March 2018 and numbered 2018/31. The related TL 245,000 cash capital amount has been received by the Bank at 16 April 2018. The amount will be recorded under “blocked funds to be transferred to capital” account until the capital increase process is finished and the shares are recorded under statutory books.

III. EXPLANATIONS ON REVIEW REPORT

The unconsolidated financial statements for the period ended 31 March 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 3 May 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,

Despite the challenging and evolving environment, the Turkish economy has succeeded to perform very high growth which lifted the country to the group of top growing countries in the world. Growth build-up measures and reforms combined with improving external demand from EU have propelled domestic consumption and ultimately the economy over reached its potential growth. Even the strong economic performance has fuelled the discussion whether it is causing overheating in the economy. According to official statistics, the economy in 2017 grew by 7.4% on YoY basis which is highest in the world according to released statistics across the countries.

Meanwhile, the strong growth performance of the economy has been translated to the banking sector, where the industry has continued its resilient, balanced and healthy development. Total assets of the system have reached TL 3,296 billion by February 2018 and increased by 17% in comparison to the same period of the previous year, total loans expanded by 20% to reach TL 2,145 billion. Despite the aggressive loan expansion, risks in the system are well balanced and managed. The fact that around 70% of loan expansion from the beginning of the year is placements in TL is a strong indicator of balanced risks in the time of high exchange rate volatility. In addition, preventive prudential measures by the banking regulator with respect to managing currency risk in big companies borrowing in foreign currency has provided significant buffer for the times of high volatility in exchange rate.

It is definitely our proud to say that PASHA Bank as a dynamic market player keeps going on its expansion with the pace of above the market. As a result, the market share of the Bank has gone up, and its total assets have reached TL 1.009 million which is 72% higher compared to the prior year end. Our cash loan and leasing receivables portfolio, comprising 76% of total assets, increased by 47% and reached TL 768 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, required procedures has been initiated to increase the Bank's paid-in capital by TL 245 million in cash to a total TL 500 million, and it is planned to be completed within the second quarter.

The year 2017 was the end of our 2015-2017 strategic period, when our Bank successfully achieved its goals. First quarter of this year is the beginning of new strategy, strategy 2020. For the coming 2018-2020 strategy period the objectives of the Bank has been set as continuing as an investment bank, leveraging up, increasing profitability and achieving diversification. To achieve strategic objectives, the Bank would need to quickly build its balance sheet up. By the end of new strategic period, in 2020, aggressive growth of the business is envisaged where project finance, sale and leaseback and cash loans are supposed to be main drivers. All strategic targets and initiatives of the Bank are supposed to yield two-digit growth in main performance indicators, fast convergence to efficiency and profitability metrics vis-a-vis the benchmark and reliable business partner in supporting regional economic relationships.

In order to execute the strategy successfully we would allocate substantial investments in employee development and information technology to build up the required capabilities. In overall, agility and know-how regarding focus sectors are expected to be differentiating capabilities where the Bank would need to excel. Risk management, credit management, fund raising, talent acquisition etc. are the direct examples for the latter.

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Message from the Chairman (continued)

We will continue to make efforts to diversify bank’s funding structure and expand our correspondent network and investor base. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the environment. We will support our operational profitability with new customer acquisitions and the controlled cost management created by our Group synergy. We shall continue our efforts of offering products and services that are tailored to our customers’ needs to make banking experience a gainful experience with PASHA Bank.

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

Sincerely Yours,

**Jalal Gasimov
Chairman**

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Message of General Manager

Global markets performed a positive course in the first months of the year within the increase in the risk appetite but since mid-March we have witnessed fluctuations in the Turkish financial markets through geopolitical developments. While the Dollar/TL rate was moving between 3.70-3.75 band, it has tested above 4.00 and bond interest rate has hiked. Central Bank has continued its tight monetary policy. While the meetings and statements of the European Central bank and US Federal Reserve were being monitored, a 25 basis points interest rate hike in March in US has been priced. BIST 100 index has continued to rise and tested the level of 120.000.

We, as PASHA Bank, continued to maintain our sustainable profitability target as we posted TL 6 million profit at the end of first quarter. Our asset volume reached 1.01 billion TL. Our total loan volume including the lease receivables exluding provisions realized at a level of TL 1.156 million of which TL 768 million compromised of cash loans and lease receivables.

We continued issuing TL bonds in the first quarter of the year. At the same time, by continuing bond brokerage activity, as PASHA Bank we have continued to provide the financing support that the real sector needed. In the coming period, we plan to continue our funding support required by the real sector and our bond issuances in domestic and foreign markets as long as the market conditions are favorable. I wish year 2018 to be a good year for the whole banking sector.

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

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A. ENTRY

1. Amendments made in Articles of Incorporation within the period

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

2. Significant Events and Transactions within the Period

There is no significant change related to information except for the disclosures including numeric information in financial statements included in interim activity report prepared in accordance with Regulation on Procedures and Principals related to Preparation and Publication of Activity Report.

B. NON-CONSOLIDATED FINANCIAL INFORMATION AND 3rd QUARTER REVIEWS

<i>(thousands of TL)</i>	31 March 2018	31 December 2017
Cash and Balances with Central Bank	87,831	77,573
Securities	18,394	26,251
Banks and Money Markets Receivables	83,401	73,616
Loans and lease receivables, Gross	767,531	713,048
Allowance for expected financial assets	(3,801)	-
Other Various Assets	55,540	6,357
Total Assets	1,008,896	896,845
Borrowings	458,300	341,387
Money Market Payables	64,367	62,729
Marketable Securities Issued	188,318	181,741
Other Various Liabilities	27,415	50,381
Paid-in Capital	255,000	255,000
Profit Reserves	5,655	324
Marketable Securities Valuation Reserve	(26)	(48)
Prior Years' Income/ (Loss)	3,606	(10,677)
Current Year Income/ (Loss)	6,261	16,008
Total Liabilities	1,008,896	896,845

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PASHA Bank 1st QUARTER REVIEWS

The Bank has completed first quarter of 2017 with a profit figure of TL 6,261 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 1,008,896 with a 12% increase compared to 2017 year-end. The Bank continues its operations through headquarter units as of 31 March 2018.

The share of our securities in balance sheet is 2%, the loan and lease receivables are TL 767,531 increasing at a ratio of 8% compared to year end of 2017 and the share of loans in total assets is 76%. The Bank has continued bond issuance in 2018 and the amount of securities issued realised as TL 188,318 and share of such securities in liabilities is 26% excluding equity.

The unconsolidated capital adequacy ratio of the Bank is 27.38% as of 31 March 2018.

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

C. EXPECTATIONS OF PASHA BANK REGARDING 2018

The Bank expects an economic growth of 4.0-4.5% in Turkish economy for the year 2018 and continuum of moderate growth trend, and anticipates an inflation rate of 9.5-10.0% 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%.