

 **Annual Activity Report 2014**



**PASHA YATIRIM BANKASI A.Ş.**

**DECLARATION RELATED TO  
ACTIVITY REPORT OF 2014**

The annual activity report of Pasha Yatırım Bankası A.Ş. has been prepared in accordance with the provisions of the regulation on "Procedure and Principles Relating to Publishment and Preparation of Annual Activity Report by the Banks" and "Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks" and presented hereafter.



**Erdal AKSOY**  
Chairman



**N. Süreyya SERDENGEÇTİ**  
Audit Committee Member



**Mesut ÖZDİNÇ**  
Audit Committee Member



**Hikmet Cenk EYNEHAN**  
Board Member and  
General Manager



**Ali İhsan TOKKUZUN**  
Deputy General Manager



**Ümran DEMİR**  
Operation and Accounting  
Manager

# COMPLIANCE OF ANNUAL REPORT



## CONVENIENCE TRANSLATION OF THE REPORT ON COMPLIANCE OF ANNUAL REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the General Assembly of Shareholders of Pasha Yatırım Bankası A.Ş.:

We have audited the compliance and consistency of the financial information included in the annual report of Pasha Yatırım Bankası A.Ş. ("the Bank") as of 31 December 2014 with the audited financial statements. The annual report is the responsibility of the Bank's management. Our responsibility is to express an opinion on the Bank's annual report based on the independent audit, whether or not the financial information included in this annual report is consistent with the Bank's financial statements that are subject to independent auditor's report dated 9 March 2015 and presented fairly.

We conducted our audit in accordance with principles and procedures set out by the regulations on preparation and issuance of annual report in the Banking Law No.5411; Independent Auditing Standards that are part of the Turkish Standards on Auditing ("ISA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the Article 397 of the Turkish Commercial Code No.6102. Those regulations require that we plan and perform the audit to obtain reasonable assurance whether the financial information included in the annual report is free from material errors. We believe that our audit provides a reasonable basis for our opinion.

Based on our opinion, the financial information included in the accompanying annual report accurately reflects, in all material respects, the information regarding the financial position of Pasha Yatırım Bankası A.Ş. at 31 December 2014 in accordance with the principles and procedures set out by the regulations in conformity with article 40 of the Banking Law No.5411 and includes a summary of the Board of Directors' report and the convenience translations of independent auditor's reports originally issued by us in Turkish and is consistent with the convenience translations of audited financial statements originally issued in Turkish.

### *Other Responsibilities Arising from Regulatory Requirements*

Pursuant to subparagraph 3 of Article 402 of the Turkish Commercial Code No. 6102; within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Pasha Yatırım Bankası A.Ş. to continue its operations for the foreseeable future.

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



**Talar Gül, SMMM**  
**Partner**

Istanbul, 9 March 2015

**Report Period:** 01.01.2014 - 31.12.2014

**Trade Name of the Bank:** PASHA Yatırım Bankası A.Ş.

**Trade Registration Number of the Bank:** 240320

**Headquarter's Address:** Maslak Mahallesi, A.O.S. 55. Sokak,  
42 Maslak Ofis 3, Kat 7, Daire: 205 34398, Sarıyer, İstanbul

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**Web Address:** [www.pashabank.com.tr](http://www.pashabank.com.tr)

**E-mail:** [info@pashabank.com.tr](mailto:info@pashabank.com.tr)

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### Chairman's Message

*"Aksoy Holding, is proud to bring in one of the largest banks of Azerbaijan, the PASHA Bank, to the Turkish banking sector."*

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**THE AGENDA OF THE GENERAL ASSEMBLY MEETING OF  
PASHA YATIRIM BANKASI A.Ş.  
DATED MARCH 31, 2015, FOR THE YEAR 2014**

1. Opening; Election of the Meeting Chairman and empowering the Chairman to undersign the minutes of the Meeting,
2. Discussing Board of Director's Activity Report for the Accounting Period, the Bank's Annual Activity Report, Independent Auditor's Report, Balance Sheet and Statement of Income for the Fiscal Year 2014 and adopting a resolution for approval,
3. Discussing the recommendations of the Board of Directors on the Bank's profit/loss for year 2014 and adopting a resolution,
4. Releasing the members of the Board of Directors separately, who have served during the accounting period, with regard to their activities in the year 2014,
5. Election of the members of the Board of Directors and determining terms of office; informing the shareholders about the third-party duties that the members of the Board of Directors assume and about the reasons for assuming such assignments,
6. Determining remuneration and payments to the members of the Board of Directors,
7. Empowering the Board Members for transactions stipulated under articles 395 and 396 of the Turkish Commercial Code No 6102,
8. Election of the Independent Audit Institution that would undertake the independent audit of the Bank in 2015,
9. Providing information to the shareholders on collaterals, pledges, mortgages and guarantees given by the Bank on behalf of third persons, and on income and benefits it has obtained,
10. Providing information to the shareholders – as per the “Corporate Governance Principles” included in the Corporate Governance Communiqué II-17.1 of the Capital Market's Board – on the amounts of all donations and charities made and given during the accounting period as well as on their beneficiaries and on any changes on the policies,
11. Wishes, suggestions and closing.

## **Corporate Values**

### **Vision**

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**To create new and lasting values for the business world and the society**

### **Mission**

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**To become a bank that goes beyond national borders, which strengthens its customers even more.**

To be an international bank, with its high quality, and innovative and solution oriented service concept, adding value to the present and the future of its;

Employees by investing in its competent staff;

The society in general by displaying social and environmental sensitivity and

Its shareholders by maintaining a robust financial structure, and achieving a steady growth and profitability.

## Summary of Unconsolidated Financial Highlights

Brief unconsolidated financial information on the results of the activities of PASHA Yatırım Bankası A.Ş. for the year 2014 is presented at below.

(Thousand TL)	31.12.2014	31.12.2013
Cash assets and Central Bank	136	145
Financial assets for trading	-	-
Financial assets available for sale	1,764	293
Receivables from banks and money markets	1,095	19,346
Loans	51,282	26,681
Subsidiaries	-	-
Other assets	6,794	3,593
<b>Total Assets</b>	<b>61,071</b>	<b>50,058</b>
Loans received	6,594	-
Debts to money markets	1,100	-
Other liabilities	6,528	1,386
Paid up capital	80,000	80,000
Profit reserves	324	324
Securities valuation differences	-6	-
Previous years' profit / (Loss)	(31,652)	(22,570)
Net profit for the period / (Loss)	(1,817)	(9,082)
<b>Total Liabilities</b>	<b>61,071</b>	<b>50,058</b>



### Cash Loans

TL 51,3 million



### Paid up Capital

TL 80 million





## History of the Bank

PASHA Yatırım Bankası A.Ş. ("the Bank") is the first foreign investment bank of Turkey, which had been founded in Istanbul on 25 December 1987, as per Law 6224 that allows for the transfer of the bank's profit net of the statutory obligations as well as its capital in liquidation to the foreign shareholders and it had started its banking operations on the date of 1 March 1988. The Bank does, as of the date of 31 December 2014, operate only at its General Directorate office in Istanbul, and it does not have any branch offices.

Transfer of the Bank's shares to Aksoy Holding A.Ş. as per the share purchase and sale contract signed by Aksoy Holding A.Ş. with TAIB Bank B.S.C. (c) was permitted by resolution 5391 of 20 June 2013 of the Banking Regulation and Supervision Agency and as the result of the conclusion of the share transfers on the date of 2 August 2013, the total ratio of the Bank shares acquired by Aksoy Holding A.Ş. added up to 99.47%. The Bank's capital did, upon cash increase after the purchase, rise to 80 million TL, and the total shares of Aksoy Holding A.Ş. in the Bank's capital did reach to 99.74%.



# 79.9% share ratio

**The ratio of the shares of PASHA Bank OJSC in our Bank has risen to %79.92, upon acquisition of 175,000,000 shares which correspond to the capital increase at the Extraordinary General Assembly Meeting held on January 27, 2015 and thus the control of our Bank was taken over by the PASHA Group.**

Reduction of the ratio of Aksoy Holding A.Ş.'s directly owned shares in our Bank from 99.74% to 20%, as per the Share Purchase and Sale Contract pertaining to the sale of the shares of Aksoy Holding A.Ş., which was as of the date of 31 December 2014 the major shareholder of the Bank as well as by resolution 6137 of 26 December 2014 of the Banking Regulation and Supervision Agency and the acquisition of 79.92% of our Bank's shares by PASHA Bank OJSC, have been approved.

At the Extraordinary General Assembly Meeting of our Bank, which was held on the date of 27 January 2015, 28,795,121 shares that belonged to controlling shareholder Aksoy Holding A.Ş. were transferred to PASHA Bank OJSC, the head office of which is at the address of 15 Yusif Mammadaliyev Cad., Baku, AZ 1005, Azerbaijan.

As the result of the transfer of 28,795,121 shares that belonged to Aksoy Holding A.Ş., and of the acquisition of the 175,000,000 shares, which correspond to the capital that was increased at the Extraordinary General Assembly Meeting of 27 January 2015, by PASHA Bank OJSC, the ratio of the shares that PASHA Bank OJSC owns in our Bank has risen to 79.92% and thus the PASHA Group started to control our Bank.

After these transactions, the ratio of Aksoy Holding A.Ş.'s shares in our company has been 20%.

The Bank's trade name was changed to PASHA Yatırım Bankası A.Ş., and the business name was changed to PashaBank and the registration of these changes on the date of 2 March 2015 was announced in the 8773<sup>rd</sup> issue of the Trade Registry Gazette, dated 6 March 2015.

## ○ Changes on Articles of Association, Shareholding Structure and Bank's Capital

The articles of association were not amended in the year 2014, and the shareholding structure of the Bank as of the date of 31 December 2014 was as follows.

Name Surname/Trade Name	31 December 2014	
	Capital (Thousand TL)	Ratio of Shares
Aksoy Holding A.Ş.	79,795	99.7439%
Others	205	0.2561%
<b>Total</b>	<b>80,000</b>	

With resolution of the Banking Regulation and Supervision Agency dated 26 December 2014 and numbered 6137, the approval of taking over of 79.92% of the Bank's shares by PASHA Bank OJSC by first taking over of the 28,795,121 TL of the Bank's capital, and subsequently by increasing its capital by a cash amount of 175,000,000 TL from 80,000,000 TL to 255,000,000 TL by amending the Bank's articles of association and of the amendment of the articles of association of the Bank, has been notified to the Bank.

At the Extraordinary General Assembly meeting of the Bank that was held on the date of 27 January 2015, it was decided to increase the paid up capital of the Bank by 175,000,000 TL from 80,000,000 TL to 255,000,000 TL and to amend Article 7 of the Articles of Association of the Bank, which is titled "Capital" and which pertain to such increase.

In its letter of approval, numbered 3230 and dated 25 February 2015, the Banking Regulation and Supervision Agency did permit transfer of the amount of said capital increase of 175,000,000 TL to the capital account.

The Bank did, in its Extraordinary General Assembly Meeting that was held on 27 January 2015, amended Article 2 of the Articles of Association of the Bank, which is titled the "Title", and changed the Bank's trade name to "PASHA Yatırım Bankası A.Ş.", and the business name to "PashaBank".

The composition of the Bank's capital and shareholding as of the date of the report is – as the result of the transfer of shares, the increase of the capital and the permissions of the Agency – as follows.

Name Surname/Trade Name	After Completion of the Transfer Transactions	
	Capital (Thousand TL)	Ratio of Shares
PASHA BANK OJSC	203,795	79.9196%
Aksoy Holding A.Ş.	51,000	20.0000%
Others	205	0.0804
<b>Total</b>	<b>255,000</b>	

As of the date of this report, the Bank's controlling shareholder PASHA Bank OJSC was controlled by PASHA Holding Ltd. (60%), Ador Ltd. (30%) and Arif Pashayev.

The Bank has no preference shares.

Paragraph 4 of Article 15 of the Articles of Association of the Bank, which is titled "Duties and Powers of the Board of Directors", and which pertain to internal directives regarding delegation of limited powers in the companies given as per the provisions of Turkish Commercial Code, was amended at the Bank's Extraordinary General Assembly Meeting that was held on the date of 27 January 2015.



## 🎯 Disclosures Regarding the Bank Shares Owned By the Chairman and the Members of the Board Of Directors, General Manager and Deputy General Managers

There are no Bank shares, which are owned directly by the members of the board of directors, the general manager and his deputies.

The persons and establishments having qualified shares of the Bank, as of the date of 31 December 2014, are as follows.

Name Surname /Business Name	Value of Shares (Thousand TL)	Ratio of Shares	Paid up Shares (Thousand TL)	Unpaid Shares
Erdal Aksoy	46,935	58.67%	46,581	-
Banu Aksoy Tarakçiođlu	16,092	20.11%	15,963	
Saffet Batu Aksoy	16,092	20.11%	15,963	

## **General Overview of the Year 2014 and Expectations In 2015**

Beginning from the month of January 2014 when the FED, the central bank of the USA, began tapering its bond purchases, a fast start was observed in the global markets, followed by a fluctuating course throughout the year parallel to the expectations of monetary tightening in the USA.

In the country on the hand, uncertainties caused by the two elections – local elections and the presidential elections – created a pressure on the Turkish financial market in the first six months of the year. Along with the loss of the value of TL against the Dollar, the Central Bank of the Republic of Turkey raised the policy interest rate from 4.5% to 10%; but even though this move eased the pressure on the exchange rate, the 100 index of Istanbul Stock Exchange could not, in the first quarter of the year, exceed the 65,000 level, whereas at the end of 2013 it was 67,802. The compound interest rate of the benchmark treasury bond did rise from its end of 2013 level of 10% up to 11.50% level.

The Russian-Ukrainian tension that had begun in the month of March upon Russia's claim over Crimea did result in geopolitical risks, which lasted throughout the year. The rise of oil prices starting from the month of June, caused by the war in Syria and Iraq, had a negative impact on the oil importing countries' markets.

Under the light of all these developments, elimination of the most significant uncertainty as soon as the local elections were held in the month of March, and at the same time upon start of the rally with the issuance of the reports of the foreign investors, which included the "Russia sell, Turkey buy" recommendations, showed its effects primarily on the stock exchange and the 100 index of Istanbul Stock Exchange, which had increased uninterruptedly until the month of June, first rose to the 81,000 level, and then following the presidential election continued to climb up to the 84,000 level.

The compound interest rate of the benchmark bond dropped to the 8% level. At that same period, the Dollar/TL exchange rate stabilized at the level of 2.10 and the volatility slowed down. Starting at the second half of 2014, oil prices fell sharply regardless of the increase in oil supply and OPEC's announcement that they would not cut production despite the dropping oil prices. While the oil producing countries' markets, first and foremost the Russian market, faced strong pressure to sell, Turkey' has decoupled in a positive way than that of Russia, as Turkey expected that the dropping oil prices would reduce its current deficit and would have a positive impact on the inflation. The stock exchange index reached its highest level for that year, and the compound interest rates of bonds dropped to 7.40%.

The European Central Bank on the other hand, dropped the interest rates for saving accounts to a negative level, and announced that it would start asset purchases in the last quarter of the year, and that that could last for several years. These statements, which were made exactly at the time when FED stopped purchasing bonds, as well as the euphoria created by the expectations that the availability of cheap liquidity would continue, resulted in a positive end of the year.

Having grown by 3.3% in the first half of the year 2014, and 1.7% in the third quarter – which is lower than what was expected – Turkey did in the first nine months of the year grow by 2.8%. The expected growth rate for the entire year is between 2.5% and 3%. Unemployment and non-agricultural unemployment figures as of the end of the year 2014 are, respectively, 10% and 12%.

***On the last day of the year 2014, Istanbul Stock Exchange Index closed at 85,721. The share of the foreign investors with reference to the market value of the stocks did not change in 2014 in comparison to 2013, which is as of the end of 2014, 63%.***

The ratio of the current deficit to the gross national product (GNP), which at the end of the year 2013 was 7.9%, is expected to drop relatively to 5.6% and the non-energy current account balance to the GNP ratio is expected to rise from the end of the year 2013 level of -1.9%, up to 0.4% at the end of 2014. As to the capital balance in comparison to the year 2013, there is a decline, which results especially from the short-term capital movements.

On the last day of the year 2014, Istanbul Stock Exchange Index closed at 85,721. The share of the foreign investors with reference to the market value of the stocks did not change in 2014 in comparison to 2013, which is as of the end of 2014, 63%.

The closing figure for the interest rate of benchmark state bond was 8%, and although in the first quarter of 2015 it initially dropped, then an upward tendency is observed. Whereas the exchange rate for the US Dollar at the end of the year 2014 was 2.33, in the first quarter of the year 2015 it is on the rise.

The inflation rate as of the end of the year 2014 was announced to be 8.17%, a figure that is above 7.4%, which was the figure for the end of the year 2013, and also higher than the target that the Central Bank of the Republic of Turkey had set, which was 5%. It must be noted that the inflation rates for the following years, which had been measured and published by the Central Bank, did at the end of the year 2014 rise from 6.38%, which was the figure as of the end of the year 2013, up to 7.32%, whereas, however, in the first quarter of 2015 it again tends to drop.

It is expected that 2015, just like the past year 2014, to be a year of fluctuations. The general elections that will be held in the month of June and the changes in the team that steers the economy, which will follow, will have a direct impact on the markets. FED is expected to start raising the interest rates in the half of the year, which will eventually strengthen the US Dollar against all other currencies. In fact, the US Dollar's rise in the international markets continues from the first quarter of the year 2015. Despite the positive impact of the dropping oil prices and of its base effect until midyear, the pressures on the exchange rate may restrain the expected decline in the inflation rate. The annual inflation rate is expected to be 7% - 7.40%. The steps that the Central Bank would take in the first and the second halves of this year, regarding the interest rates, will have great significance on the developments in the year 2015. Once the general elections are left behind and the government is established and also after pricing by the markets of the raise of the interest rates by the FED, the pressure on the exchange rate is expected to diminish in the last months of the year.

We expect a 2.5%-3% growth rate for the year 2015.

## **Chairman's Message**



“With its entry in Turkish market as the first Azerbaijani Bank that had made investment in Turkey, PASHA Bank strengthened its position in the sector, and increased its paid up capital in January 2015, from 80 million TL to 255 million TL.”

### **Erdal AKSOY**

Chairman of the Board of Directors

Aksoy Holding transferred the controlling 79.9% of the shares of TAIB, the first investment bank of Turkey, and all shares of which it had taken over in August 2013, to the Azerbaijani PASHA Bank. Following this, the trade name of our Bank was changed to PASHA Yatırım Bankası A.Ş.. Aksoy Holding, which almost in all of its activities it entered into partnerships with international companies thus growing as the result of in big investments, is proud to bring in one of the largest banks of Azerbaijan, the PASHA Bank, to the Turkish banking sector.



**As of 31 December 2014, our assets increased by 20% and reached 61 million TL and the total value of our cash and non-cash loans reached 58 million TL. Since we are yet at the bottom of the ladder, I am fully confident that every year our assets will grow steadily and that we will earn our place in the banking sector for good and as a profitable player.**

With the entry of PASHA Bank, the first Azerbaijani bank that invested in Turkey, our bank's position in the sector has been strengthened and its paid up capital was increased in January 2015, from 80 million TL to 255 million TL. At the same time, our corporate governance rating is noted 8.86 over a scale of 10 by SAHA Corporate Governance Rating firm. As of 31 December 2014, our assets increased by %20, and reached 61 million TL and the total value of our cash and non-cash loans reached 58 million TL. Since we are yet at the bottom of the ladder, I am fully confident that every year our assets will grow steadily and that we will earn our place in the banking sector for good and as a profitable player.

While we, the PASHA Bank, achieve a sustainable and healthy growth, to make contribution to Turkey's economy and to its banking sector will be our primary mission. I thank to our esteemed employees, shareholders and all business partners who happen to be the most significant factor helping us attain our objectives.

Kind regards,

**Erdal AKSOY**

Chairman of the Board of Directors

## **Message from the General Manager**



“Our bank did, with the support of our main shareholder’s support, streamline its infrastructure and organization and in the year 2014 a swift growth process began. Our approach of creating efficient and flexible solutions to satisfy our customers’ needs, did transform our Bank into an institution that makes contributions to the economy of Turkey by generating revenue and added value.”

### **H. Cenk EYNEHAN**

General Manager and  
Member of the Board of Directors



Esteemed Chairman, Members of the Board of Directors, Shareholders and Colleagues,

After the transfer of Bank's shares to Aksoy Holding, the infrastructure and the organization had, starting from the month of August of the year 2013, been streamlined with the great support of our main shareholder and in the year 2014 a swift growth process began. Our approach of creating efficient and flexible solutions to satisfy our customers' needs, did transform our Bank into an institution that makes contributions to the economy of Turkey by generating revenue and added value. The level we have attained in regard to streamlining of banking and infrastructure processes, and our customers' and shareholders' support further strengthens our determination.

It has been observed that the intense effects of the global economic fluctuations on the financial intermediation sector had lasted throughout the year 2014. Tapering of bond purchases throughout year 2014, by the US Central Bank (FED), did have an impact on the markets. Along with the signs of recovery in the US economy, an optimistic atmosphere has emerged upon European Central Bank's bond purchase program that was intended for supporting the European economy, and as the result of the indication that this could last for several years.



**Our Bank did, as of the end of 2014 while the efforts for system improvements and strengthening of human resources continued, increase its total assets by 20% up to 61 million TL, and raised the total value of its cash and non-cash loans to the level of 58 million TL.**

Turkey's economy did, regardless of these developments, remain strong and in the year 2014 3.3% growth rate was achieved. The policies of the Central Bank, the global economy and the political developments will play an important role in respect to the progress to be made in the year 2015.

Our Bank did, as of the end of 2014 while the efforts for system improvements and strengthening of human resources continued, increase its total assets by 20% up to 61 million TL, and raised the total value of its cash and non-cash loans to the level of 58 million TL.

Considering that in 2014 severe fluctuations could occur and also by taking the scale into account, in that year a cautious and balanced growth strategy was pursued.

In the year 2014, SAHA Corporate Governance and Credit Rating Services, Inc did rate our Bank's practices regarding the Board of Directors, Shareholders, Public Disclosure and Transparency, Stakeholders for compliance with the corporate governance principles. In June 2014, with a considerable good rating of 8.86, we proved to be so successful for inclusion in the 1<sup>st</sup> Group of the World Corporate governance Index (WCGI).

## Message from the General Manager

Upon reaching an agreement with Aksoy Holding, our main shareholder, in the month of the year 2014 on the transfer of the 79.9% of the shares, PASHA Bank, which is one of the largest banking business groups of Azerbaijan, did become – after the share transfer of 27 January 2015 as per the permission of the Banking Regulation and Supervision Agency – the owner of the controlling shares of our Bank.

Pasha Bank has been the first bank, which currently carries out banking activities in Georgia and Azerbaijan and that has invested in banking business in Turkey. Pasha Bank injected capital in our Bank, at an amount of 175 million TL, thus increasing the paid up capital to 255 million TL.

At the Extraordinary General Assembly Meeting that was held on the date of 27 January 2015, the name of our bank is changed to PASHA Yatırım Bankası A.Ş.. Our priority target is to contribute to the Turkish economy and to come up with solutions to the needs of the corporate and commercial enterprises that operates in the Turkey-Azerbaijan-Georgia triangle, in accordance with the principles of investment banking. With the synergy that we will create with PASHA Bank Azerbaijan and PASHA Bank Georgia, in line with the strategy we have set for the coming three years, we want to become the preferred bank in that region. As the result of the support we will provide in this direction, we believe we will contribute to the increase of the regional economic activities.



**PASHA Bank has been the first bank, which currently carries out banking activities in Georgia and Azerbaijan and that has invested in banking business in Turkey. PASHA Bank injected capital in our Bank, at an amount of 175 million TL, thus increasing the paid up capital to 255 million TL.**

In order to serve customers in the best way, starting from the months of December of the year 2014, our Bank continued its operations in the new headquarters building at Maslak, Istanbul. Our objective is to take, by always keeping in touch with the customers, the most appropriate actions as swiftly as possible, in order to meet their expectations.

We wish to continue to grow cautiously and confidently according to the strategy we had set for the coming three years, and with the support of our strong new partner, to climb to new heights in the field of banking in Turkey. I believe with all my heart that we will proceed in this direction to the heights with our friends, with firm steps.

I wish for good luck to Turkey and to our new shareholders in the year 2015.

Kind regards,

**H. Cenk EYNEHAN**

General Manager and Member of the Board of Directors



GENEL SÖZLEŞMESİ

## 🎯 **Disclosures about the Number of Personnel and Branch Offices, the Type of Services and the Fields Of Activities of the Bank**



The main task of the Treasury Unit is to effectively manage PASHA Bank's assets and liabilities in regard to amounts, currencies and maturity dates and to ensure the cash flow and the assets-liabilities balance of the Bank. It is also - by closely following the domestic and international developments as well as the monetary policies of the Central Bank - to keep the risks that the PASHA Bank may confront at minimum, taking actions accordingly, the Treasury Unit carry out is activities as per the rules and regulation laid down and made by the legal authorities; the policies and risk limits set by the Board of Directors and the decisions of the Assets-Liabilities Committee.

## ○ Fund Management

***The Treasury Unit is trying to minimize the risks and to maximize the profits by closely following the developments in the global markets, and by taking all possible risks of PASHA Bank into account.***

As of the date of 31 December 2014, the Bank has no branch offices.

The Bank carries out its activities with 26 personnel.

The main task of the Treasury Unit is to effectively manage PASHA Bank's assets and liabilities in regard to amounts, currencies and maturity dates and to ensure the cash flow and the assets-liabilities balance of the Bank. It is also – by closely following the domestic and international developments as well as the monetary policies of the Central Bank – to keep the risks that the PASHA Bank may confront at minimum, taking actions accordingly, the Treasury Unit carry out its activities as per the rules and regulation laid down and made by the legal authorities; the policies and risk limits set by the Board of Directors and the decisions of the Assets-Liabilities Committee.

The liquidity risk is one of the most important risks in the business of banking, as difficulties encountered in converting the asset positions of the Bank into cash can result from causes like maturity mismatch or irregular cash flow. The objective is to ensure that the short-term assets of the bank exceed its liabilities that will fall due within the same maturity ladder.

Market risk is the risk of loss because of the macro variables, and of the diminishing value of the Bank's financial assets because of the systemic fluctuations.

The Treasury Unit is trying to minimize the risks and to maximize the profits by closely following the developments in the global markets, and by taking all possible risks of Pasha Bank into account.

The Treasury Unit did, in this period during which the risk appetite had decreased because of the fluctuations and uncertainties in the global markets, refrain from investing in risky assets and preferred to utilize Bank's funds on treasury bonds indexed to inflation rate and on money markets for short-terms.

In the year 2015, during which the Treasury Unit aims to manage, with its dynamic and professional staff, all of the risks, first and foremost the liquidity and the exchange rate risks in most effective way by displaying a stable and cautious attitude and to contribute to the profitability of the bank by taking strategic positions.



## ○ Disclosures about the Number of Personnel and Branch Offices, the Type of Services and the Fields Of Activities of the Bank

## ○ Corporate Loans

***Having aspired to work with the prominent corporate firms of the sector, PASHA Bank is trying to diversify its customer portfolio by including construction/ infrastructure, energy, finance, food, transportation, mining, manufacturing industry and real estate companies into it.***

In addition to the flexibility, which the new shareholding structure provides, and to its dealings with the prestigious establishments in Turkey, the Bank is trying to help the firms, the primary places of business of which are in Azerbaijan and Georgia, in their operations in Turkey, primarily in the field of trade finance and in all kinds of banking transactions.

The Bank performs its operations ambitiously, to offer the best banking solutions and services to its customers. Within this framework, it helps its customers that consist of medium to large-scale companies, by offering them the best alternatives that meet their needs, which are, first and foremost cash loans and investment loans, country loans, project finance, letters of guarantee, external guarantee, letter of credit, treasury and leasing products at suitable price, maturity and collateral terms.

Having aspired to work with the prominent corporate firms of the sectors they are operating, Pasha Bank is trying to diversify its customer portfolio by including construction/infrastructure, energy, finance, food, transportation, mining, manufacturing industry and real estate companies into it.

The main corporate banking principles of the Bank are, “Boutique Service”, “Continuous Development” and “Customer Loyalty”.

**“Boutique Service”** principle - The Bank offers its customers that perceives as its business partner, not only the traditional solutions, but also solution oriented and diversified boutique services and thus adopting as a principle, building efficient, sustainable and productive relationships with them.

**“Continuous Development”** principle - Having adopted the corporate governance mentality and continuous development principle, the Bank follows the current developments in the finance sector, and offers customized solutions to its customers by correctly identifying their needs and by improving its service infrastructure. Our objective is to foresee the future needs of customers by paying attention to the ever-increasing competition and to the constant developments in the world and in Turkey, and to offering them the financing alternatives that are most suitable for them. Here, our motto is mutual benefit.

**“Customer Loyalty”** principle - Our prioritized target is to achieve high level of customer satisfaction and loyalty. Thus, our principle is to know our customers well, to treat them scrupulously and to create relationships based on trust.

**“Regional Player”** principle - Our Bank is the only bank in Turkey with an Azerbaijani main shareholder. With the support of its main shareholder, which is one of the prominent financial institutions of Azerbaijan, and by taking advantage of the opportunity to cooperate, our Bank is offering banking products and services to the firms with Azerbaijani origin that operate in Turkey. We also intend to win a share of the business that is associated with Georgia, by cooperating with PASHA Bank Georgia, a subsidiary of the PASHA Group that operates in Georgia. The volume of trade and investments among the three countries, which are located on the energy corridor through which the oil and natural gas of the Caspian region is transported to the European market, is increasing every day. Our Bank is positioned in the best possible way to win a share from this every growing business relations.

With its new shareholding composition that was structured at the beginning of 2015, our Bank handles investments with increasing volumes to which its current internal systems and infrastructure are now capable of providing support. Our Bank continues to offer services by using all kinds of means of communication that is suitable for its target market, trying to increase its recognizability and noticeability. It does at the same time reinforce its human resources in accordance with this strategy.

It will, with its strengthened capital structure, continue to always be on its customers’ side, thus managing its balance sheet that grows every day and establishing deeply rooted and long lasting relationships with its customers.



## 🎯 Information Regarding Assessment of the Banks Position In the Sector

The share regarding the basic capacities that the Bank receives from the sector is as follows.

Million TL	The Sector <sup>(1)</sup>	The Bank	Bank's Share
Total Assets	1,994,158	61	0.003%
Equity	231,957	47	0.020%
Total Loans	1,240,708	51	0.004%

<sup>(1)</sup> Reference: Banking Regulation and Supervision Agency; as of the date of 31 December 2014

## 🎯 Information Regarding Research and Development Practices on New Services and Activities

There isn't any.

## Information on Top Management

### The Board of Directors



**Erdal AKSOY<sup>(1)</sup>**  
Chairman of the Board of Directors

**S. Batu AKSOY (2)**  
Deputy Chairman of the Board of Directors

**H. Cenk EYNEHAN (3)**  
Member of the Board of Directors / General Manager

**N. Süreyya SERDENGEÇTİ (4)**  
Member of the Board of Directors / Chairman of the Audit Committee

**Adnan AYKOL (5)**  
Member of the Board of Directors

**Afag MUSTAFAYEVA (6)**  
Member of the Board of Directors

**Mesut ÖZDİNÇ (7)**  
Member of the Board of Directors / Member of the Audit Committee

**Agha Ali KAMALOV<sup>(1)</sup> (8)**  
Member of the Board of Directors

**Shahin MAMMADOV<sup>(1)</sup> (9)**  
Member of the Board of Directors

**Taleh KAZİMOV<sup>(1)</sup> (10)**  
Member of the Board of Directors



<sup>(1)</sup> Agha Ali Kamalov, Taleh Kazimov, Shahin Mammadov have been elected as the member of Board of Directors in the Ordinary General Assembly meeting held on March 31, 2015 for the fiscal year 2014. Erdal Aksoy who has been serving as the Chairman of the Board of Directors left from his office at the Board of Directors as per the Ordinary General Assembly Meeting resolution March 31, 2015.



**Erdal AKSOY<sup>(1)</sup> (1)****Chairman of the Board of Directors**

The Chairman of the Board of Directors of PASHA Yatırım Bankası A.Ş., Mr. Erdal Aksoy, is the founder and the chairman of Aksoy Holding. He is, at the same time, the Chairman of the Boards of Directors of Turcas Oil as well as Aksoy Holding Real Estate Investment companies, Conrad Hotel Istanbul, and Aksoy International Trade A.Ş..

He is a member of the Board of Directors of Shell and Turcas Oil A.Ş., and the Deputy Chairman of the Board of Directors of RWE & Turcas South Electricity Production A.Ş.

Erdal Aksoy is a member of TUSIAD (Turkish Industry and Business Association), the Supreme Advisory Board of TESEV (Turkish Economic and Social Studies Foundation), and the Board of Trustees of Azerbaijan Diplomatic Academy (ADA). Erdal Aksoy, who previously used to be a member of the Board of Directors of TISK (Turkish Confederation of Employer Associations) and the Chairman of Turkish Ship-owners Employers' Association, had for a certain period of time served as the Provincial Chairman of ANAP (Motherland Party) and also as the President of Sariyer Sports Club.

Erdal Aksoy has 50 years of experience in the field of management, and he is the chairman of the Remuneration Committee of our bank.

Having graduated from the Electrical and Electronic Engineering Department of Istanbul Technical University, Erdal Aksoy speaks English and is married with two children.

**S. Batu AKSOY (2)****Deputy Chairman of the Board of Directors**

Batu Aksoy is the Deputy Chairman of the Board of Directors of Pasha Yatırım Bankası A.Ş. and Aksoy Holding and the Chief Executive Officer (CEO) and the Board Member of Turcas Petrol A.Ş. and its associate companies. At the same time, Batu Aksoy is the Board Member of Aksoy Holding Real Estate Companies, Aksoy Enternasyonal Ticaret A.Ş. and RWE & Turcas Güney Elektrik Üretim A.Ş.

Batu Aksoy is Alternate Board Member of Turkish Industry and Business Association (TUSIAD) and the Deputy Chairman of its Energy Workgroup; the Deputy Chairman of the Energy Business Council of the Foreign Economic Relations Board (DEİK); member of the Energy Trade Association (ETD), of which he was the Chairman during the 2013-2014 period; member of the Oil Platform Association (PETFORM), of which he was the Chairman during the 2006-2008 period; member of the Dean's Advisory Council of Carrey Business School of John Hopkins University (JHU) and member of Young Presidents Organization (YPO)

Batu Aksoy has 16 years of experience in management and he is a member of the Remuneration Committee of our Bank.

**H. Cenk EYNEHAN (3)****Member of the Board of Directors / General Manager**

Having received his two-year degree in economics from Erasmus University in Netherlands, and his bachelor's degree in management in the United States of America and Executive MBA from Koc University.

Between 1994-2013, he worked in Turkey and at abroad as mid-level and high-level manager in the banks and financial institutions.

He joined PASHA Bank as General Manager on August 2, 2013. He has 21 years of experience in banking and business administration.

**N. Süreyya SERDENGEÇTİ (4)****Member of the Board of Directors / Chairman of the Audit Committee**

He received his bachelor's degree in the year 1979 from the economics department of the Middle East Technical University, and his master's degree from Vanderbilt University in the USA.

Between 1990 and 2001, he served at the Central Bank of the Republic of Turkey, as the Manager of Foreign Currency Transactions, Manager of the Open Market Transactions, Deputy General Secretary, Press Spokesman for the General Secretariat, Deputy Governor for External Affairs, Deputy Governor for Markets, and as Deputy Governor for Loans, Information Systems and Statistics.

## Information on Top Management

### The Board of Directors

Between the dates of 14 March 2001 and 14 March 2006, Süreyya Serdengeçti served as the Governor of the Central Bank of the Republic of Turkey; since the 2006, he is the Founding Director of the Stability Institute of the think-tank organization TEPAV (Economic Policy Research Foundation of Turkey). Mr. Serdengeçti is also a senior lecturer in the Economy and Technology University of the TOBB (Unions of Chambers of Commodity Exchange of Turkey) and advisor to the Executive Board of the TOBB.

Between the years of 2006-2012, Mr. Serdengeçti served as the member of the Board of Directors of Turcas Petrol A.Ş. and on 16 September 2013, he joined PASHA Yatırım Bankası A.Ş. as an independent member of the Board of Directors.

He has 34 years of experience in banking.

Mr. Serdengeçti is a member of the audit committee and the corporate governance committee of our Bank.

#### **Adnan AYKOL (5)** **Member of the Board of Directors**

He graduated from the Faculty of Political Science of Marmara University in 1980, and started his banking career at the board of auditors of T. Garanti Bankası A.Ş. He held a similar position at İktisat Bankası T.A.Ş. Then, he worked at Demirbank T.A.Ş., as the deputy general manager in charge of

credits, until year 2002. After that bank is acquired by HSBC Bank A.Ş., he worked there as group leader at the risk control department, and left on the date of 31.7.2008. Between 2008-2010 he worked at Bank Pozitif A.Ş. as deputy general manager, in charge of credits. Following his last assignment as the member of the board of directors of Alternatif Bank A.Ş., on the date of 20 August 2013, Mr. Aykol joined PASHA Yatırım Bankası A.Ş. as an independent member of the board of directors. He has 35 years of experience in banking.

#### **Afag MUSTAFAYEVA (6)** **Member of the Board of Directors**

She received her bachelor's degree in economic relations from the State Economy University of Baku. Between the years 2002-2011, she worked at the Azerbaijan Office of PwC as auditor, and held various management positions there. From 2011 until today, Afag Mustafayeva has been working as the chairwoman of the audit and supervision department of PASHA Holding LLC, and she joined PASHA Yatırım Bankası A.Ş. on the date of 10 October 2013, as member of the board of directors.

Ms. Mustafayeva is a member of the Institute of Chartered Accountants in England and Wales, and she has the Certified Internal Auditor (CIA) certificate of the Institute of Internal Auditors. She has 12 years of experience in banking and management.

#### **Mesut ÖZDİNÇ (7)** **Member of the Board of Directors** **/ Member of the Audit Committee**

Having received his bachelor's and master's degrees in economics from the Faculty of Economics of Istanbul University, Mr. Özdiñç did also receive a BSc degree in financial economy from Bilgi University. Between years 1995-2004 he worked at various brokerage houses and between years 2004-2009 he held various management positions and the position of deputy general manager at Şekerbank of T.A.Ş. . After finally holding the position of the member of directors of şeker Factoring T.A.Ş., on the date of 19 December 2013 he joined PASHA Yatırım Bankası A.Ş. as an independent member of the board of directors. He has 19 years of experience in the field of banking. Mesut Özdiñç is the member of the audit committee and the corporate governance committee of our Bank.

#### **Agha Ali KAMALOV<sup>(\*)</sup> (8)** **Member of the Board of Directors**

In 1987 he graduated summa cum laude from Department of Economics and Management at Azerbaijan Agricultural Academy with Master Degree in Economics and Management and later on in 1992 after earning Ph. D. in Economics from Research Institute in Economics in Baku he commenced his professional career as Associate Professor in the Academy.

In 1993 Ali Kamalov received scholarship from Institute of International Education /AMOCO and in 1994 graduated from University of Texas at Austin in the USA with master degree in Business Administration and in 1995 he accomplished his master studies in International Affairs from Bilkent University in Turkey sponsored by Doghramacı Scholarship.

During 1995-1997, Ali Kamalov served as Relationship Manager with Citibank N.A. Turkey covering non-present countries of S. Caucasus and Central Asia. In 1997 he joined newly opened EBRD resident office in Baku and worked as Associate Banker until 2000 year responsible for development and financing of infrastructure and power sectors in Azerbaijan.

During 2000-2005 Ali Kamalov worked with newly established Black Sea Trade and Development Bank in Thessaloniki, Greece and he served as a Senior Banker and Deputy Director for Energy Department covering 11 member states of the Black Sea Region.

In 2005 he received E. Mason Fellowship from Kennedy School of Government and in 2006 he graduated with Master Degree in Public Administration (Industry Finance and Regulation) from Harvard University in USA.

During 2006-2012 Ali Kamalov worked at various positions with IFIs and leading financial institutions namely with IFC/World Bank (Doing Business in Azerbaijan project) as chief economic and financial advisor, EBRD as principal banker, with Central Bank of Azerbaijan as chief advisor to the chairman, SOFRECO, as regional operational leader to promote energy efficiency projects under INOGATE program framework in S. Caucasus and Central Asia. He was appointed Director of the Investments and Projects Department at PASHA Holding and Member of the Supervisory Board at PASHA Bank OJSC. He has 20 years of experience in banking and business administration.

**Shahin MAMMADOV<sup>(9)</sup> (9)**  
**Member of the Board of Directors**

Shahin Mammadov majored in accounting at Azerbaijan State Economic University and obtained a diploma in 2002. In 2004 he was awarded a master's degree from the same university and finally a Ph.D. in Economy in 2010.

Mr. Mammadov held the roles of accountant and deputy chief accountant at Kochbank Azerbaijan Ltd. from 2003. He joined Deloitte & Touche in 2005 as associate auditor and was subsequently promoted to audit manager.

Shahin Mammadov was CFO of PASHA Bank OJSC between 2009-2014. Since 2014, he has been Chairman of the Supervisory Board of JSC PASHA Bank, Georgia. He has 12 years of experience in banking and business administration.

**Taleh KAZİMOV<sup>(10)</sup> (10)**  
**Member of the Board of Directors**

Higher education in the Azerbaijan Technical University, 2000-2004, "Department of automatic control and computer engineering". In 2006 received MBA degree (Azerbaijan State Oil Academy). T. Kazimov began professional activity in 2001. During the period of 02.2004 - 09.2006 he occupied various positions in CJSC "Bank Standard" - leading specialist of Treasury department, Head of division of management accounting and budget planning, Deputy Director of corporate credits division. From 09.2006 to 01.2007 he worked as auditor in Ernst & Young Company. During the period of 01.2007 - 07.2007 T. Kazimov was General Director of IAA "FinEko".

On 07.2007 Taleh Kazimov began working in PASHA Bank as Manager of Risk Management Department, and since 08.2009 he is Director of the Bank Treasury. Taleh Kazimov is member of the Board of Directors since 07.12.2011. Presently oversees the operations/ activity of following functions within the Bank: corporate, business banking and investment block, trade finance, relations with financial institutions and loan management.

He has 14 years of experience in banking and business administration.

## Information on Top Management

### Deputy General Managers

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#### **Ali İhsan TOKKUZUN** Deputy General Manager

After receiving his bachelor's degree from the Management Department of Gazi University, Ali İhsan Tokkuzun attended to the Executive MBA program at Istanbul Technical University.

Mr. Tokkuzun started his professional career at the board of auditors of Esbank T.A.Ş., and until year 2000 he worked as the deputy chairman of the board of auditors, and held various positions at Esbank AG in Vienna. In the years 2000-2002, Mr. Tokkuzun worked at Kentbank A.Ş. as the financial institutions and international marketing group manager and in years 2002-2010 continued his management career at Denizbank AG, Vienna as the deputy general manager, and in years 2010-2012 at SK Danube AG, Vienna as the general manager. His last assignment was at Istanbul Gemi İnşa San.Tic. A.Ş. as the member of the Executive Board and finance coordinator.

Since June 2014, he is the deputy general manager of PASHA Yatırım Bankası A.Ş..

#### **Changes at the top management of the Bank in year 2014 and as of the date of this report**

Information on the top-level managers, who served during this period and who as the date of this report left their positions at the Bank are as follows:

- Deputy General Manager Gurhan Okay left his office at the Bank on January 6, 2014, and the Deputy General Manager Filiz Idil left her office at the Bank on February 12, 2014.

## ○ Audit Committee

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An Audit Committee was set up by the Board of Directors of the Bank, in order to help the Board execute its auditing and supervision activities, and with the purpose of coordinating the work performed by the units of the internal systems, and ensuring uninterrupted flow of information to the Board of Directors. With this committee, the Board of Directors aims to have compliance of the financial information provided by the Bank verified, the efficiency of the internal systems ascertained, and continuous development ensured.

The Board of Directors is empowered to decide and change the number of members, not to be less than two, and to select them in accordance with the provisions of the applicable legislation.

The Audit Committee functions are assumed by the independent members of the board of directors namely, Necip Süreyya Serdengeçti and Mesut Özdiñ, who does not have any executive duty.

## ○ Other Committees

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### **Corporate Governance Committee**

The Corporate Governance Committee has been founded with the resolution of the Board of Directors of the Bank, and with the participation of the independent members of the board of directors, Necip Süreyya Serdengeçti and Mesut Özdiñ, with the purpose of ensuring that the Bank is managed fairly, transparently and accountably; according to the targets that have been set as well as according to the Banking Law, the Capital Market Law, the rules and regulations made in accordance with them and the other legislation, to the articles of associations, to the internal rules and regulations of the bank and to the ethical rules of banking; in a way to protect the rights and interests of all stakeholders and shareholders and also to follow up the Bank's compliance with the corporate governance principles and to make the necessary recommendations to the board of directors.

### **Remuneration Committee**

It has been set up with the participation of the Chairman of the Board of Directors, Erdal Aksoy, and the Deputy Chairman Saffet Batu Aksoy, with the purpose of supervision and auditing of the remuneration practices on behalf of the board of directors.

## **Managers of the Units Within Internal Systems**

### **Dahi S. İNCEOĞLU**

Internal Systems Director

Dahi S. İnceoglu is a graduate of the Management Engineering Department of Istanbul Technical University (ITU) and he had started his banking career in the year 1995, at the Board of Auditors of Akbank. Between the years of 1995-2008, he worked at various banks as auditor, and at management positions in corporate marketing and internal control departments. He started his office at our Bank on April 1, 2008 as the Manager of Internal Control Department and after that he served as the Manager of the Internal Audit Department. As of September 1, 2014, he has been working as the Director of the Internal Systems.

He has 20 years of experience in the field of banking, as of the end of 2014. The duration of his services at our Bank was 7 years and 9 months.

### **Hüseyin ARMUTCU**

Internal Control and Compliance Manager

Huseyin Armutcu is a graduate of the Finance Department of the Faculty of Economics and Management Sciences of Marmara University and between the years of 1995-2014, he worked at various Banks performing financial planning, accounting, financial control and reporting duties. He started at his office at our Bank on the date of 11 January 2014 as the Manager of the Accounting Department. Since 1st September 2014, he has been serving as the Manager of the Internal Control and Compliance Department.

He has 20 years of experience in the field of banking, and as of the end of 2014, the duration of his services at our Bank was 1 year.

### **Çağla Feride ERALP**

Internal Audit Unit Manager

Çağla Feride Eralp is a graduate of the Department of Public Administration in French Language of Marmara University and between the years of 2007-2014, she worked at various banks performing credit allocation, credit control and internal audit duties. She started her office at our Bank on the date of September 1, 2014 as the Deputy Manager of the Internal Audit Department and still serving this duty.

She has 7 years of experience in the field of banking, and as of the end of 2014, the duration of her services at our Bank was 4 months.

### **Çiğdem ERKE**

Risk Management Unit Manager

She is a graduate of the Management Department of the Faculty of Political Sciences of Ankara University. Between the years of 1990-2014, she worked at various portfolio management companies, brokerage houses and banks performing duties at the capital markets, treasury, internal control and risk management departments. She started her office at our Bank on the date of 25th November 2013 as the Manager of the Internal Control Department. Since the date of 27th August 2014, she has been serving as the Manager of the Risk Management Department. She has 24 years of experience at financial institutions, 19 years and 6 months of which is in the field of banking. As of the end of 2014, the duration of her services in our Bank is 1 year and 1 month.

## **① Professional Experiences and Duration of Services of the Auditors**

At the ordinary general assembly meeting of our Bank that was held on the date of 28 March 2014, Basaran Nas Independent Audit and Freelance Accountant Financial Advisory A.Ş. was appointed as per Banking Law 5411 and Turkish Commercial Code 6102, to serve as Independent Audit Firm. The said independent audit firm will be providing independent audit services, as per the provisions of the pertinent legislation, until the date of 31 December 2015.

## ① Information on the Participation of the Members of the Board of Directors and the Committees to Meetings

### ② Board of Directors

The Board of Directors meets physically on periodical basis every month, at the head office of the Bank. Decisions of the Board of Directors are taken by observing the quorum requirements for holding the meeting and for resolutions. The Board of Directors did, within the period, meet 12 times and pass 67 resolutions.

### ③ Audit Committee

The Audit Committee holds its meetings according to the agenda and schedules prepared by the units of the internal systems. It also meets with the managers of the independent audit institution and receives detailed information about the scope and results of their work, and reviews the progress of the audit firm.

During the period, the Audit Committee met nine times prior to the meetings of the Board of Directors, in order to review the reports prepared by the Internal Control and Compliance, the Internal Audit and Risk Management Units as well as the activity reports, the risk assessment reports, the ICAAP works, the technical adequacy and risk analysis as well as annual assessment reports of the support service organizations, the independent audit studies and the independence of these auditors, and the financial reports that were audited by independent auditors and in 2014 passed 28 resolutions either at the meetings or by reviewing the files. At the Board of Directors' meetings which follows any audit committee meeting, members of the Board are given information on the work performed by the internal systems and periodic reports and plans that have been prepared by the Audit Committee and the Internal Systems Group are submitted to the Board of Directors for its information and/or approval.

### ④ Corporate Governance Committee

The Corporate Governance Committee has been set up with the purpose of ensuring that the Bank is managed fairly, transparently and accountably; according to the targets that have been set as well as according to the Banking Law, the Capital Market Law, the rules and regulations made in accordance with them and the other legislation, to the articles of associations, to the internal rules and regulations of the bank and to the ethical rules of banking; in a way to protect the rights and interests of all stakeholders and shareholders and also to follow up and to inspire the Bank's compliance with the corporate governance principles and to make the necessary recommendations to the board of directors.

The Committee meets when the work and the transactions of the Bank requires and during the accounting period it convened six times and passed six resolutions.

### ⑤ Remuneration Committee

It has been set up with purpose of following up and supervising the remuneration practices of the Bank on behalf of the Board of Directors, and in order to present its assessment of the remuneration policy and practices within the framework of risk management, in a report it drafts every year, to the board of directors.

The Committee meets when the work and the transactions of the Bank requires and during the accounting period it convened six times and passed six resolutions. It decided to determine the remuneration policies that the Bank would implement, by taking the "Corporate Governance Principles of the Banks" and the "Corporate Governance Principles of the Capital Market Board" as basis, and in a way that they would be in compliance with ethical values, strategic objectives and the internal harmony of the Bank as well as with the principles and procedures in the rules and regulations that took effect as required the Banking Law and other pertinent laws.



## 🎯 Summary of the Board of Directors' Report Presented to the General Assembly

Dear Shareholders,

We thank each and every shareholder that attends to our ordinary General Assembly meeting for the year 2014.

At the end of the year 2014, our Bank's growth rate has as the result of its activities, been 22%. According to the end of 2014 non-consolidated financial statements that had been reviewed by independent auditors, the total assets reached 61 million TL, and the share of the loans in total assets is 84%. As of 31 December 2014, the total value of the equities of the Bank is 47 million TL, and its paid up capital is 80 million TL. At the Extraordinary General Assembly of 27 January 2015, the paid up capital has been raised up to 255 million TL.

At the end of the year 2014, the total cash loans of the Bank increased by 92%, and reached 51.3 million TL.

Our Bank is undergoing a restructuring process, and according to the non-consolidated financial statements for the year 2014, it closed this period with a net loss of 1.8 million TL.

I do hereby at your presence thank all the employees of our Bank for their successful and devoted work in the year 2014. I also wish to express that we will continue to work hard and selflessly, together with the employees of our Bank, in order to achieve our objectives and the budget targets for the year 2015.

I do request from the General Assembly, to approve our non-consolidated financial statements that had been prepared as of the date of 31 December 2014, and which have been reviewed by independent auditors and to release each and every member of the Board of Directors.

Kind regards,



On behalf of the Board of Directors,

**Erdal Aksoy**  
**Chairman of the Board of Directors**

## Human Resources Policy

***The personnel is given the trainings, which will guide them to perform and work in accordance with the objectives of the Bank, and that will raise the quality of its services. PASHA Bank does implement its rules and regulations for encouraging success and creativity within the scope of human resources policy.***

Human resources policies that include the human resources practices and the local legislation as well as the ethical rules associated with them are implemented in the Bank and its subsidiaries.

The recruitment policies of the Bank are based on the principle of right person for the right job. Our primary target is to bring in the candidates with high potential and who agree with our corporate culture to our Bank. In our communication with our employees, we adopt a management understanding that distinguishes our Bank from the other entities, and which increases the motivation of our employees, ensures their loyalty, and that is innovative and open to development. The recruitment process starts by first clearly determining the roles and responsibilities, the expected performance indicators, and the required qualifications and competencies. Then the process is concluded by making an assessment of the suitability of the candidate, his willingness to get the position, and his enthusiasm for the Bank. The following tools and channels are used during this process:

- Competency based interview techniques;
- Websites and consultancy firms;
- Interviews conducted by the managers of human resources and functions;
- Tests that measure the level of knowledge and foreign language required for that position.

It will be ascertained that the personnel is given the trainings, which will guide them to perform and work in accordance with the objectives of the Bank, and that will raise the quality of its services. The Bank does implement, within the scope of human resources policy, its rules and regulations for encouraging success and creativity. In the matter of pay and fringe benefits that are offered, methods focused on current and future interests are used, and a pay scale system that refers to market researches is also taken into consideration. In our Bank, pay scales are based on gross amounts, and health and life insurance, lunch vouchers, and depending on the requirements of the position mobile phone and car is provided as fringe benefit.

The benchmark for pay that is based on performance is laid down in the Remuneration Policy, and relies of the following assessments to be made according to the following criteria as well as the Bank's performance:

- Predetermined financial and/or non-financial performance criteria;
- Compliance with professional attitude that is based on values as well as the professional ethics code, and with the policies/procedures of the Bank;
- Contributions in the field of risk management and legal compliance;
- When necessary, individual performance with reference to the management attitudes of the concerned parties.

No performance-based bonus has been paid to the employees because the Bank closed the period with loss.

Twelve employees were recruited during the accounting period. The internal rotation and promotion practices of the Bank, and the optimum use of the knowledge and skills of the employees are all intended for the satisfaction of the needs of the Bank swiftly and effectively. Internal training programs were organized and participation to such organizations by other institutions/establishments is ensured, for the personal development of the employees and also with the purpose of meeting their professional need for knowledge that is relevant to the strategies and objectives of the Bank. Remuneration and fringe benefit practices of the related sectors were monitored, and annual pay raises and other arrangements regarding fringe benefits were decided according to the current practices.

The profile of our employees who were working at PASHA Bank as of the date of 31 December 2014, is a follows:

- Number of the Bank personnel: 26
- Average age: 39
- Employees with master's and doctorate degree: 3
- Average professional experience (years): 15
- Higher education: 20
- Other: 3

## ① Profit Distribution Policy

***PASHA Bank's general policy on profit distribution for payment of dividends to the extent allowed by the financial structure of the Bank, the pending investments, the situation of the sector, the economic conjuncture, and the legislation on banking.***

The Bank's general policy on profit distribution for payment of dividends to the extent allowed by the financial structure of the Bank, the pending investments, the situation of the sector, the economic conjuncture, and the legislation on banking.

The Bank's principles pertaining to profit distribution are included in the Articles of Association (AoA) and the website of the Bank. The General Assembly can – after setting aside the statutory reserves as required by Turkish Commercial Code and the provisions of the Articles of Association of the Bank, and upon obtaining the permission that need to be taken according to the legislation on banking – at its sole discretion and in a way not to constitute a vested right, appropriate as much of the profit as it wishes to the members of the Board of Directors and/or top managers and the employees of the Bank.

The General Assembly is empowered to decide to distribute the remaining profit entirely or partly to the shareholders, or to set aside as excess reserve.

## ① Information on Lawsuits Filed Against the Bank, Which Can Affect Its Financial Situation and Activities, and on Their Possible Consequences

There is no lawsuit that can affect the financial situation and the activities of the Bank. There was no administrative or judicial sanction for incompliance with the provisions of the legislation, against the Bank and the members of its board of directors, during the reporting period.

## 🎯 **Transactions Conducted with Risk Group**

Statements regarding the risk group to which our Bank belongs are included, respectively, in the parts “Statements regarding the risk group to which the Bank belongs” and “Statements regarding the risk group to which the main partnership Bank belongs” of the seventh footnotes of the fifth section of the non-consolidated financial statements and independent audit reports for the accounting period that ended on the date of 31 December 2014, which have been prepared and presented in accordance with the “Regulation Pertaining to the Procedures and Principles on Banks’ Accounting Practices and Keeping of Documents” and the Accounting Standards of Turkey as well as the Financial Reporting Standards of Turkey that had been published in the 26333<sup>rd</sup> issue of the Official Gazette of 1 November 2006 and are submitted as Attachment-2 to this “Activity Report”.

## 🎯 **Information on Support Service Providers**

These “Support Services” we obtain from external sources are evaluated within the scope of the “Regulation on Bank’s Procurement of Support Services and Authorization of Such Service Providers”, which had been put into force on the date of 5 November 2011, by the Banking Regulation and Supervision Agency. In year 2014, our bank obtained support services for the operation and development of the core banking system software Inter-Vision, and for hosting of the secondary systems at the disaster recovery center under the business continuity management scheme, from the support services organization “Intertech Bilgi İşlem ve Pazarlama A.Ş.”; for the applications of and connection to the SWIFTNet services, which is the IP based messaging network of SWIFT, from “Fineksus Bilişim Çözümleri Tic. A.Ş.” that provides in the capacity of a SWIFT approved Service Bureau and for carrying out of payroll work, from “MONADHR Dış Kaynak Yönetimi Ltd. Şti.”.

# Corporate Governance Principles Compliance Report

## 1. Statement of Compliance with Corporate Governance Principles

Our Bank is aware of the significance of the corporate governance principles as much as that of financial performance, and therefore decided to comply with – in principle – the Corporate Governance principles included in the annex to the “Corporate Governance Communiqué” II-17.1, which had been published by the Capital Markets Board (CMB) and prepared the Corporate Governance Principles Compliance Report with full confidence in the Corporate Governance Principles of the CMB, and by strengthening its management mechanisms, and also by taking into consideration its corporate structure and understanding as well as the international principles and the practices in the sector.

The contents of our website has been enriched in order to better inform the shareholders, investors and stakeholders of our Bank. Our efforts for compliance with corporate governance principles did accelerate upon changing of the shareholding structure in the year 2013. As an indication of the importance that our shareholder attach to the Corporate Governance Principles, the three independent members of the board of directors that had been elected in 2013 continued to perform their duties in 2014.

Our Bank continued its efforts in furthering its compliance with the Corporate Governance Principles in the year 2014, and in the month of June it was examined for the first time in order to have its corporate governance performance measured by the CMB authorized SAHA Corporate Governance and Credit Rating Services Inc. and received 8.86 points over a scale of 10. This result that is obtained as Corporate Governance Rating, is the confirmation of our high degree of compliance with the Corporate Governance Principles set forth by the CMB

The Corporate Governance Rating report is published on the corporate web site of our Bank, at the address of [www.pashabank.com.tr](http://www.pashabank.com.tr).

The reasons for not observing the mandatory principles during the period are stated at below.

## SECTION-I SHAREHOLDERS

### 2. Investor Relations Department

An Investor Relations Department that includes the Financial Planning, Controlling and Investor Relations Unit (FPK) as well as the Legal Affairs Unit, which report directly to the General Manager and the concerned Deputy General Manager, has been set up in 2014, in order to ensure that when the shareholders exercise their shareholding rights, the pertinent legislation, the articles of association and the other internal rules and regulations of the Bank are complied with, and that the measures that are necessary to facilitate the exercise of such rights are taken. No applications were made to the Investor Relations Department during the period.

The Investor Relations Department performs the duties of facilitating the communication between the Board of Directors and the existing and potential shareholders, and taking the actions for this by complying with the Corporate Governance Principles of the CMB. Its primary duties are listed at below.

- a) To ensure that the correspondence as well as the other information and documents exchanged between the investors and the Bank are kept appropriately, safely and that they are up to date;
- b) To respond to the shareholders' requests for written information about the Bank;

## Corporate Governance Principles Compliance Report

- c) To prepare the documents that must be made available to the shareholders for their information and examination, regarding the general assembly meeting and to take the measures that are necessary to ensure that the general assembly meeting is held in accordance with the pertinent legislation, the articles of association and the other internal rules and regulations of the Bank;
- d) To oversee and monitor the performance of the obligations, including also all kinds of matters regarding corporate governance and public disclosures, which are imposed by the capital Market legislation;
- e) To submit reports about the activities it carries out, to the Board of Directors, at least one a year.

As of the date of 27.2.2014, the Bank conducts its relations with the shareholders through the Investor Relations Department, and it received support from the Internal Control and Compliance Unit whenever needed.

The Investor Relations Department reports to the Deputy General Manager Ali Ihsan Tokkuzun, and the following persons serve there.

Name Surname	Title	Telephone No:	e-mail address	License Certificate
	Deputy Manager of Financial Planning, Controlling and Investor Relations			Capital Market Board Level 3 License and Corporate Governance Rating License
Yeşim Çağlar	Investor Relations	(212) 705 8908	yesim.caglar@pashabank.com.tr	
Sinem A. Güven	Legal Counsel	(212) 705 8919	sinem.guven@pashabank.com.tr	-

Investor Relations Department is responsible for providing – by receiving the opinion of the other units as necessary and in coordination with them – information about the activities, financial situation and strategies of the Bank, excluding confidential information and commercial secrets, to the shareholders and potential investors and for the management of the bidirectional communication between the shareholders and the Bank's managers.

The FPK Unit, the Compliance Unit and the Legal Affairs Unit have carried out the activities for updating the website in the year 2014, for preparing the annual and interim financial reports, for holding the General Assembly meetings, for preparing the presentation about the interim and end-of-the-year financial data and the Bank, for compliance with the corporate governance principles.

The Investor Relations Department has shared the information about the activities it had carried out in the year 2014, with the members of the Corporate Governance Committee, at the meeting held with them.

### 3. Exercise of Shareholders' Right to Information

On the Bank's website, our articles of association, shareholding structure, financial information, activity reports, the minutes of and the invitations to the General Assembly meeting, our trade registration and contact details are disclosed to the public.

The main principle in regard to the right to information and the right to review of the shareholders, as per the Corporate Governance Policy of the Bank, is indiscrimination between the shareholders.

The provision of Article 33 of our Bank's articles of association reads as, "Bank's independent audit will be conducted according to the pertinent legislation, by the independent audit firms that are empowered to conduct independent audit of bank. The audit firm which will conduct such audit will be selected by the General Assembly." There is no provision regarding any request for the assignment of any private auditor. No request has been made during the period, regarding appointment of a private auditor.

#### **4. General Assembly Meetings**

Provisions that pertain to the General Assembly meetings are included in the "Articles of Association of the Bank" (AoA) and in the "Internal Directive Pertaining to the Principles and Procedures on the Work of the General Assembly", which are placed on the Bank's website and that are open to the public.

The ordinary general assembly meeting of the Bank is held physically at the address of the General Management building, on the date of 28 March 2014.

In the matter of the quorum regarding the ordinary and extraordinary meetings, the provisions in Turkish Commercial Code applies, as per the pertinent Article of the Articles of Association. Our shareholders that own 79,525, 121 of the total number of shares, which is 80,000,000, were present at the Ordinary General Assembly Meeting; that adds up to a majority at a ratio of 99.74%. No reporter from any of the media groups did participate to the general assembly meetings.

At the Extraordinary General Assembly meeting of PASHA Yatırım Bankası A.Ş., which was held on the date of 27 January 2015, the capital of the Bank was increased from 80,000,000 to 255,000,000 TL, and Article 7, titled "The Capital", of the Articles of Association was amended regarding this increase.

The trade name was changed to "PASHA Yatırım Bankası A.Ş.", business name was changed to "PashaBank" and Article 2, titled "The Title" of the Articles of Association was amended.

Invitations letters were sent to the shareholders, whose names are written on the share ledger, three weeks before the dates of the General Assembly meetings, and in addition to this, invitation announcements for the meetings as well as the items of the agenda and a sample copy of power of attorney were published in the Trade Registry Gazette of Turkey as well as in a daily newspaper that is distributed nationwide in Turkey. Invitations to the General Assembly meetings were made by the Board of Directors. On the other hand, the officials of the Banking Regulation and Supervision Agency (BDDK) were also invited to the said meetings, along with the shareholders. In addition to the shareholders, the representatives of the official establishments that are, according to the pertinent legislation, empowered to attend the General Assembly meetings can participate to them.

Announcements of the invitation to the general assembly meeting of the Bank had been published in the Trade Registry Gazette of Turkey (TTSG) at least 3 (three) weeks ahead excluding the dates of the announcement and of the meeting, as per the provisions of Article 414 of Turkish Commercial Code, in accordance with the pertinent Article of the Articles of Association, by observing the time limits in the legislation. Besides, the announcement for the meeting has been published on our website and in the Hürses newspaper, and the day, place and agenda have also been posted to the shareholders.

Our activity report have been made available before the General Assembly Meeting, at the head office of the Bank and on the website, for the information of our shareholders, and for them to review. There is no deadline for registration of the holders of the registered shares in the share ledger, for participation to the General Assembly Meetings.

## Corporate Governance Principles Compliance Report

The minutes of the General Assembly meetings of our Bank are available at all times, to the shareholders, on the information society site of the Bank's webpage.

The shareholders of our Bank are entitled to declare their opinions and ask questions about the subject on the agenda, and there are no limitations in this regard.

The shareholders did not make any request for the inclusion of any items to the agenda of the Ordinary and Extraordinary General Assembly meetings.

There is no provision in our Articles of Association regarding voting of important motions like sale, purchase, lease of assets of significant value, and the General Management and the Board of Directors is empowered to effect transactions within the set limits of the powers [delegated to them]. The reason for the entrustment of such power with the Board of Directors is to enable timely decisions. However, the activity reports of the Board of Directors, the balance sheet, income and expenditure accounts as well as the reports that are prepared by the auditors, selection of the independent audit firm, recommendation of the Board of Directors regarding distribution of profit, assignments to the vacant seats of the members of the Board of Directors who leaves before their term ends, sale and purchase as well as leasing of immovable property, expenditures, payments of tax, aid and donations within the year, must be submitted to the General Assembly for its information, and are subject to release by it.

No donations have been made during the period and the internal rules and regulations about the policy on donations are laid down according to the Corporate Governance Policy.

Casting of votes by proxies is possible as per to the provisions of the Articles of Association of the Bank. According to Article 26 of the Articles of Association, the shareholders can themselves exercise their right to vote, or they can have themselves represented by other shareholders, by a non-shareholder proxy they will appoint, or by the representative of the organ that would be assigned as per Article 428 of Turkish Commercial Code, by an independent representative or a corporate representative.

The minutes of the General Assembly meetings of our Bank are published on the investor relations' information society site of the Bank's webpage, and announced in the Trade Registry Gazette of Turkey.

The Ordinary General Assembly Meeting of the Bank for the year 2014 will be held on the date of 31 March 2015, at its head office building.

### **5. Voting Rights and Minority Rights**

In the Articles of Association, there is no preferred voting right. There is no company with which the Bank has a mutual participation relation.

### **6. Dividend Right**

The policies regarding dividends are developed within the framework of the Corporate governance Policy. Dividends can be paid to the extent it is allowed by the general policy of the Bank regarding distribution of profits, its financial structure, pending investments, the current conditions of the sector, the economic conjuncture and by the legislation on banking.

The principles on distribution of profits are included in the Articles of Association of the Bank (AoA) and in the website contents.



The General Assembly can – after setting aside the statutory reserves as required by Turkish Commercial Code (TCC) and the provisions of the Articles of Association of the Bank, and upon obtaining the permission that need to be taken according to the legislation on banking – at its sole discretion and in a way not to constitute a vested right, appropriate as much of the profit as it wishes to the members of the Board of Directors and/or top managers and the employees of the Bank.

The General Assembly is empowered to decide to distribute the remaining profit entirely or partly to the shareholders, or to set aside as excess reserve.

### **7. Transfer of Shares**

There is no provision that restricts transfer of share certificates, in the Articles of Association of our Bank.

The share certificates of the Bank can be transferred freely, without prejudice the provisions of the Banking Law, Turkish Commercial Code and of the Articles of Association.

## **SECTION-II PUBLIC DISCLOSURE AND TRANSPARENCY**

### **8. Disclosure Policy**

Our Bank's disclosure policy has been developed in compliance with the Corporate Governance principles; approved by the Board of Directors and is published on its website.

The principles on the disclosure of information regarding the future are included in the Disclosure Policy.

The power and responsibility for follow up, supervision and development of the policy on public disclosure and provision of information belongs to the Board of Directors.

The Investor Relations Department is assigned with the duty of supervision of every matter regarding public disclosures, and answering the questions addressed to the company. The names and duties of the persons who are responsible for following of the disclosure policy are included in the "Investor Relations Section" of this report.

Information that is disclosed to the public are presented on the "Public Disclosure Platform" ([www.kap.gov.tr](http://www.kap.gov.tr)) and on the Bank's website, in a way that would help the individuals and organizations, that would benefit from the disclosure, make their decisions, in a meticulous, understandable and interpretable manner and with low cost accessibility.

### **9. Company's Website and its Contents**

Our Bank's website address is [www.pashabank.com.tr](http://www.pashabank.com.tr). The principles on how to use the website are included in the Corporate Governance Policy.

## Corporate Governance Principles Compliance Report

The contents published on the website are provided in the following table, and special attention is paid so as to ensure that the information herein is always up-to-date.

### CORPORATE STRUCTURE

[Our background](#)

- [Our Shareholders](#)
- PASHA Bank OJSC
- Aksoy Holding
- [Corporate governance](#)
- Our Vision, Mission and Values
- Policies
  - Aid and Donation Policy
  - Disclosure Policy
  - Ethical Principles
  - Confidentiality Policy
  - Human Resources Policy
  - Profit Distribution Policy
  - Corporate Governance Principles
  - Severance and Notice Pay Policy
  - Remuneration Policy
  - Sustainability, Environment and Social Responsibility Policy

- Shareholding Structure
- Trade Registry Details
- Corporate Governance Principles Compliance Report

- [Our Organization](#)
  - Board of Directors
  - Audit Committee
  - Corporate Governance Committee
  - Remuneration Committee
  - Our Managers
  - Organizational Chart

- [The Message of the Chairman of Our Board of Directors](#)
- [General Manager's Message](#)

### OUR PRODUCTS AND SERVICES

- Investment Banking
- Corporate and Commercial Banking
- Treasury and Financial Organizations
- Intermediary Services

### INFORMATION SOCIETY SERVICES

### COMMUNICATION

### INVESTOR RELATIONS

- [Financial Reports \(Last 5 Years\)](#)
  - Annual Activity Reports
  - Interim Activity Reports
  - Independent Audit Reports
- [Articles of Association](#)

- [Rating](#)
- Corporate Governance Rating

- [Service and Loan Contract](#)
- [Applicable Maximum Interest and Commission Rates](#)
- [The General Rules](#)
- [Internal Directive](#)

- [General Announcements / PASHA YATIRIM BANKASI A.Ş.](#)
- [Announcement for Investors](#)
- [Arbitration Board](#)
- [Frequently Asked Questions](#)
- [Investor Relations Communication](#)

### HUMAN RESOURCES

- Our HR Policy
- Career Opportunities in our Bank
- Job Application

## 10. Activity Report

The Activity Report is prepared with as much detail as to enable access to complete and correct information, and to include the information and data mentioned in the applicable provisions of the pertinent legislation.

Moreover, information mentioned in the Corporate Governance Principles and Corporate Governance Principles Compliance Report is presented in the annual activity report.

## **SECTION-3 STAKEHOLDERS**

### **11. Announcements to Stakeholders**

The Bank provides all stakeholders with information by way of the general assembly minutes, meetings, electronic post and website, but excluding the commercial secrets of the Bank, within the framework of the Banking Law, Turkish Commercial Code and the Capital Market Board legislation. Furthermore, the public disclosure tools and methods have been developed according to the Disclosure Policy.

In the "Ethical Principles Regulation" document of the Bank, relations with stakeholders are discussed in regard to different groups.

An internal reporting system and a communication line has been set up that enable direct contact with the Compliance Unit, should our Bank and/or employees face a risk that may be associated with risk management or compliance.

The internal Audit Unit will be notified about the transactions, which have been reported by the stakeholders as being incompliant with the legislation and ethically inappropriate.

### **12. Stakeholders' Participation to Management**

A customers' line and a complaints line through Internet have been set up for all stakeholders, enabling them e-mail any opinion, suggestion, wish and complaint they may have as well as their request for information.

Models, incentives and codes of practice in support of participation of the employees to management are developed within the framework of the "Human Resources Policy".

Efforts that promote communication between and that support team spirit among the employees are made, with the purpose of establishing effective and productive relationships, and for collective work.

Responsibilities are assigned in order to effectively reveal and resolve conflicts of interest and measures and control processes intended to prevent them are implemented by the Bank within the framework of "Corporate governance Policy".

### **13. Human Resources Policy**

Human resources policy and the basic policies of the Bank are explicitly stated in the Human Resources Policy document that is served to all employees against signature.

Human Resources Policy includes, in addition to the basic principles on the personnel policy, information about recruitment processes and principles, performance management, promotions, salaries, fringe benefit, rewarding, disciplinary provisions and termination of employment contracts.

The Human Resources Policy of the Bank is decided on behalf of the Board of Directors by the Human Resources Committee, by taking the following principles into consideration. The purpose of the Bank is to retain the most qualified and competent personnel available at all positions. When recruiting, the basic recruitment criteria must be observed.

## Corporate Governance Principles Compliance Report

Accordingly, the below mentioned basic principles will be taken as the basis, regarding the Human Resources policy.

- a) To employ the personnel who best meets the qualities for that job, and to give all personnel the opportunity to develop their talents and competencies;
- b) To hire optimum number of personnel by facilitating the conditions for them to work in most productive way;
- c) To organize seminars and on the job training programs for the personal development of the employees;
- d) To encourage and reward the personnel for success;
- e) To strive for training personnel from among the Bank staff and when filling the vacancies, to give priority the Bank personnel, and to give promotion opportunities to the Bank personnel according to their skills;
- f) To inform the personnel about matters that concerns them in a timely manner, and to develop effective communication means and methods for the personnel to easily communicate their opinion to their superiors;
- g) To create a work atmosphere that would motivate the personnel and all managers, and help them build better social relationships;
- h) To create the environment and conditions that is needed for the professional and personal development of all personnel, without making discrimination among them.
- i) To offer career opportunities to the personnel who meets the conditions that are necessary for promotion.
- j) Considering market conditions and the budget of the Bank, to give sufficient pay and benefits to the personnel;
- k) To hire staff with competencies that are suitable for the job that the Bank need to get done in order to achieve its objectives;
- l) To keep the channels, through which the personnel can communicate their opinion and suggestions, open;
- m) To ensure that the personnel get together to achieve the common goals, and to ensure sharing of corporate culture and corporate loyalty;
- n) To create a work atmosphere that would encourage people to think creatively and to develop ideas for improving the processes.

On the other hand, there are job descriptions that apply to each and every employee.

At our Bank, target based assessment system is implemented in order to increase productivity of the employees and to reward their successes. The performance system of the Bank measures the performance of the employees with reference to targets and achievement of such targets. For this purpose, Target Performance Cards that consist of four main sections that are based on financial, customer, internal process, learning and development perspectives are used. A performance assessment meeting is held at the end of every quarterly period, with the Unit Manager and the Bank's Top Management.

At these performance assessment meetings, the level of achievement will be assessed and the actions that would be taken will be discussed.

The vacancies will be filled primarily by existing employees, and the training and development programs of the employees will be supported in line with the career plans set with them.

The organizational structure of the Bank and the job descriptions of the employees are published in the file server of the Bank, and the employees are informed by announcements.

The Human Resources Unit is working in coordination with the other units, in line with the targets, and with the purpose of selecting the most suitable candidate at the recruitment phase, by reaching the correct target group for that particular position. Besides, special care is taken to ensure that all candidates are willing to adopt the corporate culture, that they believe in open communication and continuous development and are customer and result oriented, and that they have the necessary education and knowledge of foreign language.

Minimum levels of seniority at the current position, depending on the educational qualifications, for promotion have been defined. The Employees can be promoted by meeting the criteria that are defined and stated in the Human Resources Policy.

The "Remuneration Committee" of our Bank had been set up in year 2013, by resolution 52 of the Board of Directors, dated 9 October 2013, with the purpose of carrying out the activities which fall under the scope of the "Regulation pertaining to Corporate governance Principles of Banks" of the Banking Regulation and Supervision Agency. The Remuneration Committee is responsible for following up, on behalf of the Board of Directors, of the remuneration management practices of the Banks within the scope of compliance with the Corporate governance Principles; for compliance [of such practices] with the Banks' ethical values, internal balances and strategic targets; for reviewing of the remuneration policy and for submitting of its recommendations determined according to the needs; for other matters as well as the duties given to it within this context by the Board of Directors.

At its first meeting held in the first quarter of the year 2014, the Remuneration Committee reviewed the remuneration system policies and practices of our Bank and then reported its assessments and recommendations within the scope of management of the risks associated with such remuneration practices, to the Board of Directors.

The Remuneration Policy of the Bank has been developed on the basis the "Corporate Governance Principles of Banks" and the "Corporate Governance Principles of the Capital Market Board", and approved by the Board of Directors on the date of 10 March 2014.

At the Ordinary General Assembly meeting of the Bank for the year 2013, which was held on the date of 28 March 2014, the Remuneration Policy was explained to the shareholders, and approved by them, following which it was disclosed to the public on the Bank's website, as required by the legislation.

When deciding the severance and notice pay, Labor Law 4857, dated 22.5.2003, was referred to.

Bank management has not in the year 2014 received any discrimination complaint.

## Corporate Governance Principles Compliance Report

The targets of the training activities of the Human Resources Unit are as follows:

- With the career training, to both increase the performance of our employees at their current jobs and also getting the ready for higher positions,
- Supporting positive developments in our employees' relations with each other and with our customers,
- To increase their work and social life quality with the help of personal development trainings.

For job applications to our Bank, this e-mail address is used [hr@pashabank.com.tr](mailto:hr@pashabank.com.tr).

### **14. Ethical Rules and Social Responsibility**

The "Ethical Principles Regulation" that had been approved by the Board of Directors lays down all of the rules that have to be observed in all actions and transactions with the customers, employees, other financial organizations and all stakeholders and it has been disclosed to the public on the website, according to the disclosure policy of the Bank.

The ethical principles are intended to regulate the relations with all stakeholders in and outside the bank, which are categorized as the competitors, customers, suppliers, personnel, the media, and the public institutions and organizations.

The Ethical Principles of PASHA Yatırım Bankası A.Ş. is deemed as an inseparable part of the Corporate Governance Policy and the Human Resources Policy.

The Ethical Principles are the aggregate of all rules that would be observed in all actions and transactions with the customers, employees, other financial organizations and all stakeholders.

The rules and regulations set in accordance with the Ethical Principles Regulation are among the general responsibilities of all employees, and they must be included in the compliance and acceptance statement.

The Sustainability, Environment and Social Responsibility Policy of the Bank have been put into effect as of the date of 28 April 2014.

In the year 2014, the Bank did not pay any fine to the regulatory and supervisory authorities for violation of the provisions of the legislation.

## **SECTION-4 THE BOARD OF DIRECTORS**

### **15. The Structure and Composition of the Board of Directors**

In section two of the Articles of Association, the Bank's organization and the duties and powers of the Board of Directors are explained. According to them, the duties and responsibilities of the Board of Directors are subject to the principles set forth by the provisions of Turkish Commercial Code and the Banking Law, and to the provisions of the Articles of Association.

The Board of Directors is carrying out its activities in a transparent, fair, responsible and accountable manner.

The members and the fields of duty of the members of the Board of Directors of our Bank are stated at below. The CVs of the members of the Board of Directors are included in the annual activity report on pages 20, 21 and 22 and on the website of the Bank, and on the MKK (the Central Registry Agency) e-company portal.

Name-Surname	Title	Date of Appointment
Erdal Aksoy	Chairman of the Board of Directors	28 August 2013 - Continues
S. Batu Aksoy	Deputy Chairman of the Board of Directors	20 August 2013 - Continues
H. Cenk Eynehan	General Manager and the Member of the Board of Directors	20 August 2015 - Continues
Afag Mustafayeva	Member of the Board of Directors	8 November 2013 - Continues
Adnan Aykol	Independent Member of the Board of Directors	28 August 2013 - Continues
Süreyya Serdengeçti	Independent Member of the Board of Directors	26 September 2013 - Continues
Mesut Özdiñç	Independent Member of the Board of Directors	13 January 2014 - Continues

The members of the Board of Directors have last been elected at the extraordinary general assembly meeting on the date of 27 January 2015, and their terms of service continues. Assumption of any other duty or duties by the members of the Board of Directors, is not, unless otherwise is stated in Turkish Laws, subjected to any rules or restrictions.

According to the corporate governance practices of the Capital Market Board, the members of the audit committees of the banks are at the same time the independent members of the board of directors.

The independent members of the Board of Directors as of the end of the year 2014 are Süreyya Serdengeçti, Adnan Aykol and Mesut Özdiñç. No incident that impairs the independence of these members has occurred during this period.

Except for the General Manager, no member of the Board has executive duties.

The powers of the Chairman of the Board of Directors and of the General Manager are clearly separated.

The duties that the members of the Board of Directors have assumed outside the Bank are stated in the table at below, and the said information is included also in their CVs published on the Bank's website.

## Corporate Governance Principles Compliance Report

NAME-SURNAME	DUTY	DUTIES ASSUMED OUTSIDE THE BANK	COMMITTEE MEMBERSHIPS AND DUTIES
Erdal Aksoy	Chairman of the Board of Directors	Aksoy Holding A.Ş. – Chairman of the Board of Directors Turcas Oil A.Ş. and its Subsidiaries – Chairman of the Board of Directors Yeditepe International Hotel Management Tourism Trade A.Ş. (Conrad Hotel) – Chairman of the Board of Directors Aksoy International Trade A.Ş. – Chairman of the Board of Directors Aksoy Holding Real Estate Investment Companies – Chairman of the Board of Directors RWE & Turcas South Electricity Production A.Ş. – Deputy Chairman of the Board of Directors Shell & Turcas Oil A.Ş. – Member of the Board of Directors	Chairman of the Remuneration Committee
S. Batu Aksoy	Member of the Board of Directors	Aksoy Holding A.Ş. – Deputy Chairman of the Board of Directors Turcas Oil A.Ş. and its Subsidiaries – CEO and Member of the Board of Directors Yeditepe International Hotel Management Tourism Trade A.Ş. (Conrad Hotel) – Member of the Board of Directors Aksoy International Trade A.Ş. – Member of the Board of Directors Aksoy Holding Real Estate Investment Companies – Member of the Board of Directors RWE & Turcas South Electricity Production A.Ş. – Member of the Board of Directors	Member of the Remuneration Committee
H. Cenk Eynehan	General Manager and the Member of the Board of Directors	-	-
Afag Mustafayeva	Member of the Board of Directors	PASHA Holding LLC – Member of the Investment Committee KAPITAL Bank ASC – Member of the Board of Directors PASHA Insurance – Chairwoman of the Audit Committee PASHA Holding LLC – Chairwoman of Audit and Supervision Department	-
Adnan Aykol	Independent Member of the Board of Directors	-	-
Süreyya Serdengeçti	Independent Member of the Board of Directors	TOBB Economy and Technology University – Lecturer TEPAV - Director	Chairman of the Audit Committee Chairman of the Corporate Governance Committee
Mesut Özdiç	Independent Member of the Board of Directors	Istanbul Bilgi University – Lecturer (part-time)	Member of the Audit Committee Member of the Corporate Governance Committee

Among the 7 persons who are as of the date of 31 December 2014 members of the Board of Directors, Chairman Erdal Aksoy's indirect share in the Bank's capital is 58.7%, and Deputy Chairman Saffet Batu Aksoy's indirect share in the Bank's capital is 20.11%.

### 16. Board of Director's Main Business Objectives

In order to ensure the productivity of the Board of Directors, the General Manager will determine the timetable of its meetings that would be held during the year, with the approval of Board.

The Board of Directors meets at times and frequencies as required by business needs and legislations, but in principle, holds physical meetings at least once a month.

The agenda of the meetings is prepared according to the suggestions received from various units of the Bank, and by including the items that the members wish. The meeting date and agenda as well as the related files are submitted to the members of the Board of Directors, by the Board, according to the principles laid down in the Corporate Governance Policy, for review. The way Board of Directors' meetings should be held is written in the said policy.

The members of the Board of Directors must physically attend to the meetings as long as they don't have an excuse.



There is a secretariat for providing information to and communication with the members of the Board.

Having met periodically every month, the Board of Directors did hold 12 meetings. Invitations to the meetings of the Board of Directors will be made by calling, telephoning and sending e-mails.

The Board of Directors passed 67 resolutions, some at the meetings and some upon reviewing the files. During the period, the decisions were taken unanimously and there was no dissenting opinion.

According to the Articles of Association of the Bank, the Board of Directors meets when absolute majority is present, and will pass resolutions with the majority of the attendants.

Minutes and the resolutions of the meetings of the Board of Directors are recorded in the resolutions books of the Board.

The members of the Board of Directors cannot cast prevailing vote and/or they don't have veto rights. Every member has one vote.

Every members of the Board of Directors confirms that his participation to the Board does not directly or indirectly result in any conflict of interests because of personal reasons or because of the professional interests they represent. The members of the Board of Directors cannot attend to and vote at the sessions at which matters that are associated with their interests or with the interests of their relations mentioned in Article 393 of Turkish Commercial Code.

The principles on the operations of the Board of Directors are laid down in the Corporate Governance Policy, and studies on the Internal Directive as per the provisions of the Turkish Commercial Code regarding limited delegation of power of attorney continues.

### **17. The Number, Structure and Independence of the Committees Set up By the Board of Directors**

In the year 2014, the committees stated at below have conducted activities in our Bank, as per the provisions of the Corporate Governance Principles and the Banking legislation. Any member of the Board of Directors can assume duties according to the legislation in more than one committee.

These committees carry out their activities according to the internal policies and Regulations that are made in accordance with the pertinent provisions of legislation, as well as with the operating principles that are included in the Bank's website.

#### **Audit Committee**

The Audit Committee that is set up as per Article 24 of Banking Law 5411 consists of at least two members, who have the qualifications stated in Article 6 of the Regulation on the Internal Systems of Banks, selected by the Board of Directors among its own members who does not have executive duties, in order to help the it perform its supervision and audit functions.

## Corporate Governance Principles Compliance Report

The audit committee has the duty of and responsible for, on behalf of the Board of Directors, overseeing the effectiveness and sufficiency of the internal systems of the Bank, the operation of these systems as well as the accounting and reporting systems in accordance with the laws and pertinent regulations; making the preliminary assessments that are needed by the Board of Directors when selecting the independent audit firms, and the rating, evaluating supporting service organizations; regular overseeing of the activities of such firms and organizations that are selected by the Board of Directors and with which contracts are signed; the consolidated internal audits of the companies which are, according to the rules and regulation that have taken effect as per the Law, subject to consolidation, and coordination of such audits; presenting its opinions and recommendations about the activities that are carried out by the units of internal systems during the period as well as their results, about the measures that have to be taken and the things that have to be done, and about the other matters it deems important for the safety of the operations of the Bank.

Süreyya Serdengeçti (Committee Chairman – Independent and Non-Executive Member of the Board of Directors)

Mesut Özdiñ (Committee Member - Independent and Non-Executive Member of the Board Of Directors)

Frequency of Meetings: Quarterly

In 2014, the Audit Committee met nine times on the dates of 25 December 2014, 27 November 2014, 26 September 2014, 26 August 2014, 17 July 2014, 26 June 2014, 27 May 2014, 28 April 2014 and 28 March 2014, and passed 28 resolutions either at the meetings or by upon reviewing the files.

### **Corporate Governance Committee**

It is set up with the purpose of ensuring that the Bank is managed as per the Banking Law, Capital Markets Law and the other regulations made according to them as well as the other legislation, the articles of association, internal regulations of the Bank and the rules of ethics, in a way to protect the rights and interests of all stakeholders and shareholders, and fairly, transparently and accountably; to oversee the Bank's compliance with the corporate governance principles; to promote compliance with the corporate governance principles and to make the necessary recommendations to the board of directors.

Süreyya Serdengeçti (Committee Chairman – Independent and Non-Executive Member of the Board Of Directors)

Mesut Özdiñ (Committee Member - Independent and Non-Executive Member of the Board Of Directors)

Frequency of Meetings: At least one a year / as needed

In year 2014, the Corporate Governance Committee held six meetings, and passed six resolutions.

### **Credit Committee**

In the year 2014, the Credit Committee could not be formed because of the insufficiency of the number of members of the Board of Directors bearing the requirements set out for the Credit Committee Members. The proposals for credits are submitted by the Credits Units are assessed and approved by the Board of Directors.

### **Remuneration Committee**

It has been set up with the purpose of following up and overseeing the remuneration practices of the Bank, making assessment of the remuneration policy and practices in regard to risk management, and presenting an annual report of its recommendations on them to the board of directors.

Erdal Aksoy (Committee Chairman – Chairman of the Board of Directors)  
S. Batu Aksoy (Committee Member – Deputy Chairman of the Board of Directors)

In year 2014, the Remuneration Committee held six meetings, and passed six resolutions.

### **18. Risk Management and Internal Control Mechanism**

It has been set up with the purpose of identifying, analyzing, follow up, control and supervision of the risks that could be encountered as the result of the strategies and activities of the Bank, with a structure that is compatible with the scope and nature of the activities of the Bank, and that is adaptable to the changing conditions.

Internal Audit, Internal Control and Compliance, Risk Management units report to the Internal Systems Director, and carry out their activities under the effective monitoring and supervision of the Audit Committee.

Internal regulation of the Bank regarding the duties, powers and responsibilities of these units had been made according to the provisions of the Banking Law and the Regulation Pertaining to the Internal Systems of Banks, and have taken effect upon having been approved by the Board of Directors.

Internal Control and compliance activities are constantly controlled and monitored by the Internal Control and Compliance Unit, which reports to the Board of Directors. Risk management activities on the other hand, are carried out by the Risk Management Unit and personnel, which report to the Board of Directors.

The basic purpose of compliance activities is to provide maximum support for the efforts to keep the compliance risks of the Bank by managing them appropriately and effectively, and in this context ensuring that the Banks activities are always carried out and managed, in respect to their nature and operation, in accordance with the pertinent legislation, regulations and standards and to make maximum contribution to the anti-money laundering and combating the financing of terrorism.

Compliance of all banking processes and information systems with the legislation, internal corporate regulations and the banking principles are audited within the framework of the annual risk assessment work and the audit plan of the Internal Audit Unit and personnel and the findings of the audit are reported to the Audit Committee and the Board of Directors.

The Audit Committee is a committee that has been set up according to the provisions of both the Banking Law and also of the Regulation Pertaining to the Internal Systems of Banks, in order to help Board of Directors perform supervision and audit functions. The Audit Committee does, on behalf of the Board of Directors, oversee the effectiveness and efficiency of the Internal System units; the operation of these as well as the accounting and reporting systems of the Bank with reference to the Banking Law and the regulation that associated with that Law and the integrity of the gathered information.

The assessments of the Audit Committee for the period are published in the annual activity report.

## Corporate Governance Principles Compliance Report

### **19. Strategic Targets of the Bank**

The members of the Boards of Directors, Mesut Özdiñç, Afag Mustafayeva and the General Manager H. Cenk Eynihan have been given the duty of supervising the work for developing the strategic plan of the Bank for the years 2015-2017, by resolution 6 of 3 February 2014 of the Board of Directors.

The work on the strategy for the years 2015-2017 has been concluded, and in March 2015, it will be submitted to the Board of Directors for approval. The end of the year target figures for 2015, for assets, total loans and equities are respectively, 296 million TL, 227 million TL and 228 million TL.

The Banks year 2015 budget had been approved by the Board of Directors, with its resolution that had been passed at the meeting of 26 December 2014.

Banks performance regarding achievement of its annual budget targets is regularly followed up by the Board of Directors. Banks performance with reference to the budget targets are reported in detail to the Board of Directors, at the meetings held every month.

### **20. Financial Rights**

The financial rights granted to the members of the Board of Directors are decided in accordance with Article 4 of the Articles of Association. According to that Article,

- A payment at the amount decided by the Board of Directors will be paid to the chairman, deputy chairman and members of the Board of Directors. When deciding these amounts, the time that these people would spend at the meeting, for preparing before the meetings and for performing the duties following the meetings will be taken into consideration. In addition to these, the amount of honoraria that would be paid to them for every meeting they attend will also be decided by the General Assembly.
- Whether or not a payment would be made to the chairman and the members of the committee, and the amount of any such payment if it is going to be made, will be decided by the Board of Directors, in its decision for setting up such committee. In the event the chairman and the member of the committee is at the same time the chairman and the member of the Board of Directors, the General Assembly will decide if any payment would be made, and if so its amount.

The remuneration policy of the Bank is implemented in accordance with the rules and regulations of the Banking Regulation and Supervision Agency and the Capital Market Board. The remuneration policy is prepared in writing, and at the Ordinary General Assembly meeting for the year 2013 – which had been held on the date of 28 March 2014 –it was presented to the shareholders for their information under a separate item [of the agenda].

At the Extraordinary General Assembly meeting held on the date of 27 January 2015, it has been decided to pay monthly net 6,000 TL (six thousand) to the members of the Board of Directors.

Profit share, share options or Bank performance based payment plans cannot be implemented for the remuneration of the independent members of the Board of Directors.

Total sums paid to the top-level managers and to the members of the Boards of Directors will, at the following General Assembly meeting, presented to the shareholders for their information and/or approval in accordance with the legislation.

The total sum of all pay and other benefits provided to the members of the Board of Directors and to the top-level managers will be disclosed to the public in the annual activity report.

The total sum of honoraria, pay, premium, bonus, and profit share and similar other financial benefits provided to the Board of Directors and to the top-level managers of the Bank in year 2014 was 899 thousand TL.

No loans were given by the Bank to the members of the Board of Directors and managers either directly or through a third person; and no guarantees were issued in their favor. The Banking Law provisions were not violated in regard to matters such as giving loans, credits to any member of the board of directors or to any manager. In Article 17 of the Articles of Association it is provided as follows: “Members of the Boards of Directors cannot take part at the phases where loan transactions to which they themselves, their spouses or children who are under his custody, other real and legal persons who together with them constitute a risk group is a party, are assessed and decided and they must report it to the authorities in writing. Provisions of the Banking Law that prohibit and restrict giving loans to the members of the Board of Directors are not affected.”

## **The Audit Committee's Assessments on Internal Systems' Activities**

As of the end of the year 2014, the internal audit, internal control and compliance as well as risk management units perform the internal systems function with four employees, one at each of the aforementioned units, under the coordination of the internal systems director.

The internal audit, internal control and compliance as well as risk management units do report, in accordance with the directives of the Banking Regulation and Supervision Agency, to the Board of Directors, through the Audit Committee.

The internal audit plan and the annual internal control plan, which are prepared every year according to the developing and changing activities of the Bank, to the changes in the legislation, and to the results of the risk assessment report and risk matrix, prepared as of the end of the previous year, are submitted, following the approval of the Audit Committee, to the Board of Directors.

The main activities of the internal systems within the years are carried out according to these plans, and reported. Matters identified at the Audit Committee meetings, and the requests for reports are communicated to the concerned units of the Bank, through the internal systems units.

The risk analysis studies regarding the supporting service organizations are performed in accordance with the opinions of the internal systems units, and assessment reports that are prepared about the concerned organizations are submitted to the Board of Directors.

The Internal Audit Unit did perform the audits that are within the scope of Circular BSD 2010/3 of the Banking Regulation and Supervision Agency, dated 30.7.2010, on which the "Management Statement" of the Bank is based, and submitted its report primarily to the Audit Committee, and to the Board of Directors.

Regarding the risk, organization, quality management, effectiveness, efficiency and compliance functions, the internal systems group is positioned at the focal point of all transactions effected at the Bank and at its subsidiaries.

The internal audit, internal control and compliance as well as risk management units do carry out their activities according to the annual internal control plan, which is prepared every new year according to the developing and changing structure of the Bank, to the changing legislation, on the basis of the risks that had arisen as the result of the previous year's internal audit and internal control as well as compliance activities and that is approved of the Board of Directors.

The Internal Audit Unit does, as a whole, carry out activities in the form of internal surveillance and audit function in regard to banking and information systems processes as well as risk management and internal control and compliance and audits all units periodically and on the basis of risks. In addition to these, it assumes the function of objective and independent advising regarding the management of all applications and processes of the Bank in line with good practices. It gives assurances to the top management that the Bank's activities are carried out according to the laws and other legislation, and on the effectiveness and efficiency of the internal control and risk management systems. It states its opinion and makes recommendations for effective and productive use of the Bank's resources. The Internal Control and Compliance Unit, which carries out activities

inside the internal systems group, periodically monitors the banking transactions; executes second level controls and ensures correction of the mistakes and discrepancies by executing controls in order to detect them. In the year 2014, all operational activities of the Bank and of the subsidiary in receivership were controlled daily, weekly, biweekly, monthly, quarterly and annually with reference to the changing and requirement based control points and the results of such controls were explained in the monthly internal reports.

The legal reports that are prepared by the Financial Planning and Control Unit, and which are delivered to the regulatory bodies are double-checked. The efficiency of these checks is always assessed by the Internal Control and Compliance Unit. By this way, efforts are made to reduce the risks that are faced during the legal reporting process.

The value at risk results of the securities in Bank's portfolio are calculated by using the standard method the analysis and the assessment of the other findings obtained with the help of these results and their concordance with the risk management calculations and legal action ratios however, are followed up by the Risk Management Unit.

COBIT compliance studies were conducted by Information systems for compliance with international standards, and a corporate awareness, process as well as a system infrastructure were created in this direction.

Our Bank did set up a compliance function that operates under the Internal Control Compliance Unit inside the internal systems, in order to take measures against legal compliance risk, and to ensure the harmony of its banking activities that are carried out actively as well as of its internal arrangement with the provisions of the legislation.

In 2014, the Audit Committee did meet with the managers of the independent audit firm of our Bank on quarterly basis, and received information about their work.

The internal audit, internal control, compliance and risk management reports that are prepared by the internal system units are discussed at the Audit Committee meetings, and information is given to the Board members at the following meetings of the Board of Directors.

### **Targets for the Year 2015**

The Internal Capital Adequacy Rating Process (ICAAP) reports will be prepared in accordance with the standards set out by the Banking Regulation and Supervision Agency in a way to also include the 3-5 year growth targets and capital plans, by making use of the stress test results. The purpose of doing this is ensuring that the ICAAP report becomes a part of the budget and capital management activities.

In the year 2014, active banking activities and loan placements did increase. Therefore, the headcount at the existing business units increased, new business units were formed, regulations, policies, procedures and workflows associated with them were prepared, and the existing ones were updated. Adaptation of the main banking system we started to use, and the other banking and information system applications were ascertained. Carrying out of the internal audit activities stated in the year 2015 internal audit plan, which had been prepared according to the risk perceptions indicated on the year 2014 Risk Assessment Matrix, is being aimed.

## **🎯 Independent Auditor's Report**

Annex-2 It is presented "in the unconsolidated financial report of PASHA Yatırım Bankası A.Ş. that had been prepared as of 31 December 2014."

## **🎯 Financial Statements and Information on the Financial Position**

Annex-2 It is presented "in the unconsolidated financial report of PASHA Yatırım Bankası A.Ş. that had been prepared as of 31 December 2014."

## **🎯 Evaluation of Financial Status, Profitability, and Solvency**

The shareholders of the bank did invest the capital that is needed for the growth planned for future, cash at the beginning, and strengthened the equity structure of the Bank by way of capital increases.

According to the unconsolidated data, the Bank closed the year's end of 2014 with a loss of 1.8 million TL. Our total unconsolidated assets increased 22% compared to the previous year, and reached 61 million TL. The activities of the Bank as of the end of the year were carried out by the units at the head office.

The securities in the balance sheet is 2.9%, whereas the credits have increased by 92% in comparison to the previous year, and have been 51.3 million TL, with an 84% share in the total assets.

The unconsolidated capital adequacy ratio of the Bank, as of the date of 31 December 2014, has been 135.43%.

The Bank has a strong financial position with its asset quality.



## Risk Management Policies

At PASHA Yatırım Bankası A.Ş., risk management is conducted and implemented in accordance with the principles and implementation procedures included in the “Banking Law”, the “Regulation Pertaining to Internal Systems and Internal Capital Adequacy Assessment Process of Banks” and in the other pertinent regulations that are published by the Banking Regulation and Supervision Agency. In principle, the Risk Management Unit operates under the Internal Systems Manager, by setting up a direct reporting line to the associated committee and management levels, and completely independent from the business lines.

The risk management approach of the Bank is to achieve an integrated risk management that is based on setting up and operating of a healthy risk management including human resources and information technologies infrastructures, risk assessment models, regulations, procedures, implementation instructions and reports and on risks and yields.

Risk awareness and management is an important element of the banking culture and utmost care is taken for compliance with the national legislation and to implement internationally accepted standards. Setting up and ensuring the continuity of an effective risk management system in PASHA Yatırım Bankası A.Ş. is among the priorities of the top management.

The risk taking strategy of the Bank is decided in such a way to include the risks that can be taken in the financial markets, and also the limits of positions as well as the control points of the risks that would be taken.

The risk managements function of the Bank has been set up as a separate organization that reports to the Internal Systems Director, and which is independent form other business units.

It is the duty of the managers and all personnel at all levels of the Bank to assess the risks faced, to have full knowledge of the techniques regarding the management of the possible risks that can be encountered in the field [of responsibilities] included in their job descriptions, and to provide the support that is necessary for the control and audit procedures implemented by the other units.

The policies, procedures and methods that are needed to gauge, analyze, monitor, report and control of the defined risks are designated by the Risk Management Unit and put into effect after approval by the Board of Directors.

The responsibility for following up and as necessary updating of the risk limits, and for submitting them to the Board of Directors belongs to the Risk Management Unit, whereas the ultimate responsibility lies with the Board of Directors. The limits are set by using methods that are developed according to the risk appetite of the Bank in that field of activity, and to the volume and complexity of the offered products and services and where appropriate, together with early warning limits.

Follow up of the Bank positions and risk/limit compliance controls are performed at three levels, which are “business and operation”, “risk management and internal control” and “internal audit” are included in ordinary reports. Any incompliance will urgently be reported by the unit that discovers it, to the Board of Directors and to top management, without waiting for the regular reporting time.

The risk management activities that are conducted according to the regulations are controlled at intervals decided by the Internal Audit Unit, and are findings are reported ascertaining the Audit Committee and the Board of Directors are informed.

## Risk Management Policies

### **Credit Risk Management**

The Bank must gauge the credit risks, regularly analyze, follow up the financial means of the other party, obtain the necessary information and documents, and to establish the principles regarding them. The processes regarding approval, changing, novation and restructuring of loans must be laid down clearly and in detail.

The Bank did, in order to measure the exposure level regarding each customer, develop a systematic borrower's rating model based on their qualitative and quantitative analyses. An internally developed facility rating system is used for the assessment of the possibility of repayment of the loan. The facility rating system is based on discountable acceptable collateral types, and reflects the loss that would be incurred in the event of default. Borrower's and facility ratings are used as the basic parameters in all loan decision taking processes.

The credit portfolio risk level is followed by the by the Risk Management Unit. A comprehensive report on the credit portfolio, the risk level of as well as the trends and changes in the portfolio, and the non-performing loans is published monthly. That report is presented to top management and the Board of Directors. The portfolio is also reviewed by making concentration risk analyses (debtor, group, sector, grade, collateral etc.).

### **Market and Liquidity Risk Management**

The bank market risk management includes differentiation between the routine assets and liabilities activities (banking books) and the purchase and sale activities (trading books).

The bank does not carry any securities portfolio for sale purposes. The securities portfolio which are available for sale and held to maturity are managed by the Treasury Unit, according to the decisions of the Assets and Liabilities Committee (ALCO), and also by observing the limits set by the Board of Directors. Management of liquidity with the coordination of the treasury and financial control units, and under the surveillance of the internal systems group is ensured according to the decisions of ALCO.

Gauging of the risks and their inclusion in the capital adequacy ratio is done monthly, by calculating the value at risk and by using the standard method that has been set by the Banking Regulation and Supervision Agency. The interest rate risk and the exchange rate risk are calculated at the Bank on a monthly basis, by using the standard method.

### **Operational Risk Management**

The Bank's objective for managing the operational risk is to administer and control it without incurring losses because of fraud, unauthorized transactions, error, negligence, ineffectiveness, system error and external events, within an effective cost structure. Operational risk are defined and assessed at least annually, and suitable measurements are developed to gauge them. Gauging and reporting of operational risk is conducted by use of the basic indicator approach, and the operational risk capital requirement is calculated. All workflows and control points of the Bank for all of its processes have been determined. Studies for making the inclusive risk-control matrixes that include these workflows as well as for scoring of the risks continue.

## Information on Rating Notes Assigned by the Rating Agencies

Our Bank has been graded by SAHA Corporate Governance and Credit Rating Services Inc., for compliance with the corporate governance principles, and received an 88.59 (8.86 over 10) points in the month of June of 2014.

The breakdown of our Corporate Governance rating grade for the four main topics, weighted as per the Capital Market Board's decision of principle is as follows.

Subcategories	Weight	Grade Given
Shareholder	25%	91.78
Public Disclosure and Transparency	25%	78.90
Stakeholders	15%	91.34
Board of Directors	35%	92.05
Total	100%	88.59

The Corporate Governance Rating Report dated June 26, 2014 and prepared by SAHA Corporate Governance and Credit Rating Services Inc. has been disclosed at Bank's web site.

## Summary of Unconsolidated Financial Highlights for the Last Five Years

	31.12.2014	31.12.2013	31.12.2012	31.12.2011	31.12.2010
Total Assets	61,071	50,058	19,282	21,879	13,904
Total Cash Loans	51,282	26,681	750		
Securities	1,764	293	1,587	7,091	479
Total Equities	46,849	48,672	16,331	15,009	12,694
Net Profit/Loss	(1,817)	(9,082)	(1,478)	(4,685)	(3,598)

## Significant Developments Regarding Bank's Activities

The subsidiary of the Bank, "PDF Corporate Finance Consulting Services in Liquidation" had gone into liquidation on the date of 07.08.2014 and; the extraordinary general assembly for liquidation was registered on the date of 02.09.2014.

## Annex-1 Amendments on Articles of Association

As per the resolution held at the extraordinary general assembly meeting on January 25, 2015 the articles of association of the Bank has been amended in accordance with the Turkish Commercial Code and Banking Law, it has been resolved to increase the share capital to 255 Million TL, to change the trade name to "Pasha Yatırım Bankası Anonim Şirketi" and the business name to "PashaBank". The amendment on the articles of association has been registered before the Turkish Trade Registry and announced in the 8773<sup>rd</sup> issue of the Trade Registry Gazette, dated 6 March 2015.

### PASHA YATIRIM BANKASI A.Ş. AMENDMENT TEXT OF THE ARTICLES OF ASSOCIATION – 27 JANUARY 2015

#### OLD TEXT

##### OLD TEXT TITLE:

**Article 2:** The trade name of the company is "TAIB YatırımBank Anonim Şirketi.

The business name of the company is "Yatırımbank." The company will hereinafter be referred to as the Bank in these Articles of Association.

#### PRINCIPAL CAPITAL

**Article 7: (Amended. 21.11.2013)** The Bank's capital is TL 80.000.000- (eighty million Turkish Liras) and this capital was divided into 80.000.000 (eighty million) registered shares, each with a nominal value of TL 1. - (One Turkish Lira).

The Bank's capital in the amount of TL 80,000,000. - (eighty million Turkish Liras) prior to increase was fully paid. All of the capital in the amount of TL 41.000.000. - (forty-one million Turkish Liras) that was issued this time around was fully committed by the shareholders free of collusion and paid in cash.

Shareholder	Number of Shares	Amount in TL	Share (%)
1. Aksoy Holding A.Ş.	79,795,121	79,795,121	99.7439
2. Sheikh Abdullah Mohamed BAROM	40,975	40,975	0.0512
3. Iqbal G. MAMDANI	40,975	40,975	0.0512
4. Sheikh Abdulrahman AL JERAISY	40,975	40,975	0.0512
5. Sheikh Abdulaziz AL RASHED	40,975	40,975	0.0512
6. First Anglo Holdings Ltd.	40,975	40,975	0.0512
7. Syed Shezad ABEDI	2	2	0.0000
8. Sheikh Ahmed Mohammed BAROM	2	2	0.0000
<b>Total</b>	<b>80,000,000</b>	<b>80,000,000</b>	<b>100.0000</b>

#### NEW TEXT

##### NEW TEXT TITLE:

**Article 2:** The trade name of the company is "Pasha Yatırım Bankası Anonim Şirketi.

The business name of the company is "PashaBank." The company will hereinafter be referred to as the Bank in these Articles of Association.

#### PRINCIPAL CAPITAL

**Article 7:** The Bank's capital is TL 255.000.000- (two hundred and fifty-five million Turkish Liras) and this capital was divided into 255.000.000 (two hundred and fifty-five million) registered shares, each with a nominal value of TL 1. - (One Turkish Lira).

The Bank's capital in the amount of TL 80,000,000. - (eighty million Turkish Liras) prior to increase was fully paid. All of the capital in the amount of TL 175.000.000. - (one hundred and seventy-five million Turkish Liras) that was issued this time around was fully committed by the shareholders free of collusion and paid in cash.

Shareholder	Number of Shares	Amount in TL	Share (%)
1. Pasha Bank OJSC	203,795,121	203,795,121	79.9196
2. Aksoy Holding A.Ş.	51,000,000	51,000,000	20.00
3. Sheikh Abdullah Mohamed BAROM	40,975	40,975	0.0160
4. Iqbal G. MAMDANI	40,975	40,975	0.0160
5. Sheikh Abdulrahman AL JERAISY	40,975	40,975	0.0160
6. Sheik Abdulaziz AL RASHED	40,975	40,975	0.0160
7. First Anglo Holdings Ltd.	40,975	40,975	0.0160
8. Syed Shezad ABEDI	2	2	0.0000
9. Sheikh Ahmed Mohammed BAROM	2	2	0.0000
<b>Total</b>	<b>255,000,000</b>	<b>255,000,000</b>	<b>100.0000</b>

**OLD TEXT**

The shares are registered shares and the General Assembly has the authority to split up the shares into ones with a lower nominal value or merge them into shares with a higher nominal value by amending the articles of association, keeping the amount of the principal capital the same.

**DUTIES AND POWERS OF THE BOARD OF DIRECTORS****Article 15: (Amended. 21.11.2013)****Paragraph 4**

The Board of Directors can assign partially or completely, within the framework of the article 367 of the TCL, the powers it uses to the Chairman of the Board of Directors, one or more members of the Board of Directors, committees that would consist of members, General Manager or third parties with the terms and conditions of its choice and limitations that it would deem appropriate without prejudice to the provisions of the Banking Law. The Board of Directors can get back or change all or part of these powers. The provision of the article 375 of the TCL is reserved.

**NEW TEXT**

The shares are registered shares and the General Assembly has the authority to split up the shares into ones with a lower nominal value or merge them into shares with a higher nominal value by amending the articles of association, keeping the amount of the principal capital the same.

**DUTIES AND POWERS OF THE BOARD OF DIRECTORS****Article 15:****Paragraph 4**

The Board of Directors can assign partially or completely, by an internal directive that it would issue within the framework of the article 367 of the TCL, the powers it uses and/or the management to the Chairman of the Board of Directors, one or more members of the Board of Directors, committees that would consist of members, General Manager or third parties with the terms and conditions of its choice and limitations that it would deem appropriate without prejudice to the provisions of the Banking Law. The Board of Directors can appoint, within the framework of the article 371 of the TCL, the members of the board of directors without representative powers or those working for the Bank under an employment contract as well as limited-power commercial agent or other merchant assistants. Duties and powers of those to be appointed in this way shall be specified clearly in the internal directive to be prepared according to the article 367 of the TCL that was cited above. The Board of Directors can get back or change all or part of these powers. The provision of the article 375 of the TCL is reserved.

## **Statements of Independence of the Board Members**

To Pasha Investment Bank Joint Stock Co.,

I do hereby state that I will perform my duties as the independent member of the board of directors, and that,

1. There was, during the last five years, no employment relationship as the holder of any management positions with significant duties and responsibilities, between I myself, my spouse and my relatives by blood and marriage up to second degree, and the Company, the companies that control or who has significant influence over the Company as well as the shareholders that control the Company, and the legal entities over the management of which these shareholders have control and that I do not own solely or collectively more than 5% of the capital or the voting rights or the privileged shares or that no significant commercial relation have been established;
2. I was not, during the last five years and the periods when services and products were being purchased, a shareholder (5% or more), an employee holding a management position with significant duties and responsibilities, or a member of the board of directors of the companies from which the Company had purchased or sold significant services or products, first and foremost auditing (including tax audit, statutory audit, internal audit), rating and consultancy services, within the framework of concluded contracts;
3. I possess the professional training, knowledge and experience to properly perform the duty I will assume as the holder of the position of independent member of the board of directors;
4. I will not, after having been elected as a member, be working fulltime in any public establishment and organization, except as a member of academia, should the legislation which applies permit it;
5. I am deemed, as per Income Tax Law 193, dated 31.12.1960, to have domiciled in Turkey;
6. I possess the strong ethical standards, the professional reputation and the experience that would enable me make positive contributions to the Company's activities, retain my impartiality in any conflict of interests between the Company and the shareholders, and freely take decisions by considering the rights of the stakeholders;
7. I can spare sufficient time for Company business, enabling me to pursue the Company operations and to fully perform the duties I assume;
8. I have not, within the last ten years, assumed the position of the member of the board of directors of the Company, for more than six years;
9. I am not the independent member of the board of directors of more than three companies which are owned by the same person, company or the companies the management of which are controlled by controlling shareholders of the Company and of more than five companies the stock of which are traded in the stock exchange.
10. I have not been registered or announced in the name of the legal entity elected as the member of the board of directors.



**Süreyya SERDENGEÇTİ**

To Pasha Investment Bank Joint Stock Co.,

I do hereby state that I will perform my duties as the independent member of the board of directors, and that,

1. There was, during the last five years, no employment relationship as the holder of any management positions with significant duties and responsibilities, between I myself, my spouse and my relatives by blood and marriage up to second degree, and the Company, the companies that control or who has significant influence over the Company as well as the shareholders that control the Company, and the legal entities over the management of which these shareholders have control and that I do not own solely or collectively more than 5% of the capital or the voting rights or the privileged shares or that no significant commercial relation have been established;
2. I was not, during the last five years and the periods when services and products were being purchased, a shareholder (5% or more), an employee holding a management position with significant duties and responsibilities, or a member of the board of directors of the companies from which the Company had purchased or sold significant services or products, first and foremost auditing (including tax audit, statutory audit, internal audit), rating and consultancy services, within the framework of concluded contracts;
3. I possess the professional training, knowledge and experience to properly perform the duty I will assume as the holder of the position of independent member of the board of directors;
4. I will not, after having been elected as a member, be working fulltime in any public establishment and organization, except as a member of academia, should the legislation which applies permit it;
5. I am deemed, as per Income Tax Law 193, dated 31.12.1960, to have domiciled in Turkey;
6. I possess the strong ethical standards, the professional reputation and the experience that would enable me make positive contributions to the Company's activities, retain my impartiality in any conflict of interests between the Company and the shareholders, and freely take decisions by considering the rights of the stakeholders;
7. I can spare sufficient time for Company business, enabling me to pursue the Company operations and to fully perform the duties I assume;
8. I have not, within the last ten years, assumed the position of the member of the board of directors of the Company, for more than six years;
9. I am not the independent member of the board of directors of more than three companies which are owned by the same person, company or the companies the management of which are controlled by controlling shareholders of the Company and of more than five companies the stock of which are traded in the stock exchange.
10. I have not been registered or announced in the name of the legal entity elected as the member of the board of directors.



**Adnan AYKOL**

## Statements of Independence of the Board Members

To Pasha Investment Bank Joint Stock Co.,

I do hereby state that I will perform my duties as the independent member of the board of directors, and that,

1. There was, during the last five years, no employment relationship as the holder of any management positions with significant duties and responsibilities, between I myself, my spouse and my relatives by blood and marriage up to second degree, and the Company, the companies that control or who has significant influence over the Company as well as the shareholders that control the Company, and the legal entities over the management of which these shareholders have control and that I do not own solely or collectively more than 5% of the capital or the voting rights or the privileged shares or that no significant commercial relation have been established;
2. I was not, during the last five years and the periods when services and products were being purchased, a shareholder (5% or more), an employee holding a management position with significant duties and responsibilities, or a member of the board of directors of the companies from which the Company had purchased or sold significant services or products, first and foremost auditing (including tax audit, statutory audit, internal audit), rating and consultancy services, within the framework of concluded contracts;
3. I possess the professional training, knowledge and experience to properly perform the duty I will assume as the holder of the position of independent member of the board of directors;
4. I will not, after having been elected as a member, be working fulltime in any public establishment and organization, except as a member of academia, should the legislation which applies permit it;
5. I am deemed, as per Income Tax Law 193, dated 31.12.1960, to have domiciled in Turkey;
6. I possess the strong ethical standards, the professional reputation and the experience that would enable me make positive contributions to the Company's activities, retain my impartiality in any conflict of interests between the Company and the shareholders, and freely take decisions by considering the rights of the stakeholders;
7. I can spare sufficient time for Company business, enabling me to pursue the Company operations and to fully perform the duties I assume;
8. I have not, within the last ten years, assumed the position of the member of the board of directors of the Company, for more than six years;
9. I am not the independent member of the board of directors of more than three companies which are owned by the same person, company or the companies the management of which are controlled by controlling shareholders of the Company and of more than five companies the stock of which are traded in the stock exchange.
10. I have not been registered or announced in the name of the legal entity elected as the member of the board of directors.



**Mesut ÖZDİNÇ**



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.**  
(Previously "TAIB YATIRIMBANK A.Ş.")

PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS  
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT  
AT 1 JANUARY TO 31 DECEMBER 2014





**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S  
REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH**

*To the Board of Directors of PashaYatırım Bankası A.Ş.:*

We have audited the accompanying unconsolidated balance sheet of PashaYatırım Bankası A.Ş. ("the Bank") at 31 December 2014 and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the period then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

*Disclosure for the responsibility of the Bank's Board of Directors:*

The Bank's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for selecting and applying appropriate accounting policies in compliance with the "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006, Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards ("TFRS") and other regulations, interpretations and circulars published or declared by the Banking Regulation and Supervision Agency (the "BRSA") on accounting and financial reporting principles.

*Disclosure for the Responsibility of the Authorized Audit Firm:*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006 and Independent Auditing Standards that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

*Independent Auditor's Opinion:*

In our opinion, the accompanying unconsolidated financial statements present fairly, in all material respects, the financial position of PashaYatırım Bankası A.Ş. at 31 December 2014 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles and standards set out by regulations in conformity with article 37 of the Banking Act No. 5411 and other regulations, communiques, interpretations and circulars published by the BRSA on accounting and financial reporting principles.

*Report on independent auditor's other responsibilities arising from regulatory requirements:*

1. In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2014 are not in compliance with the TCC and provisions of the Bank's articles of association in relation to financial reporting.
2. In accordance with Article 402 paragraph 4 of TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

*Additional paragraph for convenience translation:*

As explained in Note I. of Section Three, the effects of differences between accounting principles and standards set out by regulations in conformity with Article 37 of Banking Law No. 5411, 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.

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

Talar Gül, SMMM  
Partner

Istanbul, 9 March 2015

**THE YEAR END UNCONSOLIDATED  
FINANCIAL REPORT OF PASHA YATIRIM BANKASI A.Ş.  
AS OF 31 DECEMBER 2014**

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) 345 07 11  
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 year end 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 FINANCIAL STATEMENTS OF THE BANK
- **SECTION THREE** - EXPLANATIONS ON ACCOUNTING POLICIES
- **SECTION FOUR** - INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION
- **SECTION FIVE** - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- **SECTION SIX** - OTHER EXPLANATIONS AND NOTES
- **SECTION SEVEN** - EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The accompanying year end unconsolidated 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 audited.



**Erdal AKSOY**  
Chairman of the Board of Directors



**Necip Süreyya SERDENGEÇTİ**  
Member of the Audit Committee



**Mesut ÖZDİNÇ**  
Member of the Audit Committee



**Hikmet Cenk EYNEHAN**  
General Manager



**Ali İhsan TOKKUZUN**  
Deputy General Manager



**Ümran DEMİR**  
Operation&Accounting

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

Name-Surname/Title : Yeşim ÇAĞLAR / Asst. Manager  
Telephone Number : (0212) 705 89 08  
Fax Number : (0212) 345 07 12

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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.**

### **NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014**

(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 Yatirim Bankasi A.Ş.
Reporting Period	1 January – 31 December 2014
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 Yatirim Bankasi A.Ş. ("the Bank", "PashaBank") was incorporated on 25 December 1987 as an investment bank with the permission of the Council of Ministers decision no. 6224 which allows the transfer of the Banks' net profit after statutory liabilities and in case of liquidation the transfer of capital to foreign shareholders, and started its financial operations on 1 March 1988. As of 31 December 2014, the Parent Bank operates in its head office in Istanbul and there are no other 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:**

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

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

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

Following the capital increase, the partnership structure of the Parent Bank as of 31 December 2014, is stated below:

Name/ Commercial Title	31 December 2014	
	Capital	Share Rate
Aksoy Holding A.Ş.	79,795	%99.7439
Others	205	%0.2561
<b>Total</b>	<b>80,000</b>	

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

In the extraordinary general assembly meeting of the Parent Bank on 27 January 2015, it was decided that the principal capital of the Parent Bank should be increased to TL 175,000 from TL 255,000 addition of the cash and acceptance of transfer share and Article 7 of articles of incorporations was amended as following table and decided to change the Bank title "Pasha Yatirim Bankasi A.Ş." Assignment of share process was completed on January 2015.



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

## PASHA YATIRIM BANKASI A.Ş.

### NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014

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

Bank's title was changed to the Pasha Yatırım Bankası A.Ş., trade name to the PashaBank and related to the changes in the registration dated 2 March 2015 and published on 6 March 2015 to İstanbul Trade Registration.

Name/Commercial title	After assignment of share operations	
	Capital	Share Rate
Pasha Bank OJSC	203,795	%79.9196
Aksoy Holding A.Ş.	51,000	%20.0000
Other	205	%0.0804
<b>Total</b>	<b>255,000</b>	

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

Title	Name	Education	Share Percentage
Chairman of the Board of Directors	Erdal Aksoy	Graduate	-
Member of the Board of Directors/ Vice President of the Board of Directors	Saffet Batu Aksoy	Graduate	-
Member of the Board of Directors/ Member of the Audit Committee	Necip Süreyya Serdengeçti	Postgraduate	-
Member of the Board of Directors	Adnan Aykol	Graduate	-
Member of the Board of Directors	Afag Mustafayeva	Graduate	-
Member of the Board of Directors/ Member of the Audit Committee	Mesut Özdiñ	Postgraduate	-
Member of the Board of Directors/ General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-

The shares of the above individuals in the Bank are insignificant.

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

Name/Commercial title	Share Amounts		Paid-in Capital (nominal)	Unpaid portion
	(nominal)	Share percentage		
Erdal Aksoy	46,935	%58.67	46,581	-
Banu Aksoy Tarakçiođlu	16,092	%20.11	15,963	-
Saffet Batu Aksoy	16,092	%20.11	15,963	-

After assignment of share process and capital increase were completed , Shareholders having control shares are below by 06 March 2015.

Name/Commercial title	Share Amounts		Paid-in Capital (nominal)	Unpaid portion
	(nominal)	Share percentage		
PASHA Holding Ltd.	122,277	%47.95	122,277	-
Ador Ltd.	61,138	%23.98	61,138	-
Erdal Aksoy	29,998	%11.76	29,772	-

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

The Bank operates as an investment bank and as of 31 December 2014 the Bank has 26 employees (31 December 2013: 22).

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

The Parent Bank and its subsidiary Tasfiye Halinde PDF Kurumsal Danışmanlık Hizmetleri A.Ş. ("PDF") (formerly "PDF Kurumsal Danışmanlık Hizmetleri A.Ş.") are explained in detail in Section 5 "Explanations Disclosure and Footnotes On Unconsolidated Financial Statements".



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

## **PASHA YATIRIM BANKASI A.Ş.**

### **UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)**

#### **AT 31 DECEMBER 2014 AND 31 DECEMBER 2013**

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

## **SECTION TWO**

### **UNCONSOLIDATED FINANCIAL STATEMENTS**

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

	Note	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	Total	TL	FC	Total
<b>ASSETS</b>							
<b>I. CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	135	1	136	97	48	145
<b>II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(2)	-	-	-	-	-	-
2.1 Trading Financial Assets		-	-	-	-	-	-
2.1.1 Government Debt Securities		-	-	-	-	-	-
2.1.2 Share Certificates		-	-	-	-	-	-
2.1.3 Trading Derivative Financial Assets		-	-	-	-	-	-
2.1.4 Other Marketable Securities		-	-	-	-	-	-
2.2 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1 Government Debt Securities		-	-	-	-	-	-
2.2.2 Share Certificates		-	-	-	-	-	-
2.2.3 Loans		-	-	-	-	-	-
2.2.4 Other Marketable Securities		-	-	-	-	-	-
<b>III. BANKS</b>	(3)	3	1,092	1,095	3,052	391	3,443
<b>IV. MONEY MARKETS</b>		-	-	-	15,903	-	15,903
4.1 Interbank Money Market Placements		-	-	-	-	-	-
4.2 Receivables from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Receivables from Reverse Repurchase Agreements		-	-	-	15,903	-	15,903
<b>V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(4)	1,764	-	1,764	293	-	293
5.1 Share Certificates		-	-	-	-	-	-
5.2 Government Debt Securities		1,764	-	1,764	293	-	293
5.3 Other Marketable Securities		-	-	-	-	-	-
<b>VI. LOANS</b>	(5)	47,792	3,490	51,282	26,681	-	26,681
6.1 Loans		47,792	3,490	51,282	26,681	-	26,681
6.1.1 Loans to Bank's Risk Group		-	-	-	-	-	-
6.1.2 Government Debt Securities		-	-	-	-	-	-
6.1.3 Other		47,792	3,490	51,282	26,681	-	26,681
6.2 Loans under Follow-up		-	-	-	-	-	-
6.3 Specific Provisions (-)		-	-	-	-	-	-
<b>VII. FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII. HELD-TO-MATURITY SECURITIES (Net)</b>	(6)	-	-	-	-	-	-
8.1 Government Debt Securities		-	-	-	-	-	-
8.2 Other Marketable Securities		-	-	-	-	-	-
<b>IX. INVESTMENTS IN ASSOCIATES (Net)</b>	(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		-	-	-	-	-	-
<b>X. SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
10.1 Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2 Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI. JOINT VENTURES (Net)</b>	(9)	-	-	-	-	-	-
11.1 Consolidated Based on Equity Method		-	-	-	-	-	-
11.2 Unconsolidated		-	-	-	-	-	-
11.2.1 Financial Joint Ventures		-	-	-	-	-	-
11.2.2 Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII. LEASE RECEIVABLES (Net)</b>	(10)	-	-	-	-	-	-
12.1 Financial Lease Receivables		-	-	-	-	-	-
12.2 Operational Lease Receivables		-	-	-	-	-	-
12.3 Other		-	-	-	-	-	-
12.4 Unearned Income (-)		-	-	-	-	-	-
<b>XIII. HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(11)	-	-	-	-	-	-
13.1 Fair Value Hedge		-	-	-	-	-	-
13.2 Cash Flow Hedge		-	-	-	-	-	-
13.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV. PROPERTY AND EQUIPMENT (Net)</b>	(12)	292	-	292	93	-	93
<b>XV. INTANGIBLE ASSETS (Net)</b>	(13)	191	-	191	41	-	41
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		191	-	191	41	-	41
<b>XVI. INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVII. TAX ASSET</b>		3,341	-	3,341	3,087	-	3,087
17.1 Current Tax Asset		38	-	38	149	-	149
17.2 Deferred Tax Asset	(15)	3,303	-	3,303	2,938	-	2,938
<b>XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1 Held for Resale		-	-	-	-	-	-
18.2 Discontinued Operations		-	-	-	-	-	-
<b>XIX. OTHER ASSETS</b>	(17)	2,941	29	2,970	345	27	372
<b>TOTAL ASSETS</b>		<b>56,459</b>	<b>4,612</b>	<b>61,071</b>	<b>49,592</b>	<b>466</b>	<b>50,058</b>

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





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

## PASHA YATIRIM BANKASI A.Ş.

### UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

#### AT 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

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

	Note (Section Five-I)	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	Total	TL	FC	Total
<b>LIABILITIES</b>							
<b>I. DEPOSITS</b>	(1)	-	-	-	-	-	-
1.1 Deposits of Bank's Risk Group		-	-	-	-	-	-
1.2 Other		-	-	-	-	-	-
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	(2)	-	-	-	-	-	-
<b>III. BORROWINGS</b>	(3)	1,001	5,593	6,594	-	-	-
<b>IV. MONEY MARKETS</b>		1,100	-	1,100	-	-	-
4.1 Funds from Interbank Money Market		-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		1,100	-	1,100	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1 Bills		-	-	-	-	-	-
5.2 Asset Backed Securities		-	-	-	-	-	-
5.3 Bonds		-	-	-	-	-	-
<b>VI. FUNDS</b>		2,393	3	2,396	15	307	322
6.1 Borrower Funds		2,393	3	2,396	15	307	322
6.2 Other		-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>		42	-	42	259	-	259
<b>VIII. OTHER LIABILITIES</b>	(4)	2,916	-	2,916	103	-	103
<b>IX. FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>	(5)	135	-	135	-	-	-
10.1 Financial Lease Payables		146	-	146	-	-	-
10.2 Operational Lease Payables		-	-	-	-	-	-
10.3 Other		-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)		(11)	-	(11)	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	-	-	-	-	-	-
11.1 Fair Value Hedge		-	-	-	-	-	-
11.2 Cash Flow Hedge		-	-	-	-	-	-
11.3 Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII. PROVISIONS</b>	(7)	828	-	828	542	-	542
12.1 General Loan Loss Provision		492	-	492	302	-	302
12.2 Restructuring Provisions		-	-	-	-	-	-
12.3 Reserve for Employee Rights		209	-	209	157	-	157
12.4 Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5 Other Provisions		127	-	127	83	-	83
<b>XIII. TAX LIABILITY</b>	(8)	211	-	211	160	-	160
13.1 Current Tax Liability		211	-	211	160	-	160
13.2 Deferred Tax Liability		-	-	-	-	-	-
<b>XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS</b>	(9)	-	-	-	-	-	-
14.1 Held for Resale		-	-	-	-	-	-
14.2 Discontinued Operations		-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>	(10)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>	(11)	46,849	-	46,849	48,672	-	48,672
16.1 Paid-in Capital		80,000	-	80,000	80,000	-	80,000
16.2 Capital Reserves		(6)	-	(6)	-	-	-
16.2.1 Share Premium		-	-	-	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve		(6)	-	(6)	-	-	-
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	324	-	324
16.3.1 Legal Reserves		29	-	29	29	-	29
16.3.2 Status Reserves		295	-	295	295	-	295
16.3.3 Extraordinary Reserves		-	-	-	-	-	-
16.3.4 Other Profit Reserves		-	-	-	-	-	-
16.4 Income or (Loss)		(33,469)	-	(33,469)	(31,652)	-	(31,652)
16.4.1 Prior Years' Income/ (Loss)		(31,652)	-	(31,652)	(22,570)	-	(22,570)
16.4.2 Current Year Income/ (Loss)		(1,817)	-	(1,817)	(9,082)	-	(9,082)
<b>TOTAL LIABILITIES</b>		<b>55,475</b>	<b>5,596</b>	<b>61,071</b>	<b>49,751</b>	<b>307</b>	<b>50,058</b>

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



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

## PASHA YATIRIM BANKASI A.Ş.

### UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

#### II. OFF-BALANCE SHEET

	Note (Section Five-IV)	Audited 31 December 2014			Audited 31 December 2013		
		TL	FC	Total	TL	FC	Total
<b>OFF-BALANCE SHEET COMMITMENTS</b>							
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>6,265</b>	<b>551</b>	<b>6,816</b>	<b>2</b>	<b>2,193</b>	<b>2,195</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>6,262</b>	<b>551</b>	<b>6,813</b>	<b>2</b>	<b>2,193</b>	<b>2,195</b>
1.1. Letters of Guarantee		6,262	551	6,813	2	2,193	2,195
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		6,262	551	6,813	2	2,193	2,195
1.2. Bank Acceptances		-	-	-	-	-	-
1.2.1. Import Letter of Acceptance		-	-	-	-	-	-
1.2.2. Other Bank Acceptances		-	-	-	-	-	-
1.3. Letters of Credit		-	-	-	-	-	-
1.3.1. Documentary Letters of Credit		-	-	-	-	-	-
1.3.2. Other Letters of Credit		-	-	-	-	-	-
1.4. Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5. Endorsements		-	-	-	-	-	-
1.5.1. Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2. Other Endorsements		-	-	-	-	-	-
1.6. Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7. Factoring Guarantees		-	-	-	-	-	-
1.8. Other Guarantees		-	-	-	-	-	-
1.9. Other Collaterals		-	-	-	-	-	-
<b>II. COMMITMENTS</b>		<b>3</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.1. Irrevocable Commitments		3	-	3	-	-	-
2.1.1. Asset Purchase and Sales Commitments		-	-	-	-	-	-
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		3	-	3	-	-	-
2.1.9. Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10. Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11. Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12. Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13. Other Irrevocable Commitments		-	-	-	-	-	-
2.2. Revocable Commitments		-	-	-	-	-	-
2.2.1. Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2. Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
3.1. Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1. Transactions for Fair Value Hedge		-	-	-	-	-	-
3.1.2. Transactions for Cash Flow Hedge		-	-	-	-	-	-
3.1.3. Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2. Trading Derivative Financial Instruments		-	-	-	-	-	-
3.2.1. Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1. Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2. Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2. Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1. Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2. Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3. Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4. Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3. Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1. Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2. Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3. Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4. Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5. Securities Options-Buy		-	-	-	-	-	-
3.2.3.6. Securities Options-Sell		-	-	-	-	-	-
3.2.4. Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1. Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2. Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5. Interest Rate Futures		-	-	-	-	-	-
3.2.5.1. Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2. Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6. Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>30,933</b>	<b>8,219</b>	<b>39,152</b>	<b>13,603</b>	<b>8,534</b>	<b>22,137</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>774</b>	<b>-</b>	<b>774</b>	<b>56</b>	<b>-</b>	<b>56</b>
4.1. Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2. Investment Securities Held in Custody		-	-	-	-	-	-
4.3. Cheques Received for Collection		774	-	774	56	-	56
4.4. Commercial Notes Received for Collection		-	-	-	-	-	-
4.5. Other Assets Received for Collection		-	-	-	-	-	-
4.6. Assets Received for Public Offering		-	-	-	-	-	-
4.7. Other Items Under Custody		-	-	-	-	-	-
4.8. Custodians		-	-	-	-	-	-
<b>V. PLEDGES RECEIVED</b>		<b>30,159</b>	<b>8,219</b>	<b>38,378</b>	<b>13,547</b>	<b>8,534</b>	<b>22,081</b>
5.1. Marketable Securities		7	-	7	10	-	10
5.2. Guarantee Notes		30,152	8,219	38,371	13,537	4,699	18,236
5.3. Commodity		-	-	-	-	-	-
5.4. Warranty		-	-	-	-	-	-
5.5. Immovable		-	-	-	-	3,835	3,835
5.6. Other Pledged Items		-	-	-	-	-	-
5.7. Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>37,198</b>	<b>8,770</b>	<b>45,968</b>	<b>13,605</b>	<b>10,727</b>	<b>24,332</b>

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



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

## PASHA YATIRIM BANKASI A.Ş. UNCONSOLIDATED INCOME STATEMENT

AT 31 DECEMBER 2014 AND 31 DECEMBER 2013

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

### III. INCOME STATEMENT (STATEMENT OF PROFIT AND LOSS)

INCOME AND EXPENSE ITEMS	Note (Section Five-IV)	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
<b>I. INTEREST INCOME</b>	<b>(1)</b>	<b>5,546</b>	<b>1,310</b>
1.1 Interest on Loans		4,761	172
1.2 Interest Received from Reserve Requirements		-	-
1.3 Interest Received from Banks		432	59
1.4 Interest Received from Money Market Transactions		166	940
1.5 Interest Received from Marketable Securities Portfolio		187	139
1.5.1 Trading Financial Assets		-	131
1.5.2 Financial Assets at Fair Value through Profit or Loss		-	-
1.5.3 Available-for-sale Financial Assets		187	8
1.5.4 Held-to-maturity Investments		-	-
1.6 Financial Lease Income		-	-
1.7 Other Interest Income		-	-
<b>II. INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>(205)</b>	<b>(88)</b>
2.1 Interest on Deposits (-)		-	-
2.2 Interest on Funds Borrowed (-)		(102)	(87)
2.3 Interest Expense on Money Market Transactions (-)		(67)	(1)
2.4 Interest on Securities Issued (-)		-	-
2.5 Other Interest Expenses (-)	(12)	(36)	-
<b>III. NET INTEREST INCOME (I + II)</b>		<b>5,341</b>	<b>1,222</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>46</b>	<b>(69)</b>
4.1 Fees and Commissions Received		109	27
4.1.1 Non-cash Loans		80	24
4.1.2 Other	(12)	29	3
4.2 Fees and Commissions Paid (-)		(63)	(96)
4.2.1 Non-cash Loans (-)		-	-
4.2.2 Other (-)	(12)	(63)	(96)
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>
<b>VI. TRADING INCOME/(LOSS) (Net)</b>	<b>(4)</b>	<b>177</b>	<b>4</b>
6.1 Trading Gains/(Losses) on Securities		-	8
6.2 Trading Gains/(Losses) on Derivative Financial Instruments		(1)	-
6.3 Foreign Exchange Gains/(Losses)		178	(4)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>59</b>	<b>255</b>
<b>VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>5,623</b>	<b>1,412</b>
<b>IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(234)</b>	<b>(8,078)</b>
<b>X. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(7,571)</b>	<b>(5,354)</b>
<b>XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>(2,182)</b>	<b>(12,020)</b>
<b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>
<b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>(2,182)</b>	<b>(12,020)</b>
<b>XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>(9)</b>	<b>365</b>	<b>2,938</b>
16.1 Current Tax Provision		-	-
16.2 Deferred Tax Provision		365	2,938
<b>XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>(10)</b>	<b>(1,817)</b>	<b>(9,082)</b>
<b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>
18.1 Income from Non-Current Assets Held for Resale		-	-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-	-
18.3 Other Income from Discontinued Operations		-	-
<b>XIX. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>
19.1 Expense from Non-Current Assets Held for Resale		-	-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-
19.3 Other Expenses from Discontinued Operations		-	-
<b>XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>
<b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>
21.1 Current tax provision		-	-
21.2 Deferred tax provision		-	-
<b>XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>
<b>XXIII. NET INCOME/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>(1,817)</b>	<b>(9,082)</b>
Earnings/(Loss) per share		(0.023)	(0.229)

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



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

## **PASHA YATIRIM BANKASI A.Ş.**

### **UNCONSOLIDATED INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY AT 31 DECEMBER 2014 AND 31 DECEMBER 2013**

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

#### **IV. STATEMENT OF INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY**

	Audited 1 January - 31 December 2014	Audited 1 January - 31 December 2013
<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>		
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(7)	-
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	1	-
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	(6)	-
XI. CURRENT PERIOD INCOME/LOSS	(1,817)	(9,082)
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	(1,817)	(9,082)
XII. TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	(1,823)	(9,082)

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



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

## PASHA YATIRIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

Audited PRIOR PERIOD 31 December 2013	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Cancellation Premium	Share Profits Reserves	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		37,000	-	-	-	29	295	-	-	(1,478)	(19,515)	-	-	-	-	-	16,331
II. Adjustment in accordance with TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. New balance (I-II)		37,000	-	-	-	29	295	-	-	(1,478)	(19,515)	-	-	-	-	-	16,331
IV. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1 Cash		43,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	43,000
14.2 Internal Resources		41,423	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41,423
XV. Share Premium		1,577	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,577
XVI. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX. Current Year Income or Loss		-	-	-	-	-	-	-	-	(1,577)	-	-	-	-	-	-	(1,577)
XX. Profit Distribution	(3)	-	-	-	-	-	-	-	-	(9,082)	-	-	-	-	-	-	(9,082)
20.1 Dividend Paid		-	-	-	-	-	-	-	-	1,478	(1,478)	-	-	-	-	-	-
20.2 Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+V+...+XVIII+XIX+XX)		-	-	-	-	-	-	-	-	1,478	(1,478)	-	-	-	-	-	-

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



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

## PASHA YATIRIM BANKASI A.Ş.

### UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

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

Audited CURRENT PERIOD 31 December 2014	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Cancellation Premium	Share 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		80,000	-	-	-	29	295	-	-	(9,082)	(22,570)	-	-	-	-	-	48,672
Changes in the Period																	
II. Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(6)	-	-	-	-	(6)
IV. Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1 Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2 Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V. Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII. Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1 Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII. Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV. Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV. Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII. Current Year Income or Loss		-	-	-	-	-	-	-	-	(1,817)	-	-	-	-	-	-	(1,817)
XVIII. Profit Distribution	(3)	-	-	-	-	-	-	-	-	9,082	(9,082)	-	-	-	-	-	-
18.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2 Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3 Other		-	-	-	-	-	-	-	-	9,082	(9,082)	-	-	-	-	-	-
Period End Balance (I+...+XVIII)		80,000	-	-	-	29	295	-	-	(1,817)	(31,652)	(6)	-	-	-	-	46,849

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



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

## PASHA YATIRIM BANKASI A.Ş. UNCONSOLIDATED STATEMENTS OF CASH FLOW AT 31 DECEMBER 2014

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

### VI. STATEMENT OF CASH FLOWS

	Note (Section Five-VI)	Audited 31 December 2014	Audited 31 December 2013
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
1.1		(1,891)	(3,150)
1.1.1		5,120	1,243
1.1.2		(196)	(43)
1.1.3		-	-
1.1.4		118	27
1.1.5		157	257
1.1.6		-	-
1.1.7		(4,128)	(2,589)
1.1.8		-	-
1.1.9	(2)	(2,962)	(2,045)
<b>1.2</b>		<b>(14,298)</b>	<b>(27,065)</b>
1.2.1		-	1,571
1.2.2		-	-
1.2.3		35	(3)
1.2.4		(24,268)	(26,411)
1.2.5	(2)	125	(287)
1.2.6		-	-
1.2.7		-	-
1.2.8		6,585	(1,561)
1.2.9		-	-
1.2.10	(2)	3,225	(374)
<b>I.</b>		<b>(16,189)</b>	<b>(30,215)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>		<b>(1,925)</b>	<b>(388)</b>
2.1		-	-
2.2		-	-
2.3		(553)	(110)
2.4		-	7
2.5		(3,654)	(285)
2.6		2,282	-
2.7		-	-
2.8		-	-
2.9		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>		<b>(171)</b>	<b>41,423</b>
3.1		-	-
3.2		-	-
3.3		-	41,423
3.4		-	-
3.5		(171)	-
3.6		-	-
<b>IV.</b>	(2)	<b>66</b>	<b>2</b>
<b>V.</b>		<b>(18,219)</b>	<b>10,822</b>
<b>VI.</b>	(1)	<b>19,450</b>	<b>8,628</b>
<b>VII.</b>	(1)	<b>1,231</b>	<b>19,450</b>

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



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

**PASHA YATIRIM BANKASI A.Ş.**  
**UNCONSOLIDATED STATEMENTS OF CASH FLOW**  
**AT 31 DECEMBER 2014**

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

**VII. PROFIT APPROPRIATION STATEMENT**

	Audited 31 December 2014 <sup>(1)</sup>	Audited 31 December 2013
<b>I. DISTRIBUTION OF CURRENT YEAR INCOME</b>		
1.1	CURRENT YEAR INCOME	(2,182)
1.2	TAXES AND DUTIES PAYABLE (-)	(12,020)
1.2.1	Corporate Tax (Income tax)	-
1.2.2	Income withholding tax	-
1.2.3	Other taxes and duties <sup>(2)</sup>	365
<b>A.</b>	<b>NET INCOME FOR THE YEAR (1.1-1.2)</b>	<b>(1,817)</b>
1.3	PRIOR YEAR LOSSES (-)	-
1.4	FIRST LEGAL RESERVES (-)	-
1.5	OTHER STATUTORY RESERVES (-)	-
<b>B.</b>	<b>NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>(1,817)</b>
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-
1.6.1	To Owners of Ordinary Shares	-
1.6.2	To Owners of Privileged Shares	-
1.6.3	To Owners of Preferred Shares	-
1.6.4	To Profit Sharing Bonds	-
1.6.5	To Holders of Profit and (Loss) Sharing Certificates	-
1.7	DIVIDENDS TO PERSONNEL (-)	-
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-
1.9.1	To Owners of Ordinary Shares	-
1.9.2	To Owners of Privileged Shares	-
1.9.3	To Owners of Preferred Shares	-
1.9.4	To Profit Sharing Bonds	-
1.9.5	To Holders of Profit and (Loss) Sharing Certificates	-
1.10	SECOND LEGAL RESERVES (-)	-
1.11	STATUTORY RESERVES (-)	-
1.12	EXTRAORDINARY RESERVES	-
1.13	OTHER RESERVES	-
1.14	SPECIAL FUNDS	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1	APPROPRIATED RESERVES	-
2.2	SECOND LEGAL RESERVES (-)	-
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-
2.3.1	To owners of ordinary shares	-
2.3.2	To owners of privileged shares	-
2.3.3	To owners of preferred shares	-
2.3.4	To profit sharing bonds	-
2.3.5	To holders of profit and (loss) sharing certificates	-
2.4	DIVIDENDS TO PERSONNEL (-)	-
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-
<b>III. EARNINGS PER SHARE</b>		
3.1	TO OWNERS OF ORDINARY SHARES	-
3.2	TO OWNERS OF ORDINARY SHARES ( % )	-
3.3	TO OWNERS OF PRIVILEGED SHARES	-
3.4	TO OWNERS OF PRIVILEGED SHARES ( % )	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1	TO OWNERS OF ORDINARY SHARES	-
4.2	TO OWNERS OF ORDINARY SHARES ( % )	-
4.3	TO OWNERS OF PRIVILEGED SHARES	-
4.4	TO OWNERS OF PRIVILEGED SHARES ( % )	-

<sup>(1)</sup> As of financial statements preparation date, Bank's General Shareholders Meeting have not yet been made, hence no decision has been taken on profit distribution.

<sup>(2)</sup> Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation

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





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

## **PASHA YATIRIM BANKASI A.Ş.**

### **NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014**

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

#### **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 Bank prepares its financial statements and notes according to Communiqué on Banks’ Accounting Practice and Maintaining Documents, Turkish Accounting Standards (TAS) enacted by Public Oversight Accounting and Auditing Standards Authority (POA), Turkish Financial Reporting Standards (TFRS) and related additions and comments ( all “Turkish Financial Reporting Standards or TFRS ) to , other regulations, communiqués and circulars in respect of accounting and financial reporting and pronouncements made by Banking Regulation and Supervision Agency (BRSA), Turkish Commercial Code and Tax Legislation.

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 are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement.

###### **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 these financial statements and valuation principles are defined and applied in accordance with TAS. Those accounting policies and valuation principles are explained below.

###### **c. Additional paragraph for convenience translation into English:**

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which these financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these 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 internal funding, in addition external funding including funding from repo transactions and borrowing from 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”.



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

## **PASHA YATIRIM BANKASI A.Ş.**

### **NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014**

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

#### **III. EXPLANATIONS ON INVESTMENT ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES**

Derivative instruments are classified either as "Hedging Derivative Financial Instruments" or "Trading Derivative Financial Instruments" in accordance with the "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")". Certain derivative transactions, even though they provide effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in TAS 39 and are therefore treated as "Financial assets at fair value through profit or loss".

#### **IV. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS**

The Bank does not have any embedded derivative instruments.

Derivative instruments are classified either as "Hedging Derivative Financial Instruments" or "Trading Derivative Financial Instruments" in accordance with the "Turkish Accounting Standard for Financial Instruments: Recognition and Measurement ("TAS 39")". Certain derivative transactions, even though they provide effective economic hedges under the Bank's risk management position, do not qualify for hedge accounting under the specific rules in TAS 39 and are therefore treated as "Financial assets at fair value through profit or loss".

Derivative instruments are measured at fair value on initial recognition and subsequently remeasured at their fair values. If the fair value of derivative financial instruments is positive, it is disclosed under the main account "Financial assets at fair value through profit or loss" in "Trading derivative financial instruments" and if the fair value difference is negative, it is disclosed under "Trading derivative financial liabilities". The fair values of the derivative financial instruments are calculated by using quoted market prices or by using discounted cash flow models. Liabilities and receivables arising from the derivative instruments are followed in the off-balance sheet accounts from their contractual values.

#### **V. EXPLANATIONS ON INTEREST INCOME AND EXPENSE**

Interest income and expenses are recognised in the income statement on an accrual basis. The Bank ceases accruing interest income on non-performing loans and, any interest income accruals from such loans are being reversed and no income is accounted until the collection is made. Only cash collections regarding non-performing loans are recorded as interest income.

#### **VI. 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.

#### **VII. EXPLANATIONS ON FINANCIAL ASSETS**

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".



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

## **PASHA YATIRIM BANKASI A.Ş.**

### **NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2014**

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

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 Note IV of this section.

#### **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.

#### **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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#### **VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Where the estimated recoverable amount of the financial asset, being the present value of the expected future cash flows discounted based on the effective interest method, or the fair value if one exists is lower than its carrying value, then it is concluded that the asset under consideration is impaired. A provision is made for the diminution in value of the impaired financial asset and it is charged against the income for the year.

#### **IX. 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.

#### **X. 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".

#### **XI. 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.

Assets held-for-resale consist of tangible assets that were acquired due to non-performing receivables, and are accounted in the financial statements in accordance with the "Communiqué Regarding the Principles and Procedures for the Disposals of Immovable and Commodities Acquired due to Receivables and for Trading of Precious Metal" published in the Official Gazette dated 1 November 2006, No. 26333.

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

The Bank has no discontinued operations.

#### **XII. 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.



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

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

Computer software development expenses that add to the economic benefit and extend the useful life of the software are capitalised. These expenses are amortised over the remaining useful life of the related intangible asset using "the straight-line method".

#### **XIII. 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
--	------------

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.

#### **XIV. 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.

The Bank has no finance lease agreements where the Bank is the leaser.



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#### **XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS**

Provisions and contingent liabilities except for the financial instruments within the scope of the TAS 39 or the provisions recognised in accordance with the 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.

#### **XVI. EXPLANATIONS ON CONTINGENT ASSETS**

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognised in financial statements since this may result in the recognition of income that may never be realised. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements in which the change occurs.

#### **XVII. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

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

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

#### **XVIII. EXPLANATIONS ON TAXATION**

##### **a. Current Tax:**

Many clauses of Corporate Tax Law No. 5520 ("Tax Law") which are valid starting from 1 January 2006, were taken into effect after being published in the Official Gazette dated 21 September 2006 No. 26205. According to the Tax Law, the corporate tax rate in Turkey is payable at the rate of 20% since 1 January 2006. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (such as capital gains derived from the sale of equity investments) and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and thus does not incur withholding tax.



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Corporations are required to pay advance corporate tax quarterly at a rate of 20% on their corporate income. Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

A 75% portion of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or held in a special account under shareholder's equity for five years.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

#### **b. Deferred Tax:**

The Bank calculates and accounts for deferred income taxes for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements in accordance with "Turkish Accounting Standard for Income Taxes" ("TAS 12"). In the deferred tax calculation, the enacted tax rate, in accordance with the tax legislation, is used as of the balance sheet date.

Deferred tax liabilities are recognized for all resulting temporary differences whereas deferred tax assets resulting from temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilized.

The calculated deferred tax asset and deferred tax liability are presented as net in these financial statements.

#### **XIX. 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.

#### **XX. 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.

#### **XXI. 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.



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#### **XXII. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 31 December 2014 and 31 December 2013, the Bank has no government grants.

#### **XXIII. 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.

#### **XXIV. 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.

#### **XXV. EXPLANATIONS ON RELATED PARTIES**

For the purpose of these financial statements, shareholders, senior management members and board members together with their families and companies controlled by/affiliated with them, and associated companies and joint ventures are considered and referred to as related parties in accordance with "Turkish Accounting Standard for Related Parties" ("TAS 24"). The transactions with related parties are disclosed in detail in Section Five.

#### **XXVI. 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.

#### **XXVII. 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 Accounting Standards on Segment Reporting" ("TAS 14") is disclosed in Section Four.

#### **XXVIII. RECLASSIFICATIONS**

To conform to presentation of 31 December 2014 unconsolidated financial statements, some reclassifications can be made on comparative 31 December 2013 unconsolidated financial statements.





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#### SECTION FOUR INFORMATION RELATED TO FINANCIAL POSITION

##### I. EXPLANATIONS ON CAPITAL ADEQUACY RATIO

a. As of 31 December 2014, the capital adequacy ratio of the Bank is 135.43% (31 December 2013: 256.63%).

Capital Adequacy Standard Ratio is calculated in accordance with "Communiqué on Measurement and Assessment of Capital Adequacy of Banks", "Communiqué on Credit Risk Mitigation Techniques", "Communiqué on Calculation of Risk Weighted Amounts for Securitizations" published on 28 June 2012 and Official Gazette numbered 28337 and "Communiqué on Equities of Banks" published on 1 November 2006 in the Official Gazette numbered 26333.

"Simple financial guarantee method" has been used in the calculation of the amount subject to credit risk. Amount subject to market risk has been calculated with "Standard method". Amount subject to operational risk is calculated yearly, on previous three years' gross income.

##### b. Information related to capital adequacy ratio:

Current Period	Risk Weights						
	Bank						
	%0	%10	%20	%50	%100	%150	%200
Risk Categories							
Conditional and unconditional receivables from Central Governments or Central Banks	790	-	-	-	-	-	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	1,100	-	32,207	4,297	-	-	-
Conditional and unconditional corporate receivables	-	-	-	2	19,324	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-
Other receivables	95	-	-	-	3,262	-	-
<b>Assets at total risk</b>	<b>1,985</b>	<b>-</b>	<b>32,207</b>	<b>4,299</b>	<b>22,586</b>	<b>-</b>	<b>-</b>
<b>Assets at total risk weighted</b>	<b>-</b>	<b>-</b>	<b>6,441</b>	<b>2,150</b>	<b>22,586</b>	<b>-</b>	<b>-</b>



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Prior Period	Risk Weights						
	Bank						
	%0	%10	%20	%50	%100	%150	%200
Risk Categories							
Conditional and unconditional receivables from Central Governments or Central Banks	584	-	-	-	-	-	-
Conditional and unconditional receivables from Regional Management or Local Governments	-	-	-	-	-	-	-
Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-
Conditional and unconditional receivables from Multilateral Development Banks	-	-	-	-	-	-	-
Conditional and unconditional receivables from International Organizations	-	-	-	-	-	-	-
Conditional and unconditional receivables from Banks and Brokerage Corporation	-	-	391	24,733	-	-	-
Conditional and unconditional corporate receivables	-	-	-	-	5,033	-	-
Conditional and unconditional retail receivables	-	-	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	1,065	-	-	-
Non-performing receivables	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-
Other receivables	2,941	-	-	-	432	-	-
<b>Assets at total risk</b>	<b>3,525</b>		<b>391</b>	<b>25,798</b>	<b>5,465</b>	-	-
<b>Assets at total risk weighted</b>	-	-	<b>78</b>	<b>12,899</b>	<b>5,465</b>	-	-

#### c. Summary information about capital adequacy ratio:

	31 December 2014	31 December 2013
Capital Requirement for Credit Risk (Value at Credit Risk*0.08) (CRCR)	2,495	1,475
Capital Requirement for Market Risk (MRCR)	-	-
Capital Requirement for Operational Risk (ORCR)	95	47
Equity	43,836	48,836
<b>Equity/((CRCR+CRMR+CROR)*12,5*100)</b>	<b>135,43</b>	<b>256.63</b>
<b>Capital / ((CRCR+CRMR+CROR) *12,5*100)</b>	<b>134.23</b>	-
<b>Core Capital /(( CRCR+CRMR+CROR) *12,5*100)</b>	<b>142.17</b>	-



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#### d. Information about shareholders' equity items:

	31 December 2014
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in capital to be Entitled for Compensation after All Creditors	80,000
Share premium	-
Share cancellation profit	-
Legal reserves	324
Income passed on to shareholders' equity in accordance with TAS	-
Profit	-
Net Income for current period	-
Prior period profit	-
Provisions for possible risks	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>80,324</b>
<b>Deductions From Common Equity Tier 1 Capital</b>	
Loss excess of reserves and loss passed on to shareholders' equity in accordance with TAS (-)	(33,475)
Leasehold Improvements (-)	-
Goodwill and other intangible assets and related deferred tax liabilities. (-)	(191)
Net deferred tax income/expense (-)	(624)
Shares noncompliant with article 56/4 of the Law (-)	-
Direct or indirect investments on Bank's own Common Tier 1 Capital (-)	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and below	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and above	-
Rights of providing mortgage service exceeding 10% of Common Tier 1 capital (-)	-
Deffered tax assets based on temporary differences exceeding 10% of Common Tier 1 capital (-)	-
Balances in accordance with the temporary article 2/2 of Regulation on Shareholders' Equity of Banks exceeding 15% of Common Tier 1 capital (-)	-
Excess amount arising from total net long position belonging to investments on Common Tier 1 Capital of banks and financial institutions that are not consolidated, with a shareholding above 10%	-
Excess amount arising from rights of providing mortgage service (-)	-
Excess amount arising from deffered tax assets based on temporary differences (-)	-
Other items determined by board (-)	-
Deduction amount from Common Tier 1 Capital in case of shortage of additional Tier 1 capital or supplementary capital (-)	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>(34,290)</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>46,034</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Premiums of privilege share capital not included in Common Equity Tier 1 capital	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued before 1.1.2014)	-
<b>Additional Tier 1 Capital Before Deductions</b>	-
<b>Deductions From Additional Tier 1 Capital</b>	
Direct or indirect investments which bank provides for its' own additional Tier 1 capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
Deduction amount of additional core capital in case of there is not enough additional core capital or supplementary capital (-)	-
<b>Total Deductions From Additional Tier 1 Capital</b>	-
<b>Total Additional Tier 1 Capital</b>	-
<b>Deductions From Tier 1 Capital</b>	
Non deducted Common Tier 1 capital part in accordance with deferred tax expense and goodwill impairment and other intangible fixed assets which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	-
Non deducted Common Tier 1 capital part in accordance with net deferred tax income/expense which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	(2,497)
<b>Total Tier 1 Capital</b>	<b>43,537</b>



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<b>SUPPLEMENTARY CAPITAL</b>	
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-
Pledged sources to bank from shareholders which is used for share capital increasing of bank	-
General Provisions	390
<b>Supplementary Capital Before Deductions</b>	<b>390</b>
<b>Deductions From Supplementary Capital</b>	
Direct or indirect investments which bank provides for its' own supplementary capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
<b>Total Deductions From Supplementary Capital</b>	<b>-</b>
<b>Total Supplementary Capital</b>	<b>390</b>
<b>CAPITAL</b>	<b>43,927</b>
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
Investments to loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Deduction from equity in accordance with 2nd article of 20th item in Regularity of Measurement and Valuation of Capital Adequacy of Banks (-)	-
Other accounts determined by board (-)	-
Non deducted part of comon equity tier1 , additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
Non deducted part of comon equity tier1, additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above (-)	-
Non deducted part of comon equity tier1 generating from exceed amount generating from investments to Common Tier 1 capitals of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above, temporary differences of deferred tax income and the right of offering mortgage services explained in the 1st and 2nd paragraphs of temporary article 2 of Regulation of Shareholders' Equity of Banks. (-)	-
<b>SHAREHOLDERS' EQUITY</b>	<b>43,927</b>
<b>Amounts Below Overrun Amounts In Applied Reducing Procedures</b>	<b>192</b>
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10%	-
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above.	-
Amount generating from right of offering mortgage service	-
Amount generating from temporary differences of deferred income tax income	192



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	31 December 2013
<b>CORE CAPITAL</b>	
Paid-in Capital	80,000
Nominal capital	80,000
Capital Commitments (-)	-
Inflation adjustment to paid-in capital	-
Share Premium	-
Share Cancellation profit	-
Legal reserves	324
Inflation adjustment to legal reserves	-
Profit	-
Net income for the period	-
Prior period profit	-
Provisions for possible risks up to 25% of Core Capital	-
Income on Sale of Equity Shares and Real Estates to be used up for Capital Increase	-
Primary Subordinated Debt (up to 15% of Core Capital)	-
Loss excess of Reserves (-)	31,652
Current Period Loss	9,082
Prior Periods Loss	22,570
Leasehold Improvements (-)	33
Prepaid Expenses (-)	41
Intangible Assets (-)	-
Deferred Tax	-
<b>Total Core Capital</b>	<b>48,598</b>
<b>SUPPLEMENTARY CAPITAL</b>	
General Provisions	231
45% of Revaluation Surplus on Movables	-
45% of Revaluation Surplus on Immovables	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-
Primary Subordinated Debt excluding the Portion included in Core Capital	-
Secondary Subordinated Debt	-
Marketable Securities and Investment Securities Value Increase Fund	-
Adjustment to paid-in capital, profit reserves and previous years losses(except adjustment to legal, status and extraordinary reserves)	-
<b>Total Supplementary Capital</b>	<b>231</b>
<b>CAPITAL</b>	<b>48,829</b>
<b>DEDUCTIONS FROM CAPITAL</b>	<b>-</b>
Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-
The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%, but exceeding 10% and more of the sum of core and supplementary capital of the bank	-
Loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan	-
Loans extended being noncompliant with articles 50 and 51 of the Law	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed	-
Securitization positions preferred to deduct from equity	-
Other	-
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>48,829</b>



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#### e. Informations on factors of temporary practice about shareholders' equity calculation:

Current Period	Considered Amount of Current Period Shareholders' Equity Calculation	Total Amount
Comon equity tier 1 capital share amount of minority shareholders	-	-
Additional core capital share amount of third parties	-	-
Supplementaru capital share amount of third parties	-	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-	-

#### f. Informations on addition debt instruments to shareholders' equity calculating:

Exporter	-
Code of debt instrument (CUSIP, ISIN vb.)	-
Legistation of debt instrument	-
<b>Attention Situation of Shareholders' Equity</b>	
Situation of subjection to practice of being taken into consideration with 10% deduction (after 1.1.2015)	-
Validity situation of consolidated or unconsolidated based or consolidated and unconsolidated based.	-
Type of debt instrument	-
Considered amount of shareholders' equity calculation. (By last report date of – Million TL)	-
Nominal value of debt instrument (Million TL)	-
Related account of debt instrument	-
Export date of debt instrument	-
Maturity structure of debt instrument (demand/term)	-
Beginning term of debt instrument	-
Whether there is right of reimbursement of exporter or not according to Banking Regulation and Supervision Agency (BRSA) rules.	-
Optional reimbursement date, options of conditional reimbursement and reimbursement amount.	-
Following reimbursement option dates	-
<b>Interest/Dividend Payments</b>	
Fixed or floating interest/dividend payments	-
Interest rate and index value of interest rate	-
Whether there is any restriction to stop payment of capital bonus or not	-
Feature of being full optional, partially optional or obligatory	-
Whether there is any stimulant to repayment like interest rate hike or not	-
Feature of being cumulative or noncumulative	-
<b>Feature of being convertible bonds</b>	
If there's convertible bonds, trigger incidents cause this conversion	-
If there's convertible bonds, feature of full or partially conversion	-
If there's convertible bonds, rate of conversion	-
If there's convertible bonds, feature of conversion -obligatory or optional-	-
If there's convertible bonds, types of convertible instruments	-
If there's convertible bonds, exporter of convertible debt instruments	-
<b>Feature of value reduction</b>	
If there is feature of value reduction, trigger incidents cause this value reduction	-
If there is feature of value reduction, feature of full or partially reduction of value	-
If there is feature of value reduction, feature of being constant or temporary	-
If the value can be reduced temporarily, mechanism of value incrementation	-
Claiming rank in case of winding up (Instrument that is just above debt instrument)	-
Whether being provided with conditions of the 7th and 8th articles of Shareholders' Equity of Banks Regulation	-
Has or has not been provided with which conditions of the 7th and 8th articles of Shareholders' Equity of Banks Regulation	-



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#### **g. Information on applied approaches in order to evaluate internal capital adequacy in terms of future and current activities**

The Bank, has created "Capital Requirements Internal Assessment Process (Evaluation Process)" to identify and assess the risks exposed or may be exposed in the future, to provide adequate capital to cover the risks in question and to monitor the risks and the development of proper risk management techniques for managing the risk and in order to ensure the application. As stated in "Regulation on Internal Systems of Banks" Article No. 45, Risk Management is responsible for the planning and implementation of the Evaluation Process. For the most appropriate scope and approach to the Evaluation Process, in necessary cases, Risk Management, Internal Audit, Internal Control, Operations and Treasury departments can include their contributions in the process. The evaluation process is risk-oriented, including the quantifiable and unquantifiable risks, future-directed and creates a clear correlation between the types of risks and the necessary capital. Types of risks considered in the evaluation process are included in the evaluation report.

#### **II. EXPLANATIONS ON CREDIT RISK**

**a.** The Bank, for the loans to be granted to a single borrower or group to be applied in risk limits are based on the regulations of the Banking Law. In order to avoid sectoral concentration, limits have been defined and adherence to limits is monitored on a transaction basis.

Daily loan and securities transactions, adherence to limits and concentration is monitored and reported by the risk management unit. In addition, the value of securities are monitored and credit risk compliance with the limits of the operations, marketing and internal control units are monitored by transaction basis.

Loans and other receivables are subjected to re-evaluation at least once a year by the credit allocation unit, borrower and transaction rating models are used for this purpose

Lending activities, including the documents received from business units independently of the internal control unit is subject to detective control.

**b.** According to the "Communiqué on Methods and Principles for the Determination of Loans and Other Receivables to be Reserved for and Allocation of Reserves" published in the Official Gazette numbered 26333 dated 1 November 2006 which was amended with the communiqué published in the Official Gazette numbered 27119 dated 23 January 2009; loans that do not meet the required delay time condition to be considered as Group III Loans are considered as "non-performing"; group III, IV and V loans defined on the mentioned communiqué are considered as impaired receivables without considering refinancing or addition accrued interest and quasi-interest loading to principal.

**c.** The Bank does not have positions of forward, option and similar agreements.

**d.** When considered within the financial activities of other financial institutions, the Bank as an active participant in the national and international banking market is not exposed to a significant credit risk. With an increase in credit risk amount, use of mentioned derivative products can come up.

**e.** The Bank doesn't have any reimbursed non-cash loans, if any are present, they will be weighted in the same risk weight as loans that are overdue.

**f.** The Bank has no rescheduled or restructured loans. If any, it is planned to be followed by monthly reports of risk management unit.

Separation of credit risk is performed with debtor rating system and transaction rating system. Maturity based risk separation is not performed.

**g.** The Bank has no banking activities and credit transactions in foreign countries. The Bank has no rescheduled or restructured loans.



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**h.** When considered within the financial activities of other financial institutions, the Bank as an active participant in the national and international banking market is not exposed to a significant credit risk.

**i.** The share of the top 100 and 200 cash loan customers comprises 100% and %100 of the total cash loans portfolio of the Parent Bank respectively. (31 December 2013: 100% and 100%)

The share of the top 100 and 200 non-cash loan customers comprises 100% and 100% of the total non-cash loans portfolio of the Parent Bank respectively. (31 December 2013: 100% and 100%)

The Bank's total cash and non-cash loans from its top 100 and 200 loan customers comprise 100% and 100% of the total assets and off-balance sheet items. (31 December 2013: 100% and 100%)

**j.** The Bank provided a general provision amounting to TL492 (31 December 2013: TL302).

**k.** Total amount of exposures after offsetting transactions but before applying credit risk mitigations and the average exposure amounts that are classified in different risk groups and types, are disclosed below for the relevant period:

	<b>Current Period Risk Amount <sup>(1)</sup></b>	<b>Average Risk Amount<sup>(1)</sup></b>
<b>Risk classifications:</b>	<b>64,484</b>	<b>58,866</b>
Claims on sovereigns and Central Banks	790	1,106
Claims on regional governments or local authorities	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-
Claims on multilateral development banks	-	-
Claims on international organizations	-	-
Claims on banks and intermediary institutions	37,605	35,742
Conditional and unconditional corporate receivables	22,732	19,145
Claims included in the regulatory retail portfolios	-	-
Claims secured by residential property	-	189
Past due loans	-	-
Higher risk categories decided by the Board	-	-
Secured by mortgages	-	-
Securitization positions	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-
Undertakings for collective investments in mutual funds	-	-
Other receivables	3,357	2,684

<sup>(1)</sup> Amounts before credit risk mitigation.





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#### I. Profile of significant exposures in major regions:

Current period	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total	
Domestic	790	-	-	-	-	36,515	22,732	-	-	-	-	-	-	-	-	-	3,357	63,394
European Union Countries	-	-	-	-	-	6	-	-	-	-	-	-	-	-	-	-	-	6
OECD Countries (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	1,084	-	-	-	-	-	-	-	-	-	-	-	1,084
Other Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Associates, Subsidiaries and Joint -Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>790</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>37,605</b>	<b>22,732</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,357</b>	<b>64,484</b>

(\*) Includes risk amounts before the effect of credit risk mitigation but after the credit conversions.

1) Conditional and unconditional receivables from Central Governments or Central Banks

2) Conditional and unconditional receivables from Regional Management or Local Governments

3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures

4) Conditional and unconditional receivables from Multilateral Development Banks

5) Conditional and unconditional receivables from International Organizations

6) Conditional and unconditional receivables from Banks and Brokerage Corporation

7) Conditional and unconditional corporate receivables

8) Conditional and unconditional retail receivables

9) Conditional and unconditional collateralized by real estate mortgages receivables

10) Non-performing receivables

11) Receivables defined in high risk category by BRSA

12) Securities collateralized by mortgages

13) Securitization positions

14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations

15) Investments in nature of Collective Investment funds

16) Other receivables

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

(\*\*) Includes assets and liability items that cannot be allocated on a consistent basis.

(\*\*\*) Risk amounts before credit risk mitigation



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#### m. Risk profile by sectors or counterparties:

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	Total
<b>Agriculture</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Farming and Stockbreeding</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Forestry</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Fishery</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Manufacturing</i>	-	-	-	-	-	-	8,180	-	-	-	-	-	-	-	-	-	8,180
<i>Mining and Quarrying</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Production</i>	-	-	-	-	-	-	3,072	-	-	-	-	-	-	-	-	-	3,072
<i>Electricity, Gas and Water</i>	-	-	-	-	-	-	5,108	-	-	-	-	-	-	-	-	-	5,108
<b>Construction</b>	-	-	-	-	-	-	4,492	-	-	-	-	-	-	-	-	-	4,492
<b>Services</b>	752	-	-	-	-	37,605	10,060	-	-	-	-	-	-	-	-	-	48,417
<i>Wholesale and Retail Trade</i>	-	-	-	-	-	-	4,173	-	-	-	-	-	-	-	-	-	4,173
<i>Accommodation and Dining</i>	-	-	-	-	-	-	4,247	-	-	-	-	-	-	-	-	-	4,247
<i>Transportation and Telecom</i>	-	-	-	-	-	-	414	-	-	-	-	-	-	-	-	-	414
<i>Financial Institutions</i>	752	-	-	-	-	37,605	-	-	-	-	-	-	-	-	-	-	38,357
<i>Real Estate and Rental Services</i>	-	-	-	-	-	-	61	-	-	-	-	-	-	-	-	-	61
<i>Professional Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Educational Services</i>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Health and Social Services</i>	-	-	-	-	-	-	1,165	-	-	-	-	-	-	-	-	-	1,165
<b>Others</b>	38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,357
<b>Total</b>	790	-	-	-	-	37,605	22,732	-	-	-	-	-	-	-	-	-	64,484

(\*) Risk classes on "Communiqué on Measurement and Assessment of Capital Adequacy of Banks" are taken into consideration.

- 1) Conditional and unconditional receivables from Central Governments or Central Banks
- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Other receivables

(\*) Risk amounts before credit risk mitigation.



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#### n. Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Categories	According to their outstanding maturities				
	Up to 1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year <sup>(*)</sup>
Claims on sovereigns and Central Banks	132	658	-	-	-
Claims on regional governments or local authorities	-	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-	-
Claims on multilateral development banks	-	-	-	-	-
Claims on international organizations	-	-	-	-	-
Claims on banks and intermediary institutions	22,265	11,088	502	3,748	2
Conditional and unconditional corporate receivables	3,060	8,064	3,889	1,492	6,227
Claims included in the regulatory retail portfolios	-	-	-	-	-
Claims secured by residential property	-	-	-	-	-
Past due loans	-	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-	-
Secured by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-	-
Other receivables	2,703	-	-	43	611
<b>Total<sup>(*)</sup></b>	<b>28,160</b>	<b>19,810</b>	<b>4,391</b>	<b>5,283</b>	<b>6,840</b>

<sup>(\*)</sup> Risk amounts before credit risk mitigation.

<sup>(\*\*)</sup> Includes undistributed amounts.

**o.** The Bank has no particular agreement with a credit rating agency.

**p.** There is no credit rating for the amounts that are excluded in purchase and sale accounts and no credit rating for issue or issuer.

#### q. Exposures by risk weights

Risk weights	%0	%20	%50	%100	%200	%1250	Deductions from equity
1 Amount before credit risk reduction	885	32,207	5,401	25,991	-	-	-
2 Amount after credit risk reduction	1,985	32,207	4,299	22,586	-	-	-

#### r. Movements in value adjustments and provisions

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific Provisions	-	-	-	-	-
General Provisions	302	190	-	-	492



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#### **s. Information by major sectors and type of counterparties**

In accordance with TAS and TFRS;

*Impaired loans;* By the end of the reporting period, not more than 90 days overdue or impaired due to credibility. For such loans, "Specific Provisions" are calculated within the scope of Provision Regulation.

*Non-Performing Loans;* By the end of the reporting period up to 90 days due but not impaired loans. For such loans, "General Provisions" are calculated within the scope of Provision Regulation.

	Credits			Provisions
	Impaired Credits	Past Due Credits	Value Adjustments	
<b>Agricultural</b>	-	-	-	-
<i>Farming and raising livestock</i>	-	-	-	-
<i>Forestry</i>	-	-	-	-
<i>Fishing</i>	-	-	-	-
<b>Manufacturing</b>	-	-	-	-
<i>Mining</i>	-	-	-	-
<i>Production</i>	-	-	-	-
<i>Electric, gas and water</i>	-	-	-	-
<b>Construction</b>	-	-	-	-
<b>Services</b>	-	-	-	-
<i>Wholesale and retail trade</i>	-	-	-	-
<i>Hotel, food and beverage services</i>	-	-	-	-
<i>Transportation and telecommunication</i>	-	-	-	-
<i>Financial Institutions</i>	-	-	-	-
<i>Real estate and renting services</i>	-	-	-	-
<i>Self-employment services</i>	-	-	-	-
<i>Education services</i>	-	-	-	-
<i>Health and social services</i>	-	-	-	-
<b>Other</b>	-	-	-	-
<b>Total</b>	-	-	-	-

### **III. EXPLANATIONS ON MARKET RISK**

Market risk is followed under two headings: market risk arising from trading activities and market risk arising from banking transactions. The basic principle of market risk management is creating a compliant asset / liability structure and providing protection by averting differences with derivative instruments when necessary.

By the Board of Directors, market risk limits introduced by the minimization of the risks involved were targeted. Defined risk limits are reviewed by the Board of the Directors in 3 month period and updated if necessary. "Standard method" is used in the measurement of market risk in the extent of capital adequacy ratio. Value of the securities portfolio at risk is monitored and is reported to senior management on a monthly basis.

The below table represents the details of the market risk calculation in accordance with the "Regulation Regarding Measurement and Evaluation of Banks' Capital Adequacy Ratio", section three "Calculation of Market Risk with Standard Method".



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#### a. Information on Market Risk:

31 December 2014 31 December 2013

(I) Capital to be Employed for General Market Risk - Standard Method	-	-
(II) Capital to be Employed for Specific Risk -Standard Method	-	-
Capital requirement against Specific Risks of Securitisation Positions– Standard Method	-	-
(III) Capital to be Employed for Currency Risk - Standard Method	-	-
(IV) Capital to be Employed for Commodity Risk - Standard Method	-	-
(V) Capital to be Employed for Clearance Risk - Standard Method	-	-
(VI) Capital to be Employed for Market Risk Due to Options - Standard Method	-	-
(VII) Capital to be Employed for Counterparty Credit Risk - Standard Method	-	-
<b>(VIII) Total Capital to be Employed for Market Risk for Banks Applying Risk Measurement Model</b>	-	-
<b>(IX) Total Capital to be Employed for Market Risk (I+II+III+IV+V+VI+VII)</b>	-	-
<b>(X) Amount Subject to Market Risk (12,5 x VIII) or (12,5 x IX)</b>	-	-

#### b. Average Market Risk Table of Calculated Market Risk for Current and Prior Periods:

	31 December 2014			31 December 2013		
	Average	Maximum	Minimum	Average	Maximum	Minimum
Interest Rate Risk	-	-	-	5	17	-
Share Certificate Risk	-	-	-	-	-	-
Currency Risk	95	287	-	8	62	-
Commodity Risk	-	-	-	-	-	-
Clearing Risk	-	-	-	-	-	-
Option Risk	-	-	-	-	-	-
Counterparty Credit Risk	-	2	-	14	56	-
<b>Total Amount Subject to Risk</b>	<b>95</b>	<b>289</b>	<b>-</b>	<b>27</b>	<b>135</b>	<b>-</b>

#### c. Information about counterparty credit risk:

In order to calculate the counterparty credit risk "Calculating Fair Value" (Annex 2) of "Communiqué on Measurement and Assessment of Capital Adequacy of Banks," published in 28 June 2012 is taken into consideration. In accordance with the before-mentioned method, potential credit risk value is calculated and added to the renewal costs of the agreements with positive values.

31 December 2014 31 December 2013

Contracts based on Interest rate	-	-
Contracts based on currency	-	-
Contracts based on commodity	-	-
Contracts based on stocks	-	-
Other	-	-
Gross Positive Fair Value	-	-
Benefits of clarification	-	-
Clarified current risk amount	-	-
The securities which are held	-	-
The net position of derivatives	-	-



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#### **IV. EXPLANATIONS ON OPERATIONAL RISK**

The "Basic indicator method" is used in the operational risk calculation of the Bank. The amount subject to the operational risk is calculated based on the gross income of the Bank in the last three years 2013, 2012, and 2011 in accordance with the "Regulation Regarding Measurement and Evaluation of the Bank's Capital Adequacy Ratio" published on 28 June 2012 and Official Gazette numbered 28337 in the Official Gazette "Calculation of the Operational Risk".

	31 December 2011	31 December 2012	31 December 2013	Total/ Positive Year	Rate (%)	Total
Gross Revenue	387	305	1,215	636	15	95.35
Amount Subject to Operational Risk (Total*12,5)						1,192

#### **V. EXPLANATIONS ON CURRENCY RISK**

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

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

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

	USD		EUR	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Bid Rate</b>	<b>2.3269</b>	<b>2.1304</b>	<b>2.8272</b>	<b>2.9344</b>
1. Bid rate	2.3189	2.1343	2.8207	2.9365
2. Bid rate	2.3235	2.1604	2.8339	2.9844
3. Bid rate	2.3182	2.0957	2.8255	2.8693
4. Bid rate	2.3177	2.0710	2.8368	2.8353
5. Bid rate	2.3209	2.0812	2.8312	2.8466

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 December 2014	31 December 2013	31 December 2014	31 December 2013
Arithmetic average - 30 days	2.2917	2.0665	2.8231	2.8316



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

	EUR	USD	Other FC	Total
<b>31 December 2014</b>				
<b>Assets</b>				
Cash and Balances with The Central Bank of the Republic of Turkey	-	1	-	1
Due From Banks	6	1,086	-	1,092
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-
Loans	-	4,655	-	4,655
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	29	-	29
<b>Total Assets</b>	<b>6</b>	<b>5,771</b>	<b>-</b>	<b>5,777</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	5,593	-	5,593
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	1	2	-	3
<b>Total Liabilities</b>	<b>1</b>	<b>5,595</b>	<b>-</b>	<b>5,596</b>
<b>Net On-balance Sheet Position</b>	<b>5</b>	<b>176</b>	<b>-</b>	<b>181</b>
<b>Net Off-balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
<b>Non-Cash Loans <sup>(*)</sup></b>	<b>202</b>	<b>349</b>	<b>-</b>	<b>551</b>
<b>31 December 2013</b>				
<b>Total Assets</b>	<b>367</b>	<b>99</b>	<b>-</b>	<b>466</b>
<b>Total Liabilities</b>	<b>307</b>	<b>-</b>	<b>-</b>	<b>307</b>
<b>Net On-balance Sheet Position</b>	<b>60</b>	<b>99</b>	<b>-</b>	<b>159</b>
<b>Net Off-balance Sheet Position</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Derivative Assets	-	-	-	-
Financial Derivative Liabilities	-	-	-	-
<b>Non-Cash Loans <sup>(*)</sup></b>	<b>63</b>	<b>2,130</b>	<b>-</b>	<b>2,193</b>

(\*) Foreign exchange loans amounting to TRY 1,165 (31 December 2013 : None ) are also included.

(\*) This amount doesn't have an effect on net off-balance sheet position.



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#### VI. 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 December 2014	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	-	-	-	-	-	136	136
Due From Banks	-	-	-	-	-	1,095	1,095
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	1,764	-	-	-	-	1,764
Loans	32,987	17,486	809	-	-	-	51,282
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	-	-	6,794	6,794
<b>Total Assets</b>	<b>32,987</b>	<b>19,250</b>	<b>809</b>	<b>-</b>	<b>-</b>	<b>8,025</b>	<b>61,071</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	1,100	-	-	-	-	-	1,100
Miscellaneous Payables	-	-	-	-	-	42	42
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	1,001	5,593	-	-	-	-	6,594
Other Liabilities <sup>(**)</sup>	12	23	100	-	-	53,200	53,335
<b>Total Liabilities</b>	<b>2,113</b>	<b>5,616</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>53,242</b>	<b>61,071</b>
Balance Sheet Long Position	30,874	13,634	709	-	-	-	45,217
Balance Sheet Short Position	-	-	-	-	-	(45,217)	(45,217)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>30,874</b>	<b>13,634</b>	<b>709</b>	<b>-</b>	<b>-</b>	<b>(45,217)</b>	<b>-</b>

<sup>(\*)</sup> Other assets includes miscellaneous receivables, tangible Assets, intangible Assets and non-interests bearing assets in other assets and tax assets.

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





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31 December 2013	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non-Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The CBRT	-	-	-	-	-	145	145
Due From Banks	1,724	1,325	-	-	-	394	3,443
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	15,903	-	-	-	-	-	15,903
Available-for-Sale Financial Assets	-	-	293	-	-	-	293
Loans	18,961	7,720	-	-	-	-	26,681
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets <sup>(1)</sup>	-	-	-	-	-	3,593	3,593
<b>Total Assets</b>	<b>36,588</b>	<b>9,045</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>4,132</b>	<b>50,058</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	259	259
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	-	-	-	-	-	-
Other Liabilities <sup>(2)</sup>	-	-	-	-	-	49,799	49,799
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,058</b>	<b>50,058</b>
Balance Sheet Long Position	36,588	9,045	293	-	-	-	45,926
Balance Sheet Short Position	-	-	-	-	-	(45,926)	(45,926)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>36,588</b>	<b>9,045</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>(45,926)</b>	<b>-</b>

<sup>(1)</sup> Other assets includes miscellaneous receivables, tangible Assets, intangible Assets and non-interests bearing assets in other assets and tax assets.

<sup>(2)</sup> Shareholders' equity, non-interests bearing liabilities in other liabilities and tax liability is presented under "Other Liabilities" in the "Non-Interest Bearing" column.

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

The average interest rates in the following tables are calculated by weighting the simple interest to principle amounts.

31 December 2014	EUR %	USD %	JPY %	TL %
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	-
Due From Banks	-	0.12	-	10.59
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	9.26
Available-for-Sale Financial Assets	-	-	-	10.54
Loans	-	5.46	-	12.25
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	9.95
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Inst.	-	0.79	-	10.11



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

	EUR %	USD %	JPY %	TL %
<b>31 December 2013</b>				
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	-
Due From Banks	-	-	-	8.65
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	7.74
Available-for-Sale Financial Assets	-	-	-	9.11
Loans	-	-	-	10.19
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Inst.	-	-	-	-

**c. Economic value differences resulted from interest rate instabilities calculated according to regulation on measurement and evaluation of interest rate risk resulted from banking book as per standard shock method:**

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TRY	(+) 500 bps	(179)	%(0.41)
2. TRY	(-) 400 bps	150	% 0.34
3. USD	(+) 200 bps	15	%0.03
4. USD	(-) 200 bps	(11)	%( 0.03)
5. EURO	(+) 200 bps	-	-
6. EURO	(-) 200 bps	-	-

Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
1. TRY	(+) 500 bps	145	%(0.30)
2. TRY	(-) 400 bps	121	% 0.25
3. USD	(+) 200 bps	-	-
4. USD	(-) 200 bps	-	-
5. EURO	(+) 200 bps	-	-
6. EURO	(-) 200 bps	-	-

**d. Total unrealized gains or losses, total revaluation increases with the amount of their primary and contribution included in capital:**

As of 31 December 2014, The Banks' portfolio does not have private equity investments, publicly traded shares and other equities (31 December 2013: None).

## VII. EXPLANATIONS ON EQUITY POSITION RISK

The Bank does not hold equity position as of 31 December 2014 (31 December 2013: None).



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#### **VIII. EXPLANATIONS ON LIQUIDITY RISK**

Liquidity risk is the risk arising from not having adequate cash or not having adequate cash inflows to fund cash outflows on time due to the imbalance of cash flows.

Treasury Department, manages liquidity of the group on a daily basis, and informs the asset-liability committee every week about the Bank's liquidity level. Planning the liquidity management for weekly, monthly, yearly periods, taking the necessary measures and informing the senior management about these is the responsibility of the treasury.

The Bank forms its assets and liabilities in balance in order not to create a negative space in the cumulative basis in the maturity periods.

In accordance with the "Regulation on Measurement and Assessment of Liquidity Adequacy of the Banks", which came into effect after its publication in the Official Gazette numbered 26333 on 1 November 2006 by BRSA, weekly simple arithmetic average of total liquidity adequacy ratio related to the first maturity period, and total liquidity adequacy ratio related to the second maturity period cannot be less than a hundred percent; weekly simple arithmetic average of the foreign currency liquidity adequacy ratio related to first maturity period, and foreign currency liquidity adequacy ratio related to second maturity period cannot be less than eighty percent as of 1 June 2007.

#### **a. Liquidity ratios realized in the current period**

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2014</b>				
Average (%)	5,531	1,489	5,697	1,963
Maximum (%)	31,527	7,206	41,911	8,164
Minimum (%)	88	288	83	296
	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2013</b>				
Average (%)	3,012	3,313	3,169	2,746
Maximum (%)	8,120	10,440	8,200	10,807
Minimum (%)	161	349	161	110



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#### b. 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 <sup>(*)</sup>	Total
<b>31 December 2014</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	136	-	-	-	-	-	-	136
Due From Banks	1,095	-	-	-	-	-	-	1,095
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	1,764	-	-	-	-	1,764
Loans	-	24,215	17,486	9,581	-	-	-	51,282
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets	-	2,699	38	43	-	-	4,014	6,794
<b>Total Assets</b>	<b>1,231</b>	<b>26,914</b>	<b>19,288</b>	<b>9,624</b>	<b>-</b>	<b>-</b>	<b>4,014</b>	<b>61,071</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	1,001	5,593	-	-	-	-	6,594
Miscellaneous Payables	-	1,100	-	-	-	-	-	1,100
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	42	-	-	-	-	-	42
Other Liabilities <sup>(**)</sup>	2,396	3,129	23	100	-	-	47,687	53,335
<b>Total Liabilities</b>	<b>2,396</b>	<b>5,272</b>	<b>5,616</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>47,687</b>	<b>61,071</b>
<b>Net Liquidity Gap</b>	<b>(1,165)</b>	<b>21,642</b>	<b>13,672</b>	<b>9,524</b>	<b>-</b>	<b>-</b>	<b>(43,673)</b>	<b>-</b>

#### 31 December 2013

Total Assets	505	30,556	15,385	293	-	-	3,319	50,058
Total Liabilities	322	476	-	46	-	-	49,214	50,058
Net Liquidity Gap	183	30,080	15,385	247	-	-	(45,895)	-

<sup>(\*)</sup> Assets that are necessary for banking activities and that cannot be liquidated in the short-term, such as fixed assets, associates and subsidiaries, stationary stocks, prepaid expenses and loans under follow-up, are classified in this column.

<sup>(\*\*)</sup> Shareholders' equity is presented under "Other liabilities" item in the "Unclassified" column.

#### c. Breakdown of liabilities according to their remaining contractual maturities:

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
<b>Liabilities</b>					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	1,001	5,626	-	-	-
Funds from interbank money market	1,101	-	-	-	-
Financial leasing payables	13	27	106	-	-
Current accounts of customers	2,396	-	-	-	-
<b>Total</b>	<b>4,511</b>	<b>5,653</b>	<b>106</b>	<b>-</b>	<b>-</b>



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Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
<b>Liabilities</b>					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	-	-	-	-	-
Funds from interbank money market	-	-	-	-	-
Borrower Funds	-	-	-	-	-
Current accounts of customers	322	-	-	-	-
<b>Total</b>	<b>322</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### d. Breakdown of derivative instruments according to their remaining contractual maturities:

Bank has no derivative instruments as of 31 December 2014 (31 December 2013: None).

#### IX. EXPLANATIONS ON THE SECURITISATION POSITIONS

The Bank does not apply securitisation as of 31 December 2014.

#### X. EXPLANATIONS ON THE CREDIT RISK MITIGATION TECHNIQUES

Bank calculates the credit risk with simple financial guarantee method in accordance with "Communique on Credit Risk Mitigation Techniques". The collaterals to be considered in credit risk mitigation should be compatible with the currency and maturity.

The main collateral type that can be considered as a risk mitigation technique according to the communiqué is a real estate mortgage, which is planned to be taken by the Bank. Other main collateral types that the Bank receives in the lending process are customer checks and notes which are not taken into account according to "Communique on Credit Risk Mitigation Techniques".

	Amount <sup>(*)</sup>	Financial Guarantees	Other /Material Guarantees	Guarantees and Loan Derivatives
<b>Risk classifications:</b>	<b>64,484</b>	<b>1,100</b>	-	-
Claims on sovereigns and Central Banks	790	-	-	-
Claims on regional governments or local authorities	-	-	-	-
Claims on administrative bodies and other non-commercial undertakings	-	-	-	-
Claims on multilateral development banks	-	-	-	-
Claims on international organizations	-	-	-	-
Claims on banks and intermediary institutions	37,605	1,100	-	-
Conditional and unconditional corporate receivables	22,732	-	-	-
Claims included in the regulatory retail portfolios	-	-	-	-
Claims secured by residential property	-	-	-	-
Past due loans	-	-	-	-
Higher risk categories decided by the Board	-	-	-	-
Secured by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term claims and short-term corporate claims on banks and intermediary institutions	-	-	-	-
Undertakings for collective investments in mutual funds	-	-	-	-
Other receivables	3,357	-	-	-

(\*) Amount before credit risk mitigation.



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#### **XI. EXPLANATIONS ON RISK MANAGEMENT OBJECTIVES AND POLICIES**

Compliance with the Banking Law and the relevant law regulated under the "Regulation on Internal Systems of Banks", in a separate organisational structure, by creating a direct reporting line to the board of directors and audit committee, the complete independence of the risk management unit from the operations is the fundamental principle

Risk limits are in the responsibility of risk management unit and are determined by the board.

The Bank developed a systemic borrower rating model to measure risk exposure levels at customer level through quantitative and qualitative analysis. An internally developed transaction rating system is used to evaluate the repayment capacity of the loan.

Against concentration risk, information on the borrower / group, industry, collateral, etc. are traced on the monthly credit risk report and presented to the board of directors.

Application of stress tests on currency risk and liquidity positions and calculation of the interest rate risk is carried by the risk management department.

Within the scope of operational risk, activities of identification, calculation, monitoring, control and reporting of operational risks undertaken by the Bank are performed.

#### **XII. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES**

##### **a. Financial Assets and Liabilities at their fair values:**

The fair values of held-to-maturity assets are determined based on market prices or when this price is not available, based on market prices quoted for other securities subject to the same redemption qualifications in terms of interest, maturity and other similar conditions.

The fair value of marketable securities issued is calculated according to broker price quotations and if these are not available, amounts derived from discounted cash flow models.

The expected fair value of loans and receivables are determined by calculating the discounted cash flows using the current market interest rates for the fixed loans with fixed interest rates. For the loans with floating interest rates, it is assumed that the carrying value reflects the fair value.

The following table summarizes the carrying values and fair values of financial assets and liabilities. The carrying value represents the acquisition costs and accumulated interest accruals of corresponding financial assets or liabilities.

	Carrying Value		Fair Value	
	Current Period 31 December 2014	Prior Period 31 December 2013	Current Period 31 December 2014	Prior Period 31 December 2013
<b>Financial Assets</b>	<b>54,092</b>	<b>46,320</b>	<b>54,092</b>	<b>46,320</b>
Interbank Money Market Placements	-	15,903	-	15,903
Banks	1,095	3,443	1,095	3,443
Available-for-Sale Financial Assets (Net)	1,764	293	1,764	293
Held-to-Maturity Financial Assets(Net)	-	-	-	-
Loans	51,233	26,681	51,233	26,831
<b>Financial Liabilities</b>	<b>10,132</b>	<b>581</b>	<b>10,132</b>	<b>581</b>
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Borrowings	6,594	-	6,594	-
Payables to money market	1,100	-	1,100	-
Securities issued	-	-	-	-
Miscellaneous Payables	42	259	42	259
Borrower Funds	2,396	322	2,396	322



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#### **b. Fair value hierarchy:**

TFRS 7 sets a hierarchy of valuation techniques according to the observability of data used in valuation techniques which establish basis for fair value calculations.

Aforesaid fair value hierarchy is determined as follows:

- a) Identical assets and quoted market prices (non-adjusted) (1st level)
- b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level)
- c) Data not based on observable data regarding assets or liabilities (3rd level)

Fair value hierarchy of the financial assets and liabilities of the Bank carried at fair value according to the foregoing principles is given in the table below.

<b>Current Period</b>	<b>1.Level</b>	<b>2.Level</b>	<b>3.Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available For Sale Financial Assets	1,764	-	-	1,764
<b>Total Assets</b>	<b>1,764</b>	<b>-</b>	<b>-</b>	<b>1,764</b>
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Previous Period</b>	<b>1.Level</b>	<b>2.Level</b>	<b>3.Level</b>	<b>Total</b>
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Available For Sale Financial Assets	293	-	-	293
<b>Total Assets</b>	<b>293</b>	<b>-</b>	<b>-</b>	<b>293</b>
Trading Derivative Financial Liabilities	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### **XIII. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS:**

The Parent Bank mediates transactions such as trading of capital market instruments, repurchase and resale commitments which is in the scope of Capital Markets Board licence for the date 25.11.1999 and BNK/ASA-BD.0081 number .

The Parent Bank has no trust transactions.



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#### **XIV. EXPLANATIONS ON OPERATING SEGMENTS**

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
Total Assets	51,282	9,789	61,071
Total Liabilities	2,396	11,826	14,222
Net Interest Income/(Loss)	4,761	580	5,341
Net Fee and Commission Income/(Loss)	80	(34)	46
Trading Gain/(Loss)	-	177	177
Other Operating Segments Gain/(Loss)	-	59	59
Provisions for Loan Losses and Other Receivables(-)	-	(234)	(234)
Other Operating Expense (-)	-	(7,571)	(7,571)
<b>Profit Before Tax</b>	<b>4,841</b>	<b>(7,023)</b>	<b>(2,182)</b>
Tax Provision	-	365	365
<b>Net Profit</b>	<b>4,841</b>	<b>(6,658)</b>	<b>(1,817)</b>

<b>Previous Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
Total Assets	26,681	23,377	50,058
Total Liabilities	-	1,386	1,386
Net Interest Income/(Loss)	172	1,050	1,222
Net Fee and Commission Income/(Loss)	24	(93)	(69)
Trading Gain/(Loss)	-	4	4
Other Operating Segments Gain/(Loss)	-	255	255
Provisions for Loan Losses and Other Receivables(-)	-	(8,078)	(8,078)
Other Operating Expense (-)	-	(5,354)	(5,354)
<b>Profit Before Tax</b>	<b>196</b>	<b>(12,216)</b>	<b>(12,020)</b>
Tax Provision	-	2,938	2,938
<b>Net Profit</b>	<b>196</b>	<b>(9,278)</b>	<b>(9,082)</b>





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#### **SECTION FIVE EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS**

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

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

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Cash/Foreign currency	4	-	3	-
CBRT	131	1	94	48
Other	-	-	-	-
<b>Total</b>	<b>135</b>	<b>1</b>	<b>97</b>	<b>48</b>

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Demand Unrestricted Amount	131	1	94	14
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	-	-	34
<b>Total</b>	<b>131</b>	<b>1</b>	<b>94</b>	<b>48</b>

According to CBRT’s “Required Reserves Announcement” numbered 2005/1, for Turkish currency and foreign currency denominated liabilities, reserve requirement amounts held in CBRT have been included in the above table.

Reserve deposits required by the Central Bank of Turkey are not interest bearing.

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

**a.** As of 31 December 2014, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2013: None)

As of 31 December 2014; there are no and financial assets given as collateral/are blocked (31 December 2013: None).

###### **b. Positive differences related to trading derivative financial assets:**

None (31 December 2013: None).

###### **c. Information on trading securities:**

None (31 December 2013: None).



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#### **3. Information on banks:**

##### **a. Information on banks:**

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Banks				
Domestic	3	2	3,052	-
Foreign	-	1,090	-	391
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>3</b>	<b>1,092</b>	<b>3,052</b>	<b>391</b>

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

	Unrestricted Amount		Restricted Amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
European Union Countries	6	367	-	-
USA, Canada	1,084	24	-	-
OECD Countries <sup>(1)</sup>	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>1,090</b>	<b>391</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

#### **4. Information on available-for-sale financial assets:**

a. As of 31 December 2014 there are financial assets given as collateral/blocked amounting to TL 444 (31 December 2013: TL 293).

As of 31 December 2014 there are available-for-sale financial assets subject to repo transactions TL 1,144 (31 December 2013: None)

	31 December 2014	31 December 2013
Debt Securities	1,764	293
Quoted on Stock Exchange	1,764	293
Not Quoted	-	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>1,764</b>	<b>293</b>



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#### 5. Explanations on loans:

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

	31 December 2014		31 December 2013	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	-	-
Legal Entities	-	-	-	-
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

	Standard Loans and Other Receivables			Loans and Other Receivables Under Close Monitoring		
	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms		Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms	
		Restructured or Rescheduled	Other		Restructured or Rescheduled	Other
<b>Non-specialized Loans</b>	<b>51,282</b>	-	-	-	-	-
Loans given to enterprises	-	-	-	-	-	-
Export Loans	3,490	-	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	35,364	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	12,428	-	-	-	-	-
<b>Specialized Loans</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>51,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

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



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

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
<b>Cash Loans</b>				
<b>Short-Term Loans and Other Receivables</b>	<b>51,282</b>	-	-	-
Non-Specialized Loans	51,282	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	-	-	-	-
Non-Specialized Loans	-	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

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

None (31 December 2013: None).

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

None (31 December 2013: None).

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

	31 December 2014	31 December 2013
Public	-	-
Private	51,282	26,681
<b>Total</b>	<b>51,282</b>	<b>26,681</b>

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

	31 December 2014	31 December 2013
Domestic Loans	51,282	26,681
Foreign Loans	-	-
<b>Total</b>	<b>51,282</b>	<b>26,681</b>

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

	31 December 2014	31 December 2013
Direct loans granted to investments in associates and subsidiaries	-	-
Indirect loans granted to investments in associates and subsidiaries	-	-
<b>Total</b>	<b>-</b>	<b>-</b>



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

	31 December 2014	31 December 2013
Loans and Receivables with Limited Collectability	-	-
Loans and Receivables with Doubtful Collectability	-	-
Uncollectible Loans and Receivables	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

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

None (31 December 2013: 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.

#### 6. Information on the movement of total non-performing loans:

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Prior Period End Balance:</b>	-	-	-
Additions (+)	-	-	-
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-Performing Loans (-)	-	-	-
Collections (-)	-	-	-
Write-offs (-)	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Period End Balance:</b>	<b>-</b>	<b>-</b>	<b>-</b>
Specific Provisions (-)	-	-	-
<b>Net Balance on Balance Sheet Date</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 7. Information on non-performing loans granted as foreign currency loans:

None (31 December 2013: None).



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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Collectability	Loans and Other Receivables with Doubtful Collectability	Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	-	-	-
Loans granted to corporate entities and real persons (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Loans granted to corporate entities and real persons (Net)</b>	-	-	-
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Other Loans and Advances (Net)</b>	-	-	-
<b>Prior Period (Net)</b>	-	-	-
Loans granted to corporate entities and real persons (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Loans granted to corporate entities and real persons (Net)</b>	-	-	-
Banks (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Other Loans and Advances (Net)</b>	-	-	-

#### **9. Information on held-to-maturity investments:**

None (31 December 2013: None).

#### **10. Information on investments in associates:**

None (31 December 2013: None).

#### **11. Information on subsidiaries (Net):**

##### **a. Recognition of subsidiaries:**

Explained in the Section Three.



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#### b. Information on the equity of subsidiaries

	PDF
<b>Main Capital</b>	
Paid-in capital	140
Nominal capital	9
Legal Reserves	28
Status reserves	102
Extraordinary reserves	-
Net profit or losses and prior year income \ loss	(319)
Leasehold improvements amount (-)	-
Intangible assets (-)	-
<b>Total Core Capital</b>	<b>(40)</b>
Supplementary Capital	-
<b>Capital</b>	<b>(40)</b>
Deductions from the capital	-
<b>Total Shareholders' Equity</b>	<b>(40)</b>

The internal capital adequacy assessment approach is not used for Bank's subsidiary.

According to Resolution of Extraordinary General Assembly dated August 7, 2014, Company is currently in the process of liquidation. The relevant resolution was registered and declared at Trade Registry Gazette dated September 8, 2014.

#### c. Information on unconsolidated subsidiaries

Title	Address (City/ Country)	Bank's share percentage, if different voting percentage (%)	Other shareholders' share percentage (%)
1 Tasfiye Halinde PDF Kurumsal Finansman Danışmanlık Hizmetleri A.Ş.	İstanbul/Turkey	99,99	0,01

An impairment provision of TL 7,926 has been set aside for the book value of the subsidiary with respect to the board of director's decision dated 31 December 2013, numbered 77. Also, the loan granted to PDF amounting TL 550 has been written-off.

In the extraordinary general assembly meeting of PDF on 23 January 2014, it was unanimously decided that the members of the PDF board of directors should be authorised regarding the merger or liquidation of the company through take over by another company or partner bank.

In the board director meeting of PDF on 17 July 2014, it was decided to held extraordinary general assembly meeting on 7 August 2014 in order to decision for the liquidation of the company. The relevant resolution was registered and declared at Trade Registry Gazette dated September 8, 2014.

#### d. Main financial figures of the subsidiaries in the order of the above table:

The below figures have been obtained from the Bank's unconsolidated the financial statements as of 31 December 2014.

	Total Assets	Shareholders Equity	Total Fixed Assets	Interest Income	Income from Marketable Securities Portfolio	Current Period Profit / Loss	Prior Period Profit / Loss	Fair value
1	34	(40)	-	-	-	(6)	717	-



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#### **e. Information on subsidiaries consolidated:**

As explained in section "Explanations and notes related to assets", depending on the decision taken regarding PDF, the subsidiary does not have any carrying value in the balance sheet and as of the balance sheet date it has been decided not to consolidate the subsidiary.

#### **f. Main financial figures of the subsidiaries consolidated in the order of the above table:**

None.

#### **g. Movement schedules of consolidated subsidiaries:**

None.

#### **h. Sectoral information on consolidated financial subsidiaries and the related carrying amounts:**

None.

#### **i. Subsidiaries quoted on stock exchange:**

None.

#### **12. Information on joint ventures:**

None (31 December 2013: None).

#### **13 Information on lease receivables (net):**

None (31 December 2013: None).

#### **14. Information on hedging derivative financial assets:**

None (31 December 2013: None).

#### **15. Information on property and equipment:**

Prior Period End: 31 December 2013	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	-	502	502
Accumulated Depreciation(-)	-	-	(409)	(409)
Net Book Value	-	-	93	93
<b>Current Period End: 31 December 2014</b>				
Net Book Value at the beginning of the Period	-	-	93	93
Additions	-	271	59	330
Disposals(-), net	-	-	(32)	(32)
Depreciation (-)	-	(68)	(31)	(99)
Impairment	-	-	-	-
Cost at Period End	-	271	456	727
Accumulated Depreciation at Period End (-)	-	(68)	(367)	(435)
<b>Closing Net Book Value</b>	<b>-</b>	<b>203</b>	<b>89</b>	<b>292</b>





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Prior Period End: 31 December 2012	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	-	660	660
Accumulated Depreciation(-)	-	-	(592)	(592)
Net Book Value	-	-	68	68
<b>Current Period End: 31 December 2013</b>				
Net Book Value at the beginning of the Period	-	-	68	68
Additions	-	-	74	74
Disposals(-), net	-	-	(7)	(7)
Depreciation (-)	-	-	(42)	(42)
Impairment	-	-	-	-
Cost at Period End	-	-	502	502
Accumulated Depreciation at Period End (-)	-	-	(409)	(409)
<b>Closing Net Book Value</b>	-	-	<b>93</b>	<b>93</b>

#### 16. Informations on intangible assets:

	Current Period 31 December 2014	Previous Period 31 December 2013
Net Book Value at the beginning of the Period	41	11
Additions	223	36
Disposals(-), net	-	-
Depreciation (-)	(73)	(6)
<b>Other (*)</b>	<b>191</b>	<b>41</b>

#### 17. Information on investment property:

None (31 December 2013: None).

#### 18. 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 December 2014, the Bank calculated deferred tax asset amounting TL 3,303 and reflected this amount to the financial statements. (31 December 2013: TL 2,938).



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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 December 2014		31 December 2013	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Financial loss	15,606	3,121	14,274	2,855
Provision for employee benefits	209	42	157	31
Expense provisions	208	42	198	40
Other	541	108	85	17
<b>Deferred Tax Asset, net</b>	<b>16,564</b>	<b>3,313</b>	<b>14,714</b>	<b>2,943</b>
Depreciation	(41)	(8)	(24)	(5)
Other	(10)	(2)	-	-
<b>Deferred Tax Liability, net</b>	<b>(51)</b>	<b>(10)</b>	<b>(24)</b>	<b>(5)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>16,513</b>	<b>3,303</b>	<b>14,690</b>	<b>2,938</b>

The details of deductible financial loss that is considered in the deferred tax calculation are stated in the below table:

	Deductible Financial Loss	Last Deduction Date
2009	-	31 December 2014
2010	3,812	31 December 2015
2011	4,356	31 December 2016
2012	2,800	31 December 2017
2013	3,353	31 December 2018
2014	1,284	31 December 2019
<b>Total</b>	<b>16,061</b>	

#### 19. Information on assets held for resale and discontinued operations:

None (31 December 2013: None).

#### 20. Information on other assets:

As of 31 December 2014, other assets amount to TL 2,970 (31 December 2013: TL 372) 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. Information on trading derivative financial liabilities:**

None (31 December 2013: None).

### **3. Information on borrowings:**

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	1,001	-	-	-
From Foreign Banks, Institutions and Funds	-	5,593	-	-
<b>Total</b>	<b>1,001</b>	<b>5,593</b>	-	-

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Short-term	1,001	5,593	-	-
Medium and Long-term	-	-	-	-
<b>Total</b>	<b>1,001</b>	<b>5,593</b>	-	-

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

The Bank, funds its assets mainly with its capital and borrowings.

### **4. Information on other liabilities:**

As of 31 December 2014, other liabilities amount to TL 2,916 (31 December 2013: TL 103) and don't exceed 10% of total balance sheet except off balance sheet commitments.

### **5. Information on financial lease agreements:**

	31 December 2014		31 December 2013	
	Gross	Net	Gross	Net
Less Than 1 Year	146	135	-	-
1-4 Years	-	-	-	-
More Than 4 Years	-	-	-	-
<b>Total</b>	<b>146</b>	<b>135</b>	-	-

### **6. Information on hedging derivative financial liabilities:**

None (31 December 2013: None).



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#### 7. Information on provisions:

##### a. Information on general provisions:

	31 December 2014	31 December 2013
Provisions for Group I. Loans and Receivables	468	293
Additional Provision for Loans and Receivables with Extended Maturities	-	27
Provisions for Group II. Loans and Receivables	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non Cash Loans	13	4
Other	11	5
<b>General Provisions</b>	<b>492</b>	<b>302</b>

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

None (31 December 2013: None).

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

None (31 December 2013: None).

##### d. Information on other provisions:

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

None (31 December 2013: None).

###### 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 December 2014	31 December 2013
Discount rate (%)	3.50	2.50

The movement of employee termination benefits is shown below:

	31 December 2014	31 December 2013
<b>Balance at the Beginning of the Period</b>	<b>157</b>	<b>137</b>
Provisions Recognised During the Period	3	20
<b>Balance at the end of the period</b>	<b>160</b>	<b>157</b>

In addition, as of 31 December 2014 the Bank have unused vacation provision of TL 49 (31 December 2013: None).

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

	31 December 2014	31 December 2013
Provision for Lawsuit	83	83
Other	44	-
<b>Total</b>	<b>127</b>	<b>83</b>



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#### **8. Information on taxes payable:**

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

###### *i) Information on tax provision:*

Explanations on taxation are presented in the related Note of Section Three. As of 31 December 2014, the Bank has no tax liability after the deduction of temporary taxes paid (31 December 2013: None).

###### *ii) Information on taxes payable:*

	31 December 2014	31 December 2013
Corporate Tax Payable	-	-
Taxation on Marketable Securities	-	-
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	21	5
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	17	1
Other	117	114
<b>Total</b>	<b>155</b>	<b>120</b>

###### *iii) Information on premium payables:*

	31 December 2014	31 December 2013
Social Security Premiums – Employee	23	16
Social Security Premiums – Employer	28	21
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	2	1
Unemployment Insurance – Employer	3	2
Other	-	-
<b>Total</b>	<b>56</b>	<b>40</b>

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

Explanations on the taxation of the Bank are presented in explanations and notes related to unconsolidated assets.

#### **9. Liabilities for assets held for sale and assets of discontinued operations**

None (31 December 2013: None).

#### **10. 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 2013: None).



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#### **11. Information on shareholders' equity:**

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

	<b>31 December 2014</b>	<b>31 December 2013</b>
Common Stock	80,000	80,000
Preferred Stock	-	-

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

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

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

The parent company of the Bank, Aksoy Holding A.Ş., and Pasha Bank OJSC have been agreed on sales of the parent company's majority of shares in Bank, in accordance with applications to the legal regulators were made in order to obtain the necessary permits and approvals. The Bank's capital, take over amounting to TRY 28,795,121 (full TL) after that in according to the changes of articles of incorporation, was decided to be increased the principal capital of the Bank from TL80,000 to TL255,000, and the Bank's shares of %79.9196 merged and approved by BRSA decision no 6137 , dated 26 December 2014.

In the extraordinary general assembly meeting of the Parent Bank on 27 January 2015, 28,795,121 count Aksoy Holding A.Ş.'s share were transferred to the Pasha Bank OJSC, has addressed 15 Yusif Mammadaliyev Cad., Baku, AZ1005 Azerbaijan.

With transfer of shares of Aksoy Holding A.Ş. amounting to 28,795,121 to Pasha Bank OJSC and aquisition of shares of Aksoy Holding A.Ş. by Pasha Bank OJSC amounting to 175,000,000, equals to the increased capital in the Extraordinary General Assembly Meeting of the Bank dated 27 January 2015, share percentage of Pasha Bank OJSC has been increased to %79.9196 and the Pasha Bank Group takes control of the Bank.

The approval regarding to completion of transactions related with transferring of 175,000 TL to share capital paid by Pasha Bank OJSC was declared to he Bank with the BRSA's article numbered 32521522-101.01(13) – 3230, dated 25 February 2015 and at the same date 175,000 TL were booked on the paid in capital account.

After these transactions mentioned above Aksoy Holding A.Ş.'s share percentage has been occurred as %20.



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Bank's title was changed to the Pasha Yatırım Bankası A.Ş., trade name to the PashaBank and related to the changes in the registration dated 2 March 2015 and published on 6 March 2015 to İstanbul Trade Registration.

Name/Commercial title	After assignment of share operations	
	Capital	Share rate
Pasha Bank OJSC	203,795	%79.9196
Aksoy Holding A.Ş.	51,000	%20.0000
Other	205	%0.0804
<b>Total</b>	<b>255,000</b>	

**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 2013: 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 2013: None).

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(6)	-	-	-
Rate difference	-	-	-	-
<b>Total</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>



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

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

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

None (31 December 2013: None).

###### 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 December 2014, the Bank has guarantee and indemnities amounting TL 6,813 (31 December 2013: TL 2,195) based upon the guarantee letter.

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

None (31 December 2013: None)

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

	31 December 2014	31 December 2013
Non-cash Loans Given against Cash Loans	-	-
With Original Maturity of 1 Year or Less Than 1 Year	-	-
With Original Maturity of More Than 1 Year	-	-
Other Non-cash Loans	6,813	2,195
<b>Total</b>	<b>6,813</b>	<b>2,195</b>

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

	Current Period				Prior Period			
	31 December 2014				31 December 2013			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
<b>Agricultural</b>	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	-	-	-	-	-	-	-	-
Mining	-	-	-	-	-	-	-	-
Production	-	-	-	-	-	-	-	-
Electric, Gas and Water	-	-	-	-	-	-	-	-
<b>Construction</b>	-	-	-	-	-	-	-	-
<b>Services</b>	<b>6,262</b>	<b>100.00</b>	<b>551</b>	<b>100.00</b>	<b>2</b>	<b>100.00</b>	<b>2,193</b>	<b>100.00</b>
Wholesale and Retail Trade	1,948	31.11	142	25.77	-	-	2,130	97.13
Hotel, Food and Beverage Services	4,247	67.82	-	-	-	-	-	-
Transportation and Telecommunication	65	1.04	348	63.16	-	-	-	-
Financial Institutions	2	0.03	-	-	2	100.00	-	-
Real Estate and Leasing Services	-	-	61	11.07	-	-	63	2.87
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>6,262</b>	<b>100.00</b>	<b>551</b>	<b>100.00</b>	<b>2</b>	<b>100.00</b>	<b>2,193</b>	<b>100.00</b>





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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>6,262</b>	<b>551</b>	-	-
Letters of Guarantee	6,262	551	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

#### **2. Information on derivative transactions:**

None (31 December 2013: None).

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

None (31 December 2013: None)

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

##### **(i) Contingent assets**

None

##### **(ii) Contingent liabilities**

As of 31 December 2014, the Bank has reflected the provision for its ongoing lawsuits amounting TL 83 to the financial statements. 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 2013: 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<sup>(1)</sup>:**

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Short-term Loans	4,657	104	172	-
Medium/Long-term Loans	-	-	-	-
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>4,657</b>	<b>104</b>	<b>172</b>	<b>-</b>

<sup>(1)</sup> Includes fee and commission income regarding cash loans.

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
From the CBRT	-	-	-	-
From Domestic Banks	431	1	59	-
From Foreign Banks	-	-	-	-
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>431</b>	<b>1</b>	<b>59</b>	<b>-</b>

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	131	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	187	-	8	-
From Held-to-Maturity Investments	-	-	-	-
<b>Total</b>	<b>187</b>	<b>-</b>	<b>139</b>	<b>-</b>

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

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Interest income received from investments in associates and subsidiaries	-	-	72	-



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#### 2. Information on interest expense:

##### a. Information on interest expense on borrowings<sup>(1)</sup>:

	31 December 2014		31 December 2013	
	TL	FC	TL	FC
Banks	82	20	87	-
The CBRT	-	-	-	-
Domestic Banks	82	11	-	-
Foreign Banks	-	9	87	-
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>82</b>	<b>20</b>	<b>87</b>	<b>-</b>

<sup>(1)</sup> Includes fee and commission income regarding cash loans.

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

	31 December 2014		31 December 2013	
	TP	YP	TP	YP
Interest expense given to investments in associates and subsidiaries	-	-	-	-

##### c. Maturity structure of the interest expense on deposits:

None (31 December 2013: None).

##### d. Interest expense on issued marketable securities:

None (31 December 2013: None).

#### 3. Information on dividend income:

None. (31 December 2013: None).

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

	31 December 2014	31 December 2013
<b>Income</b>	<b>2,706</b>	<b>108</b>
Income from Capital Market Transactions	-	18
Income from Derivative Financial Transactions <sup>(1)</sup>	-	-
Foreign Exchange Gains	2,706	90
<b>Loss (-)</b>	<b>(2,529)</b>	<b>107</b>
Loss from Capital Market Transactions	-	10
Loss from Derivative Financial Transactions <sup>(1)</sup>	(1)	-
Foreign Exchange Loss	(2,528)	97

<sup>(1)</sup> The major part of the gain/loss from derivative financial transactions stems from the changes in FX rates due to the fact that these derivatives are short term.

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

Other operating income consists of TL 13 income from previous years' provision cancellations and there is no income regarding extraordinary accounts.



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

	31 December 2014	31 December 2013
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	190	130
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	-	7,926
Investments in Associates	-	-
Subsidiaries	-	7,926
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	44	22
<b>Total</b>	<b>234</b>	<b>8,078</b>

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

	31 December 2014	31 December 2013
Personnel Expenses	4,128	2,589
Reserve For Employee Termination Benefits	52	20
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	131	42
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	73	6
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	2,354	1,330
Operational Lease Expenses	289	245
Maintenance Expenses	2	31
Advertising Expenses	1	31
Other Expense	2,062	1,023
Loss on Sales of Assets	-	-
Other	833	1,367
<b>Total</b>	<b>7,571</b>	<b>5,354</b>

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

Loss before tax comes from net interest income amounting TL 5,341, net commission fee income amounting TL 46, trading profit amounting TL 177, other operating income amounting TL 59, provision for loan losses and other receivables amounting to TL 234 and other operating expenses amounting TL 7,571.



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

As of 31 December 2014 the Bank has no current tax income/ expense (31 December 2013: None). The Bank has deferred tax income amounting to TL 365 (31 December 2013: 2,938).

As of 31 December 2014, 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 loss from continuing operations amounting to TL 1,817 (31 December 2013: TL 9,082 loss).

#### **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 December 2013: 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.**

The other operating income which exceed 10% of the income statement, TL 29 for from the banking services income, TL 63 for from the paid expenses and the commissions for the correspondent banks and TL 36 for from the interest expenses of leasing liabilities.

## **V. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY**

#### **1. Information on available-for-sale financial assets:**

"Unrealized gains and losses" arising from changes in the fair value of securities classified as available-for-sale 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 loss for marketable securities valuation difference related to available-for-sale financial assets of TL 6 (31 December 2013: None).

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

The Bank has no amounts transferred to legal reserves for current period.

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

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

#### **4. Information on capital increase:**

Explanations on capital increase are presented in of Section Five, Explanations and notes related to liabilities.



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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 rediscount balances, 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 of the period:**

	31 December 2014	31 December 2013
<b>Cash</b>	<b>136</b>	<b>145</b>
Cash, Foreign Currency and Other	4	3
T.C. Central Bank	132	142
Other	-	-
<b>Cash Equivalents</b>	<b>1,095</b>	<b>19,346</b>
Banks	1,095	3,443
Interbank Money Market Placements	-	15,903
<b>Total Cash and Cash Equivalents</b>	<b>1,231</b>	<b>19,491</b>
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	(7)
Cash equivalents with a maturity longer than three months	-	-
Unrestricted reserve deposits	-	(34)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>1,231</b>	<b>19,450</b>

##### **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 2,962 (31 December 2013: TL 2,045) mainly consists foreign exchange gain and loss items and other operating expenses excluding fees and commissions paid, trading gains/losses 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 125 (31 December 2013: TL 287) consists of mainly changes in prepaid expenses and other assets .

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 3,225 (31 December 2013: TL 374) consists of mainly changes in miscellaneous payables, other liabilities and taxes and other duties payable.



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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 (31 December 2014):

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	-	-	-	-	-	-
End of the Period	-	-	-	-	-	4,247
Interest and Commission Income Received	9	-	-	-	-	5

###### Previous Period (31 December 2013):

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	750	-	6	-	-	-
End of the Period	-	-	-	-	-	-
Interest and Commission Income Received	72	-	-	-	-	-

###### 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:

None (31 December 2013: None)

As of 31 December 2014, amount for current account of risk group is TL 1 (31 December 2013: TL 318).

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

As of 31 December 2014, key management compensation amount is TL 899 (31 December 2013: TL 702).

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

None (31 December 2013: 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 of 31 December 2014 subsequent events are as follows:

In the extraordinary general assembly meeting of the Parent Bank on 27 January 2015, it was decided that the principal capital of the Parent Bank should be increased to TL 175,000 from TL 255,000 addition of the cash and acceptance of transfer share and Article 7 of articles of incorporations was amended as following table and decided to change the Bank title "Pasha Yatırım Bankası A.Ş." Assignment of share process was completed on 27 January 2015.

In addition, BRSA was approved the capital increase on 25 February, decision no. 32521522-101.01(13)-3230.

Name/ Commercial Title	After assignment of share operations	
	Capital	Share rate
Pasha Bank OJSC	203,795	%79.9196
Aksoy Holding A.Ş.	51,000	%20.0000
Other	205	%0.0804
<b>Total</b>	<b>255,000</b>	

As of 31 December 2013 subsequent events are as follows:

31 December 2013: In the extraordinary general assembly meeting of PDF on 23 January 2014, it was unanimously decided that the members of the PDF board of directors should be authorised regarding the merger or liquidation of the company through take over by another company or partner bank.

#### **SECTION SEVEN**

#### **INDEPENDENT AUDITOR'S REPORT**

##### **I. EXPLANATIONS ON THE INDEPENDENT AUDITOR'S REPORT**

The unconsolidated financial statements for the year ended 31 December 2014 have been audited by Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (a member of PricewaterhouseCoopers) and the independent auditor's report dated 9 March 2015 is presented prior to the unconsolidated financial statements.

##### **II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS**

None (31 December 2013: None).





