

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

## **PASHA YATIRIM BANKASI A.Ş.**

**PUBLICLY ANNOUNCED UNCONSOLIDATED  
FINANCIAL STATEMENTS TOGETHER WITH REVIEW REPORT  
AT 30 SEPTEMBER 2017**

## **INTERIM REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

(Convenience translation of the independent auditor's report originally issued in Turkish,

See Note I. of Section three)

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

### **Introduction**

We have reviewed the unconsolidated statement of financial position of Pasha Bank A.Ş. ("the Bank") at 30 September 2017 and the related unconsolidated income statement, unconsolidated statement of income and expense items under shareholders' equity, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by Banking Regulation and Supervision Authority, (together referred as "BRSA Accounting and Reporting Legislation") and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by BRSA Legislation. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Limited Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial statements do not give a true view of the financial position of Pasha Bank A.Ş. at 30 September 2017 and of the results of its operations and its cash flows for the nine-month-period then ended in all aspects in accordance with the BRSA Accounting and Reporting Legislation.

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

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

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

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst&Young Global Limited



İstanbul, 3 November 2017



**THE NINE MONTH UNCONSOLIDATED INTERIM FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 30 SEPTEMBER 2017**

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

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

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

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



Jalal GASIMOV

Chairman of the Board of Directors



Mesut ÖZDİNÇ

Chairman of the Audit Committee



Kamala NURIYEVA

Member of the Audit Committee



H.Cenk EYNEHAN

General Manager



Ali İhsan TOKKUZUN

Deputy General Manager



Özgür İÇİN

Financial Planning, Strategy and  
Budget Dept. Manager

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

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

**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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**SECTION ONE**

**GENERAL INFORMATION**

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

Bank's commercial title	Pasha Yatırım Bankası A.Ş.
Reporting Period	1 January - 30 September 2017
Address of the Bank's Headquarters	A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7 34398 Maslak İstanbul, Türkiye
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	<a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
E-mail	<a href="mailto:info@pashabank.com.tr">info@pashabank.com.tr</a>

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17.06.1987 by the Council of Ministers pursuant to the Banking Law No. 3182 (repealed) and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in Istanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21.12.1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25.12.1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. Commencing its investment banking activities on the date of 1 March 1988, the Bank has been operating as of 30 September 2017 through its head office in Istanbul only and has no branches.

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

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

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

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

Paid-in capital increase from TL 80,000 to TL 255,000 by TL 175,000 cash, approval of the share transfer and changing the Bank's title as "Pasha Yatırım Bankası A.Ş." have been approved in the Extraordinary General Assembly of the Bank dated 27 January 2015.

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**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**GENERAL INFORMATION (Continued)**

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

Acquisition of remaining 51,000 shares of Aksoy Holding A.Ş. by PASHA Bank OJSC, increasing Pasha Bank OJSC shares from %79.9196 to %99.9196 and decreasing Aksoy's Holding's shares from 20% to 0% has been approved by the BRSA's resolution dated 18 December 2015 and numbered 6583. The related BRSA resolution has been announced to the Bank by statement dated 23 December 2015 and numbered 18038.

The share transfer was accounted in the statutory accounting records with the Board of Directors decision dated 24 December 2015 and numbered 2015/110.

Partnership structure of the Bank as of 30 September 2017, is stated below:

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

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

Title	Name	Education	Share Percentage
Chairman of the Board of Directors <sup>(2)</sup>	Jalal Gasimov	Postgraduate	-
Vice President of the Board of Directors <sup>(1) (2)</sup>	Farid Mammadov	Postgraduate	-
Member of the Board of Directors	Taleh Kazimov	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	PhD	-
Member of the Board of Directors/ Member of Audit Committee <sup>(2)</sup>	Kamala Nuriyeva	Postgraduate	-
Independent Member of the Board of Directors/ Chairman of the Audit Committee	Mesut Özdiñ	Postgraduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Independent Member of the Board of Directors <sup>(1)</sup>	Meriç Uluşahin	Graduate	-
Member of the Board of Directors/ General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-
Assistant General Manager	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager <sup>(3)</sup>	Uğur Koç	Graduate	-

- (1) At Ordinary General Meeting regarding year 2016 held at 31 March 2017, Chairman of the Board of Directors Agha Ali Kamalov and Independent Member of Board of Directors N. Süreyya Serdengeçti are resigned from their duties, Farid Mammadov is assigned as Member of Board of Directors and Meriç Uluşahin is assigned as Independent Member of Board of Directors.
- (2) Jalal Gasimov is assigned as Chairman of the Board of Directors, Farid Mammadov is assigned as Vice President of the Board of Directors with the Board decision dated 31 March 2017, numbered 2017/25.
- (3) Uğur Koç is assigned as Assistant General Manager in charge of Information Technologies and Security, Change and Project Management, Credit Underwriting and Intelligence at 18 September 2017 in accordance with Board decision dated 15 September 2017, numbered 2017/72.

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



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**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

**GENERAL INFORMATION (Continued)**

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

Explanation on shareholders having control shares of the Bank as of 30 September 2017, is stated below;

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

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

The Bank operates as an investment bank and as of 30 September 2017 the Bank has 42 employees (31 December 2016: 39).

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

None.

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

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2017**

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

**SECTION TWO  
UNCONSOLIDATED FINANCIAL STATEMENTS**

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

	ASSETS	Note (Section Five-I)	Current Period 30 September 2017			Prior Period 31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	<b>(1)</b>	<b>5,718</b>	<b>39,889</b>	<b>45,607</b>	<b>14,804</b>	<b>19,632</b>	<b>34,436</b>
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>(2)</b>	<b>4,901</b>	<b>-</b>	<b>4,901</b>	<b>-</b>	<b>281</b>	<b>281</b>
2.1	Trading Financial Assets		4,901	-	4,901	-	281	281
2.1.1	Government Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		118	-	118	-	281	281
2.1.4	Other Marketable Securities		4,783	-	4,783	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	<b>(3)</b>	<b>10,194</b>	<b>62,817</b>	<b>73,011</b>	<b>19,028</b>	<b>10,116</b>	<b>29,144</b>
<b>IV.</b>	<b>MONEY MARKETS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>15,133</b>	<b>-</b>	<b>15,133</b>
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		-	-	-	15,133	-	15,133
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	<b>(4)</b>	<b>5,965</b>	<b>7,260</b>	<b>13,225</b>	<b>13,864</b>	<b>6,674</b>	<b>20,538</b>
5.1	Share Certificates		-	-	-	-	-	-
5.2	Government Debt Securities		4,983	-	4,983	6,196	-	6,196
5.3	Other Marketable Securities		982	7,260	8,242	7,668	6,674	14,342
<b>VI.</b>	<b>LOANS</b>	<b>(5)</b>	<b>447,813</b>	<b>185,100</b>	<b>632,913</b>	<b>311,290</b>	<b>92,580</b>	<b>403,870</b>
6.1	Loans		447,813	185,100	632,913	311,290	92,580	403,870
6.1.1	Loans to Bank's Risk Group		-	-	-	-	-	-
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		447,813	185,100	632,913	311,290	92,580	403,870
6.2	Loans under Follow-up		-	-	-	-	-	-
6.3	Specific Provisions (-)		-	-	-	-	-	-
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII.</b>	<b>HELD-TO-MATURITY SECURITIES (Net)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
8.1	Government Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
<b>X.</b>	<b>SUBSIDIARIES (Net)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	<b>(10)</b>	<b>8,036</b>	<b>16,558</b>	<b>24,594</b>	<b>-</b>	<b>-</b>	<b>-</b>
12.1	Financial Lease Receivables		10,288	17,253	27,541	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		(2,252)	(695)	(2,947)	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	<b>(11)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
13.1	Fair Value Hedge		-	-	-	-	-	-
13.2	Cash Flow Hedge		-	-	-	-	-	-
13.3	Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XIV.</b>	<b>PROPERTY AND EQUIPMENT (Net)</b>	<b>(12)</b>	<b>583</b>	<b>-</b>	<b>583</b>	<b>681</b>	<b>-</b>	<b>681</b>
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>(13)</b>	<b>831</b>	<b>-</b>	<b>831</b>	<b>981</b>	<b>-</b>	<b>981</b>
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		831	-	831	981	-	981
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII.</b>	<b>TAX ASSET</b>		<b>515</b>	<b>-</b>	<b>515</b>	<b>689</b>	<b>-</b>	<b>689</b>
17.1	Current Tax Asset		2	-	2	-	-	-
17.2	Deferred Tax Asset		513	-	513	689	-	689
<b>XVIII.</b>	<b>ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1	Held for Resale		-	-	-	-	-	-
18.2	Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	<b>(17)</b>	<b>2,421</b>	<b>45</b>	<b>2,466</b>	<b>4,559</b>	<b>45</b>	<b>4,604</b>
	<b>TOTAL ASSETS</b>		<b>486,977</b>	<b>311,669</b>	<b>798,646</b>	<b>381,029</b>	<b>129,328</b>	<b>510,357</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 STATEMENT OF FINANCIAL POSITION  
AT 30 SEPTEMBER 2017**

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

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

	LIABILITIES	Note (Section Five-II)	Current Period 30 September 2017			Prior Period 31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>DEPOSITS</b>	<b>(1)</b>	-	-	-	-	-	-
1.1	Deposits of Bank's Risk Group		-	-	-	-	-	-
1.2	Other		-	-	-	-	-	-
<b>II.</b>	<b>TRADING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(2)</b>	<b>316</b>	<b>3</b>	<b>319</b>	<b>1,603</b>	-	<b>1,603</b>
<b>III.</b>	<b>BORROWINGS</b>	<b>(3)</b>	<b>58,877</b>	<b>226,231</b>	<b>285,108</b>	<b>46,374</b>	<b>145,523</b>	<b>191,897</b>
<b>IV.</b>	<b>MONEY MARKETS</b>		<b>44,925</b>	-	<b>44,925</b>	<b>15,963</b>	-	<b>15,963</b>
4.1	Funds from Interbank Money Market		-	-	-	-	-	-
4.2	Funds from Istanbul Stock Exchange Money Market		40,986	-	40,986	11,306	-	11,306
4.3	Funds Provided Under Repurchase Agreements	<b>(4)</b>	3,939	-	3,939	4,657	-	4,657
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>94,199</b>	<b>88,913</b>	<b>183,112</b>	<b>37,239</b>	-	<b>37,239</b>
5.1	Bills		94,199	-	94,199	37,239	-	37,239
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	88,913	88,913	-	-	-
<b>VI.</b>	<b>FUNDS</b>		<b>1,739</b>	<b>13,688</b>	<b>15,427</b>	<b>3,901</b>	<b>16</b>	<b>3,917</b>
6.1	Borrower Funds	<b>(6)</b>	1,739	13,688	15,427	3,901	16	3,917
6.2	Other		-	-	-	-	-	-
<b>VII.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>39</b>	-	<b>39</b>	<b>29</b>	<b>1,425</b>	<b>1,454</b>
<b>VIII.</b>	<b>OTHER LIABILITIES</b>	<b>(7)</b>	<b>3,280</b>	<b>47</b>	<b>3,327</b>	<b>5,092</b>	<b>20</b>	<b>5,112</b>
<b>IX.</b>	<b>FACTORING PAYABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>LEASE PAYABLES (Net)</b>	<b>(8)</b>	-	-	-	-	-	-
10.1	Financial Lease Payables		-	-	-	-	-	-
10.2	Operational Lease Payables		-	-	-	-	-	-
10.3	Other		-	-	-	-	-	-
10.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>XI.</b>	<b>HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>	<b>(9)</b>	-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
<b>XII.</b>	<b>PROVISIONS</b>	<b>(10)</b>	<b>8,088</b>	-	<b>8,088</b>	<b>6,435</b>	-	<b>6,435</b>
12.1	General Loan Loss Provision		6,418	-	6,418	4,471	-	4,471
12.2	Restructuring Provisions		-	-	-	-	-	-
12.3	Reserve for Employee Rights		433	-	433	352	-	352
12.4	Insurance Technical Provisions (Net)		-	-	-	-	-	-
12.5	Other Provisions		1,237	-	1,237	1,612	-	1,612
<b>XIII.</b>	<b>TAX LIABILITY</b>	<b>(11)</b>	<b>2,243</b>	-	<b>2,243</b>	<b>2,079</b>	-	<b>2,079</b>
13.1	Current Tax Liability		2,243	-	2,243	2,079	-	2,079
13.2	Deferred Tax Liability		-	-	-	-	-	-
<b>XIV.</b>	<b>PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS</b>	<b>(12)</b>	-	-	-	-	-	-
14.1	Held for Resale		-	-	-	-	-	-
14.2	Discontinued Operations		-	-	-	-	-	-
<b>XV.</b>	<b>SUBORDINATED LOANS</b>	<b>(13)</b>	-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>(14)</b>	<b>256,058</b>	-	<b>256,058</b>	<b>244,658</b>	-	<b>244,658</b>
16.1	Paid-in Capital		255,000	-	255,000	255,000	-	255,000
16.2	Capital Reserves		(20)	-	(20)	11	-	11
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Marketable Securities Valuation Reserve		(20)	-	(20)	11	-	11
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)		754	-	754	(10,677)	-	(10,677)
16.4.1	Prior Years' Income/ (Loss)		(10,677)	-	(10,677)	(24,682)	-	(24,682)
16.4.2	Current Year Income/ (Loss)		11,431	-	11,431	14,005	-	14,005
	<b>TOTAL LIABILITIES</b>		<b>469,764</b>	<b>328,882</b>	<b>798,646</b>	<b>363,373</b>	<b>146,984</b>	<b>510,357</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 30 SEPTEMBER 2017**

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

**II. OFF-BALANCE SHEET**

	OFF-BALANCE SHEET COMMITMENTS	Note (Section Five-III)	Current Period 30 September 2017			Prior Period 31 December 2016		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>226,752</b>	<b>154,921</b>	<b>381,673</b>	<b>154,327</b>	<b>92,856</b>	<b>247,183</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>194,781</b>	<b>123,470</b>	<b>318,251</b>	<b>130,451</b>	<b>67,459</b>	<b>197,910</b>
1.1.	Letters of Guarantee		194,781	86,253	281,034	130,451	41,119	171,570
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		194,781	86,253	281,034	130,451	41,119	171,570
1.2.	Bank Acceptances		-	-	-	-	-	-
1.2.1.	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2.	Other Bank Acceptances		-	-	-	-	-	-
1.3.	Letters of Credit		-	2,758	2,758	-	6,984	6,984
1.3.1.	Documentary Letters of Credit		-	2,758	2,758	-	6,984	6,984
1.3.2.	Other Letters of Credit		-	-	-	-	-	-
1.4.	Refinancing 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		-	34,459	34,459	-	19,356	19,356
1.9.	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>	<b>(1)</b>	<b>817</b>	<b>799</b>	<b>1,616</b>	<b>11</b>	<b>-</b>	<b>11</b>
2.1.	Irrevocable Commitments		817	799	1,616	11	-	11
2.1.1.	Asset Purchase and Sales Commitments		800	799	1,599	-	-	-
2.1.2.	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3.	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4.	Commitments for Loan Limits		-	-	-	-	-	-
2.1.5.	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6.	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7.	Commitments for Cheques		-	-	-	-	-	-
2.1.8.	Tax and Fund Liabilities from Export Commitments		17	-	17	11	-	11
2.1.9.	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10.	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11.	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12.	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13.	Other Irrevocable Commitments		-	-	-	-	-	-
2.2.	Revocable Commitments		-	-	-	-	-	-
2.2.1.	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2.	Other Revocable Commitments		-	-	-	-	-	-
<b>III.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2), (3)</b>	<b>31,154</b>	<b>30,652</b>	<b>61,806</b>	<b>23,865</b>	<b>25,397</b>	<b>49,262</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		31,154	30,652	61,806	23,865	25,397	49,262
3.2.1.	Forward Foreign Currency Buy/Sell Transactions		26,175	25,679	51,854	13,446	14,267	27,713
3.2.1.1.	Forward Foreign Currency Transactions-Buy		26,175	-	26,175	10,170	3,519	13,689
3.2.1.2.	Forward Foreign Currency Transactions-Sell		-	25,679	25,679	3,276	10,748	14,024
3.2.2.	Swap Transactions Related to Foreign Currency and Interest Rates		4,979	4,973	9,952	10,419	11,130	21,549
3.2.2.1.	Foreign Currency Swap-Buy		-	4,973	4,973	10,419	-	10,419
3.2.2.2.	Foreign Currency Swap-Sell		4,979	-	4,979	-	11,130	11,130
3.2.2.3.	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4.	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3.	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1.	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2.	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3.	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4.	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5.	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6.	Securities Options-Sell		-	-	-	-	-	-
3.2.4.	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1.	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2.	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5.	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1.	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2.	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6.	Other		-	-	-	-	-	-
<b>B.</b>	<b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>409,038</b>	<b>349,095</b>	<b>758,133</b>	<b>200,145</b>	<b>105,818</b>	<b>305,963</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>18,853</b>	<b>-</b>	<b>18,853</b>	<b>2,357</b>	<b>-</b>	<b>2,357</b>
4.1.	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2.	Investment Securities Held in Custody		13,516	-	13,516	-	-	-
4.3.	Cheques Received for Collection		5,337	-	5,337	2,357	-	2,357
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	-
4.5.	Other Assets Received for Collection		-	-	-	-	-	-
4.6.	Assets Received for Public Offering		-	-	-	-	-	-
4.7.	Other Items Under Custody		-	-	-	-	-	-
4.8.	Custodians		-	-	-	-	-	-
<b>V.</b>	<b>PLEDGES RECEIVED</b>		<b>390,150</b>	<b>305,617</b>	<b>695,767</b>	<b>197,758</b>	<b>60,300</b>	<b>258,058</b>
5.1.	Marketable Securities		63,936	53,282	117,218	-	52,788	52,788
5.2.	Guarantee Notes		260,836	75,884	336,720	167,311	6,413	173,724
5.3.	Commodity		22,634	8,332	30,966	5,497	1,099	6,596
5.4.	Warranty		-	-	-	-	-	-
5.5.	Immovable		42,744	-	42,744	24,950	-	24,950
5.6.	Other Pledged Items		-	168,119	168,119	-	-	-
5.7.	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>35</b>	<b>43,478</b>	<b>43,513</b>	<b>30</b>	<b>45,518</b>	<b>45,548</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>635,790</b>	<b>504,016</b>	<b>1,139,806</b>	<b>354,472</b>	<b>198,674</b>	<b>553,146</b>

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

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**III. STATEMENT OF PROFIT AND LOSS**

	INCOME AND EXPENSE ITEMS	Note (Section Five-IV)	Current Period 1 January - 30 September 2017	Prior Period 1 January - 30 September 2016	Current Period 1 July - 30 September 2017	Prior Period 1 July - 30 September 2016
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>44,615</b>	<b>26,474</b>	<b>17,176</b>	<b>9,117</b>
1.1	Interest on Loans		40,625	23,733	15,671	8,266
1.2	Interest Received from Reserve Requirements		462	94	229	31
1.3	Interest Received from Banks		408	1,357	236	420
1.4	Interest Received from Money Market Transactions		284	47	12	24
1.5	Interest Received from Marketable Securities Portfolio		1,454	1,243	404	376
1.5.1	Trading Financial Assets		-	-	-	-
1.5.2	Financial Assets at Fair Value through Profit or Loss		-	-	-	-
1.5.3	Available-for-sale Financial Assets		1,454	1,243	404	376
1.5.4	Held-to-maturity Investments		-	-	-	-
1.6	Financial Lease Income		1,382	-	624	-
1.7	Other Interest Income		-	-	-	-
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>(16,062)</b>	<b>(3,574)</b>	<b>(6,964)</b>	<b>(1,436)</b>
2.1	Interest on Deposits (-)		-	-	-	-
2.2	Interest on Funds Borrowed (-)		(7,700)	(2,828)	(2,676)	(1,351)
2.3	Interest Expense on Money Market Transactions (-)		(2,246)	(475)	(1,168)	(77)
2.4	Interest on Securities Issued (-)		(5,840)	-	(3,014)	-
2.5	Other Interest Expenses (-)	<b>(12)</b>	(276)	(271)	(106)	(8)
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>28,553</b>	<b>22,900</b>	<b>10,212</b>	<b>7,681</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>1,219</b>	<b>894</b>	<b>398</b>	<b>323</b>
4.1	Fees and Commissions Received		1,678	1,017	587	357
4.1.1	Non-cash Loans		1,510	841	536	287
4.1.2	Other	<b>(12)</b>	168	176	51	70
4.2	Fees and Commissions Paid (-)		(459)	(123)	(189)	(34)
4.2.1	Non-cash Loans (-)		(139)	-	(72)	-
4.2.2	Other (-)	<b>(12)</b>	(320)	(123)	(117)	(34)
<b>V.</b>	<b>DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>TRADING INCOME/(LOSS) (Net)</b>	<b>(4)</b>	<b>2,365</b>	<b>1,521</b>	<b>1,061</b>	<b>624</b>
6.1	Trading Gains/(Losses) on Securities		293	(19)	137	(36)
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		(1,234)	743	59	(160)
6.3	Foreign Exchange Gains/(Losses)		3,306	797	865	820
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>91</b>	<b>79</b>	<b>7</b>	<b>(35)</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>32,228</b>	<b>25,394</b>	<b>11,678</b>	<b>8,593</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(1,947)</b>	<b>(1,210)</b>	<b>(693)</b>	<b>(367)</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(15,443)</b>	<b>(11,271)</b>	<b>(5,495)</b>	<b>(3,803)</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>14,838</b>	<b>12,913</b>	<b>5,490</b>	<b>4,423</b>
<b>XII.</b>	<b>EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIII.</b>	<b>INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XIV.</b>	<b>INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)</b>	<b>(8)</b>	<b>14,838</b>	<b>12,913</b>	<b>5,490</b>	<b>4,423</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>(9)</b>	<b>(3,407)</b>	<b>(2,956)</b>	<b>(1,245)</b>	<b>(1,091)</b>
16.1	Current Tax Provision		(3,233)	(2,685)	(1,389)	(1,127)
16.2	Deferred Tax Provision		(174)	(271)	144	36
<b>XVII.</b>	<b>NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>(10)</b>	<b>11,431</b>	<b>9,957</b>	<b>4,245</b>	<b>3,332</b>
<b>XVIII.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
18.1	Income from Non-Current Assets Held for Resale		-	-	-	-
18.2	Sale Income from Associates, Subsidiaries and Joint Ventures		-	-	-	-
18.3	Other Income from Discontinued Operations		-	-	-	-
<b>XIX.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19.1	Expense from Non-Current Assets Held for Resale		-	-	-	-
19.2	Sale Losses from Associates, Subsidiaries and Joint Ventures		-	-	-	-
19.3	Other Expenses from Discontinued Operations		-	-	-	-
<b>XX.</b>	<b>INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)</b>	<b>(8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXI.</b>	<b>TAX PROVISION FOR DISCONTINUED OPERATIONS (-)</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
21.1	Current tax provision		-	-	-	-
21.2	Deferred tax provision		-	-	-	-
<b>XXII.</b>	<b>NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)</b>	<b>(10)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII.</b>	<b>NET INCOME/(LOSS) (XVII+XXII)</b>	<b>(11)</b>	<b>11,431</b>	<b>9,957</b>	<b>4,245</b>	<b>3,332</b>
	Earnings/(Loss) per share		0.0448	0.0390	0.0166	0.0131

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  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

		<b>Current Period</b> <b>1 January 2017 –</b> <b>30 September</b> <b>2017</b>	<b>Prior Period</b> <b>1 January 2016 –</b> <b>30 September</b> <b>2016</b>	<b>Current Period</b> <b>1 July 2017 –</b> <b>30 September</b> <b>2017</b>	<b>Prior Period</b> <b>1 July 2016 –</b> <b>30 September</b> <b>2016</b>
	<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>				
<b>I.</b>	<b>ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS</b>	(39)	137	(48)	7
<b>II.</b>	<b>REVALUATION DIFFERENCES OF TANGIBLE ASSETS</b>	-	-	-	-
<b>III.</b>	<b>REVALUATION DIFFERENCES OF INTANGIBLE ASSETS</b>	-	-	-	-
<b>IV.</b>	<b>FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS</b>	-	-	-	-
<b>V.</b>	<b>INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-	-	-
<b>VI.</b>	<b>PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)</b>	-	-	-	-
<b>VII.</b>	<b>EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS</b>	-	-	-	-
<b>VIII.</b>	<b>OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS</b>	-	-	-	-
<b>IX.</b>	<b>DEFERRED TAX ON VALUATION DIFFERENCES</b>	8	(27)	9	21
<b>X.</b>	<b>NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)</b>	(31)	110	(39)	28
<b>XI.</b>	<b>CURRENT PERIOD INCOME/LOSS</b>	<b>11,431</b>	<b>9,957</b>	<b>4,245</b>	<b>3,332</b>
11.1	Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-	-	-	-
11.2	Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-	-	-
11.3	Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-	-	-	-
11.4	Other	11,431	9,957	4,245	3,332
<b>XII.</b>	<b>TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)</b>	<b>11,400</b>	<b>10,067</b>	<b>4,206</b>	<b>3,360</b>

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

	Prior Period 1 January 2016 – 30 September 2016	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
I.	Balance at the beginning of the period		255,000	-	-	-	29	295	-	-	8,787	(33,469)	(90)	-	-	-	-	230,552
II.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New Balance		255,000	-	-	-	29	295	-	-	8,787	(33,469)	(90)	-	-	-	-	230,552
	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	110	-	-	-	-	110
VI.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVIII.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIX.	Current Year Income or Loss		-	-	-	-	-	-	-	-	9,957	-	-	-	-	-	-	9,957
XX.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(8,787)	8,787	-	-	-	-	-	-
20.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
20.3	Other		-	-	-	-	-	-	-	-	(8,787)	8,787	-	-	-	-	-	-
	Period End Balance (III+ ...+ XX)		255,000	-	-	-	29	295	-	-	9,957	(24,682)	20	-	-	-	-	240,619

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

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

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

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW  
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

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

**VI. STATEMENT OF CASH FLOW**

			Current Period	Prior Period
		Note (Section Five-VI)	1 January 2017 – 30 September 2017	1 January 2016 – 30 September 2016
<b>A.</b>	<b>CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1</b>	<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>		<b>15,217</b>	<b>11,866</b>
1.1.1	Interest Received		40,363	23,880
1.1.2	Interest Paid		(9,046)	(1,909)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		2,283	1,012
1.1.5	Other Income		855	1,376
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7	Payments to Personnel and Service Suppliers		(8,044)	(5,014)
1.1.8	Taxes Paid		(3,342)	(1,558)
1.1.9	Other	(2)	(7,852)	(5,921)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>(136,092)</b>	<b>(34,249)</b>
1.2.1	Net (Increase)/Decrease in Trading Securities		(4,500)	-
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(12,909)	(5,231)
1.2.4	Net (Increase)/Decrease in Loans		(225,617)	(122,486)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	(20,434)	4,199
1.2.6	Net Increase/(Decrease) in Bank Deposits		-	-
1.2.7	Net Increase/(Decrease) in Other Deposits		-	-
1.2.8	Net Increase/(Decrease) in Funds Borrowed		92,162	97,434
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	35,206	(8,165)
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(120,875)</b>	<b>(22,383)</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II.</b>	<b>Net Cash Provided from / (Paid For) Investing Activities</b>		<b>7,502</b>	<b>(2,841)</b>
2.1	Cash Paid for Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment		(77)	(215)
2.4	Disposals of Property and Equipment		1	-
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(15,662)	(15,095)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		23,480	12,852
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other	(2)	(240)	(383)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>139,966</b>	<b>-</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		271,213	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(131,247)	-
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(2)	<b>201</b>	<b>545</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>26,794</b>	<b>(24,679)</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>59,134</b>	<b>48,248</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>	(1)	<b>85,928</b>	<b>23,569</b>

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2017**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. BASIS OF PRESENTATION**

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

The unconsolidated financial statements are prepared within the scope of the “Regulation on Accounting Applications for Banks and Safeguarding of Documents” related with Banking Act numbered 5411 published in the Official Gazette no.26333 dated 1 November 2006 and in accordance with the regulations, communiqués, interpretations and legislations related to accounting and financial reporting principles published by the Banking Regulation and Supervision Agency (“BRSA”), and in case where a specific regulation is not made by BRSA, “Turkish Accounting Standards” (“TAS”) and “Turkish Financial Reporting Standards” (“TFRS”) and related appendices and interpretations put into effect by Public Oversight Accounting and Auditing Standards Authority (“POA”). The format and content of the publicly announced unconsolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” and “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Act, Turkish Commercial Code and Turkish Tax Legislation.

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

The preparation of unconsolidated financial statements in conformity with TAS requires the use of certain critical accounting estimates by the Bank management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates, which include the fair value calculations of financial instruments and impairments of financial assets are being reviewed regularly and, when necessary, suitable corrections are made and the effects of these corrections are reflected to the income statement. Assumptions and estimates that are used in the preparation of the accompanying financial statements are explained in the following related disclosures.

The amendments of TAS and TFRS, effectiveness date is 1 January 2017, have no material impact on the Bank’s accounting policies, financial position and performance. The amendments of TAS and TFRS, except TFRS 9 Financial Instruments (2011 Version) will have no impact on the accounting policies, financial condition and performance of the Bank. The Bank assesses the impact of TFRS 9 Financial Instruments standard.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined and applied in accordance with regulations, communiqués, explanations and circulars on accounting and financial reporting principles published by the BRSA, and in case where there is no special regulation made by the BRSA, in accordance with principles in the context of TAS and TFRS, are consistent with the accounting policies applied in the annual financial statements of the year ended 31 December 2016. Aforementioned accounting policies and valuation principles are explained in below.

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The Bank does not have any embedded derivative instruments.

Derivative 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.

**IV. 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.

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FINANCIAL ASSETS**

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

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

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

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

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

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

**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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

**VII. 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.

**VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

The Bank has no discontinued operations.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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”.

**XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

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

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

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

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

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

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

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



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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

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

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

*Operating Lease*

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

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

Provisions and contingent liabilities except for the financial instruments within the scope of the 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.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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.

**XVI. 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.

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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

Deferred tax effects of the transactions accounted under equity are included in equity.

**c. Transfer Pricing:**

The article 13 of the Corporate Tax Law describes the issue of transfer pricing under the title of “Disguised profit distribution” by way of transfer pricing. “The General Communiqué on Disguised Profit Distribution by Way of Transfer Pricing” explains the application related issues on this matter.

According to this Communiqué, The Bank is required to fill out Transfer Pricing form, if the taxpayers conduct transactions like purchase and sale of goods or services with the related parties as well as the methodology of the transfer pricing.

**XVII. EXPLANATIONS ON BORROWINGS**

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

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

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

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

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XX. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 30 September 2017 and 31 December 2016, the Bank has no government grants.

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

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

**XXII. EXPLANATIONS ON EARNINGS PER SHARE**

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

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

**XXIII. EXPLANATIONS ON RELATED PARTIES**

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XXV. EXPLANATIONS ON SEGMENT REPORTING**

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

**XXVI. RECLASSIFICATIONS**

In order to be consistent with the presentation of current period financial statements, there are certain reclassifications. The Bank does not have any reclassifications in the prior period’s financial statements.

**XXVII. EXPLANATIONS ON OTHER MATTERS**

None.

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**SECTION FOUR**

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

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

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

The current period equity amount of the Bank is TL 261,590 while its capital adequacy standard ratio is 35.35% as of 30 September 2017 (31 December 2016 – equity is TL 248,081 and capital adequacy standart ratio is 53.85%). The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

	<b>Current Period 30 September 2017</b>	<b>Amounts Subject to Pre-Basel III treatment Before the 1/1/2014 (*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	255,000	
Share issue premiums	-	
Retained earnings	324	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	-	
Profit	-	
Net profit of the period	11,431	
Profit of the previous years	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>266,755</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	-	
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	10,697	
Improvement costs for operating leasing	55	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	665	588
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
Securitisation gain on sale	-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Investments in own shares	-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	

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Mortgage servicing rights (amount above 10% threshold)	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-
of which: significant investments in the common stock of financials	-
of which: mortgage servicing rights	-
of which: deferred tax assets arising from temporary differences	-
National specific regulatory adjustments which shall be determined by the Board	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>11,417</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>255,338</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	<b>166</b>
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	166
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>
<b>Total Additional Tier 1 capital</b>	<b>-</b>
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>255,172</b>
<b>TIER 2 CAPITAL</b>	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions (Amounts stated on the 8th article of Regulation on Equities of Banks)	6,418
<b>Tier 2 capital before regulatory adjustments</b>	<b>6,418</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments	-

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Reciprocal cross-holdings in Tier 2 instruments	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Total regulatory adjustments to Tier 2 capital</b>	-	
<b>Total Tier 2 capital</b>	<b>6,418</b>	
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>261,590</b>	
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not be deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>OWN FUNDS</b>		
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>261,590</b>	
<b>Total Risk Weighted Assets</b>	<b>739,923</b>	
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	34.51%	
Tier 1 Capital Adequacy Ratio (%)	34.49%	
Capital Adequacy Ratio (%)	35.35%	
<b>BUFFERS</b>		
Total buffer ratio	1.38%	
Capital conservation buffer requirement (%)	1.25%	
Bank specific countercyclical buffer requirement (%)	0.13%	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	26.51%	



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<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	-	
Significant investments in the common stock of financials	-	
Mortgage servicing rights (net of related tax liability)	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	6,418	
Cap on inclusion of provisions in Tier 2 under standardised approach	6,418	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

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	<b>Prior Period 31 December 2016</b>	<b>Amounts Subject to Pre-Basel III treatment Before the 1/1/2014 (*)</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up Capital	255,000	
Share issue premiums	-	
Retained earnings	324	
Accumulated other comprehensive income and other disclosed reserves which defined in the Turkish Accounting Standards	11	
Profit	-	
Net profit of the period	14,005	
Profit of the previous years	-	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
<b>Common Equity Tier 1 capital before regulatory adjustments</b>	<b>269,340</b>	
<b>Common Equity Tier 1 capital: regulatory adjustments</b>		
Prudential valuation adjustments	-	
The sum of the net loss for the current period and the previous years which could not be absorbed by the retained earnings and losses recognised in equity in accordance with TAS	24,682	
Improvement costs for operating leasing	67	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	588	588
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Cash-flow hedge reserve	-	
Shortfall of provisions to expected losses	-	
Securitisation gain on sale	-	
Gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Investments in own shares	-	
Credits extended contrary to the fourth paragraph of Articles 56 of the Banking Law	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
Mortgage servicing rights (amount above 10% threshold)	-	
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
Amount exceeding the 15% threshold (as set out in the paragraph 2 of the Provisional Article 2 of the Regulation on Banks' Own Funds)	-	
of which: significant investments in the common stock of financials	-	
of which: mortgage servicing rights	-	
of which: deferred tax assets arising from temporary differences	-	
National specific regulatory adjustments which shall be determined by the Board	-	
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	

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<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>25,337</b>
<b>Common Equity Tier 1 capital (CET1)</b>	<b>244,003</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Preferred shares that are not included in Common Equity Tier 1 capital and related shares issue premiums	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
<b>Additional Tier 1 capital before regulatory adjustments</b>	<b>-</b>
<b>Additional Tier 1 capital: regulatory adjustments</b>	
Investments in own Additional Tier 1 instruments	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-
National specific regulatory adjustments which shall be determined by the Board	-
<b>Regulatory Adjustments which will be deducted from Tier 1 capital during the transition period</b>	<b>393</b>
Goodwill and other intangible assets and related deferred tax liabilities which will not be deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	393
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
<b>Total regulatory adjustments to Additional Tier 1 capital</b>	<b>-</b>
<b>Total Additional Tier 1 capital</b>	<b>-</b>
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	<b>243,610</b>
<b>TIER 2 CAPITAL</b>	
Eligible capital instruments and relevant share issue premiums that are approved by the Agency	-
Eligible capital instruments and relevant share issue premiums that are approved by the Agency (For the purposes of the Provisional Article 4 of the Regulation on Banks' Own Funds)	-
Provisions (Amounts stated on the 8th article of Regulation on Equities of Banks)	4,471
<b>Tier 2 capital before regulatory adjustments</b>	<b>4,471</b>
<b>Tier 2 capital: regulatory adjustments</b>	
Investments in own Tier 2 instruments	-
Reciprocal cross-holdings in Tier 2 instruments	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-

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Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) (-)	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Total regulatory adjustments to Tier 2 capital</b>	-	
<b>Total Tier 2 capital</b>	<b>4,471</b>	
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>248,081</b>	
<b>The Sum of Tier 1 Capital and Tier 2 Capital (Total Capital)</b>		
Credits extended contrary to the provisions of Articles 50 and 51 of the Banking Law	-	
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition	-	
National specific regulatory adjustments which shall be determined by the Board	-	
<b>Regulatory Adjustments which will be deducted from Total Capital during the transition period</b>	-	
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold) which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold), mortgage servicing rights (amount above 10% threshold), deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
<b>OWN FUNDS</b>		
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>248,081</b>	
<b>Total Risk Weighted Assets</b>	<b>460,716</b>	
<b>CAPITAL ADEQUACY RATIOS</b>		
Common Equity Tier 1 Capital Adequacy Ratio (%)	52.96%	
Tier 1 Capital Adequacy Ratio (%)	52.88%	
Capital Adequacy Ratio (%)	53.85%	
<b>BUFFERS</b>		
Institution specific buffer requirement	0.625%	
of which: capital conservation buffer requirement (%)	0.625%	
of which: bank specific countercyclical buffer requirement (%)	-	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	-	
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
Non-significant investments in the capital of other financials	-	
Significant investments in the common stock of financials	-	

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Mortgage servicing rights (net of related tax liability)	-	
Deferred tax assets arising from temporary differences (net of related tax liability)	-	
<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	4,471	
Cap on inclusion of provisions in Tier 2 under standardised approach	4,471	
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	
<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
Current cap on Additional Tier 1 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Current cap on Tier 2 capital instruments which subject to phase out arrangements in the Provisional Article 4 of the Regulation on Banks’ Own Funds	-	
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities) which subject to Provisional Article 4 of the Regulation on Banks’ Own Funds	-	

(\*) Amounts in this column represents the amounts of items that are subject to transition provisions in accordance with the temporary Articles of “Regulations regarding to changes on Regulation on Equity of Banks” and taken into consideration at the end of transition process.

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

None.

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**II. EXPLANATIONS ON CURRENCY RISK**

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

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

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

	<b>USD</b>	<b>EURO</b>
<b>Bid Rate</b>	3.5521	4.1924
1. Bid rate	3.5720	4.2023
2. Bid rate	3.5657	4.1891
3. Bid rate	3.5344	4.1747
4. Bid rate	3.5162	4.1818
5. Bid rate	3.4862	4.1763

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

	<b>USD</b>		<b>EURO</b>	
	<b>30 September 2017</b>	<b>31 December 2016</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Arithmetic average - 30 days	3.4656	3.4935	4.1397	3.6840

As at 31 December 2016; The Bank's USD bid rate is 3.5192 and EUR bid rate is 3.7099.

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

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

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

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	EUR	USD	Other FC	Total
<b>30 September 2017</b>				
<b>Assets</b>				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	2,918	36,971	-	39,889
Due from Banks	8,991	53,816	10	62,817
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	-	7,260	7,260
Loans (*)	95,154	139,001	-	234,155
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets (****)	-	16,603	-	16,603
<b>Total Assets</b>	<b>107,063</b>	<b>246,391</b>	<b>7,270</b>	<b>360,724</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	78,756	140,246	7,229	226,231
Marketable Securities Issued	-	88,913	-	88,913
Miscellaneous Payables	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities (***)	8,369	5,366	-	13,735
<b>Total Liabilities</b>	<b>87,125</b>	<b>234,525</b>	<b>7,229</b>	<b>328,879</b>
<b>Net On-balance Sheet Position</b>	<b>19,938</b>	<b>11,866</b>	<b>41</b>	<b>31,845</b>
<b>Net Off-balance Sheet Position</b>	<b>(19,285)</b>	<b>(2,220)</b>	<b>-</b>	<b>(21,505)</b>
Derivative Financial Assets (**)	-	4,973	-	4,973
Derivative Financial Liabilities (**)	19,285	7,193	-	26,478
<b>Non-Cash Loans (*****)</b>	<b>39,394</b>	<b>72,157</b>	<b>11,919</b>	<b>123,470</b>
<b>31 December 2016</b>				
<b>Total Assets</b>	<b>63,488</b>	<b>103,873</b>	<b>6,676</b>	<b>174,037</b>
<b>Total Liabilities</b>	<b>48,449</b>	<b>91,875</b>	<b>6,660</b>	<b>146,984</b>
<b>Net On-balance Sheet Position</b>	<b>15,039</b>	<b>11,998</b>	<b>16</b>	<b>27,053</b>
<b>Net Off-balance Sheet Position</b>	<b>(14,840)</b>	<b>(3,519)</b>	<b>-</b>	<b>(18,359)</b>
Derivative Financial Assets (**)	-	3,519	-	3,519
Derivative Financial Liabilities (**)	14,840	7,038	-	21,878
<b>Non-Cash Loans (*****)</b>	<b>27,170</b>	<b>38,576</b>	<b>1,713</b>	<b>67,459</b>

(\*) Foreign currency indexed loans amounting to TL 49,055 (31 December 2016 : TL 44,990) are included.

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

(\*\*\*) Fair value of trading derivative transactions amounting to TL 3 presented under "trading derivative financial liabilities" account is not included.

(\*\*\*\*) Lease receivables amounting to TL 16,558 are included in 'other assets' line.

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

**Foreign Exchange Sensitivity Analysis**

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 30 September 2017 and 31 December 2016 on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		30 September 2017	31 December 2016	30 September 2017	31 December 2016
USD	% 10	965	848	965	848
EUR	% 10	65	20	65	20

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**III. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

**Interest rate sensitivity of the Bank:**

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

<b>30 September 2017</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	32,690	-	-	-	-	12,917	45,607
Due from Banks	61,672	10,165	-	-	-	1,174	73,011
Financial Assets at Fair Value Through Profit/Loss	-	83	35	-	-	4,783	4,901
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	8,242	4,983	-	-	-	13,225
Loans	246,980	115,543	154,067	107,436	8,887	-	632,913
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*) (***)	-	-	-	24,594	-	4,395	28,989
<b>Total Assets</b>	<b>341,342</b>	<b>134,033</b>	<b>159,085</b>	<b>132,030</b>	<b>8,887</b>	<b>23,269</b>	<b>798,646</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	44,925	-	-	-	-	-	44,925
Miscellaneous Payables	-	-	-	-	-	39	39
Marketable Securities Issued	65,444	-	28,755	-	88,913	-	183,112
Funds Borrowed From Other Financial Institutions	107,647	119,610	57,851	-	-	-	285,108
Other Liabilities (**)	1,222	8,620	-	-	-	275,620	285,462
<b>Total Liabilities</b>	<b>219,238</b>	<b>128,230</b>	<b>86,606</b>	<b>-</b>	<b>88,913</b>	<b>275,659</b>	<b>798,646</b>
Balance Sheet Long Position	122,104	5,803	72,479	132,030	-	-	332,416
Balance Sheet Short Position	-	-	-	-	(80,026)	(252,390)	(332,416)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>122,104</b>	<b>5,803</b>	<b>72,479</b>	<b>132,030</b>	<b>(80,026)</b>	<b>(252,390)</b>	<b>-</b>

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

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

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



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<b>31 December 2016</b>	<b>Up to 1 Month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Year</b>	<b>5 Year and over</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	19,579	-	-	-	-	14,857	34,436
Due from Banks	22,530	-	-	-	-	6,614	29,144
Financial Assets at Fair Value Through Profit/Loss	-	281	-	-	-	-	281
Money Market Placements	-	15,133	-	-	-	-	15,133
Available-for-Sale Financial Assets	3,724	12,779	4,035	-	-	-	20,538
Loans	178,777	86,269	128,751	10,073	-	-	403,870
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	6,955	6,955
<b>Total Assets</b>	<b>224,610</b>	<b>114,462</b>	<b>132,786</b>	<b>10,073</b>	<b>-</b>	<b>28,426</b>	<b>510,357</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	15,963	-	-	-	-	-	15,963
Miscellaneous Payables	-	-	-	-	-	1,454	1,454
Marketable Securities Issued	37,239	-	-	-	-	-	37,239
Funds Borrowed From Other Financial Institutions	44,281	9,171	138,445	-	-	-	191,897
Other Liabilities (**)	500	1,603	-	-	-	261,701	263,804
<b>Total Liabilities</b>	<b>97,983</b>	<b>10,774</b>	<b>138,445</b>	<b>-</b>	<b>-</b>	<b>263,155</b>	<b>510,357</b>
Balance Sheet Long Position	126,627	103,688	-	10,073	-	-	240,388
Balance Sheet Short Position	-	-	(5,659)	-	-	(234,729)	(240,388)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>126,627</b>	<b>103,688</b>	<b>(5,659)</b>	<b>10,073</b>	<b>-</b>	<b>(234,729)</b>	<b>-</b>

(\*) Property and equipment, intangible assets and non-interest bearing assets in other assets and tax assets are presented under “Non-Interest bearing” column of Other Assets” line.  
(\*\*) Shareholders’ equity, provisions, non-interest bearing liabilities in other liabilities and tax liability is presented under “Other Liabilities” in the “Non-Interest Bearing” column.

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

<b>30 September 2017</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.13	-	4.00
Due From Banks	0.03	1.09	-	12.21
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	13.16
Available-for-Sale Financial Assets	-	-	-	11.75
Loans (*)	4.32	5.88	-	14.87
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	13.50
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	13.56
Funds Borrowed From Other Financial Inst.	1.48	3.18	-	12.01

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

<b>31 December 2016</b>	<b>EUR %</b>	<b>USD %</b>	<b>JPY %</b>	<b>TL %</b>
<b>Assets</b>				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.75	-	5.31
Due From Banks	0.10	1.49	-	9.41
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	9.69
Available-for-Sale Financial Assets	-	-	-	10.20
Loans	3.84	4.92	-	13.65
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	8.77
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	11.73
Funds Borrowed From Other Financial Inst.	1.79	3.02	-	11.01

**IV. EXPLANATIONS ON EQUITY POSITION RISK**

The Bank does not hold equity position as of 30 September 2017 (31 December 2016: None).

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**V. EXPLANATIONS ON LIQUIDITY RISK**

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

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the liquidity of the Bank daily and informs assets and liabilities committee weekly about the liquidity level of the Bank. Treasury department is responsible for planning liquidity management, taking measures and informing the senior management of aforementioned issues.

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

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

Treasury department manages the liquidity of the Bank daily and informs assets and liabilities committee weekly about the liquidity level of the Bank. Treasury department is responsible for planning liquidity management, taking measures and informing the senior management of aforementioned issues.

Financial planning and control department is legally responsible for measuring and reporting of liquidity risk. Stress test applied to liquidity position and calculation of liquidity coverage rate is performed by Risk Management Department.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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**g. Liquidity ratios realized in the current period**

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

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>30 September 2017 (*)</b>				
Average (%)	289	288	106	182
Maximum (%)	559	732	187	249
Minimum (%)	113	106	80	134

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2016 (*)</b>				
Average (%)	221	377	116	383
Maximum (%)	327	556	167	587
Minimum (%)	144	195	87	279

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

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**h. Liquidity Coverage Ratio**

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

Current Period-30 September 2017 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TL+FC	FC	TL+FC	FC
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			56,586	36,446
<b>Cash Outflows</b>				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	162,336	44,153	157,310	39,127
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	162,336	44,153	157,310	39,127
9 Secured Debts			-	-
10 Other Cash Outflows	79,294	28,882	31,718	12,035
11 Derivative liabilities and margin liabilities	-	803	-	803
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	79,294	28,079	31,718	11,232
14 Revocable off-balance sheet other liabilities and other contractual liabilities notwithstanding to any conditions	-	-	-	-
15 Other irrevocable or conditionally revocable off-balance sheet liabilities	210,705	86,243	21,071	8,624
<b>16 TOTAL CASH OUTFLOWS</b>			<b>210,099</b>	<b>59,786</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	165,113	21,897	102,498	21,604
19 Other cash inflows	236	111	236	111
<b>20 TOTAL CASH INFLOWS</b>	<b>165,349</b>	<b>22,008</b>	<b>102,734</b>	<b>21,715</b>
			<b>Upper limit applied amount</b>	
<b>21 TOTAL HLA STOCK</b>			<b>56,586</b>	<b>36,446</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>107,365</b>	<b>38,071</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>52.70%</b>	<b>95.73%</b>

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

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

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

	<b>Demand</b>	<b>Up to 1 month</b>	<b>1-3 Month</b>	<b>3-12 Month</b>	<b>1-5 Year</b>	<b>5 Year and Over</b>	<b>Unclassified (*)</b>	<b>Total</b>
<b>30 September 2017</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	12,917	32,690	-	-	-	-	-	45,607
Due From Banks	1,174	61,672	10,165	-	-	-	-	73,011
Financial Assets at Fair Value Through Profit/Loss	4,783	-	83	35	-	-	-	4,901
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	982	4,983	7,260	-	-	13,225
Loans	-	176,560	68,984	190,715	187,767	8,887	-	632,913
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (*) (***)	-	1,681	2	-	24,594	-	2,712	28,989
<b>Total Assets</b>	<b>18,874</b>	<b>272,603</b>	<b>80,216</b>	<b>195,733</b>	<b>219,621</b>	<b>8,887</b>	<b>2,712</b>	<b>798,646</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	107,647	119,610	57,851	-	-	-	285,108
Miscellaneous Payables	-	44,925	-	-	-	-	-	44,925
Marketable Securities Issued	-	65,444	-	28,755	-	88,913	-	183,112
Funds Borrowed From Other Financial Institutions	-	11	28	-	-	-	-	39
Other Liabilities (**)	5,904	4,132	10,005	-	-	-	265,421	285,462
<b>Total Liabilities</b>	<b>5,904</b>	<b>222,159</b>	<b>129,643</b>	<b>86,606</b>	<b>-</b>	<b>88,913</b>	<b>265,421</b>	<b>798,646</b>
<b>Liquidity Gap</b>	<b>12,970</b>	<b>50,444</b>	<b>(49,427)</b>	<b>109,127</b>	<b>219,621</b>	<b>(80,026)</b>	<b>(262,709)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>(5)</b>	<b>229</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>491</b>
Financial Derivative Assets	-	5,773	21,296	4,879	-	-	-	31,948
Financial Derivative Liabilities	-	(5,778)	(21,067)	(4,612)	-	-	-	(31,457)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>21,268</b>	<b>31,825</b>	<b>92,028</b>	<b>63,317</b>	<b>-</b>	<b>109,813</b>	<b>318,251</b>
<b>31 December 2016</b>								
Total Assets	21,471	168,797	69,005	176,322	71,885	-	2,877	510,357
Total Liabilities	3,417	102,951	12,277	139,898	-	-	251,814	510,357
<b>Liquidity Gap</b>	<b>18,054</b>	<b>65,846</b>	<b>56,728</b>	<b>36,424</b>	<b>71,885</b>	<b>-</b>	<b>(248,937)</b>	<b>-</b>
<b>Net Off-Balance Sheet Liquidity Gap</b>	<b>-</b>	<b>-</b>	<b>(1,046)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,046)</b>
Financial Derivative Assets	-	-	24,108	-	-	-	-	24,108
Financial Derivative Liabilities	-	-	(25,154)	-	-	-	-	(25,154)
<b>Non-cash Loans (****)</b>	<b>-</b>	<b>176</b>	<b>2,006</b>	<b>78,820</b>	<b>-</b>	<b>26,044</b>	<b>90,864</b>	<b>197,910</b>

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

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

(\*\*\*) Lease receivables are presented under other assets line.

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

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**VI. EXPLANATIONS ON LEVERAGE RATIO**

Unconsolidated leverage ratio was realized as 24.8% (31 December 2016: 35.2%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation established a 3% minimum requirement for the leverage ratio.

	<b>Current Period*</b>	<b>Prior Period *</b>
<b>Asset On The Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	731,191	481,081
(Assets deducted from core capital)	(921)	(770)
Total risk amount for assets on the balance sheet	730,270	480,311
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	418	161
Potential credit risk amount of derivative financial instruments and loan derivatives	651	236
Total risk amount of derivative financial instruments and loan derivatives	1,069	397
<b>Financing Transactions With Securities Or Goods Warranties</b>		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	109	152
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	109	152
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	293,978	209,940
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	293,978	209,940
<b>Capital and Total Risk</b>		
Core capital	253,876	242,723
Total risk amount	1,025,426	690,800
<b>Leverage Ratio</b>		
Leverage ratio *	<b>24.8%</b>	<b>35.2%</b>

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



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**VII. EXPLANATIONS ON THE RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the Communiqué on Disclosures about Risk Management to be announced to public by banks that have been published in official gazette no 29511 on 23 October 2015.

**a. General view to risk weighted amounts**

	Risk weighted amounts		Minimum capital requirements
	Current Period 30 September 2017	Prior Period 31 December 2016	Current Period 30 September 2017
Credit risk (excluding counterparty credit risk) (CCR)	685,448	429,126	54,836
Of which standardised approach (SA)	685,448	429,126	54,836
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	729	1,008	58
Of which standardised approach for counterparty credit risk (SA-CCR)	729	1,008	58
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fall-back approach	-	-	-
Settlement risk	-	-	-
Securitisation exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	11,884	10,049	951
Of which standardised approach (SA)	11,884	10,049	951
Of which internal model approaches (IMM)	-	-	-
Operational risk	41,862	20,533	3,349
Of which Basic Indicator Approach	41,862	20,533	3,349
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>739,923</b>	<b>460,716</b>	<b>59,194</b>

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

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

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

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

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

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

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**VIII. EXPLANATIONS ON OPERATING SEGMENTS**

<b>Current Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>Total Assets</b>	<b>657,507</b>	<b>141,139</b>	<b>798,646</b>
<b>Total Liabilities</b>	<b>15,427</b>	<b>783,219</b>	<b>798,646</b>
Net Interest Income/(Loss)	42,007	(13,454)	28,553
Net Fee and Commission Income/(Loss)	1,219	-	1,219
Trading Gain/(Loss)	-	2,365	2,365
Other Operating Segments Gain/(Loss)	-	91	91
Provisions for Loan Losses and Other Receivables(-)	(1,947)	-	(1,947)
Other Operating Expense (-)	-	(15,443)	(15,443)
<b>Profit Before Tax</b>	<b>41,279</b>	<b>(26,441)</b>	<b>14,838</b>
Tax Provision	-	(3,407)	(3,407)
<b>Net Profit</b>	<b>41,279</b>	<b>(29,848)</b>	<b>11,431</b>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>As at 31 December 2016</b>			
<b>Total Assets</b>	<b>403,870</b>	<b>106,487</b>	<b>510,357</b>
<b>Total Liabilities</b>	<b>3,917</b>	<b>506,440</b>	<b>510,357</b>
<b>For the period ended 30 September 2016</b>			
Net Interest Income/(Loss)	23,733	(833)	22,900
Net Fee and Commission Income/(Loss)	894	-	894
Trading Gain/(Loss)	-	1,521	1,521
Other Operating Segments Gain/(Loss)	-	79	79
Provisions for Loan Losses and Other Receivables(-)	(1,210)	-	(1,210)
Other Operating Expense (-)	-	(11,271)	(11,271)
<b>Profit Before Tax</b>	<b>23,417</b>	<b>(10,504)</b>	<b>12,913</b>
Tax Provision	-	(2,956)	(2,956)
<b>Net Profit</b>	<b>23,417</b>	<b>(13,460)</b>	<b>9,957</b>

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**SECTION FIVE**

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

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

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Cash/Foreign currency	29	13	20	10
CBRT	5,689	39,876	14,784	19,622
Other	-	-	-	-
<b>Total</b>	<b>5,718</b>	<b>39,889</b>	<b>14,804</b>	<b>19,632</b>

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Demand Unrestricted Amount	5,689	7,186	14,784	43
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	32,690	-	19,579
<b>Total</b>	<b>5,689</b>	<b>39,876</b>	<b>14,784</b>	<b>19,622</b>

According to CBRT’s “Required Reserves Announcement” numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold. The Bank does not keep reserve requirements in standard gold. CBRT started paying interest on reserve balances in TL starting from November 2014 and held in USD starting from May 2015. The reserve rates for TL liabilities vary between 4% and 10.5% according to their maturities as of 30 September 2017 (31 December 2016: between 4% and 10.5%). The reserve rates for foreign currency liabilities vary between 4% and 24% according to their maturities as of 30 September 2017 (31 December 2016: between 4.5% and 24.5%).

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

- a.** As of 30 September 2017, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2016: None).

As of 30 September 2017; there are no and financial assets given as collateral/are blocked (31 December 2016: None).

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Forward	118	-	-	281
Swap	-	-	-	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>118</b>	<b>-</b>	<b>-</b>	<b>281</b>

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**3. Information on banks:**

**a. Information on banks:**

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
<b>Banks</b>				
Domestic	10,194	62,006	14,024	3,519
Foreign	-	811	5,004	6,597
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>10,194</b>	<b>62,817</b>	<b>19,028</b>	<b>10,116</b>

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

	Unrestricted Amount		Restricted Amount	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
European Union Countries	349	5,917	-	-
USA, Canada	414	678	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	48	5,006	-	-
<b>Total</b>	<b>811</b>	<b>11,601</b>	<b>-</b>	<b>-</b>

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

**4. Information on available-for-sale financial assets:**

- a. As of 30 September 2017 there are financial assets given as collateral/blocked amounting to TL 698 (31 December 2016: TL 1,029).
- b. As of 30 September 2017 there are available-for-sale financial assets subject to repo transactions amounting to TL 4,039 (31 December 2016: TL 4,803).

	30 September 2017	31 December 2016
<b>Debt Securities</b>	13,225	20,538
Quoted on Stock Exchange	5,965	11,835
Not Quoted	7,260	8,703
<b>Share Certificates</b>	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
<b>Total</b>	<b>13,225</b>	<b>20,538</b>

**5. Explanations on loans:**

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

	30 September 2017		31 December 2016	
	Cash	Non-Cash	Cash	Non-Cash
<b>Direct Loans Granted to Shareholders</b>	-	29,502	-	30,199
Legal Entities	-	29,502	-	30,199
Individuals	-	-	-	-
<b>Indirect Loans Granted to Shareholders</b>	-	-	-	-
<b>Loans Granted to Employees</b>	-	-	-	-
<b>Total</b>	<b>-</b>	<b>29,502</b>	<b>-</b>	<b>30,199</b>

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

	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 Restructured or Rescheduled	Other	Loans and Other Receivables (Total)	Loans and other receivables with revised contract terms Restructured or Rescheduled	Other
<b>Non-specialized Loans</b>	<b>632,913</b>	<b>6,959</b>	-	-	-	-
Loans given to enterprises	271,982	-	-	-	-	-
Export Loans	31,868	6,959	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	227,325	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	101,738	-	-	-	-	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>632,913</b>	<b>6,959</b>	-	-	-	-

Number of modifications made to extend payment plan	Standard loans and other receivables	Loans and other receivables under close monitoring
Extended by 1 or 2 times	6,959	-
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>6,959</b>	-

Extended period of time	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	-	-
1 - 2 Years	6,959	-
2 - 5 Years	-	-
5 Years and over	-	-
<b>Total</b>	<b>6,959</b>	-

**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>379,732</b>	<b>6,959</b>	-	-
Non-Specialized Loans	379,732	6,959	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>246,222</b>	-	-	-
Non-Specialized Loans	246,222	-	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

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

None (31 December 2016: None).

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

<b>30 September 2017</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	<b>7,409</b>	<b>7,409</b>
Business residential loans	-	-	-
Automobile loans	-	5,405	5,405
Consumer loans	-	2,004	2,004
Other	-	-	-
<b>Commercial installment loans- Indexed to FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Commercial installment loans - FC</b>	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
<b>Corporate credit cards-TC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Corporate credit cards-FC</b>	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
<b>Overdraft accounts-TC (Commercial customer)</b>	-	-	-
<b>Overdraft accounts-FC (Commercial customer)</b>	-	-	-
<b>Total</b>	-	<b>7,409</b>	<b>7,409</b>

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<b>31 December 2016</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	<b>5,239</b>	<b>5,239</b>
Business residential loans	-	-	-
Automobile loans	-	5,239	5,239
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans- Indexed to FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-TC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-TC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
<b>Total</b>	-	<b>5,239</b>	<b>5,239</b>

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

	<b>30 September 2017</b>	<b>31 December 2016</b>
Public	-	-
Private	632,913	403,870
<b>Total</b>	<b>632,913</b>	<b>403,870</b>

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

	<b>30 September 2017</b>	<b>31 December 2016</b>
Domestic Loans	579,254	350,734
Foreign Loans	53,659	53,136
<b>Total</b>	<b>632,913</b>	<b>403,870</b>

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

None (31 December 2016: None).

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

None (31 December 2016: None).

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

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

None (31 December 2016: None).

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

	<b>III. Group Loans and Other Receivables with Limited Collectability</b>	<b>IV. Group Loans and Other Receivables with Doubtful Collectability</b>	<b>V. Group Uncollectible Loans and Other Receivables</b>
<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>	-	-	-
Specific Provisions (-)	-	-	-
<b>Net Balance on Balance Sheet Date</b>	-	-	-

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

None (31 December 2016: None).



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

None (31 December 2016: None).

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

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so. As of 30 September 2017, there is no liquidation or decrease in assets. (31 December 2016: None).

**6. Information on held-to-maturity investments:**

None (31 December 2016: None).

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

None (31 December 2016: None).

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

None (31 December 2016: None).

**9. Information on joint ventures:**

None (31 December 2016: None).

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

**a. Remaining maturities of financial lease investments:**

	30 September 2017		31 December 2016	
	Gross	Net	Gross	Net
Up to 1 Year	-	-	-	-
1 – 4 Years	27,541	24,594	-	-
Over 4 Years	-	-	-	-
<b>Total</b>	<b>27,541</b>	<b>24,594</b>	-	-

**b. Information on financial lease receivables:**

	30 September 2017	31 December 2016
Gross financial lease receivables	27,541	-
Unearned income	(2,947)	-
Canceled leasing amounts	-	-
<b>Net financial lease receivables</b>	<b>24,594</b>	-

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

None (31 December 2016: None).

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

<b>Prior Period End: 31 December 2016</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	1,080	1,351
Accumulated Depreciation(-)	-	(203)	(467)	(670)
Net Book Value	-	68	613	681
<b>Current Period End: 30 September 2017</b>				
Net Book Value at the beginning of the Period	-	68	613	681
Additions	-	-	77	77
Disposals(-), net	-	-	(4)	(4)
Depreciation (-)	-	(51)	(120)	(171)
Impairment	-	-	-	-
Cost at Period End	-	271	1,026	1,297
Accumulated Depreciation at Period End (-)	-	(254)	(460)	(714)
Closing Net Book Value	-	17	566	583

<b>Prior Period End: 31 December 2015</b>	<b>Immovable</b>	<b>Leased Fixed Assets</b>	<b>Other Tangible Fixed Assets</b>	<b>Total</b>
Cost	-	271	716	987
Accumulated Depreciation(-)	-	(136)	(347)	(483)
Net Book Value	-	135	369	504
<b>Current Period End: 31 December 2016</b>				
Net Book Value at the beginning of the Period	-	135	369	504
Additions	-	-	364	364
Disposals(-), net	-	-	-	-
Depreciation (-)	-	(67)	(120)	(187)
Impairment	-	-	-	-
Cost at Period End	-	271	1,080	1,351
Accumulated Depreciation at Period End (-)	-	(203)	(467)	(670)
Closing Net Book Value	-	68	613	681

**13. Informations on intangible assets:**

	<b>Current Period 30 September 2017</b>	<b>Prior Period 31 December 2016</b>
Net Book Value at the beginning of the Period	981	468
Additions	240	841
Disposals(-), net	-	-
Depreciation (-)	(390)	(328)
Other (*)	831	981

**14. Information on investment property:**

None (31 December 2016: None).

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

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

As of 30 September 2017, the Bank calculated deferred tax asset amounting TL 513 and reflected this amount to the financial statements (31 December 2016: TL 689).

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

	30 September 2017		31 December 2016	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	433	87	352	70
Expense provisions	281	56	268	54
Other	2,377	475	3,172	634
<b>Deferred Tax Asset, net</b>	<b>3,091</b>	<b>618</b>	<b>3,792</b>	<b>758</b>
Tangible and intangible assets	(421)	(84)	(345)	(69)
Other	(104)	(21)	-	-
<b>Deferred Tax Liability, net</b>	<b>(525)</b>	<b>(105)</b>	<b>(345)</b>	<b>(69)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>2,566</b>	<b>513</b>	<b>3,447</b>	<b>689</b>

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

None (31 December 2016: None).

**17. Information on other assets:**

As of 30 September 2017, other assets amount to TL 2,466 (31 December 2016: TL 4,604) and don't exceed 10% of total balance sheet except off balance sheet commitments.

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

**1. Information on deposits:**

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

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Forward	316	-	725	-
Swap	-	3	878	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>316</b>	<b>3</b>	<b>1,603</b>	<b>-</b>

**3. Information on borrowings:**

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	28,521	26,222	15,012	38,573
From Foreign Banks, Institutions and Funds	30,356	200,009	31,362	106,950
<b>Total</b>	<b>58,877</b>	<b>226,231</b>	<b>46,374</b>	<b>145,523</b>

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Short-term	58,877	89,605	15,012	45,663
Medium and Long-term	-	136,626	31,362	99,860
<b>Total</b>	<b>58,877</b>	<b>226,231</b>	<b>46,374</b>	<b>145,523</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 funds borrowed. The major portion of the funds borrowed is provided from the Bank’s main shareholder and its risk group. The Bank’s total borrowings from its risk group constitutes 22% of total assets.

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**4. Information on Repo Transactions:**

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
Financial Institutions	3,939	-	4,657	-
Other	-	-	-	-
<b>Total</b>	<b>3,939</b>	<b>-</b>	<b>4,657</b>	<b>-</b>

**5. Securities Issued :**

In year 2017, the Bank has performed six bond issues until 30 September 2017. The summary information regarding those issuances are as follows:

Code of issued security	Security type	Issue date	Issued nominal amount	Maturity date	Total days	Redeem status
TRQPASH61711	Discounted	13/02/2017	45,000 TL	08/06/2017	115	Redeemed
TRQPASH91718	Discounted	07/04/2017	27,000 TL	25/09/2017	171	Redeemed
TRFPASHE1710	Discounted	08/06/2017	40,500 TL	02/10/2017	116	-
TRFPASHE1728	Discounted	14/07/2017	38,000 TL	16/10/2017	94	-
TRFPASH11818	Discounted	25/09/2017	30,000 TL	22/01/2018	119	-
AZ2001020174	Couponed	22/09/2017	25,000 USD	22/12/2022	1917	-

The carrying amount of issued bonds is TL 183,112 as at 30 September 2017 (31 December 2016 – TL 37,239).

**6. Information on Borrower Fund:**

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over Years
<b>30 September 2017</b>						
Borrower fund	5,904	1,219	8,304	-	-	-
<b>31 December 2016</b>						
Borrower fund	3,417	500	-	-	-	-

**7. Information on other foreign source :**

As of 30 September 2017, other liabilities amount to TL 3,327 (31 December 2016: TL 5,112) and don't exceed 10% of total balance sheet except off balance sheet commitments.

**8. Information on financial lease agreements:**

	30 September 2017		31 December 2016	
	Gross	Net	Gross	Net
Less Than 1 Year	-	-	-	-
1-4 Years	-	-	-	-
More Than 4 Years	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

None (31 December 2016: None).

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**10. Information on provisions:**

**a. Information on general provisions:**

	<b>30 September 2017</b>	<b>31 December 2016</b>
Provisions for Group I. Loans and Receivables	5,872	3,810
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Group II. Loans and Receivables	-	-
Additional Provision for Loans and Receivables with Extended Maturities	-	-
Provisions for Non Cash Loans	396	393
Other	150	268
<b>General Provisions</b>	<b>6,418</b>	<b>4,471</b>

In accordance with “Amendment to Regulation Related to Principles and Procedures on Determining the Qualifications of Banks’ Loans and Other Receivables and the Provision for These Loans and Other Receivables” published in Official Gazette dated 14 December 2016 numbered 29918, the minimum required provision rates are determined for general loan provision calculation. The Bank’s provision ratios exceed those minimum ratios as at 30 September 2017. If the minimum provision ratios stated in the Regulation had been applied, the general provision amount in the financial statements would be lower by TL 3,379.

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

As of 30 September 2017, provisions related with foreign currency difference of foreign indexed loans amount 177 TL (31 December 2016: TL 18) and is netted with loans amount on the balance sheet.

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

None (31 December 2016: None).

**d. Information on other provisions:**

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

None (31 December 2016: 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.

	<b>30 September 2017</b>	<b>31 December 2016</b>
Discount rate (%)	3.49	3.49

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The movement of employee termination benefits is shown below:

	30 September 2017	31 December 2016
<b>Balance at the Beginning of the Period</b>	<b>180</b>	<b>234</b>
Provisions Recognised During the Period	57	(54)
<b>Balance at the end of the period</b>	<b>237</b>	<b>180</b>

In addition, as of 30 September 2017 the Bank have unused vacation provision of TL 196 (31 December 2016: TL 172).

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

Other provisions amount of TL 1,237 comprising of TL 975 is for bonus provisions and TL 262 for ongoing lawsuits. (31 December 2016: TL 1,612).

**11. Information on taxes payable:**

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

**i) Information on tax provision:**

The explanations on tax calculation has been presented in Section Three. The Bank recognized TL 1,385 as current tax liability as of 30 September 2017 (31 December 2016: TL 1,503).

**ii) Information on taxes payable:**

	30 September 2017	31 December 2016
Corporate Tax Payable	1,385	1,503
Taxation on Marketable Securities	16	2
Property Tax	-	1
Banking Insurance Transaction Tax (BITT)	250	160
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	231	107
Other	227	190
<b>Total</b>	<b>2,109</b>	<b>1,963</b>

**iii) Information on premium payables:**

	30 September 2017	31 December 2016
Social Security Premiums – Employee	58	50
Social Security Premiums – Employer	64	55
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	4	4
Unemployment Insurance – Employer	8	7
Other	-	-
<b>Total</b>	<b>134</b>	<b>116</b>

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

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

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**12. Liabilities for assets held for sale and assets of discontinued operations**

None (31 December 2016: None).

**13. 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 2016: None).

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

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

	30 September 2017	31 December 2016
Common Stock	255,000	255,000
Preferred Stock	-	-

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

The Bank does not apply the registered share capital system.

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

None.

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

None.

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

None (31 December 2016: 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 2016: None).

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

	30 September 2017		31 December 2016	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	(20)	-	11	-
Rate difference	-	-	-	-
<b>Total</b>	<b>(20)</b>	<b>-</b>	<b>11</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:**

<b>Irrevocable Commitments</b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Forward Asset purchase and sale commitments	1,599	-
Forward Deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	11
Other Irrevocable commitments	-	-
<b>Total</b>	<b>1,616</b>	<b>11</b>

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

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

As of 30 September 2017, the Bank has guarantee and indemnities amounting TL 318,251 (31 December 2016: TL 197,910) based upon the letter of guarantee and letter of credit.

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

As of 30 September 2017, the Bank has other guarantees amounting TL 34,459 (31 December 2016: TL 19,356).

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

	<b>30 September 2017</b>	<b>31 December 2016</b>
Non-cash Loans Given against Cash Loans	195,473	97,856
With Original Maturity of 1 Year or Less Than 1 Year	104,653	60,356
With Original Maturity of More Than 1 Year	90,820	37,500
Other Non-cash Loans	122,778	100,054
<b>Total</b>	<b>318,251</b>	<b>197,910</b>

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

	<b>Current Period</b>				<b>Prior Period</b>			
	<b>30 September 2017</b>				<b>31 December 2016</b>			
	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>	<b>TL</b>	<b>(%)</b>	<b>FC</b>	<b>(%)</b>
<b>Agricultural</b>	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
<b>Manufacturing</b>	<b>1,817</b>	<b>0.93</b>	<b>22,547</b>	<b>18.26</b>	<b>2,538</b>	<b>1.95</b>	<b>9,084</b>	<b>13.46</b>
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.93	22,539	18.25	2,538	1.95	8,400	12.45
Electric, Gas and Water	-	-	8	0.01	-	-	684	1.01
<b>Construction</b>	-	-	<b>14,405</b>	<b>11.67</b>	<b>4,230</b>	<b>3.24</b>	<b>8,947</b>	<b>13.27</b>
<b>Services</b>	<b>192,964</b>	<b>99.07</b>	<b>86,518</b>	<b>70.07</b>	<b>123,683</b>	<b>94.81</b>	<b>49,428</b>	<b>73.27</b>
Wholesale and Retail Trade	6,303	3.24	24,101	19.52	8,898	6.82	12,317	18.26
Hotel, Food and Beverage Services	3,976	2.04	-	-	10,689	8.19	-	-
Transportation and Telecommunication	14,705	7.55	18,292	14.81	14,805	11.35	528	0.78
Financial Institutions	167,346	85.91	29,503	23.90	85,300	65.39	30,199	44.77
Real Estate and Leasing Services	634	0.33	14,622	11.84	3,991	3.06	6,384	9.46
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>194,781</b>	<b>100.00</b>	<b>123,470</b>	<b>100.00</b>	<b>130,451</b>	<b>100.00</b>	<b>67,459</b>	<b>100.00</b>

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

30 September 2017	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>194,781</b>	<b>123,470</b>	-	-
Letters of Guarantee	194,781	86,253	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	2,758	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	34,459	-	-

**2. Information on derivative transactions:**

	30 September 2017	31 December 2016
Forward foreign currency purchase transactions	26,175	13,689
Forward foreign currency sell transactions	25,679	14,024
Currency swap-buy	4,973	10,419
Currency swap-sell	4,979	11,130
<b>Toplam</b>	<b>61,806</b>	<b>49,262</b>

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

None (31 December 2016: None).

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

*(i) Contingent assets*

None

*(ii) Contingent liabilities*

As of 30 September 2017, the Bank has reflected the provision for its ongoing lawsuits amounting TL 262 to the financial statements (31 December 2016: TL 262). The process regarding the law suits is still ongoing and decisions will be finalised after trial.

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

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

None (31 December 2016: None).

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

**1. Information on interest income:**

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

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Short-term Loans	32,761	265	20,700	323
Medium/Long-term Loans	3,080	4,519	685	2,025
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total (*)</b>	<b>35,841</b>	<b>4,784</b>	<b>21,385</b>	<b>2,348</b>

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

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

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
From the CBRT (*)	462	-	94	-
From Domestic Banks	306	68	1,205	-
From Foreign Banks	34	-	140	12
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>802</b>	<b>68</b>	<b>1,439</b>	<b>12</b>

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

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

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	889	565	1,243	-
From Held-to-Maturity Investments	-	-	-	-
<b>Total</b>	<b>889</b>	<b>565</b>	<b>1,243</b>	<b>-</b>

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

None (30 September 2016: None).

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

**2. Information on interest expense:**

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

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Banks	3,999	3,701	826	2,002
The CBRT	-	-	-	-
Domestic Banks	1,404	281	99	123
Foreign Banks	2,595	3,420	727	1,879
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>3,999</b>	<b>3,701</b>	<b>826</b>	<b>2,002</b>

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

None (30 September 2016: None).

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

	30 September 2017		30 September 2016	
	TL	FC	TL	FC
Interest on securities issued	5,730	110	-	-

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

None (30 September 2016: None).

**3. Information on dividend income:**

None (30 September 2016: None).

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

	30 September 2017	30 September 2016
<b>Income</b>	<b>61,407</b>	<b>16,788</b>
Income from Capital Market Transactions	300	17
Income from Derivative Financial Transactions (*)	1,183	1,258
Foreign Exchange Gains	59,924	15,513
<b>Loss (-)</b>	<b>(59,042)</b>	<b>(15,267)</b>
Loss from Capital Market Transactions	(7)	(36)
Loss from Derivative Financial Transactions (*)	(2,417)	(515)
Foreign Exchange Loss	(56,618)	(14,716)
	<b>2,365</b>	<b>1,521</b>

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

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

Other operating income includes TL 69 income from previous years' provision cancellations and TL 22 income from other operations. There is no income regarding extraordinary accounts. (30 September 2016: total other operating income TL 79)

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

	30 September 2017	30 September 2016
Specific Provisions for Loans and Other Receivables	-	-
III. Group Loans and Receivables	-	-
IV. Group Loans and Receivables	-	-
V. Group Loans and Receivables	-	-
General Provision Expenses	1,947	1,210
Provision Expense for Possible Risks	-	-
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value Through Profit or Loss	-	-
Available-for-sale Financial Assets	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Held-to-Maturity Investments	-	-
Other	-	-
<b>Total</b>	<b>1,947</b>	<b>1,210</b>

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

	30 September 2017	30 September 2016
Personnel Expenses	7,669	5,986
Reserve For Employee Termination Benefits	81	68
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	171	150
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	390	241
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	4,716	3,953
Operational Lease Expenses	1,385	1,083
Maintenance Expenses	22	9
Advertising Expenses	233	423
Other Expense	3,076	2,438
Loss on Sales of Assets	3	-
Other	2,413	873
<b>Total</b>	<b>15,443</b>	<b>11,271</b>

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

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

Loss before tax comes from net interest income amounting TL 28,553, net commission fee income amounting TL 1,219, trading loss amounting TL 2,365, other operating income amounting TL 91, provision for loan losses and other receivables amounting to TL 1,947 and other operating expenses amounting TL 15,443.

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

As of 30 September 2017 the Bank has current tax expense TL 3,233 TL (30 September 2016: TL 2,685). The Bank has deferred tax loss amounting to TL 174 (30 September 2016: TL 271).

As of 30 September 2017, the Bank doesn't have any discontinued operations.

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

The Bank doesn't have discontinued operations. The Bank's net profit from continuing operations amounting to TL 11,431 (30 September 2016: TL 9,957).

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

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

None (30 September 2016: None).

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

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

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

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

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

**1. Information on 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 31 (30 September 2016: TL 110 gain for marketable securities valuation difference).

**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.

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

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

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

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

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

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

<b>Beginning of the period</b>	<b>31 December 2016</b>	<b>31 December 2015</b>
<b>Cash</b>	<b>34,436</b>	<b>12,663</b>
Cash, Foreign Currency and Other	30	11
T.C. Central Bank	34,406	12,652
Other	-	-
<b>Cash Equivalents</b>	<b>44,277</b>	<b>47,357</b>
Banks	29,144	47,357
Interbank Money Market Placements	15,133	-
<b>Total Cash and Cash Equivalents</b>	<b>78,713</b>	<b>60,020</b>
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(19,579)	(11,772)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>59,134</b>	<b>48,248</b>

<b>End of the period</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
<b>Cash</b>	<b>45,607</b>	<b>18,252</b>
Cash, Foreign Currency and Other	42	22
T.C. Central Bank	45,565	18,230
Other	-	-
<b>Cash Equivalents</b>	<b>73,011</b>	<b>22,333</b>
Banks	73,011	11,830
Interbank Money Market Placements	-	10,503
<b>Total Cash and Cash Equivalents</b>	<b>118,618</b>	<b>40,585</b>
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(32,690)	(17,016)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>85,928</b>	<b>23,569</b>



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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
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**2. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**

The “Other” items presented in “Net operating income before changes in operating assets and liabilities” amount to TL 7,852 (30 September 2016: TL 5,921) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 20,434 (30 September 2016: TL 4,199) consists of mainly changes in prepaid expenses, lease receivables and other assets.

The “Net increase/decrease in other liabilities” item under “Changes in operating assets and liabilities” amounting to TL 35,206 (30 September 2016: 8,165) consists of mainly changes in money market payables, borrower funds, miscellaneous payables, other liabilities and taxes and other duties payable.

The “Other” item under “Net cash provided from / (paid for) investing activities” amounting to TL 240 consists of amounts paid for purchases of intangible assets.

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

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

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

**a. Current Period:**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	30,199	-	-
End of the Period	-	-	-	29,502	-	-
Interest and Commission Income Received	-	-	-	232	-	-

**Prior Period:**

Banks’ Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	22,475	8,082	30,227
End of the Period	-	-	-	30,199	-	-
Interest and Commission Income Received	-	-	-	172	-	-

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

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

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

There are no derivative transactions with the Bank’s Risk Group. (31 December 2016: None).

As of 30 September 2017, the Bank has TL 38 due from banks from its risk group (31 December 2016: TL 1).

As of 30 September 2017, the Bank has TL 39 borrower funds from its risk group (31 December 2016: TL 381).

As of 30 September 2017, the Bank has borrowings from its risk group amounting to TL 178,629 (31 December 2016: TL 138,273).

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

As of 30 September 2017, except for the current period’s bonus provisions, key management compensation recognized in the income statement amounts to TL 1,815 (30 September 2016: TL 1,410).

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

None (31 December 2016: None).

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**SECTION SIX**

**OTHER EXPLANATIONS AND NOTES**

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

None.

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

None.

**III. EXPLANATIONS ON REVIEW REPORT**

The unconsolidated financial statements for the period ended 30 September 2017 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor’s review report dated 3 November 2017 has been presented preceding the unconsolidated financial statements.

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

None.

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**SECTION SEVEN**

**Explanation related for Interim financial report**

**Message from the Chairman**

Dear Stakeholders,

The economic growth in Turkey has accelerated thanks to growth-building measures taken by the government. Allocation of around TL 230 bln loans through Credit Guarantee Mechanism (KGF) has played an important role in reaching high growth performance. According to official statistics, the economy has performed 5.1% robust growth in the second quarter of the current year. The growth expectations for the third quarter and the remaining part of the year are quite strong. General consensus is that the Turkish economy would end up this year with growth rate around 6% and even above.

In parallel with the growing economy, the banking industry has continued its resilient, balanced and healthy development. Total assets of the system have reached to TL 2.990 billion by August 2017 and increased by 19.2% in comparison to the same period of the previous year, total loans expanded by 23% to reach TL 2.009 billion. Despite the aggressive loan expansion, risks in the system are well balanced and managed. The fact that around 85% of loan expansion from the beginning of the year are placements in TL is a strong indicator of balanced risks in the time of high exchange rate volatility.

It is definitely our proud to say that PASHA Bank as a dynamic market player keeps going on its expansion with the pace of above the market. As a result, the market share of the Bank has gone up, and its total assests have reached TL 799 million which is 56% higher compared to the prior year end. Our cash loan portfolio, comprising 79% of total assets in the nine-month financials, increased by 57% and reached TL 633 million. As a result of the efficiency of our risk management framework, and prudent credit policy pursued by the Bank we have been succesful in preserving zero level of NPL in our balance sheet.

In parallel to the evolving business model and clear vision of the PASHA Group, we have put into practice the initiatives that from one hand support our strategy, aggressive expansion, from other hand improve efficiency in our systems, processes and build necessary capabilities. Continuous investment in human resources, launching high-level ‘credit risk rating model’ project are good examples for the latter.

During the period we have intensified our efforts to increase and diversify funding sources beyond equity and toward available market instruments. Succesful bond issuances and attraction of funding from Azerbaijani market have provided some advantages in regard to competitiveness and profitability of the lending. Access to relatively cheaper resources in Azerbaijan has provided the bank to offer lending with relatively lower rates which is quite important when deposit rates in the Turkish market is on rise due to KGF supported loan expansion.

The Bank is fully determined to apply best class corporate governance principles and is willing to manage this process dynamically and continuously. Corporate governance provides proper oversight and accountability, strengthens internal and external relationships, builds trust with our stakeholders and promotes the long-term interests of shareholders. PASHA Bank has further increased the corporate governance rating given on the basis of the principles set forth by the Capital Markets Board to 9.28 from 9.26 in the previous operating period.

Bank continued with PR activities in this quarter as another key strategic move to increase recognition of the PASHA Bank brand among the target audience and continued to reinforce brand awareness by participating to the seminars and sponsorships after three years of its successful operations.

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**Message from the Chairman (continued)**

In line with the aim of becoming the primary bank for the entrepreneurs involved in international trade within the triangle of Turkey, Azerbaijan, and Georgia, we will work in 2017 to the best of our ability to create increased value for all our stakeholders and to carry them to new heights by diversifying our product and service range.

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

In addition, we will focus on execution of the current strategy by the end of this year, and 2020 strategy from the beginning of the next year. The growth strategy for the next 3 years which sets more ambitious targets would require reinforcing the infrastructure we have built in the first strategic period. It is worth to note that the strategy is formulated in a way that it is quickly evolving to respond to changing dynamics in the marketplace, and our execution is to be elevated to a higher level of efficiency.

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

Sincerely Yours,



**Jalal Gasimov**  
**Chairman**

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**Message of General Manager**

Global markets performed a positive course in the third quarter of the year within the increase in the risk appetite. Hot money flows to developing countries continued, Turkish capital markets acted in line with this positive trend. BIST 100 index set a record of 110.423. The Dollar/TL rate has tested below 3.40 and moved between 3.5-3.65 band. As the Central Bank has continued its tight monetary policy and the funding costs have increased, TL indicative bond yields raised to 12%. While the meetings and statements of the European Central bank and US Federal Reserve were being monitored, a new interest rate hike in December in US has been priced and markets expectations of a total of three interest rate hikes have been preserved.

We, as PASHA Bank, continued to maintain our sustainable profitability target as we posted TL 11.4 million profit at the end of September. Our asset volume reached 799 million TL with a 56% increase compared to the beginning of the year. Our total loan volume including the lease receivables realized at a level of TL 976 million of which TL 658 million comprised of cash loans and lease receivables. We continued issuing TL bonds, the first of which we did last year. Additionally, in this third quarter, breaking a new ground in Azerbaijan, we issued a 5 year term bond with a nominal value of USD 25 million to be sold to Azerbaijani investors, providing us long-term foreign currency borrowing capability. In the coming period, we plan to continue our funding support required by the real sector and our bond issuances in domestic and foreign markets as long as the market conditions are favorable.

In the last period of 2017, the decisions regarding who will be the new governor of US Federal Reserve and politics to be followed will be important for the capital markets. The indications related with the European Central Bank’s timing for dislodging the expansionist policies will be a primary agenda that markets will monitor closely. I expect that the Banking Industry will preserve its strong capital structure and continue its profitability also I wish the last quarter of the year to be a successful period for the banking industry.

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



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**A. ENTRY**

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

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

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

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

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

<i>(thousands of TL)</i>	<b>30 September 2017</b>	<b>31 December 2016</b>
Cash and Balances with Central Bank	45,607	34,436
Trading Financial Assets	4,901	281
Available-For-Sale Financial Assets	13,225	20,538
Banks and Money Markets Receivables	73,011	44,277
Loans	632,913	403,870
Lease Receivables	24,594	-
Other Various Assets	4,395	6,955
<b>Total Assets</b>	<b>798,646</b>	<b>510,357</b>
Borrowings	285,108	191,897
Money Market Payables	44,925	15,963
Marketable Securities Issued	183,112	37,239
Other Various Liabilities	29,443	20,600
Paid-in Capital	255,000	255,000
Profit Reserves	324	324
Marketable Securities Valuation Reserve	(20)	11
Prior Years' Income/ (Loss)	(10,677)	(24,682)
Current Year Income/ (Loss)	11,431	14,005
<b>Total Liabilities</b>	<b>798,646</b>	<b>510,357</b>

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**PASHA Bank 3<sup>rd</sup> QUARTER REVIEWS**

The Bank has completed first three quarters of 2017 with a profit figure of TL 11,431 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 798,646 with a 56% increase compared to 2016 year-end. The Bank continues its operations through headquarter units as of 30 September 2017.

The share of our securities in balance sheet is 2%, the loans are TL 632,913 increasing at a ratio of 57% compared to year end of 2016 and the share of loans in total assets is 79%. The Bank has performed financial leasing transactions in the related period and the share of such lease receivables in balance sheet is 3%.

The unconsolidated capital adequacy ratio of the Bank is 35.35% as of 30 September 2017.

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

**C. EXPECTATIONS OF PASHA BANK REGARDING 2017**

The Bank expects an economic growth of 4.5-5% in Turkish economy for the year 2017 and continuum of moderate growth trend, and anticipates an inflation rate of 9.5-9.8% effected by increases in currency rates and petroleum prices. The Bank also anticipates that the ratio of current deficit to GDP will be 4.5-5%.