

**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 2016**

**(Convenience translations of the independent auditor's report originally issued in Turkish, See Note I. of Section three)**

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

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

### **Introduction**

We have reviewed the unconsolidated balance sheet of Pasha Bank A.Ş. ("the Bank") at September 30, 2016 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" except for the matters 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 of Turkey 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 September 30, 2016 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 Financial 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.

#### **Other Matter**

The financial statements of the Bank as of December 31, 2015 and September 30, 2015 were audited and reviewed by another independent audit firm, who expressed an unqualified opinion and conclusion in their audit and review reports dated February 22, 2016 and November 9, 2015, respectively.

#### **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 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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited



October 31, 2016

Istanbul, Türkiye

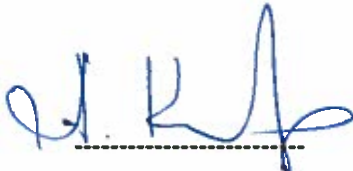
**THE NINE MONTH UNCONSOLIDATED INTERIM FINANCIAL REPORT OF  
PASHA YATIRIM BANKASI A.Ş. AS OF 30 SEPTEMBER 2016**

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.

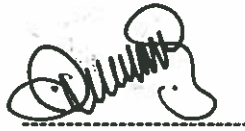
- **SECTION ONE** - GENERAL INFORMATION ABOUT THE BANK
- **SECTION TWO** - UNCONSOLIDATED INTERIM FINANCIAL STATEMENTS OF THE BANK
- **SECTION THREE** - EXPLANATIONS ON ACCOUNTING POLICIES
- **SECTION FOUR** - INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT
- **SECTION FIVE**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



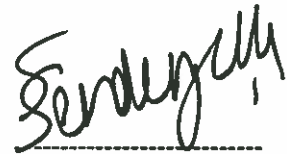
Agha Ali Kamalov

Chairman of the Board of Directors



Mesut Özdiñ

Chairman of the Audit Committee



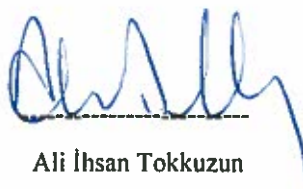
N.Süreyya Serdengeçti

Member of the Audit Committee



H.Cenk Eynehan

General Manager



Ali İhsan Tokkuzun

Deputy General Manager



Yeşim Çağlar

Financial Planning and Control  
Manager

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

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

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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 2016**

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

**SECTION ONE**

**GENERAL INFORMATION**

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

Bank's commercial title	Pasha Yatırım Bankası A.Ş.
Reporting Period	1 January - 30 September 2016
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 12.25.1987 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 2016 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. Acquisition of TL 28,795,121 of the Bank's capital and increase in the paid-in capital from TL 80,000 to TL 255,000 upon the Acquisition were approved by the BRSA's decision dated 26 December 2014. And numbered 6137. The capital increase cash from TL 80,000 to TL 175,000 has been completed.

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2016**

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

**GENERAL INFORMATION (Continued)**

Paid-in capital increase from TL 175,000 to TL 255,000, approval of the share transfer and changing the Bank's title as "Pasha Yatırım Bankası A.Ş." have been approved in the extra ordinary general assembly of the Bank dated 27 January 2015.

The change of Bank's title as "Pasha Yatırım Bankası A.Ş." 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 by increasing Pasha Bank OJSC shares from %79.9196 to %99.9196 has been approved by the BRSA's resolution dated 23 December 2015 and numbered 18038.

As of 24 December 2015, the share transfer was accounted in the statutory accounting records with the Board decision numbered 2015/110.

Partnership structure of the Bank as of 30 September 2016, is stated below:

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

**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>(1)</sup>	Agha-Ali Kamalov	PhD	-
Vice President of the Board of Directors <sup>(1)</sup>	Jalal Gasimov	Postgraduate	-
Independent Member of the Board of Directors/ Member of the Audit Committee	Necip Süreyya Serdengeçti	Postgraduate	-
Independent Member of the Board of Directors/ Chairman of the Audit Committee	Mesut Özdiç	Postgraduate	-
Member of the Board of Directors/ General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	Postgraduate	-
Member of the Board of Directors	Taleh Kazimov	Postgraduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-

(1) As of 30 March 2016, Agha Ali Kamalov is assigned as Chairman of the Board of Directors, Jalal Gasimov is assigned as Vice President of the Board of Directors with the Board decision numbered 2016/22

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

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
FINANCIAL STATEMENTS ORIGINALLY ISSUED  
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**PASHA YATIRIM BANK A.Ş.  
NOTES TO FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2016**

(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 2016, 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 2016 the Bank has 36 employees (31 December 2015: 31).

**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 2016**

(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 2016			Prior Period 31 December 2015		
			TL	FC	Total	TL	FC	Total
<b>I.</b>	<b>CASH AND BALANCES WITH CENTRAL BANK</b>	(1)	1,199	17,053	18,252	788	11,875	12,663
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	(2)	-	-	-	604	-	604
2.1	Trading Financial Assets		-	-	-	604	-	604
2.1.1	Government Debt Securities		-	-	-	-	-	-
2.1.2	Share Certificates		-	-	-	-	-	-
2.1.3	Trading Derivative Financial Assets		-	-	-	604	-	604
2.1.4	Other Marketable Securities		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or Loss		-	-	-	-	-	-
2.2.1	Government Debt Securities		-	-	-	-	-	-
2.2.2	Share Certificates		-	-	-	-	-	-
2.2.3	Loans		-	-	-	-	-	-
2.2.4	Other Marketable Securities		-	-	-	-	-	-
<b>III.</b>	<b>BANKS</b>	(3)	21	11,809	11,830	26,028	21,329	47,357
<b>IV.</b>	<b>MONEY MARKETS</b>		10,503	-	10,503	-	-	-
4.1	Interbank Money Market Placements		-	-	-	-	-	-
4.2	Receivables from Istanbul Stock Exchange Money Market		10,503	-	10,503	-	-	-
4.3	Receivables from Reverse Repurchase Agreements		-	-	-	-	-	-
<b>V.</b>	<b>AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)</b>	(4)	12,230	-	12,230	9,619	-	9,619
5.1	Share Certificates		-	-	-	-	-	-
5.2	Government Debt Securities		5,848	-	5,848	9,619	-	9,619
5.3	Other Marketable Securities		6,382	-	6,382	-	-	-
<b>VI.</b>	<b>LOANS</b>	(5)	290,510	80,288	370,798	188,187	57,557	245,744
6.1	Loans		290,510	80,288	370,798	188,187	57,557	245,744
6.1.1	Loans to Bank's Risk Group		-	-	-	7,620	462	8,082
6.1.2	Government Debt Securities		-	-	-	-	-	-
6.1.3	Other		290,510	80,288	370,798	180,567	57,095	237,662
6.2	Loans under Follow-up		-	-	-	-	-	-
6.3	Specific Provisions (-)		-	-	-	-	-	-
<b>VII.</b>	<b>FACTORING RECEIVABLES</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>HELD-TO-MATURITY SECURITIES (Net)</b>	(6)	-	-	-	-	-	-
8.1	Government Debt Securities		-	-	-	-	-	-
8.2	Other Marketable Securities		-	-	-	-	-	-
<b>IX.</b>	<b>INVESTMENTS IN ASSOCIATES (Net)</b>	(7)	-	-	-	-	-	-
9.1	Consolidated Based on Equity Method		-	-	-	-	-	-
9.2	Unconsolidated		-	-	-	-	-	-
9.2.1	Financial Investments in Associates		-	-	-	-	-	-
9.2.2	Non-financial Investments in Associates		-	-	-	-	-	-
<b>X.</b>	<b>SUBSIDIARIES (Net)</b>	(8)	-	-	-	-	-	-
10.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
10.2	Unconsolidated Non-Financial Subsidiaries		-	-	-	-	-	-
<b>XI.</b>	<b>JOINT VENTURES (Net)</b>	(9)	-	-	-	-	-	-
11.1	Consolidated Based on Equity Method		-	-	-	-	-	-
11.2	Unconsolidated		-	-	-	-	-	-
11.2.1	Financial Joint Ventures		-	-	-	-	-	-
11.2.2	Non-financial Joint Ventures		-	-	-	-	-	-
<b>XII.</b>	<b>LEASE RECEIVABLES (Net)</b>	(10)	-	-	-	-	-	-
12.1	Financial Lease Receivables		-	-	-	-	-	-
12.2	Operational Lease Receivables		-	-	-	-	-	-
12.3	Other		-	-	-	-	-	-
12.4	Unearned Income (-)		-	-	-	-	-	-
<b>XIII.</b>	<b>HEDGING DERIVATIVE FINANCIAL ASSETS</b>	(11)	-	-	-	-	-	-
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>	(12)	569	-	569	504	-	504
<b>XV.</b>	<b>INTANGIBLE ASSETS (Net)</b>	(13)	610	-	610	468	-	468
15.1	Goodwill		-	-	-	-	-	-
15.2	Other		610	-	610	468	-	468
<b>XVI.</b>	<b>INVESTMENT PROPERTY (Net)</b>	(14)	-	-	-	-	-	-
<b>XVII.</b>	<b>TAX ASSET</b>		415	-	415	708	-	708
17.1	Current Tax Asset		81	-	81	81	-	81
17.2	Deferred Tax Asset	(15)	334	-	334	627	-	627
<b>XVIII.</b>	<b>ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)</b>	(16)	-	-	-	-	-	-
18.1	Held for Resale		-	-	-	-	-	-
18.2	Discontinued Operations		-	-	-	-	-	-
<b>XIX.</b>	<b>OTHER ASSETS</b>	(17)	11,583	43	11,626	4,701	37	4,738
	<b>TOTAL ASSETS</b>		327,640	109,193	436,833	231,607	90,798	322,405

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 2016**

(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 2016			Prior Period 31 December 2015		
			TL	FC	Total	TL	FC	Total
<b>I. DEPOSITS</b>		(1)	-	-	-	-	-	-
I.1 Deposits of Bank's Risk Group			-	-	-	-	-	-
I.2 Other			-	-	-	-	-	-
<b>II. TRADING DERIVATIVE FINANCIAL LIABILITIES</b>		(2)	52	-	52	20	28	48
<b>III. BORROWINGS</b>		(3)	49,535	120,874	170,409	-	71,311	71,311
<b>IV. MONEY MARKETS</b>			4,893	-	4,893	-	-	-
4.1 Funds from Interbank Money Market			-	-	-	-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market			-	-	-	-	-	-
4.3 Funds Provided Under Repurchase Agreements		(4)	4,893	-	4,893	-	-	-
<b>V. MARKETABLE SECURITIES ISSUED (Net)</b>		(5)	-	-	-	-	-	-
5.1 Bills			-	-	-	-	-	-
5.2 Asset Backed Securities			-	-	-	-	-	-
5.3 Bonds			-	-	-	-	-	-
<b>VI. FUNDS</b>			444	1,240	1,684	49	10,223	10,272
6.1 Borrower Funds		(6)	444	1,240	1,684	49	10,223	10,272
6.2 Other			-	-	-	-	-	-
<b>VII. MISCELLANEOUS PAYABLES</b>			21	-	21	100	-	100
<b>VIII. OTHER LIABILITIES</b>		(7)	12,121	69	12,190	5,292	46	5,338
<b>IX. FACTORING PAYABLES</b>			-	-	-	-	-	-
<b>X. LEASE PAYABLES (Net)</b>		(8)	-	-	-	-	-	-
10.1 Financial Lease Payables			-	-	-	-	-	-
10.2 Operational Lease Payables			-	-	-	-	-	-
10.3 Other			-	-	-	-	-	-
10.4 Deferred Financial Lease Expenses (-)			-	-	-	-	-	-
<b>XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES</b>		(9)	-	-	-	-	-	-
11.1 Fair Value Hedge			-	-	-	-	-	-
11.2 Cash Flow Hedge			-	-	-	-	-	-
11.3 Foreign Net Investment Hedge			-	-	-	-	-	-
<b>XII. PROVISIONS</b>		(10)	5,427	-	5,427	4,302	-	4,302
12.1 General Loan Loss Provision			3,880	-	3,880	2,670	-	2,670
12.2 Restructuring Provisions			-	-	-	-	-	-
12.3 Reserve for Employee Rights			313	-	313	299	-	299
12.4 Insurance Technical Provisions (Net)			-	-	-	-	-	-
12.5 Other Provisions			1,234	-	1,234	1,333	-	1,333
<b>XIII. TAX LIABILITY</b>		(11)	1,538	-	1,538	482	-	482
13.1 Current Tax Liability			1,538	-	1,538	482	-	482
13.2 Deferred Tax Liability			-	-	-	-	-	-
<b>XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS</b>		(12)	-	-	-	-	-	-
14.1 Held for Resale			-	-	-	-	-	-
14.2 Discontinued Operations			-	-	-	-	-	-
<b>XV. SUBORDINATED LOANS</b>		(13)	-	-	-	-	-	-
<b>XVI. SHAREHOLDERS' EQUITY</b>		(14)	240,619	-	240,619	230,552	-	230,552
16.1 Paid-in Capital			255,000	-	255,000	255,000	-	255,000
16.2 Capital Reserves			20	-	20	(90)	-	(90)
16.2.1 Share Premium			-	-	-	-	-	-
16.2.2 Share Cancellation Profits			-	-	-	-	-	-
16.2.3 Marketable Securities Valuation Reserve			20	-	20	(90)	-	(90)
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)			(14,725)	-	(14,725)	(24,682)	-	(24,682)
16.4.1 Prior Years' Income/ (Loss)			(24,682)	-	(24,682)	(33,469)	-	(33,469)
16.4.2 Current Year Income/ (Loss)			9,957	-	9,957	8,787	-	8,787
<b>TOTAL LIABILITIES</b>			314,650	122,183	436,833	240,797	81,608	322,405

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 2016**

(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			Prior Period		
			30 September 2016			31 December 2015		
			TL	FC	Total	TL	FC	Total
<b>A.</b>	<b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>105,359</b>	<b>57,424</b>	<b>162,783</b>	<b>106,131</b>	<b>111,026</b>	<b>217,157</b>
<b>I.</b>	<b>GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>98,501</b>	<b>50,714</b>	<b>149,215</b>	<b>59,665</b>	<b>67,330</b>	<b>126,995</b>
1.1	Letters of Guarantee		98,501	44,863	143,364	59,665	44,829	104,494
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	9,001	9,001	-	8,754	8,754
1.1.3	Other Letters of Guarantee		98,501	35,862	134,363	59,665	36,075	95,740
1.2	Bank Acceptances		-	-	-	-	-	-
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	5,851	5,851	-	22,501	22,501
1.3.1	Documentary Letters of Credit		-	5,851	5,851	-	22,501	22,501
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Securities Issue Purchase Guarantees		-	-	-	-	-	-
1.7	Factoring Guarantees		-	-	-	-	-	-
1.8	Other Guarantees		-	-	-	-	-	-
1.9	Other Collaterals		-	-	-	-	-	-
<b>II.</b>	<b>COMMITMENTS</b>		<b>6</b>	<b>-</b>	<b>6</b>	<b>10,509</b>	<b>8,437</b>	<b>18,946</b>
2.1	Irrevocable Commitments		6	-	6	10,509	8,437	18,946
2.1.1	Asset Purchase and Sales Commitments		-	-	-	8,475	8,437	16,912
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	2,009	-	2,009
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		6	-	6	25	-	25
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)</b>	<b>6,852</b>	<b>6,710</b>	<b>13,562</b>	<b>35,957</b>	<b>35,259</b>	<b>71,216</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		6,852	6,710	13,562	35,957	35,259	71,216
3.2.1	Forward Foreign Currency Buy/Sell Transactions		6,852	6,710	13,562	3,835	3,794	7,629
3.2.1.1	Forward Foreign Currency Transactions-Buy		6,852	-	6,852	3,835	-	3,835
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	6,710	6,710	-	3,794	3,794
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	32,122	31,465	63,587
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	32,122	-	32,122
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	31,465	31,465
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>150,169</b>	<b>92,741</b>	<b>242,910</b>	<b>97,868</b>	<b>91,809</b>	<b>189,677</b>
<b>IV.</b>	<b>ITEMS HELD IN CUSTODY</b>		<b>3,690</b>	<b>-</b>	<b>3,690</b>	<b>955</b>	<b>-</b>	<b>955</b>
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		-	-	-	-	-	-
4.3	Cheques Received for Collection		3,690	-	3,690	955	-	955
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>146,449</b>	<b>53,404</b>	<b>199,853</b>	<b>96,913</b>	<b>49,418</b>	<b>146,331</b>
5.1	Marketable Securities		-	45,006	45,006	-	43,772	43,772
5.2	Guarantee Notes		136,620	8,034	144,654	94,234	5,646	99,880
5.3	Commodity		5,629	364	5,993	2,679	-	2,679
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		-	-	-	-	-	-
5.6	Other Pledged Items		4,200	-	4,200	-	-	-
5.7	Pledged Items-Depository		-	-	-	-	-	-
<b>VI.</b>	<b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>30</b>	<b>39,337</b>	<b>39,367</b>	<b>-</b>	<b>42,391</b>	<b>42,391</b>
	<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>255,528</b>	<b>150,165</b>	<b>405,693</b>	<b>203,999</b>	<b>202,835</b>	<b>406,834</b>

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

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

**PASHA YATIRIM BANKASI A.Ş.  
UNCONSOLIDATED INCOME STATEMENT  
AT 30 SEPTEMBER 2016**

(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 2016	Prior Period 1 January - 30 September 2015	Current Period 1 July - 30 September 2016	Prior Period 1 July - 30 September 2015
<b>I.</b>	<b>INTEREST INCOME</b>	<b>(1)</b>	<b>26,474</b>	<b>18,466</b>	<b>9,117</b>	<b>6,815</b>
1.1	Interest on Loans		23,733	10,877	8,266	5,177
1.2	Interest Received from Reserve Requirements		94	3	31	3
1.3	Interest Received from Banks		1,357	5,978	420	1,488
1.4	Interest Received from Money Market Transactions		47	540	24	-
1.5	Interest Received from Marketable Securities Portfolio		1,243	1,068	376	147
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		1,243	1,068	376	147
1.5.4	Held-to-maturity Investments		-	-	-	-
1.6	Financial Lease Income		-	-	-	-
1.7	Other Interest Income		-	-	-	-
<b>II.</b>	<b>INTEREST EXPENSE (-)</b>	<b>(2)</b>	<b>(3,574)</b>	<b>(626)</b>	<b>(1,436)</b>	<b>(262)</b>
2.1	Interest on Deposits (-)		-	-	-	-
2.2	Interest on Funds Borrowed (-)		(2,828)	(342)	(1,351)	(162)
2.3	Interest Expense on Money Market Transactions (-)		(475)	(159)	(77)	(97)
2.4	Interest on Securities Issued (-)		-	-	-	-
2.5	Other Interest Expenses (-)	(12)	(271)	(125)	(8)	(3)
<b>III.</b>	<b>NET INTEREST INCOME (I + II)</b>		<b>22,900</b>	<b>17,840</b>	<b>7,681</b>	<b>6,553</b>
<b>IV.</b>	<b>NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>894</b>	<b>135</b>	<b>323</b>	<b>105</b>
4.1	Fees and Commissions Received		1,017	307	357	233
4.1.1	Non-cash Loans		841	128	287	89
4.1.2	Other	(12)	176	179	70	144
4.2	Fees and Commissions Paid (-)		(123)	(172)	(34)	(128)
4.2.1	Non-cash Loans (-)		-	-	-	-
4.2.2	Other (-)	(12)	(123)	(172)	(34)	(128)
<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>1,521</b>	<b>681</b>	<b>624</b>	<b>688</b>
6.1	Trading Gains/(Losses) on Securities		(19)	(460)	(36)	4
6.2	Trading Gains/(Losses) on Derivative Financial Instruments		743	(1,908)	(160)	(1,606)
6.3	Foreign Exchange Gains/(Losses)		797	3,049	820	2,290
<b>VII.</b>	<b>OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>79</b>	<b>58</b>	<b>(35)</b>	<b>-</b>
<b>VIII.</b>	<b>TOTAL OPERATING INCOME (III+IV+V+VI+VII)</b>		<b>25,394</b>	<b>18,714</b>	<b>8,593</b>	<b>7,346</b>
<b>IX.</b>	<b>PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES (-)</b>	<b>(6)</b>	<b>(1,210)</b>	<b>(1,573)</b>	<b>(367)</b>	<b>(731)</b>
<b>X.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>(11,271)</b>	<b>(8,927)</b>	<b>(3,803)</b>	<b>(3,178)</b>
<b>XI.</b>	<b>NET OPERATING INCOME/(LOSS) (VIII+IX+X)</b>		<b>12,913</b>	<b>8,214</b>	<b>4,423</b>	<b>3,437</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>12,913</b>	<b>8,214</b>	<b>4,423</b>	<b>3,437</b>
<b>XVI.</b>	<b>TAX PROVISION FOR CONTINUING OPERATIONS (-)</b>	<b>(9)</b>	<b>(2,956)</b>	<b>(1,976)</b>	<b>(1,091)</b>	<b>(841)</b>
16.1	Current Tax Provision		(2,685)	-	(1,127)	-
16.2	Deferred Tax Provision		(271)	(1,976)	36	(841)
<b>XVII.</b>	<b>NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)</b>	<b>(10)</b>	<b>9,957</b>	<b>6,238</b>	<b>3,332</b>	<b>2,596</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>9,957</b>	<b>6,238</b>	<b>3,332</b>	<b>2,596</b>
	Earnings/(Loss) per share		0.0390	0.0245	0.0131	0.0102

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

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

**PASHA YATIRIM BANKASI A.Ş.**

**UNCONSOLIDATED INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY AT  
30 SEPTEMBER 2016**

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

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

		Current Period	Prior Period
		30 September 2016	30 September 2015
	<b>INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY</b>		
I.	ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	137	(191)
II.	REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-	-
III.	REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-	-
V.	INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VI.	PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-	-
VII.	EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	-	-
VIII.	OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	-	-
IX.	DEFERRED TAX ON VALUATION DIFFERENCES	(27)	38
X.	NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	110	(153)
XI.	CURRENT PERIOD INCOME/LOSS	9,957	6,238
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	9,957	6,238
XII.	TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	10,067	6,085

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

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

**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2015**

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

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

	Prior Period 30 September 2015	Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Cancellation Premium	Share Cancellation Premium	Share Cancellation Premium	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
I.	Balance at the beginning of the period		80,000	-	-	-	-	29	295	-	-	(1,817)	(6)	-	-	-	-	46,849
	Changes in the Period																	
II.	Increase/Decrease due to the Merger Differences		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(153)	-	-	-	-	(153)
IV.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,000
12.1	Cash		175,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	175,000
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profit		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	-	6,238	-	-	-	-	-	6,238
XVIII.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	-	1,817	(1,817)	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	1,817	(1,817)	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period End Balance (I+ ...+ XVIII)		255,000	-	-	-	-	29	295	-	-	6,238	(159)	-	-	-	-	227,934

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

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2016**

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

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

	Current Period 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.	Changes in the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Increase/Decrease due to the Merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	110	-	-	-	-	110
IV.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.1	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4.2	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VL	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.1	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	9,957	-	-	-	-	-	-	9,957
XVIII.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(8,787)	8,787	-	-	-	-	-	-
18.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.2	Transfers to Reserves	(2)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
18.3	Other		-	-	-	-	-	-	-	-	(8,787)	8,787	-	-	-	-	-	-
	Period End Balance (1+ ...+ XVIII)		255,000	-	-	-	29	295	-	-	9,957	(24,682)	20	-	-	-	-	240,619

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW  
AT 30 SEPTEMBER 2016**

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

**VI. STATEMENT OF CASH FLOW**

		Note (Section Five-VI)	Current Period 30 September 2016	Prior Period 30 September 2015
<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>11,866</b>	<b>5,015</b>
1.1.1	Interest Received		23,880	13,157
1.1.2	Interest Paid		(1,909)	(584)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		1,012	332
1.1.5	Other Income		1,376	(126)
1.1.6	Collections from Previously Written-off Loans and Other Receivables		-	-
1.1.7	Payments to Personnel and Service Suppliers		(5,014)	(4,172)
1.1.8	Taxes Paid		(1,558)	-
1.1.9	Other	(2)	(5,921)	(3,592)
<b>1.2</b>	<b>Changes in Operating Assets and Liabilities</b>		<b>(34,249)</b>	<b>(136,600)</b>
1.2.1	Net (Increase)/Decrease in Trading Securities		-	370
1.2.2	Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-	-
1.2.3	Net (Increase)/Decrease in Due from Banks		(5,231)	(5,005)
1.2.4	Net (Increase)/Decrease in Loans		(122,486)	(159,080)
1.2.5	Net (Increase)/Decrease in Other Assets	(2)	4,199	2,597
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		97,434	25,814
1.2.9	Net Increase/(Decrease) in Payables		-	-
1.2.10	Net Increase/(Decrease) in Other Liabilities	(2)	(8,165)	(1,296)
<b>I.</b>	<b>Net Cash Provided from Banking Operations</b>		<b>(22,383)</b>	<b>(131,585)</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>(2,841)</b>	<b>(6,071)</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		(215)	(97)
2.4	Disposals of Property and Equipment		-	-
2.5	Cash Paid for Purchase of Investments Available-for-Sale		(15,095)	(6,983)
2.6	Cash Obtained from Sale of Investments Available-for-Sale		12,852	1,193
2.7	Cash Paid for Purchase of Investment Securities		-	-
2.8	Cash Obtained from Sale of Investment Securities		-	-
2.9	Other		(383)	(184)
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III.</b>	<b>Net Cash Provided from Financing Activities</b>		<b>-</b>	<b>174,880</b>
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	175,000
3.4	Dividends Paid		-	-
3.5	Payments for Finance Leases		-	(120)
3.6	Other		-	-
<b>IV.</b>	<b>Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents</b>	(2)	<b>545</b>	<b>918</b>
<b>V.</b>	<b>Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)</b>		<b>(24,679)</b>	<b>38,142</b>
<b>VI.</b>	<b>Cash and Cash Equivalents at the Beginning of the Period</b>	(1)	<b>48,248</b>	<b>1,231</b>
<b>VII.</b>	<b>Cash and Cash Equivalents at the End of the Period (V+VI)</b>	(1)	<b>23,569</b>	<b>39,373</b>

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

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**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2016**

(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 2016, 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.

**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED  
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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 2015. 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 internal funding, in addition external funding including funding from repo transactions and borrowing from foreign financial institutions is utilised. Funds obtained from internal and external sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law.

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

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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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**PASHA YATIRIM BANKASI A.Ş.  
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(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

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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.

**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.

**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".

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

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

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

The Bank has no discontinued operations.

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT**

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

Office machine, furniture, leasehold improvements and vehicles	3-10 years
--	------------

The depreciation charge for items remaining in property and equipment for less than an accounting period at the balance sheet date is calculated in proportion to the period the item remained in property and equipment.

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

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

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

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

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

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

**XIII. EXPLANATIONS ON LEASING TRANSACTIONS**

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

*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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON TAXATION**

**a. Current Tax:**

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.

**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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

**XX. EXPLANATIONS ON GOVERNMENT GRANTS**

As of 30 September 2016 and 31 December 2015, 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**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.

**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 Accounting Standards on Segment Reporting" ("TAS 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 made on statement of income and expense items accounted in equity table dated 30 September 2015. In addition the Bank has reclassified TL 184 purchases of intangibles under 'other' line of "Net Cash Provided From / (Paid For) Investing Activities" section which was previously reported under 'purchases of property and equipment' line in the cash flow statement dated 30 September 2015.

**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 243,868 while its capital adequacy standard ratio is 59.60% as of 30 September 2016. Calculations of 31 December 2015 have been made in the framework of repealed regulations and equity amount is TL 232,480 while the capital adequacy standard ratio is 91.75%. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

	Current Period 30 September 2016	Amounts Subject to Pre-Basel III treatment Before the 1/1/2014 (*)
<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	20	
Profit	-	
Net profit of the period	9,957	
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>265,301</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	

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Improvement costs for operating leasing	21	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	366	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	-	
<b>Total regulatory adjustments to Common equity Tier 1</b>	<b>25,069</b>	
<b>Common Equity Tier 1 capital (CET1)</b>	<b>240,232</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)	-	

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<b>Additional Tier 1 capital before regulatory adjustments</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>	244	
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 (-)	244	
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>Total Additional Tier 1 capital</b>		
<b>Total Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + Additional Tier 1 capital)</b>	239,988	
<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	3,880	
<b>Tier 2 capital before regulatory adjustments</b>	3,880	
<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) (-)		
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>		

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<b>Total Tier 2 capital</b>	<b>3,880</b>	
<b>Total Capital (The sum of Tier 1 capital and Tier 2 capital)</b>	<b>243,868</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>243,868</b>	
<b>Total Risk Weighted Assets</b>	<b>409,187</b>	
<b>CAPITAL ADEQUACY RATIOS</b>		
<b>Common Equity Tier 1 Capital Adequacy Ratio (%)</b>	<b>58.71%</b>	
<b>Tier 1 Capital Adequacy Ratio (%)</b>	<b>58.65%</b>	
<b>Capital Adequacy Ratio (%)</b>	<b>59.60%</b>	

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<b>BUFFERS</b>		
Institution specific buffer requirement	0.63%	
of which: capital conservation buffer requirement (%)	0.63%	
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	-	
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)	-	
Cap on inclusion of provisions in Tier 2 under standardised approach	-	
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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	31 December 2015(*)
<b>COMMON EQUITY TIER 1 CAPITAL</b>	
Paid-in capital to be Entitled for Compensation after All Creditors	255,000
Share premium	-
Share cancellation profit	-
Legal reserves	324
Income passed on to shareholders' equity in accordance with TAS	-
Profit	-
Net Income for current period	-
Prior period profit	-
Provisions for possible risks	-
Bonus shares of Associates, Subsidiaries and Joint-Ventures	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>255,324</b>
<b>Deductions From Common Equity Tier 1 Capital</b>	
Loss excess of reserves and loss passed on to shareholders' equity in accordance with TAS (-)	24,772
Leasehold Improvements (-)	26
Goodwill and other intangible assets and related deferred tax liabilities. (-)	468
Net deferred tax income/expense (-)	99
Shares noncompliant with article 56/4 of the Law (-)	-
Direct or indirect investments on Bank's own Common Tier 1 Capital (-)	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and below	-
Total net long position exceeding 10% of Bank's Common Tier 1 capital, belonging to investments on own funds of banks and financial institutions that are not consolidated, with a shareholding of 10% and above	-
Rights of providing mortgage service exceeding 10% of Common Tier 1 capital (-)	-
Deferred tax assets based on temporary differences exceeding 10% of Common Tier 1 capital (-)	-
Balances in accordance with the temporary article 2/2 of Regulation on Shareholders' Equity of Banks exceeding 15% of Common Tier 1 capital (-)	-
Excess amount arising from total net long position belonging to investments on Common Tier 1 Capital of banks and financial institutions that are not consolidated, with a shareholding above 10%	-
Excess amount arising from rights of providing mortgage service (-)	-
Excess amount arising from deferred tax assets based on temporary differences (-)	-
Other items determined by board (-)	-
Deduction amount from Common Tier 1 Capital in case of shortage of additional Tier 1 capital or supplementary capital (-)	-
<b>Total Deductions From Common Equity Tier 1 Capital</b>	<b>25,365</b>
<b>Total Common Equity Tier 1 Capital</b>	<b>229,959</b>
<b>ADDITIONAL TIER 1 CAPITAL</b>	
Premiums of privilege share capital not included in Common Equity Tier 1 capital	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Issued before 1.1.2014)	-
<b>Additional Tier 1 Capital Before Deductions</b>	<b>-</b>
<b>Deductions From Additional Tier 1 Capital</b>	
Direct or indirect investments which bank provides for its' own additional Tier 1 capital (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier 1 capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
Deduction amount of additional core capital in case of there is not enough additional core capital or supplementary capital (-)	-
<b>Total Deductions From Additional Tier 1 Capital</b>	<b>-</b>
<b>Total Additional Tier 1 Capital</b>	<b>-</b>
<b>Deductions From Tier 1 Capital</b>	
Non deducted Common Tier 1 capital part in accordance with deferred tax expense and goodwill impairment and other intangible fixed assets which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	-
Non deducted Common Tier 1 capital part in accordance with net deferred tax income/expense which is in temporary article 2/1 of Regulation of Shareholders' Equity of Banks. (-)	149
<b>Total Tier 1 Capital</b>	<b>229,810</b>

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	31 December 2015 (*)
<b>SUPPLEMENTARY CAPITAL</b>	
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported after 1.1.2014)	-
Debt instruments which is seen appropriate by corporation and premiums in accordance with these instruments (Exported before 1.1.2014)	-
Pledged sources to bank from shareholders which is used for share capital increasing of bank	-
General Provisions	2,670
<b>Supplementary Capital Before Deductions</b>	<b>2,670</b>
<b>Deductions From Supplementary Capital</b>	
Direct or indirect investments which bank provides for its' own supplementary capital (-)	-
10% exceed part of Common Tier I capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
10% exceed part of Common Tier I capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above (-)	-
Other items determined by board (-)	-
<b>Total Deductions From Supplementary Capital</b>	<b>-</b>
<b>Total Supplementary Capital</b>	<b>2,670</b>
<b>CAPITAL</b>	<b>232,480</b>
Loans extended being noncompliant with articles 50 and 51 of the Law (-)	-
Net book values of properties owned, exceeding 50% of banks' equity and properties, and trade goods overtaken in exchange for loans and receivables that should be disposed within five years in accordance with article 57 of the Law, but not yet disposed (-)	-
Investments to loans extended to banks, financial institutions (domestic and abroad) and qualified shareholders, like secondary subordinated loan and debt instruments purchased from these institutions issued, like primary and secondary subordinated loan (-)	-
Deduction from equity in accordance with 2nd article of 20th item in Regularity of Measurement and Valuation of Capital Adequacy of Banks (-)	-
Other accounts determined by board (-)	-
Non deducted part of comon equity tier1 , additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier I capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10% (-)	-
Non deducted part of comon equity tier1, additional core and supplementary capital in accordance with temporary article 2/1 of Regulation of Shareholders' Equity of Banks which is 10% exceed part of Common Tier I capital of bank from the sum of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above (-)	-
Non deducted part of comon equity tier1 generating from exceed amount generating from investments to Common Tier I capitals of partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% and above, temporary differences of deferred tax income and the right of offering mortgage services explained in the 1st and 2nd paragraphs of temporary article 2 of Regulation of Shareholders' Equity of Banks. (-)	-
<b>SHAREHOLDERS' EQUITY</b>	<b>232,480</b>
<b>Amounts Below Overrun Amounts In Applied Reducing Procedures</b>	<b>382</b>
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding less than 10%	-
Amount generating from long position of investments to shareholders' equity and partnership share on banks and financial institutions that are not consolidated, with a shareholding of 10% or above.	-
Amount generating from right of offering mortgage service	-
Amount generating from temporary differences of deferred income tax income	382

(\*) Total capital has been calculated in accordance with the "Regulations regarding to changes on Regulation on Equity of Banks" effective from date 31 March 2016, the information given in the prior period column has been calculated pursuant to former regulation.

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

None.

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**II. EXPLANATIONS ON CURRENCY RISK**

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

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

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

	USD	EURO
<b>Bid Rate</b>	3.0004	3.3548
1. Bid rate	2.9959	3.3608
2. Bid rate	2.9764	3.3362
3. Bid rate	2.9709	3.3401
4. Bid rate	2.9846	3.3546
5. Bid rate	2.9474	3.3044

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

	USD		EURO	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Arithmetic average - 30 days	2.9602	2.9177	3.3211	3.1770

By 31 December 2015; The Bank's USD bid rate is 2.9181 and EUR bid rate is 3.1838.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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**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", marketable derivative financial assets, hedge derivative financial assets, deferred tax asset and paid in cash expenses in assets; general provisions, deferred tax liability, marketable derivative financial liabilities, hedge derivative financial liabilities and equities in liabilities are 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 2016</b>				
<b>Assets</b>				
Cash and Balances with The Central Bank of the Republic of Turkey	1	17,052	-	17,053
Due From Banks	554	11,247	8	11,809
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	-
Available-for-sale Financial Assets	-	-	-	-
Loans(*)	48,058	68,622	-	116,680
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Held-to-maturity Investments	-	-	-	-
Hedging Derivative Financial Assets	-	-	-	-
Tangible Assets	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	2	41	-	43
<b>Total Assets</b>	<b>48,615</b>	<b>96,962</b>	<b>8</b>	<b>145,585</b>
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	39,449	81,425	-	120,874
Marketable Securities Issued	-	-	-	-
Miscellaneous Payables	-	-	-	-
Hedging Derivative Financial Liabilities	-	-	-	-
Other Liabilities	78	1,231	-	1,309
<b>Total Liabilities</b>	<b>39,527</b>	<b>82,656</b>	<b>-</b>	<b>122,183</b>
<b>Net On-balance Sheet Position</b>	<b>9,088</b>	<b>14,306</b>	<b>8</b>	<b>23,402</b>
<b>Net Off-balance Sheet Position</b>	<b>(6,710)</b>	<b>-</b>	<b>-</b>	<b>(6,710)</b>
Financial Derivative Assets(**)	-	-	-	-
Financial Derivative Liabilities(**)	6,710	-	-	6,710
<b>Non-Cash Loans</b>	<b>24,570</b>	<b>26,144</b>	<b>-</b>	<b>50,714</b>
<b>31 December 2015</b>				
<b>Total Assets</b>	<b>15,055</b>	<b>89,355</b>	<b>10,234</b>	<b>114,644</b>
<b>Total Liabilities</b>	<b>6,409</b>	<b>75,171</b>	<b>-</b>	<b>81,580</b>
<b>Net On-balance Sheet Position</b>	<b>8,646</b>	<b>14,184</b>	<b>10,234</b>	<b>33,064</b>
<b>Net Off-balance Sheet Position</b>	<b>(8,438)</b>	<b>(18,384)</b>	<b>-</b>	<b>(26,822)</b>
Financial Derivative Assets	8,437	-	-	8,437
Financial Derivative Liabilities	16,875	18,384	-	35,259
<b>Non-Cash Loans (**)</b>	<b>24,101</b>	<b>41,563</b>	<b>1,666</b>	<b>67,330</b>

(\*) Foreign exchange linked loans amounting to TL 36,392 (31 December 2015 : TL 23,846) are also included.

(\*\*) Forward and swap transactions included.

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**III. EXPLANATIONS ON INTEREST RATE RISK**

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

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

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

**Interest rate sensitivity of the Bank:**

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

30 September 2016	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing	Total
<b>Assets</b>							
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The Central Bank of the Republic of Turkey	17,016	-	-	-	-	1,236	18,252
Due From Banks	10,501	-	-	-	-	1,329	11,830
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	-	-
Interbank Money Market Placements	10,503	-	-	-	-	-	10,503
Available-for-Sale Financial Assets	172	5,433	6,625	-	-	-	12,230
Loans	173,904	69,231	123,455	4,208	-	-	370,798
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	13,220	13,220
<b>Total Assets</b>	<b>212,096</b>	<b>74,664</b>	<b>130,080</b>	<b>4,208</b>	<b>-</b>	<b>15,785</b>	<b>436,833</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	4,893	-	-	-	-	-	4,893
Miscellaneous Payables	-	-	-	-	-	21	21
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	36,178	15,378	75,416	43,437	-	-	170,409
Other Liabilities (**)	-	5	47	-	-	261,458	261,510
<b>Total Liabilities</b>	<b>41,071</b>	<b>15,383</b>	<b>75,463</b>	<b>43,437</b>	<b>-</b>	<b>261,479</b>	<b>436,833</b>
Balance Sheet Long Position	171,025	59,281	54,617	-	-	-	284,923
Balance Sheet Short Position	-	-	-	(39,229)	-	(245,694)	(284,923)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>171,025</b>	<b>59,281</b>	<b>54,617</b>	<b>(39,229)</b>	<b>-</b>	<b>(245,694)</b>	<b>-</b>

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

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

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<b>31 December 2015</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 (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with The CBRT	11,772	-	-	-	-	891	12,663
Due From Banks	26,015	-	-	-	-	21,342	47,357
Financial Assets at Fair Value Through Profit/Loss	-	604	-	-	-	-	604
Interbank Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	256	-	9,363	-	-	-	9,619
Loans	105,683	41,488	52,357	2,164	44,052	-	245,744
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	6,418	6,418
<b>Total Assets</b>	<b>143,726</b>	<b>42,092</b>	<b>61,720</b>	<b>2,164</b>	<b>44,052</b>	<b>28,651</b>	<b>322,405</b>
<b>Liabilities</b>							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	100	100
Marketable Securities Issued	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	9,125	-	21,086	41,100	-	-	71,311
Other Liabilities (**)	-	-	-	-	-	250,994	250,994
<b>Total Liabilities</b>	<b>9,125</b>	<b>-</b>	<b>21,086</b>	<b>41,100</b>	<b>-</b>	<b>251,094</b>	<b>322,405</b>
Balance Sheet Long Position	134,601	42,092	40,634	-	44,052	-	261,379
Balance Sheet Short Position	-	-	-	(38,936)	-	(222,443)	(261,379)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
<b>Total Position</b>	<b>134,601</b>	<b>42,092</b>	<b>40,634</b>	<b>(38,936)</b>	<b>44,052</b>	<b>(222,443)</b>	<b>-</b>

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

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

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

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

<b>30 September 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	-	0.49	-	4.78
Due From Banks	-	0.52	-	9.83
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	9.95
Available-for-Sale Financial Assets	-	-	-	10.01
Loans	3.42	4.88	-	13.11
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	9.09
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Inst.	1.71	2.82	-	9.87

<b>31 December 2015</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	-	-	-	-
Due From Banks	-	0.99	-	10.60
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	10.95
Available-for-Sale Financial Assets	-	-	-	8.80
Loans	4.80	4.82	-	12.28
Held-to-Maturity Investments	-	-	-	-
<b>Liabilities</b>				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	9.79
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	-	-	-
Funds Borrowed From Other Financial Inst.	2.00	3.25	-	10.75

**IV. EXPLANATIONS ON EQUITY POSITION RISK**

The Bank does not hold equity position as of 30 September 2016 (31 December 2015: None).

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND  
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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, 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 Liquidity 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 and repo transactions and Money market transactions 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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**ç) 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.

**d) 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.

**e) 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.

**f) 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**

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>30 September 2016 (*)</b>				
Average (%)	254	572	105	499
Maximum (%)	493	957	150	775
Minimum (%)	110	393	88	296

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC +TL	FC	FC +TL
<b>31 December 2015 (*)</b>				
Average (%)	2,569	837	180	628
Maximum (%)	12,655	1,461	531	1,161
Minimum (%)	171	390	86	386

(\*) 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 announcement dated 29/12/2014, No: 30223; it is announced that development and investment banks' consolidated and unconsolidated liquidity coverage ratio will be applied as 0 % by 2017 according to paragraph 5 of article 4 of Regulations About Banks' Liquidity Coverage Ratio Measurement.

Current Period-30 September 2016 (**)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	TP+YP	YP	TP+YP	YP
<b>High-quality Liquidity Assets (HLA)</b>				
1 High-quality Liquidity Assets			18,862	8,155
<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	21,331	17,018	21,331	17,018
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	21,331	17,018	21,331	17,018
9 Secured Debts			-	-
10 Other Cash Outflows	33,359	26,407	13,526	12,279
11 Derivative liabilities and margin liabilities	304	2,860	304	2,860
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	33,055	23,547	13,222	9,419
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	113,003	30,267	11,300	3,027
<b>16 TOTAL CASH OUTFLOWS</b>			<b>46,157</b>	<b>32,324</b>
<b>CASH INFLOWS</b>				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	199,265	3,924	147,557	3,459
19 Other cash inflows	95	32	95	32
<b>20 TOTAL CASH INFLOWS</b>	<b>199,360</b>	<b>3,956</b>	<b>147,652</b>	<b>3,491</b>
			<b>Upper limit applied amount</b>	
<b>21 TOTAL HLA STOCK</b>			<b>18,862</b>	<b>8,155</b>
<b>22 TOTAL NET CASH OUTFLOWS (*)</b>			<b>11,539</b>	<b>28,833</b>
<b>23 LIQUIDITY COVERAGE RATION (%)</b>			<b>163.46%</b>	<b>28.28%</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 third quarter of 2016 are calculated.

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

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified (*)	Total
<b>30 September 2016</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	1,236	17,016	-	-	-	-	-	18,252
Due From Banks	1,329	10,501	-	-	-	-	-	11,830
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	-	-	-
Interbank Money Market Placements	-	10,503	-	-	-	-	-	10,503
Available-for-Sale Financial Assets	-	172	5,433	6,625	-	-	-	12,230
Loans	-	132,297	24,634	162,550	51,317	-	-	370,798
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets (*)	-	11,205	-	-	-	-	2,015	13,220
<b>Total Assets</b>	<b>2,565</b>	<b>181,694</b>	<b>30,067</b>	<b>169,175</b>	<b>51,317</b>	<b>-</b>	<b>2,015</b>	<b>436,833</b>
<b>Liabilities</b>								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	36,178	15,378	75,416	43,437	-	-	170,409
Miscellaneous Payables	-	4,893	-	-	-	-	-	4,893
Marketable Securities Issued	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	21	-	-	-	-	-	21
Other Liabilities (**)	1,684	11,818	1,137	47	-	-	246,824	261,510
<b>Total Liabilities</b>	<b>1,684</b>	<b>52,910</b>	<b>16,515</b>	<b>75,463</b>	<b>43,437</b>	<b>-</b>	<b>246,824</b>	<b>436,833</b>
<b>Net Liquidity Gap</b>	<b>881</b>	<b>128,784</b>	<b>13,552</b>	<b>93,712</b>	<b>7,880</b>	<b>-</b>	<b>(244,809)</b>	<b>-</b>
<b>31 December 2015</b>								
Total Assets	22,233	100,954	56,531	83,215	13,307	44,052	2,113	322,405
Total Liabilities	10,272	14,434	-	21,086	41,100	-	235,513	322,405
<b>Net Liquidity Gap</b>	<b>11,961</b>	<b>86,520</b>	<b>56,531</b>	<b>62,129</b>	<b>(27,793)</b>	<b>44,052</b>	<b>(233,400)</b>	<b>-</b>

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

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

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**VI. EXPLANATIONS ON LEVERAGE RATIO**

Unconsolidated leverage ratio was realized as 41.96 % (31 December 2015: 54.83%). 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 has been linked to the provision of the minimum leverage ratio of 3%.

	Current Period*	Prior Period *
<b>Asset On The Balance Sheet</b>		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	413,344	309,195
(Assets deducted from core capital)	(661)	(737)
Total risk amount for assets on the balance sheet	412,683	308,458
<b>Derivative Financial Instruments and Loan Derivatives</b>		
Renewal cost of derivative financial instruments and loan derivatives	179	498
Potential credit risk amount of derivative financial instruments and loan derivatives	97	238
Total risk amount of derivative financial instruments and loan derivatives	276	736
<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)	150	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	150	-
<b>Off-the-Balance Sheet Transactions</b>		
Gross nominal amount of the off-the-balance sheet transactions	156,207	108,645
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	156,207	108,645
<b>Capital and Total Risk</b>		
Core capital	238,889	229,104
Total risk amount	569,316	417,839
<b>Leverage Ratio</b>		
Leverage ratio	41.96%	54.83%

\* Last three months average values

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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**

		RWA		Minimum capital requirements
		30 September 2016	31 December 2015	30 September 2016
1	Credit risk (excluding counterparty credit risk) (CCR)	371,390	238,114	29,711
2	Of which standardised approach (SA)	371,390	238,114	29,711
3	Of which internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	67	200	5
5	Of which standardised approach for counterparty credit risk (SA-CCR)	67	200	5
6	Of which internal model method (IMM)	-	-	-
7	Equity positions in banking book under market-based approach	-	-	-
8	Equity investments in funds – look-through approach	-	-	-
9	Equity investments in funds – mandate-based approach	-	-	-
10	Equity investments in funds – fall-back approach	-	-	-
11	Settlement risk	-	-	-
12	Securitisation exposures in banking book	-	-	-
13	Of which IRB ratings-based approach (RBA)	-	-	-
14	Of which IRB Supervisory Formula Approach (SFA)	-	-	-
15	Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	17,197	10,635	1,376
17	Of which standardised approach (SA)	17,197	10,635	1,376
18	Of which internal model approaches (IMM)	-	-	-
19	Operational risk	20,533	4,432	1,643
20	Of which Basic Indicator Approach	20,533	4,432	1,643
21	Of which Standardised Approach	-	-	-
22	Of which Advanced Measurement Approach	-	-	-
23	Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	409,187	253,381	32,735

**b. 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.

**c. 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.

**d. 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>
Total Assets	370,798	66,035	436,833
Total Liabilities	1,684	435,149	436,833
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>

<b>Prior Period</b>	<b>Corporate Banking</b>	<b>Treasury and Asset Liability Management</b>	<b>Total</b>
<b>As at 31 December 2015</b>			
Total Assets	245,744	76,661	322,405
Total Liabilities	10,272	312,133	322,405
<b>For the period ended 30 September 2015</b>			
Net Interest Income/(Loss)	10,877	6,963	17,840
Net Fee and Commission Income/(Loss)	135	-	135
Trading Gain/(Loss)	-	681	681
Other Operating Segments Gain/(Loss)	-	58	58
Provisions for Loan Losses and Other Receivables(-)	(1,573)	-	(1,573)
Other Operating Expense (-)	-	(8,927)	(8,927)
<b>Profit Before Tax</b>	<b>9,439</b>	<b>(1,225)</b>	<b>8,214</b>
Tax Provision	-	(1,976)	(1,976)
<b>Net Profit</b>	<b>9,439</b>	<b>(3,201)</b>	<b>6,238</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 2016		31 December 2015	
	TL	FC	TL	FC
Cash/Foreign currency	19	3	6	5
CBRT	1,180	17,050	782	11,870
Other	-	-	-	-
<b>Total</b>	<b>1,199</b>	<b>17,053</b>	<b>788</b>	<b>11,875</b>

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

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Demand Unrestricted Amount	1,180	34	782	98
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	17,016	-	11,772
<b>Total</b>	<b>1,180</b>	<b>17,050</b>	<b>782</b>	<b>11,870</b>

According to CBRT's "Required Reserves Announcement" numbered 2005/1, for Turkish currency and foreign currency denominated liabilities, reserve requirement amounts held in CBRT have been included in the above table. The reserve rates for TL liabilities vary between 4% and 10.5% for TL deposits and other liabilities according to their maturities as of 30 September 2016 (31 December 2015: 5% and 11.5% for all TL liabilities). The reserve rates for foreign currency liabilities vary between 5% and 25% for deposit and other foreign currency liabilities according to their maturities as of 30 September 2016 (31 December 2015: 5% and 25% for all foreign currency liabilities).

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

**a. As of 30 September 2016, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2015: None).**

As of 30 September 2016; there are no and financial assets given as collateral/are blocked (31 December 2015: None).

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

	30 September 2016		31 December 2015	
	TP	YP	TP	YP
Forward	-	-	-	-
Swap	-	-	604	-
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>604</b>	<b>-</b>

**c. Information on trading securities:**

None (31 December 2015: None).

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**3. Information on banks:**

**a. Information on banks:**

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Banks				
Domestic	21	10,502	24,028	-
Foreign	-	1,307	2,000	21,329
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>21</b>	<b>11,809</b>	<b>26,028</b>	<b>21,329</b>

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

	Unrestricted Amount		Restricted Amount	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
European Union Countries	555	287	-	-
USA, Canada	745	10,808	-	-
OECD Countries (*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	7	12,234	-	-
<b>Total</b>	<b>1,307</b>	<b>23,329</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 2016 there are financial assets given as collateral/blocked amounting to TL 515 (31 December 2015: TL 1,026).

As of 30 September 2016 there are available-for-sale financial assets subject to repo transactions TL 5,048 (31 December 2015: None).

	30 September 2016	31 December 2015
Debt Securities	12,230	9,638
Quoted on Stock Exchange	12,230	9,638
Not Quoted	-	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	(19)
<b>Total</b>	<b>12,230</b>	<b>9,619</b>

**5. Explanations on loans:**

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

	30 September 2016		31 December 2015	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	23,551	-	22,475
Legal Entities	-	23,551	-	22,475
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
<b>Total</b>	<b>-</b>	<b>23,551</b>	<b>-</b>	<b>22,475</b>

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(Continued)**

- 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>370,798</b>	<b>8,910</b>	-	-	-	-
Loans given to enterprises	127,427	-	-	-	-	-
Export Loans	9,538	8,910	-	-	-	-
Import Loans	-	-	-	-	-	-
Loans Granted to Financial Sector	188,536	-	-	-	-	-
Consumer Loans	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-
Other	45,297	-	-	-	-	-
<b>Specialized Loans</b>	-	-	-	-	-	-
<b>Other Receivables</b>	-	-	-	-	-	-
<b>Total</b>	<b>370,798</b>	<b>8,910</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	8,910	-
Extended by 3,4 or 5 times	-	-
Extended by more than 5 times	-	-
<b>Total</b>	<b>8,910</b>	-

Extended period of time	Standard loans and other receivables	Loans and other receivables under close monitoring
0 - 6 Months	-	-
6 - 12 Months	8,910	-
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and over	-	-
<b>Total</b>	<b>8,910</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>278,326</b>	<b>8,910</b>	-	-
Non-Specialized Loans	278,326	8,910	-	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
<b>Medium and Long-Term Loans and Other Receivables</b>	<b>83,562</b>	-	-	-
Non-Specialized Loans	83,562	-	-	-
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 2015: None).

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

<b>30 September 2016</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	4,208	4,208
Business residential loans	-	-	-
Automobile loans	-	4,208	4,208
Consumer loans	-	-	-
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>	-	4,208	4,208

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<b>Prior Period: 31 December 2015</b>	<b>Short Term</b>	<b>Medium-Long Term</b>	<b>Total</b>
<b>Commercial installment loans-TC</b>	-	2,163	2,163
Business residential loans	-	-	-
Automobile loans	-	2,163	2,163
Consumer loans	-	-	-
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>	-	2,163	2,163

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Public	-	-
Private	370,798	245,744
<b>Total</b>	<b>370,798</b>	<b>245,744</b>

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Domestic Loans	325,501	245,744
Foreign Loans	45,297	-
<b>Total</b>	<b>370,798</b>	<b>245,744</b>

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

None.

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Loans and Receivables with Limited Collectability	-	-
Loans and Receivables with Doubtful Collectability	-	-
Uncollectible Loans and Receivables	-	-
<b>Total</b>	-	-

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

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

None (31 December 2015: 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>	-	-	-
<b>Additions (+)</b>	-	-	-
Transfers from Other Categories of Non-performing Loans (+)	-	-	-
Transfers to Other Categories of Non-Performing Loans (-)	-	-	-
<b>Collections (-)</b>	-	-	-
<b>Write-offs (-)</b>	-	-	-
Corporate and Commercial Loans	-	-	-
Retail Loans	-	-	-
Credit Cards	-	-	-
Other	-	-	-
<b>Period End Balance:</b>	-	-	-
<b>Specific Provisions (-)</b>	-	-	-
<b>Net Balance on Balance Sheet Date</b>	-	-	-

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

None (31 December 2015: None).

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

	III. Group Loans and Other Receivables with Limited Collectability	IV. Group Loans and Other Receivables with Doubtful Collectability	V. Group Uncollectible Loans and Other Receivables
<b>Current Period (Net)</b>	-	-	-
Loans granted to corporate entities and real persons (Gross)	-	-	-
Specific Provisions Amount(-)	-	-	-
<b>Loans granted to corporate entities and real persons (Net)</b>	-	-	-
<b>Banks (Gross)</b>	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Other Loans and Advances (Net)</b>	-	-	-
<b>Prior Period (Net)</b>	-	-	-
Loans granted to corporate entities and real persons (Gross)	-	-	-
Specific Provisions Amount(-)	-	-	-
<b>Loans granted to corporate entities and real persons (Net)</b>	-	-	-
<b>Banks (Gross)</b>	-	-	-
Specific Provisions Amount(-)	-	-	-
<b>Banks (Net)</b>	-	-	-
Other Loans and Advances (Gross)	-	-	-
Specific Provisions Amount (-)	-	-	-
<b>Other Loans and Advances (Net)</b>	-	-	-

**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 2016, there is no liquidation or decrease in assets. (31 December 2015: None).

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6. **Information on held-to-maturity investments:**  
None (31 December 2015: None).
7. **Information on investments in associates:**  
None (31 December 2015: None).
8. **Information on subsidiaries (Net):**  
None (31 December 2015: None).
9. **Information on joint ventures:**  
None (31 December 2015: None).
10. **Information on lease receivables (net):**  
None (31 December 2015: None).
11. **Information on hedging derivative financial assets:**  
None (31 December 2015: None).
12. **Information on property and equipment:**

Prior Period End: 31 December 2015	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	271	716	987
Accumulated Depreciation(-)	-	(136)	(347)	(483)
Net Book Value	-	135	369	504
<b>Current Period End: 30 September 2016</b>				
Net Book Value at the beginning of the Period	-	135	369	504
Additions	-	-	215	215
Disposals(-), net	-	-	-	-
Depreciation (-)	-	(51)	(99)	(150)
Impairment	-	-	-	-
Cost at Period End	-	271	931	1,202
Accumulated Depreciation at Period End (-)	-	(187)	(446)	(633)
Closing Net Book Value	-	84	485	569

Prior Period End: 31 December 2014	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	271	456	727
Accumulated Depreciation(-)	-	(68)	(367)	(435)
Net Book Value	-	203	89	292
<b>Current Period End: 31 December 2015</b>				
Net Book Value at the beginning of the Period	-	203	89	292
Additions	-	-	334	334
Disposals(-), net	-	-	(3)	(3)
Depreciation (-)	-	(68)	(51)	(119)
Impairment	-	-	-	-
Cost at Period End	-	271	716	987
Accumulated Depreciation at Period End (-)	-	(136)	(347)	(483)
Closing Net Book Value	-	135	369	504

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**13. Informations on intangible assets:**

	<b>Current Period</b>	<b>Prior Period</b>
	<b>30 September 2016</b>	<b>31 December 2015</b>
Net Book Value at the beginning of the Period	468	191
Additions	383	433
Disposals(-), net	-	-
Depreciation (-)	(241)	(156)
Other (*)	610	468

**14. Information on investment property:**

None (31 December 2015: None).

**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 2016, the Bank calculated deferred tax asset amounting TL 334 and reflected this amount to the financial statements (31 December 2015: TL 627).

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.

	<b>30 September 2016</b>		<b>31 December 2015</b>	
	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>	<b>Temporary Differences of Deferred Tax Base</b>	<b>Deferred Tax Amount</b>
Financial loss	-	-	1,239	247
Provision for employee benefits	313	63	1,324	264
Expense provisions	61	12	400	80
Other	1,476	295	738	147
<b>Deferred Tax Asset, net</b>	<b>1,850</b>	<b>370</b>	<b>3,701</b>	<b>738</b>
Tangible and intangible assets	(162)	(33)	-	-
Other	(16)	(3)	(556)	(111)
<b>Deferred Tax Liability, net</b>	<b>(178)</b>	<b>(36)</b>	<b>(556)</b>	<b>(111)</b>
<b>Deferred Tax Asset/ (Liability), net</b>	<b>1,672</b>	<b>334</b>	<b>3,145</b>	<b>627</b>

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

None (31 December 2015: None).

**17. Information on other assets:**

As of 30 September 2016, other assets amount to TL 11,626 (31 December 2015: TL 4,738) 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 2016		31 December 2015	
	TL	FC	TL	FC
Forward	52	-	10	-
Swap	-	-	10	28
Futures	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>52</b>	<b>-</b>	<b>20</b>	<b>28</b>

**3. Information on borrowings:**

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

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	19,005	27,850	-	1,751
From Foreign Banks, Institutions and Funds	30,530	93,024	-	69,560
<b>Total</b>	<b>49,535</b>	<b>120,874</b>	<b>-</b>	<b>71,311</b>

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

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Short-term	19,005	40,767	-	30,211
Medium and Long-term	30,530	80,107	-	41,100
<b>Total</b>	<b>49,535</b>	<b>120,874</b>	<b>-</b>	<b>71,311</b>

**c. Additional explanation related to the concentrations of the Bank's major liabilities on the basis of concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed**

The Bank, funds its assets mainly with its capital and borrowings.

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**4. Information on Repo Transactions:**

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
Financial Institutions	4,893	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>4,893</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5. Securities Issued :**

None (31 December 2015: None).

**6. Information on Borrower Fund:**

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over Years
<b>30-Sep-16</b>						-
Borrower fund	1,684	-	-	-	-	-
<b>31-Dec-15</b>						
Borrower fund	10,272	-	-	-	-	-

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

As of 30 September 2016, other liabilities amount to TL 12,190 (31 December 2015: TL 5,338) and don't exceed 10% of total balance sheet except off balance sheet commitments.

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

	30 September 2016		31 December 2015	
	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 2015: None).

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**10. Information on provisions:**

**a. Information on general provisions:**

	30 September 2016	31 December 2015
Provisions for Group I. Loans and Receivables	3,503	2,130
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	297	253
Other	80	287
<b>General Provisions</b>	<b>3,880</b>	<b>2,670</b>

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

As of 30 September 2016, provisions related with foreign currency difference of foreign indexed loans amount 4 TL (31 December 2015: TL 167) 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 2015: None).

**d. Information on other provisions:**

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

None (31 December 2015: 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.

	30 September 2016	31 December 2015
Discount rate (%)	3.49	3.49

The movement of employee termination benefits is shown below:

	30 September 2016	31 December 2015
<b>Balance at the Beginning of the Period</b>	<b>234</b>	<b>160</b>
Provisions Recognised During the Period	(54)	74
<b>Balance at the end of the period</b>	<b>180</b>	<b>234</b>

In addition, as of 30 September 2016 the Bank have unused vacation provision of TL 133 (31 December 2015: TL 65).

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

Other provisions amount of TL 1,234 comprising of TL 972 is for bonus provisions and TL 262 for ongoing lawsuits and other. (31 December 2015: TL 1,333).

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**11. Information on taxes payable:**

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

**i) Information on tax provision:**

The Bank recognized TL 1,132, which is the remaining amount after the deduction of 1,558 TL temporary taxes paid in the period from corporate tax, to financial statements as current tax liability as of 30 September 2016 (31 December 2015: None).

**ii) Information on taxes payable:**

	30 September 2016	31 December 2015
Corporate Tax Payable	1,132	-
Taxation on Marketable Securities	1	1
Property Tax	1	1
Banking Insurance Transaction Tax (BITT)	126	81
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	20	89
Other	151	235
<b>Total</b>	<b>1,431</b>	<b>407</b>

**iii) Information on premium payables:**

	30 September 2016	31 December 2015
Social Security Premiums – Employee	46	32
Social Security Premiums – Employer	51	37
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	3	2
Unemployment Insurance – Employer	7	4
Other	-	-
<b>Total</b>	<b>107</b>	<b>75</b>

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

Explanations on the taxation of the Bank are presented in explanations and notes related to unconsolidated assets.

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

None (31 December 2015: 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 2015: None).

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

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

	30 September 2016	31 December 2015
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 2015: 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 2015: None).

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

	30 September 2016		31 December 2015	
	TL	FC	TL	FC
From Subsidiaries, Affiliates and Joint ventures	-	-	-	-
Valuation difference	20	-	(90)	-
Rate difference	-	-	-	-
<b>Total</b>	<b>20</b>	<b>-</b>	<b>(90)</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 2016</b>	<b>31 December 2015</b>
Forward Asset purchase and sale commitments	-	16,912
Forward Deposit purchase and sale commitments	-	2,009
Tax and fond liabilities from export commitment	6	25
Other Irrevocable commitments	-	-
<b>Total</b>	<b>6</b>	<b>18,946</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 2016, the Bank has guarantee and indemnities amounting TL 149,215 (31 December 2015: TL 126,995) based upon the guarantee letter.

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

None (31 December 2015: None).

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

	<b>30 September 2016</b>	<b>31 December 2015</b>
Non-cash Loans Given against Cash Loans	68,502	-
With Original Maturity of 1 Year or Less Than 1 Year	16,000	-
With Original Maturity of More Than 1 Year	52,502	22,091
Other Non-cash Loans	80,713	104,904
<b>Total</b>	<b>149,215</b>	<b>126,995</b>

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

	<b>Current Period</b>				<b>Prior Period</b>			
	<b>30 September 2016</b>				<b>31 December 2015</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>1,319</b>	<b>1.34</b>	<b>15,417</b>	<b>30.40</b>	<b>1,845</b>	<b>3.09</b>	<b>14,686</b>	<b>21.81</b>
Mining	-	-	-	-	-	-	-	-
Production	1,319	1.34	15,417	30.40	1,730	2.90	14,686	21.81
Electric, Gas and Water	-	-	-	-	115	0.19	-	-
<b>Construction</b>	<b>1,079</b>	<b>1.10</b>	<b>6,758</b>	<b>13.32</b>	<b>3,130</b>	<b>5.25</b>	<b>6,929</b>	<b>10.29</b>
<b>Services</b>	<b>96,103</b>	<b>97.56</b>	<b>28,539</b>	<b>56.28</b>	<b>54,690</b>	<b>91.66</b>	<b>45,715</b>	<b>67.89</b>
Wholesale and Retail Trade	8,870	9.00	2,095	4.13	33,241	55.71	20,651	30.67
Hotel, Food and Beverage Services	11,147	11.32	-	-	5,112	8.57	-	-
Transportation and Telecommunication	9,250	9.39	450	0.89	-	-	2,714	4.03
Financial Institutions	63,336	64.30	23,551	46.44	16,337	27.38	22,350	33.19
Real Estate and Leasing Services	3,500	3.55	2,443	4.82	-	-	-	-
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
<b>Other</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>98,501</b>	<b>100.00</b>	<b>50,714</b>	<b>100.00</b>	<b>59,665</b>	<b>100.00</b>	<b>67,330</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 2016	Group I		Group II	
	TL	FC	TL	FC
<b>Non-Cash Loans</b>	<b>98,501</b>	<b>50,714</b>	-	-
Letters of Guarantee	98,501	44,683	-	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	5,851	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	-	-	-

**2. Information on derivative transactions:**

	30 September 2016	31 December 2015
Forward foreign currency purchase transactions	6,852	3,835
Forward foreign currency sell transactions	6,710	3,794
Currency swap-buy	-	32,122
Currency swap-sell	-	31,465
<b>Toplam</b>	<b>13,562</b>	<b>71,216</b>

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

None (31 December 2015: None).

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

*(i) Contingent assets*

None

*(ii) Contingent liabilities*

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

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

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

None (31 December 2015: 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 2016		30 September 2015	
	TL	FC	TL	FC
Short-term Loans	20,700	323	10,263	418
Medium/Long-term Loans	685	2,025	196	-
Interest on Loans Under Follow-up	-	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
<b>Total</b>	<b>21,385</b>	<b>2,348</b>	<b>10,459</b>	<b>418</b>

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

	30 September 2016		30 September 2015	
	TL	FC	TL	FC
From the CBRT	94	-	15	-
From Domestic Banks	1,205	-	5,827	1
From Foreign Banks	140	12	122	16
Headquarters and Branches Abroad	-	-	-	-
<b>Total</b>	<b>1,439</b>	<b>12</b>	<b>5,964</b>	<b>17</b>

(\*) The interest income from required reserves presented in "From the CBRT" line.

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

	30 September 2016		30 September 2015	
	TL	FC	TL	FC
From Trading Financial Assets	-	-	-	-
From Financial Assets at Fair Value through Profit or Loss	-	-	-	-
From Available-for-sale Financial Assets	1,243	-	1,068	-
From Held-to-Maturity Investments	-	-	-	-
<b>Total</b>	<b>1,243</b>	<b>-</b>	<b>1,068</b>	<b>-</b>

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

None (30 September 2015: None).

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**2. Information on interest expense:**

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

	30 September 2016		30 September 2015	
	TL	FC	TL	FC
Banks	826	2,002	1	341
The CBRT	-	-	-	-
Domestic Banks	99	123	1	15
Foreign Banks	727	1,879	-	326
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
<b>Total</b>	<b>826</b>	<b>2,002</b>	<b>1</b>	<b>341</b>

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

None (30 September 2015: None).

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

None (30 September 2015: None).

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

None (30 September 2015: None).

**3. Information on dividend income:**

None (30 September 2015: None).

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

	30 September 2016	30 September 2015
<b>Income</b>	<b>16,788</b>	<b>10,419</b>
Income from Capital Market Transactions	17	4
Income from Derivative Financial Transactions (*)	1,258	387
Foreign Exchange Gains	15,513	10,028
<b>Loss (-)</b>	<b>(15,267)</b>	<b>(9,738)</b>
Loss from Capital Market Transactions	(36)	(464)
Loss from Derivative Financial Transactions (*)	(515)	(2,295)
Foreign Exchange Loss	(14,716)	(6,979)
	<b>1,521</b>	<b>681</b>

(\*) Due to the short maturity of derivative financial instruments held by the Bank, changes in exchange rate creates gains and loss from derivative financial transactions.

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

Other operating income includes TL 8 per social security participant addendum, TL 54 income from previous years' provision cancellations and there is no income regarding extraordinary accounts. (30 September 2015: TL 58)

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

	30 September 2016	30 September 2015
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	1,210	1,573
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>1,210</b>	<b>1,573</b>

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

	30 September 2016	30 September 2015
Personnel Expenses	5,986	4,172
Reserve For Employee Termination Benefits	68	66
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	-	-
Depreciation Expenses of Fixed Assets	150	88
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	241	96
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	3,953	2,475
Operational Lease Expenses	1,083	813
Maintenance Expenses	9	1
Advertising Expenses	423	1
Other Expense	2,438	1,660
Loss on Sales of Assets	-	-
Other	873	2,030
<b>Total</b>	<b>11,271</b>	<b>8,927</b>

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

Loss before tax comes from net interest income amounting TL 22,900, net commission fee income amounting TL 894, trading loss amounting TL 1,521, other operating income amounting TL 79, provision for loan losses and other receivables amounting to TL 1,210 and other operating expenses amounting TL 11,271.

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

As of 30 September 2016 the Bank has current tax expense TL 2,685 TL (30 September 2015: None). The Bank has deferred tax loss amounting to TL 271 (30 September 2015: TL 1,976).

As of 30 September 2016, 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 9,957 (30 September 2015: TL 6,238).

**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 2015: 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 gain for marketable securities valuation difference related to available-for-sale financial assets of TL 110 (31 December 2015: TL 153 loss 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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**VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS**

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

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

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

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

	30 September 2016	30 September 2015
<b>Cash</b>	<b>18,252</b>	<b>5,891</b>
Cash, Foreign Currency and Other	22	12
T.C. Central Bank	18,230	5,879
Other	-	-
<b>Cash Equivalents</b>	<b>22,333</b>	<b>38,507</b>
Banks	11,830	38,507
Interbank Money Market Placements	10,503	-
<b>Total Cash and Cash Equivalents</b>	<b>40,585</b>	<b>44,398</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	(17,016)	(5,025)
<b>Cash Flow Statements Cash and Cash Equivalents</b>	<b>23,569</b>	<b>39,373</b>

**2. Explanation about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:**

The "Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to TL 5,921 (30 September 2015: TL 3,592) 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 4,199 (30 September 2015: TL 2,597) consists of mainly changes in prepaid expenses and other assets.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 8,165 (30 September 2015: 1,296) consists of mainly changes in miscellaneous payables, other liabilities and taxes and other duties payable.

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

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

**a. Current Period (30 September 2016):**

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	-	-	-	23,551	-	-
Interest and Commission Income Received	-	-	-	172	-	-

**Prior Period (31 December 2015):**

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	-	-	-	-	-	4,247
End of the Period	-	-	-	22,475	8,082	30,227
Interest and Commission Income Received	-	-	-	98	74	40

**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:**

No option and forward agreements with the Bank's Risk Group. (31 December 2015: None).

As of 30 September 2016, there is no amount for current account of risk group (31 December 2015: TL 10,213).

As of 30 September 2016, the Bank has borrowings from it's risk group TL 119,054.

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

As of 30 September 2016, key management compensation amount is TL 1,935 (30 September 2015: TL 975).

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

None (31 December 2015: 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**

According to the decision of the Board of Directors dated 21 October 2016, the Bank has completed the sales of bond issued with ISIN code of TRQPASH11716, nominal value TL 37,500, 90 days maturity and redemption date 24 January 2017, on 26 October 2016.

**III. EXPLANATIONS ON REVIEW REPORT**

The unconsolidated financial statements for the year ended 30 September 2016 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (E&Y) and the independent auditor's review report dated 31 October 2016 has been presented with the unconsolidated financial statements.

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

None (31 December 2015: None).

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**SECTION SEVEN**

**Explanation related for Interim financial report**

**Message from the Chairman**

Dear Stakeholders,

While watching the effects of the decision taken by the UK in a referendum on leaving the EU, the financial markets followed a positive trend in the third quarter of the year with the expectation that the US Central Bank FED would not act aggressively in a rate hike as a result of this development and that it would push back the increase in the interest rate to the end of the year. The oil prices rising to 50 dollars and over on the news that OPEC would reduce production due the continuation of the expansionary policies by the European and Japanese Central Banks and easing of the growth concerns in China have contributed positively to the developing economies that export oil.

In accordance with PASHA Bank Turkey's strategic and operational targets, we have completed the third quarter of 2016 with a profit of TL 10 million, which raised up 60% by comparison with the same period of previous year. We preserved the quality of our assets, expanded our credits and balance sheet in a steady manner while the wise strategies are crucial in this period. PASHA Bank has continued earning new customers and maintained its support to the entrepreneurs and the Turkish economy in this period respecting its corporate values and shareholders aspirations.

The total amount of cash loans utilized to our customers has become TL 370.8 million, while total assets has reached TL 436.8 million. The total equities of PASHA Bank, as the primary source of funding has stood at TL 240.6 million, whereas borrowings due to credit institutions reached to TL 170.4 million by increasing up 139% since year-end. As a result of prudent credit policies pursued by our Bank, we had no non-performing loans as we had achieved in the prior period.

During this period we have accelerated our activities to increase and diversify our funding sources and stepped forward in line with our priority for sustainable growth so as to focused on increasing the operational efficiency, whilst we fulfilled our target for sustainable growth in this quarter.

PASHA Bank's determination to apply best class corporate governance principles, its willingness to manage this process dynamically and continuously, and finally the progress achieved the last year has been confirmed by an independent rating agency and our corporate governance rating is increased to 9.26 from previous rating 8.94.

We enhanced governance structure of the Bank in line with our strategic objectives. Within this framework, strategy and budget, risk management committees have become operative to support Board for management of risk elements and their integration into strategic planning.

Bank debuted large scale PR activities in 2016 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 two years of its succesful operations.

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**Message from the Chairman (continued)**

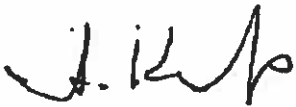
Despite several external shocks Turkey's economic growth has shown resilience in 2015. We positively think that the worst adversities are left behind for economies of both Turkey and Azerbaijan in the last year and we anticipate positive sentiments for the rest of the year.

We are working hard to achieve our business goals in 2016 and with an effort to expand our array of products and services in line with the needs and expectations of our customers.

Our operations, ever increasing cooperation among Turkey-Azerbaijan-Georgia and the synergy among our three banks positioned in this triangle has been reinforcing our faith to gain higher share in the trade and investment volume increasing in our target region. I am looking forward to have an operating period with positive developments reflected in the forthcoming quarters and towards its economic potential; the trade relations among Turkey-Azerbaijan-Georgia are enhanced and the long term joint projects are increasingly continued.

I would like to thank our valued employees and our management team for their dedicated professional work, our shareholders and all business partners for their valuable support, and our customers for their confidence in PASHA Bank.

Sincerely Yours,



**Agha Ali Kamalov  
Chairman**

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IN TURKISH, SEE NOTE I OF SECTION THREE**

**PASHA YATIRIM BANKASI A.Ş.  
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS  
AT 30 SEPTEMBER 2016**

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

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**Message of General Manager**


Turkish financial markets, made a good start to the third quarter of 2016, after the failed coup attempt that arise unexpectedly happened in mid-July followed fluctuated way. Testing of USD / TL rate from 2.88 level to 3.10 and then the downgrade by Moody's, despite reduce the willingness to take risks by foreign investors, as a result of emergency measures taken by the government which can be administered rapidly at the end of the third quarter, the USD/TL rate of re-decreased to a level of 2.88, and interest rates continuing the downward trend. Despite uncertainties related with domestic resources, durable position of Turkish lira against the exchange rate and more than estimated downward trend in inflation rate (at the end of 3 quarter annual basis 7.28%), strengthen the Central Bank of Turkey and allowed to continue reductions in interest rates, and in this quarter reduction of 125 basis points interest lower the interest rate corridor bank to 8.25%. Although we think with the effect of domestic consumption and public expenditure Turkey's economy in the second quarter finalized moderate growth ratio with 3.1%, for the passed third quarter with domestic uncertainties and increase in foreign risks there can be seen deceleration in the growth rate.

In the beginning of fourth quarter there are forthcoming uncertainties like geopolitical risks, the USA presidential elections, the US Central Bank FED's interest rate increase process, constitutional amendment. However, I desire that, in the last quarter with strong capital structure and asset quality the Turkish banking sector will continue to support the Turkish economy and shows a moderate growth as in the third quarter.

At the end of September, PASHA Bank has made profit of 10 million TL so able to maintain our goal of sustained profitability. Compared to beginning of the year our asset size has increased by 35% and reached TL 437 million. Total loan size has exceed TL 371 million. In the last quarter of the year we will continue to increase our client portfolio and growth the leverage. At the end of October we as PASHA Bank will issue our first TL denominated bond both to answer demand for the profitable and trustworthy investment instrument of qualified investors and to provide fund variety in our Bank's financial statements. With the cost-effective resources, we will provide to real sector the financial support that needs and in the coming period with the adequate market conditions we will continue to issue bonds and corroborate the trustworthy brand perception of PASHA Bank's.

I hope that especially for the banking sector the last period of 2016 will pass positive and grateful for all sectors.

**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 annual 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 1ST QUARTER REVIEWS**

<i>(K TL)</i>	<u><b>30 September 2016</b></u>	<u><b>31 December 2015</b></u>
Cash assets and Central Bank	18,252	12,663
Marketable Securities in the tradebook	-	604
Marketable Securities	12,230	9,619
Payables to Money market and Banks	22,333	47,357
Loans	370,798	245,744
Related Company	-	-
Other Assets	13,220	6,418
<b>Total Assets</b>	<b>436,833</b>	<b>322,405</b>
Credits obtained	170,409	71,311
Payables to Money market	4,893	-
Other Liabilities	20,912	20,542
Paid in Capital	255,000	255,000
Profit Reserves	324	324
Marketable Securities Valuation Difference	20	(90)
Accumulated profit / loss	(24,682)	(33,469)
Net Profit / Loss	9,957	8,787
<b>Total Liabilities</b>	<b>436,833</b>	<b>322,405</b>

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**PASHA Bank 3RD QUARTER REVIEWS**

The Bank has completed third quarter of 2016 with a profit number of TL 9,957 according to non-consolidated data. Total non-consolidated assets of the Bank is TL 436,833 with a 35% increase compared to 2015 year-end. The Bank continues its operations through headquarter units as of 30 September 2016.

The share of our securities in balance sheet is 3%, the loans are TL 370,798 increasing at a ratio of 51% compared to year end of 2015 and the share of loans in total assets is 85%.

The capital adequacy ratio of the Bank is 59.60% as of September 30, 2016.

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

**C. EXPECTATIONS OF PASHA BANK REGARDING 2016**

Pasha Bank preserves its expectations included in activity report of 2015 and anticipates an inflation rate of 7.5-8% and an economic growth of 3.5-4% in Turkey, in 2016. The Bank also anticipates that the ratio of current deficit to GDP will be 4-4.5% and unemployment rate of 10.50%.