

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 2019**

Convenience translation of the auditor's report originally issued in Turkish, See Note I of Section three)

REVIEW REPORT ON UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of PASHA Yatırım Bankası A.Ş.

Introduction

We have reviewed the unconsolidated statement of financial position of PASHA Yatırım Bankası A.Ş. ("the Bank") at September 30, 2019 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the nine-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of these unconsolidated of interim financial information 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 ("BRSA") and circulars and interpretations published by Banking Regulation and Supervision Authority (together referred as BRSA Accounting and Financial Reporting Legislation) and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by BRSA Legislation; together referred as "BRSA Accounting and Financial Reporting Legislation". Our responsibility is to express a conclusion on these unconsolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards 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 unconsolidated financial position of PASHA Yatırım Bankası A.Ş. at September 30, 2019 and the results of its operations and its unconsolidated cash flows for the nine-month period then ended in all material 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 Eight, are not consistent with the unconsolidated financial statements and disclosures in all material respects.

Additional paragraph for convenience translation to English

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited



Emre Çelik, SMMM
Associate Partner

October 31, 2019
İstanbul, Turkey



**THE NINE MONTH UNCONSOLIDATED FINANCIAL REPORT OF
PASHA YATIRIM BANKASI A.Ş. AS OF 30 SEPTEMBER 2019**

Address of the Bank's Headquarters Eski Büyükdere Caddesi No:59 PASHA Plaza,
Kat:5 34415 Kağıthane, İstanbul
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.

1. General Information About The Bank
2. Unconsolidated Financial Statements of The Bank
3. Explanations on Accounting Policies
4. Information Related to Unconsolidated Financial Position and Risk Management
5. Explanations and Notes Related to Unconsolidated Financial Statements
6. Other Explanations and Notes
7. Explanations on Independent Auditor's Interim Review Report
8. Interim Annual Report

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

Jalal GASIMOV

Chairperson of

Board of Directors

Ebru Ogan KNOTTNERUS

Chairperson of

Audit Committee

Kamala NURIYEVA

Member of

Audit Committee

H. Cenk EYNEHAN

General Manager

Benan Bilge KÖKSAL

Deputy General Manager

Yeşim ÇAĞLAR

Financial Planning, Control and
Strategy Department 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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PASHA YATIRIM BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

(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 2019
Address of the Bank's Headquarters	A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7 34398 Maslak İstanbul, Türkiye
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	www.pashabank.com.tr
E-mail	info@pashabank.com.tr

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the Banking Law No. 3182 and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in İstanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21 December 1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25 December 1987 of the 1st Commercial Court of İstanbul, and it was registered with the İstanbul 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 2019 through its head office in İstanbul 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

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.

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PASHA YATIRIM BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

GENERAL INFORMATION (Continued)

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

Paid-in capital increased from TL 80,000 to TL 255,000 by TL 175,000 cash injection, approval of the share transfer, accordingly revising the 7th article of the Bank’s main agreement regarding share capital and changing the Bank’s title as “PASHA Yatırım Bankası A.Ş.” have been approved in the Extraordinary General Assembly of the Bank dated 27 January 2015.

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

Acquisition of remaining 51,000 shares of Aksoy Holding A.Ş. by PASHA Bank OJSC, increasing Pasha Bank OJSC shares from %79.9196 to %99.9196 and decreasing Aksoy’s Holding’s shares from 20% to 0% has been approved by the BRSA’s resolution dated 18 December 2015 and numbered 6583. The related BRSA resolution has been announced to the Bank by statement dated 23 December 2015 and numbered 18038. The share transfer was accounted in the statutory accounting records with the Board of Directors decision dated 24 December 2015 and numbered 2015/110.

At the Extraordinary General Meeting of the Bank dated 18 May 2018, it has been decided to increase paid-in capital from TL 255,000 to TL 500,000 by the TL 245,000 cash payment which PASHA Holding LLC committed and the Bank’s article of incorporation has been updated in this framework. It has been approved by the Banking Regulation and Supervision Board dated 4 May 2018 numbered 7803 that PASHA Holding LLC, indirect shareholder of the Bank, has 49% share of the Bank. Increase of paid-in capital to TL 500,000 has been registered by T.C. Istanbul Trade Registry Office on 6 June 2018 which was paid in cash. Amendments to the Bank’s article has been announced on Turkish Trade Registry Gazette dated 12 June 2018 and numbered 9598.

Partnership structure of the Bank as of 30 September 2019, is stated below:

Name Surname/Commercial Title	Capital	Share Rate
PASHA Bank OJSC	254,795	50.96%
PASHA Holding LLC	245,000	49.00%
Other	205	0.04%
Total	500,000	100%

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PASHA YATIRIM BANK A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

GENERAL INFORMATION (Continued)

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

Title	Name	Education	Share %
Chairman of the Board of Directors ⁽¹⁾	Jalal Gasimov	Postgraduate	-
Vice President of the Board of Directors ⁽¹⁾	Farid Mammadov	Postgraduate	-
Member of the Board of Directors ⁽³⁾	Javid Guliyev	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	PhD	-
Member of the Board of Directors/Member of Audit Committee	Kamala Nuriyeva	Postgraduate	-
Independent Member of the Board of Directors / Member of Audit Committee	Ebru Oğan Knottnerus	Graduate	-
Independent Member of the Board of Directors ⁽²⁾	Nuri Tunçalı	Graduate	-
Independent Member of the Board of Directors	Meriç Uluşahin	Graduate	-
Member of the Board of Directors/General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager ⁽⁴⁾	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager	Uğur Koç	Graduate	-
Assistant General Manager ⁽⁵⁾	Benan Bilge Köksal	Graduate	-

⁽¹⁾ Jalal Gasimov is assigned as Chairman of the Board of Directors, Farid Mammadov is assigned as Vice President of the Board of Directors with the Board decision dated 5 April 2019, numbered 2019/32.

⁽²⁾ At Ordinary General Meeting regarding year 2019 held at 29 March 2019, Nuri Tunçalı is assigned Independent Member of Board of Directors instead of former Independent Member of Board of Directors Adnan Ayköl.

⁽³⁾ Board Member of the Bank Taleh Kazimov resigned from his duty on 12 June 2019 and Javid Guliyev was elected as the vacant member for the approval of the shareholders at the first General Assembly Meeting of the Bank with the resolution no 59 of the Board of Directors dated 12 June 2019. Javid Guliyev was sworn in on 20 June 2019 and started his duty.

⁽⁴⁾ Ali İhsan Tokkuzun resigned from his duties in Bank as of 30 April 2019 due to retirement as the Deputy General Manager responsible for Financial Planning, Strategy and Budget, Accounting and Legal Reporting, Operations and Credit Monitoring. Ayşe Hale Yıldırım, Executive Vice President in charge of Marketing, Corporate Communications and Administrative Affairs, sworn in on May 17, 2019, and served as Deputy General Manager.

⁽⁵⁾ Benan Bilge Köksal is assigned as Assistant General Manager responsible from Financial Planning, Control and Strategy and Accounting with Board of Directors Meeting decision dated 19 September 2019 and numbered 87.

The top level management listed above possesses no shares of the Bank.

IV. Explanation on shareholders having control shares

Explanation on shareholders having control shares of the Bank as of 30 September 2019, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Reveri LLC	187,360	37.47%	187,360	-
Bless LLC	187,360	37.47%	187,360	-
Ador LLC	76,439	15.29%	76,439	-

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

The Bank operates as an investment bank and as of 30 September 2019 the Bank has 54 employees (31 December 2018 - 52).

VI. Existing or potential, actual or legal obstacles on immediate equity transfer between the Bank and its subsidiaries or repayment of the debt

None.

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IN TURKISH, SEE NOTE I OF SECTION THREE**

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

(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 30/09/2019			Prior Period 31/12/2018		
			LC	FC	Total	LC	FC	Total
I.	FINANCIAL ASSETS (Net)		118,633	111,940	230,573	78,274	112,741	191,015
1.1	Cash and cash equivalents		99,091	111,936	211,027	68,592	109,075	177,667
1.1.1	Cash and balances at Central Bank	(5.1.1)	16,622	98,605	115,227	8,536	76,575	85,111
1.1.2	Banks	(5.1.3)	962	13,331	14,293	10,103	32,500	42,603
1.1.3	Receivables from money markets		81,710	-	81,710	50,033	-	50,033
1.1.4	Allowance for expected credit losses (-)		(203)	-	(203)	(80)	-	(80)
1.2	Financial assets at fair value through profit or loss	(5.1.2)	-	-	-	1,250	1,537	2,787
1.2.1	Public debt securities		-	-	-	-	-	-
1.2.2	Equity instruments		-	-	-	-	-	-
1.2.3	Other financial assets		-	-	-	1,250	1,537	2,787
1.3	Financial assets at fair value through other comprehensive income	(5.1.4)	19,542	-	19,542	8,314	-	8,314
1.3.1	Public debt securities		2,096	-	2,096	3,817	-	3,817
1.3.2	Equity instruments		9,931	-	9,931	-	-	-
1.3.3	Other financial assets		7,515	-	7,515	4,497	-	4,497
1.4	Derivative financial assets		-	4	4	118	2,129	2,247
1.4.1	Derivative financial assets at fair value through profit or loss	(5.1.2)	-	4	4	118	2,129	2,247
1.4.2	Derivative financial assets at fair value through other comprehensive income	(5.1.11)	-	-	-	-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)		346,531	751,123	1,097,654	387,817	512,675	900,492
2.1	Loans	(5.1.5)	380,411	666,112	1,046,523	390,668	451,981	842,649
2.2	Receivables from leasing transactions	(5.1.10)	8,576	-	8,576	12,585	-	12,585
2.3	Factoring receivables		-	-	-	-	-	-
2.4	Financial assets measured at amortised cost	(5.1.6)	-	88,032	88,032	-	60,694	60,694
2.4.1	Public debt securities		-	40,590	40,590	-	37,533	37,533
2.4.2	Other financial assets		-	47,442	47,442	-	23,161	23,161
2.5	Allowance for expected credit losses (-)	(5.1.5)	(42,456)	(3,021)	(45,477)	(15,436)	-	(15,436)
III.	NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND FROM DISCONTINUED OPERATIONS (Net)	(5.1.14)	-	-	-	-	-	-
3.1	Held for sale		-	-	-	-	-	-
3.2	Held from discontinued operations		-	-	-	-	-	-
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-	-	-	-
4.1	Investments in associates (Net)	(5.1.7)	-	-	-	-	-	-
4.1.1	Associates accounted by using equity method		-	-	-	-	-	-
4.1.2	Non-consolidated associates		-	-	-	-	-	-
4.2	Investments in subsidiaries (Net)	(5.1.8)	-	-	-	-	-	-
4.2.1	Non-consolidated financial subsidiaries		-	-	-	-	-	-
4.2.2	Non-consolidated non-financial subsidiaries		-	-	-	-	-	-
4.3	Jointly Controlled Partnerships (Joint Ventures) (Net)	(5.1.9)	-	-	-	-	-	-
4.3.1	Jointly controlled partnerships accounted by using equity method		-	-	-	-	-	-
4.3.2	Non-consolidated jointly controlled partnerships		-	-	-	-	-	-
V.	TANGIBLE ASSETS (Net)		89,516	-	89,516	2,375	-	2,375
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)		1,294	-	1,294	1,274	-	1,274
6.1	Goodwill		-	-	-	-	-	-
6.2	Other		1,294	-	1,294	1,274	-	1,274
VII.	INVESTMENT PROPERTIES (Net)	(5.1.12)	145,618	-	145,618	218,333	-	218,333
VIII.	CURRENT TAX ASSETS		903	-	903	351	-	351
IX.	DEFERRED TAX ASSETS	(5.1.13)	17,217	-	17,217	12,171	-	12,171
X.	OTHER ASSETS (Net)	(5.1.15)	22,643	21	22,664	23,481	73	23,554
	TOTAL ASSETS		742,355	863,084	1,605,439	724,076	625,489	1,349,565

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

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

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	EQUITY AND LIABILITIES	Note (Section Five-II)	Current Period 30/09/2019			Prior Period 31/12/2018		
			LC	FC	Total	LC	FC	Total
I.	DEPOSITS	(5.2.1)	-	-	-	-	-	-
II.	LOANS RECEIVED	(5.2.3)	59,834	423,590	483,424	34,277	426,113	460,390
III.	MONEY MARKET FUNDS		45,018	2,467	47,485	-	-	-
IV.	MARKETABLE SECURITIES ISSUED (Net)	(5.2.4)	20,947	424,467	445,414	54,104	264,388	318,492
4.1	Bills		20,947	-	20,947	54,104	-	54,104
4.2	Asset backed securities		-	-	-	-	-	-
4.3	Bonds		-	424,467	424,467	-	264,388	264,388
V.	FUNDS		11,121	37,317	48,438	13,764	9,236	23,000
5.1	Borrower funds		11,121	37,317	48,438	13,764	9,236	23,000
5.2	Other		-	-	-	-	-	-
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	4,390	4,390	-	116	116
7.1	Derivative financial liabilities at fair value through profit or loss	(5.2.2)	-	4,390	4,390	-	116	116
7.2	Derivative financial liabilities at fair value through other comprehensive income	(5.2.7)	-	-	-	-	-	-
VIII.	FACTORING PAYABLES		-	-	-	-	-	-
IX.	LEASE PAYABLES (Net)	(5.2.6)	161	-	161	-	-	-
X.	PROVISIONS	(5.2.8)	11,920	-	11,920	9,830	-	9,830
10.1	Provision for restructuring		-	-	-	-	-	-
10.2	Reserves for employee benefits		645	-	645	565	-	565
10.3	Insurance technical reserves (Net)		-	-	-	-	-	-
10.4	Other provisions		11,275	-	11,275	9,265	-	9,265
XI.	CURRENT TAX LIABILITIES	(5.2.9)	1,858	-	1,858	5,425	-	5,425
XII.	DEFERRED TAX LIABILITIES	(5.2.10)	-	-	-	-	-	-
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(5.2.11)	-	-	-	-	-	-
13.1	Held for sale		-	-	-	-	-	-
13.2	Related to discontinued operations		-	-	-	-	-	-
XIV.	SUBORDINATED DEBT	(5.2.12)	-	-	-	-	-	-
14.1	Loans		-	-	-	-	-	-
14.2	Other debt instruments		-	-	-	-	-	-
XV.	OTHER LIABILITIES	(5.2.5)	37,261	2,055	39,316	25,929	726	26,655
XVI.	SHAREHOLDERS' EQUITY	(5.2.13)	523,033	-	523,033	505,657	-	505,657
16.1	Paid-in capital		500,000	-	500,000	500,000	-	500,000
16.2	Capital reserves		-	-	-	-	-	-
16.2.1	Equity share premiums		-	-	-	-	-	-
16.2.2	Share cancellation profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Other accumulated comprehensive income that will not be reclassified in profit or loss		-	-	-	-	-	-
	Other accumulated comprehensive income that will be reclassified in profit or loss		47	-	47	(41)	-	(41)
16.4	Profit reserves		5,655	-	5,655	5,655	-	5,655
16.5.1	Legal reserves		295	-	295	295	-	295
16.5.2	Statutory reserves		295	-	295	295	-	295
16.5.3	Extraordinary reserves		5,065	-	5,065	5,065	-	5,065
16.5.4	Other profit reserves		-	-	-	-	-	-
16.6	Profit or loss		17,331	-	17,331	43	-	43
16.6.1	Prior years' profits or losses		43	-	43	3,606	-	3,606
16.6.2	Current period net profit or loss		17,288	-	17,288	(3,563)	-	(3,563)
	TOTAL EQUITY AND LIABILITIES		711,153	894,286	1,605,439	648,986	700,579	1,349,565

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

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

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED OFF-BALANCE SHEET AS AT 30 SEPTEMBER 2019**

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

II. OFF-BALANCE SHEET

	OFF BALANCE SHEET COMMITMENTS	Note (Section Five-III)	Current Period 30/09/2019			Prior Period 31/12/2018		
			LC	FC	Total	LC	FC	Total
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		239,450	151,615	391,065	303,285	218,096	521,381
I.	GUARANTEES AND WARRANTIES	(5.3.1)	197,073	113,620	310,693	254,023	168,630	422,653
1.1.	Letters of Guarantee		197,073	90,477	287,550	254,023	116,938	370,961
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	10,562	10,562
1.1.3	Other Letters of Guarantee		197,073	90,477	287,550	254,023	106,376	360,399
1.2	Bank Acceptances		-	-	-	-	-	-
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		-	568	568	-	-	-
1.3.1	Documentary Letters of Credit		-	-	-	-	-	-
1.3.2	Other Letters of Credit		-	568	568	-	-	-
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		-	22,575	22,575	-	51,692	51,692
1.9	Other Collaterals		-	-	-	-	-	-
II.	COMMITMENTS	(5.3.1)	17	1,404	1,421	82	-	82
2.1	Irrevocable Commitments		17	1,404	1,421	82	-	82
2.1.1	Asset Purchase and Sales Commitments		-	1,404	1,404	-	-	-
2.1.2	Deposit Purchase and Sales Commitments		-	-	-	-	-	-
2.1.3	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.4	Commitments for Loan Limits		-	-	-	-	-	-
2.1.5	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.6	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.7	Commitments for Cheques		-	-	-	-	-	-
2.1.8	Tax and Fund Liabilities from Export Commitments		17	-	17	17	-	17
2.1.9	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.10	Promotion Commitments for Credit Cards and Banking Services		-	-	-	-	-	-
2.1.11	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.13	Other Irrevocable Commitments		-	-	-	65	-	65
2.2	Revocable Commitments		-	-	-	-	-	-
2.2.1	Revocable Commitments for Loan Limits		-	-	-	-	-	-
2.2.2	Other Revocable Commitments		-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		42,360	36,591	78,951	49,180	49,466	98,646
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		42,360	36,591	78,951	49,180	49,466	98,646
3.2.1	Forward Foreign Currency Buy/Sell Transactions		42,360	36,591	78,951	49,180	49,466	98,646
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	36,591	36,591	1,734	47,882	49,616
3.2.1.2	Forward Foreign Currency Transactions-Sell		42,360	-	42,360	47,446	1,584	49,030
3.2.2	Swap Transactions Related to Foreign Currency and Interest Rates		-	-	-	-	-	-
3.2.2.1	Foreign Currency Swap-Buy		-	-	-	-	-	-
3.2.2.2	Foreign Currency Swap-Sell		-	-	-	-	-	-
3.2.2.3	Interest Rate Swap-Buy		-	-	-	-	-	-
3.2.2.4	Interest Rate Swap-Sell		-	-	-	-	-	-
3.2.3	Foreign Currency, Interest rate and Securities Options		-	-	-	-	-	-
3.2.3.1	Foreign Currency Options-Buy		-	-	-	-	-	-
3.2.3.2	Foreign Currency Options-Sell		-	-	-	-	-	-
3.2.3.3	Interest Rate Options-Buy		-	-	-	-	-	-
3.2.3.4	Interest Rate Options-Sell		-	-	-	-	-	-
3.2.3.5	Securities Options-Buy		-	-	-	-	-	-
3.2.3.6	Securities Options-Sell		-	-	-	-	-	-
3.2.4	Foreign Currency Futures		-	-	-	-	-	-
3.2.4.1	Foreign Currency Futures-Buy		-	-	-	-	-	-
3.2.4.2	Foreign Currency Futures-Sell		-	-	-	-	-	-
3.2.5	Interest Rate Futures		-	-	-	-	-	-
3.2.5.1	Interest Rate Futures-Buy		-	-	-	-	-	-
3.2.5.2	Interest Rate Futures-Sell		-	-	-	-	-	-
3.2.6	Other		-	-	-	-	-	-
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		912,379	561,313	1,473,692	816,031	547,883	1,363,914
IV.	ITEMS HELD IN CUSTODY		13,790	-	13,790	10,803	-	10,803
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2	Investment Securities Held in Custody		8,600	-	8,600	4,240	-	4,240
4.3	Cheques Received for Collection		3,606	-	3,606	6,556	-	6,556
4.4	Commercial Notes Received for Collection		1,584	-	1,584	7	-	7
4.5	Other Assets Received for Collection		-	-	-	-	-	-
4.6	Assets Received for Public Offering		-	-	-	-	-	-
4.7	Other Items Under Custody		-	-	-	-	-	-
4.8	Custodians		-	-	-	-	-	-
V.	PLEDGES RECEIVED		857,182	500,524	1,357,706	805,193	495,885	1,301,078
5.1	Marketable Securities		49,445	84,656	134,101	32,652	79,215	111,867
5.2	Guarantee Notes		200,537	71,582	272,119	188,759	70,898	259,657
5.3	Commodity		70,926	-	70,926	61,127	-	61,127
5.4	Warranty		-	-	-	-	-	-
5.5	Immovable		339,242	-	339,242	322,242	-	322,242
5.6	Other Pledged Items		197,032	344,286	541,318	200,413	345,772	546,185
5.7	Pledged Items-Depository		-	-	-	-	-	-
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		41,407	60,789	102,196	35	51,998	52,033
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		1,151,829	712,928	1,864,757	1,119,316	765,979	1,885,295

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

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

III. STATEMENT OF PROFIT OR LOSS

INCOME STATEMENT		Note	Current Period 01/01/2019- 30/09/2019	Prior Period 01/01/2018- 30/09/2018	Current Period 01/07/2019- 30/09/2019	Prior Period 01/07/2018- 30/09/2018
I.	INTEREST INCOME	(5.4.1)	111,100	87,281	34,900	36,072
1.1	Interest On Loans		85,883	76,914	27,140	32,783
1.2	Interest Received From Reserve Deposits		1,566	1,208	400	480
1.3	Interest Received From Banks		3,307	3,950	276	996
1.4	Interest Received From Money Market Transactions		12,791	157	4,594	57
1.5	Interest Received From Marketable Securities Portfolio		6,073	2,550	2,093	1,074
1.5.1	Financial assets at fair value through profit or loss		-	-	-	-
1.5.2	Financial Assets at Fair Value Through Other Comprehensive Income		1,368	2,060	524	584
1.5.3	Financial Assets Measured at Amortised Cost		4,705	490	1,569	490
1.6	Finance Lease Income		1,347	2,522	396	682
1.7	Other Interest Income		133	-	1	-
II.	INTEREST EXPENSES (-)	(5.4.2)	(33,363)	(34,210)	(10,396)	(15,035)
2.1	Interest on Deposits		-	-	-	-
2.2	Interest on Funds Borrowed		(15,625)	(14,526)	(4,865)	(6,577)
2.3	Interest on Money Market Transactions		(70)	(4,032)	(62)	(1,503)
2.4	Interest on Securities Issued		(16,172)	(15,373)	(4,997)	(6,838)
2.5	Finance Lease Expense		(15)	-	(6)	-
2.6	Other Interest Expenses	(5.4.12)	(1,481)	(279)	(466)	(117)
III.	NET INTEREST INCOME/EXPENSE (I - II)		77,737	53,071	24,504	21,037
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		3,285	2,156	520	774
4.1	Fees and Commissions Received		4,318	2,970	872	1,090
4.1.1	Non-cash loans		3,082	2,510	804	992
4.1.2	Other	(5.4.12)	1,236	460	68	98
4.2	Fees and Commissions Paid (-)		(1,033)	(814)	(352)	(316)
4.2.1	Non-Cash Loans		(377)	(288)	(94)	(65)
4.2.2	Other	(5.4.12)	(656)	(526)	(258)	(251)
V.	DIVIDEND INCOME	(5.4.3)	-	-	-	-
VI.	TRADING PROFIT/LOSS (Net)	(5.4.4)	(3,542)	2,189	(2,153)	871
6.1	Profit/Losses From Capital Market Transactions		128	435	-	143
6.2	Profit/Losses From Derivative Financial Transactions		(4,801)	11,255	(2,407)	13,132
6.3	Foreign Exchange Profit/Losses		1,131	(9,501)	254	(12,404)
VII.	OTHER OPERATING INCOME	(5.4.5)	4,722	463	4,261	49
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		82,202	57,879	27,132	22,731
IX.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.4.6)	(36,925)	(9,448)	(14,057)	(7,878)
X.	OTHER PROVISION EXPENSES (-)	(5.4.6)	-	(143)	-	(70)
XI.	PERSONNEL EXPENSES (-)		(11,629)	(9,813)	(3,929)	(3,527)
XII.	OTHER OPERATING EXPENSES (-)	(5.4.7)	(11,422)	(8,455)	(3,863)	(3,131)
XIII.	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		22,226	30,020	5,283	8,125
XIV.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-	-	-	-
XV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XVI.	NET MONETARY POSITION GAIN/LOSS		-	-	-	-
XVII.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII+...+XVI)	(5.4.8)	22,226	30,020	5,283	8,125
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.9)	(4,938)	(6,920)	(1,109)	(2,081)
18.1	Current Tax Provision		(10,009)	(5,597)	(719)	(385)
18.2	Expense Effect Of Deferred Tax (+)		5,186	(1,323)	5,186	(1,696)
18.3	Income Effect Of Deferred Tax (-)		(115)	-	(5,576)	-
XIX.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVIII±XVIII)	(5.4.10)	17,288	23,100	4,174	6,044
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income From Assets Held For Sale		-	-	-	-
20.2	Profit From Sale Of Associates, Subsidiaries And Joint Ventures		-	-	-	-
20.3	Other Income From Discontinued Operations		-	-	-	-
XXI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses On Assets Held For Sale		-	-	-	-
21.2	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-	-	-	-
21.3	Other Expenses From Discontinued Operations		-	-	-	-
XXII.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)	(5.4.8)	-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5.4.9)	-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Expense Effect Of Deferred Tax (+)		-	-	-	-
23.3	Income Effect Of Deferred Tax (-)		-	-	-	-
XXIV.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	(5.4.10)	-	-	-	-
XXV.	NET PROFIT/LOSSES (XIX+XXIV)	(5.4.11)	17,288	23,100	4,174	6,044
	Profit/Loss Per Share		0.0346	0.0642	0.0084	0.0168

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

(Authorised Signatory / Stamp)

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

**PASHA YATIRIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 01/01/2019- 30/09/2019	Prior Period 01/01/2018- 30/09/2018	Current Period 01/07/2019- 30/09/2019	Prior Period 01/07/2018- 30/09/2018
I.	PROFIT (LOSS)	17,288	23,100	4,174	6,044
II.	OTHER COMPREHENSIVE INCOME	88	(320)	196	(352)
2.1	Other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
2.1.1	Gains (Losses) on Revaluation of Property, Plant and Equipment	-	-	-	-
2.1.2	Gains (losses) on revaluation of Intangible Assets	-	-	-	-
2.1.3	Gains (losses) on remeasurements of defined benefit plans	-	-	-	-
2.1.4	Other Components of Other Comprehensive Income That Will Not Be Reclassified to Profit Or Loss	-	-	-	-
2.1.5	Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	-	-	-	-
2.2	Other Comprehensive Income That Will Be Reclassified to Profit or Loss	88	(320)	196	(352)
2.2.1	Exchange Differences on Translation	-	-	-	-
2.2.2	Valuation and/or Reclassification Profit or Loss from financial assets at fair value through other comprehensive income	113	(412)	252	(451)
2.2.3	Income (Loss) Related with Cash Flow Hedges	-	-	-	-
2.2.4	Income (Loss) Related with Hedges of Net Investments in Foreign Operations	-	-	-	-
2.2.5	Other Components of Other Comprehensive Income that will be Reclassified to Other Profit or Loss	-	-	-	-
2.2.6	Taxes Relating To Components Of Other Comprehensive Income That Will Be Reclassified To Profit Or Loss	(25)	92	(56)	99
III.	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	17,376	22,780	4,370	5,692

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

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

PASHA YATIRIM BANKASI A.Ş.

**NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR
THE PERIOD ENDED 30 SEPTEMBER 2019**

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

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss			Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss			Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
						1	2	3	4	5	6				
Prior Period 01/01/2018 – 30/09/2018															
I.	Balance at the beginning of the period	255,000	-	-	-	-	-	-	-	(48)	-	324	(10,677)	16,008	260,607
II.	Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
III.	New balance (I+II)	255,000	-	-	-	-	-	-	-	(48)	-	324	(7,071)	16,008	264,213
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	(320)	-	-	-	23,100	22,780
V.	Capital increase in cash	245,000	-	-	-	-	-	-	-	-	-	-	-	-	245,000
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	(368)	-	5,655	3,606	23,100	531,993
Current Period 01/01/2019 – 30/09/2019															
I.	Balance at the beginning of the period	500,000	-	-	-	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657
II.	Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	New balance (I+II)	500,000	-	-	-	-	-	-	-	(41)	-	5,655	3,606	(3,563)	505,657
IV.	Total comprehensive income (loss)	-	-	-	-	-	-	-	-	88	-	-	-	17,288	17,376
V.	Capital increase in cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital increase through internal reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Issued capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase (decrease) through other changes, equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit distribution	-	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-
11.1	Dividends distributed	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to legal reserves	-	-	-	-	-	-	-	-	-	-	-	(3,563)	3,563	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Period-End Balance (III+IV+.....+X+XI)	500,000	-	-	-	-	-	-	-	47	-	5,655	43	17,288	523,033

1) Accumulated revaluation increase/decrease of fixed assets

2) Accumulated remeasurement gain/loss of defined benefit pension plan

3) Other (Shares of investments valued by equity method in other comprehensive income not classified through profit or loss and other accumulated amounts of other comprehensive income items not reclassified through other profit or loss)

4) Foreign currency translation reserve

5) Accumulated revaluation and/or remeasurement gain/loss of the financial assets at fair value through other comprehensive income

6) Other (Cash flow hedge gain/loss, shares of investments valued by equity method in other comprehensive income classified through profit or loss and other accumulated amounts of other comprehensive income items reclassified through other profit or loss)

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

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**PASHA YATIRIM BANKASI A.Ş.
NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

VI. STATEMENT OF CASH FLOW

	Note	Current Period 01/01/2019 - 30/09/2019	Prior Period 01/01/2018 - 30/09/2018
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	51,938	75,356
1.1.1	Interest received	116,691	74,772
1.1.2	Interest paid	(35,098)	(25,867)
1.1.3	Dividend Received	-	-
1.1.4	Fees and commissions received	3,019	3,483
1.1.5	Other income	637	47,732
1.1.6	Collections from previously written-off loans and other receivables	670	-
1.1.7	Payments to personnel and service suppliers	(11,753)	(9,670)
1.1.8	Taxes paid	(13,405)	(6,851)
1.1.9	Other	(8,823)	(8,243)
1.2	Changes in Operating Assets and Liabilities	(120,175)	(37,506)
1.2.1	Net (Increase) Decrease in financial assets at fair value through profit or loss	2,787	(42)
1.2.2	Net increase (decrease) in due from banks	(20,192)	(49,552)
1.2.3	Net increase (decrease) in loans	(190,757)	(202,736)
1.2.4	Net increase (decrease) in other assets	(354)	2,256
1.2.5	Net increase (decrease) in bank deposits	-	-
1.2.6	Net increase (decrease) in other deposits	-	-
1.2.7	Net increase (decrease) in financial liabilities at fair value through profit or loss	-	-
1.2.8	Net Increase/(Decrease) in funds borrowed	16,049	292,155
1.2.9	Net Increase/(Decrease) in matured payables	-	-
1.2.10	Net Increase/(Decrease) in other liabilities	72,292	(79,587)
I.	Net Cash Provided from Banking Operations	(68,237)	37,850
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from / (Paid For) Investing Activities	(33,927)	(272,116)
2.1	Cash paid for the purchase of associates, subsidiaries and joint ventures	-	-
2.2	Cash obtained from the sale of associates, subsidiaries and joint ventures	-	-
2.3	Cash paid for the purchase of tangible and intangible asset	(2,627)	(260,991)
2.4	Cash obtained from the sale of tangible and intangible asset	-	-
2.5	Cash paid for the purchase of financial assets at fair value through other comprehensive income	(12,820)	(35,983)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income	1,773	51,511
2.7	Cash paid for the purchase of financial assets at amortised cost	(20,253)	(25,812)
2.8	Cash obtained from sale of financial assets at amortised cost	-	-
2.9	Other	-	(841)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	101,707	390,408
3.1	Cash Obtained from Funds Borrowed and Securities Issued	223,344	398,280
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued	(121,532)	(252,872)
3.3	Equity instruments issued	-	245,000
3.4	Dividends Paid	-	-
3.5	Payments for Finance Lease Liabilities	(105)	-
3.6	Other	-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	8,895	(1,905)
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)	8,438	154,237
VI.	Cash and Cash Equivalents at the Beginning of the Period	100,987	83,516
VII.	Cash and Cash Equivalents at the End of the Period (V+VI)	109,425	237,753

The accompanying notes are an integral part of these financial statements

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

The 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.

- b. Accounting policies and valuation principles used in the preparation of the financial statements:**

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 2018. 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank does not have any embedded derivative instruments.

Derivative financial instruments of the Bank are classified under "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets/Liabilities Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets/Liabilities Designated at Fair Value through Other Comprehensive Income”.

Payables and receivables arising from the derivative instruments are recorded in the off-balance sheet accounts at their contractual values.

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Liabilities Designated at Fair Value Through Other Comprehensive Income". The fair value differences of derivative financial instruments designated at fair value through profit or loss are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized in the income statement by using the “effective interest rate method”. In accordance with the accounting policies started to be applied as of 1 January 2018, the Bank will calculate interest income accrual for the non-performing loans that are not fully provisioned in the period they occur. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

Except for fees and commissions that are integral part of the effective interest rates of financial instruments measured at amortized costs, the fees and commissions are accounted for in accordance with TFRS 15 Revenue from Contracts with Customers. Except for certain fees related with certain banking transactions and recognized when the related service is given, fees and commissions received or paid, and other fees and commissions paid to financial institutions are accounted under accrual basis of accounting throughout the service period. Income from asset purchases to a third party or by natural or legal persons contracts are recognized in the period they occur.

VI. EXPLANATIONS ON FINANCIAL ASSETS

The Bank categorizes its financial assets as “Financial Assets at Fair Value Through Profit/Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets Measured at Amortized Cost”. Such financial assets are recognized or derecognized according to the principles defined in section three of “TFRS 9 Financial Instruments” standard, issued for classification and measurement of the financial instruments, published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value.

a. Financial assets at fair value through profit or loss

“Financial Assets at Fair Value Through Profit/Loss” are financial assets other than the ones that are managed with business model that aims to hold to collect contractual cash flows or business model that aims to collect both the contractual cash flows and cash flows arising from the sale of the assets; and if the contractual terms of the financial asset do not lead to cash flows representing solely payments of principal and interest at certain date; that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making. Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

b. Financial Assets at Fair Value Through Other Comprehensive Income

“Financial Assets at Fair Value Through Other Comprehensive Income” are financial assets which are managed with business model that aims to hold to collect contractual cash flows and aims to hold to sell; and if the contractual terms of the financial assets lead to cash flows representing solely payments of principal and interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost which reflects the fair value of the financial asset. After initial recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Interest income calculated with effective interest rate method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement. “Unrealized gains and losses” arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the “Accumulated other comprehensive income or expense to be reclassified through profit or loss” under shareholders’ equity.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

During initial recognition an entity can make an irrevocable choice as to record the changes of the fair value of investment in an equity instrument that is not held for trading purposes in the other comprehensive income. In the case of this preference, the dividend from the investment is recognized in the financial statements as profit or loss.

c. Financial Assets Measured at Amortized Cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate (internal rate of return) method. Interest income obtained from financial assets measured at amortized cost is accounted in the income statement.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

d. Loans

Loans are financial assets that have fixed or determinable payment terms and are not quoted in an active market. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and subsequently measured at amortized cost using the effective interest rate (internal rate of return) method. Bank's loans are fully recorded under the "Measured at Amortized Cost" account.

VII. EXPLANATIONS ON EXPECTED CREDIT LOSS

The Bank allocates allowance for expected loss on financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

As of 1 January 2018, the Bank started to recognize provisions for impairment in accordance with TFRS 9 requirements according to the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" published in the Official Gazette dated 22 June 2016 numbered 29750. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss estimates are required to be unbiased, probability-weighted and include supportable information about past events, current conditions, and forecasts of future economic conditions.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

- **Stage 1:** For the financial assets at initial recognition or for those which do not have a significant increase in credit risk since initial recognition. Allowance for credit risk is recorded in the amount of 12-month expected credit losses.
- **Stage 2:** In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. Allowance for credit risk is determined on the basis of the instrument's lifetime expected credit losses.
- **Stage 3:** Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

Individual assessment would be applied for stage 2 and stage 3 financial assets when it is necessary by considering various scenarios including discounting cash flows of financial assets.

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

The basic methodology to be applied for expected loss calculated for corporate loans and financial assets are organized within the framework of a global statistical modelling published by an internationally recognized rating company and assigned to each credit rating and made within the framework of PD's. In this PD application, the Bank primarily looks at whether the financial asset does have an external rating, and if there is an internationally recognized rating note, Banks apply the corresponding PD. If the assessed asset does not have an external rating, then Bank is checked whether the risk group or the main partner of the asset have an external rating, and if external rate is determined by the internationally rating agency this PD ratio is used for that asset. Finally, for the assets that do not have any external rating, the rating grade from the rating matrix modelled by the Bank is taken into consideration. In accordance with Bank risk approach, the bank consider Turkey rating as maximum rating note for the results that determined ratings above Turkey's rating. Since the Bank has started to provide loans as of 2015 and since there has been just one default, the Bank has applied to external rating approach for credit risk calculation for PD's calculations.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as gross domestic product and Turkish Banking Sector NPL rates. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. Different scenarios have been applied on macro-economic models in line with management expectations.

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

For EAD to be calculated for the risks that are monitored in the off-balance sheet, the Bank includes to the calculation of the relevant risks within the framework of a credit conversion factor (CCF) application. CCF ratio applied as 100% for cash supply non cash loans and 50% for the rest.

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

$$\text{ECL} = \text{PD} * \text{LGD} * \text{EAD} * (\text{if any CCF})$$

Expected credit loss calculation is calculated over financial assets that has counterparty risk which in scope of IFRS9 and off-balance sheet risks that are present each reporting period.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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”, “Financial assets at fair value through other comprehensive income” and “Financial assets measured at amortised cost ” 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.

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 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 equipment.

XIII. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation, including property under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at cost less amortisation less any impairment losses.

The Bank’s investment properties are valued by external, independent valuation companies on a periodic basis for disclosure and impairment assessment purposes. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction. In the absence of available current prices in an active market, the valuations are based on estimated cash flows expected to be received. Investment property held consists of land and building with a useful life of 50 years and accounted with straight-line depreciation.

Gains or losses in the case of disposal of an investment property; is the difference between the net selling price of the asset sold and the carrying amount of the property and is recognized as profit or loss on sale of investment property in the period of disposal.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

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

The Bank can engage in financial lease transactions as the lessor. The Bank records the gross amount of minimum lease receivables comprising of principal and interest amounts as “financial lease receivables” under lease receivables account. The difference between the aggregate of lease receivables and the cost of the related leased assets, corresponding to interest, is recorded under “unearned income” item. The interest income is recognised in the income statement on an accrual basis.

Effective 1 January 2019, The Bank adopted TFRS 16 Leases and started to present most leases on-balance sheet except its short term leases and its low value assets. The Bank did not restate the financial information for the comparative year by choosing the modified approach. The gross liability effect was TL 305 at transition date.

XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT COMMITMENTS

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

According to TAS 19 that is revised by Public Oversight Accounting and Auditing Standards Authority with the 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.

XVII. EXPLANATIONS ON TAXATION

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

Transfer Pricing

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

XVIII. 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.

XIX. 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.

XX. 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.

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of 30 September 2019 and 31 December 2018, the Bank has no government incentives.

XXII. 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)

XXIII. 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.

XXIV. 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.

XXV. 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.

XXVI. EXPLANATIONS ON SEGMENT REPORTING

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

XXVII. RECLASSIFICATIONS

In order to be consistent with the presentation of current period financial statements, there are certain reclassifications. The financial statements presentation changed in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements” published in the Official Gazette no.30673 dated 1 February 2019. The prior period financial statements were reclassified accordingly.

XXVIII. 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 543,375 (31 December 2018 –TL 523,664) while its capital adequacy standard ratio is 33.77% (31 December 2018 –37.85%) as of 30 September 2019. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

a. Information on shareholders’ equity

	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Common Equity Tier 1 capital				
Directly issued qualifying common share capital plus related stock surplus	500,000	-	500,000	-
Share premium	-	-	-	-
Legal reserves	5,655	-	5,655	-
Projected gains to shareholders' equity of the accounting standards in Turkey	1,570	-	1,989	-
Profit	17,331	-	43	-
Net current period profit	17,288	-	(3,563)	-
Prior period profit	43	-	3,606	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	-	-	-	-
Common Equity Tier 1 capital before regulatory adjustments	524,556	-	507,687	-
Common Equity Tier 1 capital: regulatory adjustments				
Prudential valuation adjustments	-	-	-	-
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	-	-	-	-
Development cost of operating lease	-	-	45	-
Goodwill (net of related tax liability)	-	-	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,294	-	1,274	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-	-
Cash-flow hedge reserve	-	-	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-	-	-
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 (if not already netted off paid-in capital on reported balance sheet)	-	-	-	-
Reciprocal cross-holdings in common equity	-	-	-	-
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	-	-	-	-
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	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-	-	-
Total regulatory adjustments to Common equity Tier 1	1,294	-	1,319	-
Common Equity Tier 1 capital (CET 1)	523,262	-	506,368	-

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	Current Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾	Prior Period	1/1/2014 Regarding pre- Application amount ⁽¹⁾
Additional Tier 1 capital: instruments				
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as equity under applicable accounting standards	-	-	-	-
Directly issued qualifying Additional Tier 1 instruments plus related stock surplus of which: classified as liabilities under applicable accounting standards	-	-	-	-
Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1) of which: instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 capital before regulatory adjustments	-	-	-	-
Additional Tier 1 capital: regulatory adjustments				
Investments in own Additional Tier 1 instruments	-	-	-	-
Reciprocal cross-holdings in Additional Tier 1 instruments	-	-	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	-	-	-	-
Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-	-	-
National specific regulatory adjustments	-	-	-	-
The process of transition will continue to reduce from Tier 1 Capital				
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	-	-	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-	-	-
Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions(-)	-	-	-	-
Total regulatory adjustments to Additional Tier 1 capital	-	-	-	-
Additional Tier 1 capital (AT1)	-	-	-	-
Tier 1 capital (T1 = CET1 + AT1)	523,262	-	506,368	-
Tier 2 capital: instruments and provisions				
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Directly issued qualifying Tier 2 instruments plus related stock surplus	-	-	-	-
Provisions	20,113	-	17,296	-
Tier 2 capital before regulatory adjustments	20,113	-	17,296	-
Tier 2 capital: regulatory adjustments				
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 (-)	-	-	-	-
Total regulatory adjustments to Tier 2 capital	-	-	-	-
Tier 2 capital (T2)	20,113	-	17,296	-
Total capital (TC = T1 + T2)	543,375	-	523,664	-
Total risk weighted assets				
Loans extended being non-compliant with articles 50 and 51 of the 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	-	-	-	-
The process of transition will continue to reduce from Common Equity Tier 1 capital and Additional Tier 1 capital				
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-	-	-

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	Current Period	1/1/2014 Amounts Related to previous application (1)	Prior Period	1/1/2014 Amounts Related to previous application (1)
Shareholders' Equity				
Total shareholders' equity	543,375	-	523,664	-
Total risk weighted items	1,609,078	-	1,383,657	-
CAPITAL ADEQUACY RATIOS				
Core Capital Adequacy Ratio (%)	32.52	-	36.60	-
Tier 1 Capital Adequacy Ratio (%)	32.52	-	36.60	-
Capital Adequacy Standard Ratio (%)	33.77	-	37.85	-
BUFFERS				
Total additional core capital requirement ratio (a+b+c)	2.500	-	2.142	-
a) Capital conservation buffer requirement (%)	2.500	-	1.875	-
b) Bank specific countercyclical buffer requirement (%)	0.000	-	0.267	-
c) Higher bank buffer requirement ratio (%)	-	-	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	24.52	-	27.74	-
Amounts below the thresholds for deduction (before risk weighting)				
Non-significant investments in the capital of other financials	-	-	-	-
Significant investments in the common stock of financials	-	-	-	-
Mortgage servicing rights (net of related tax liability)	-	-	-	-
Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-	-
Applicable caps on the inclusion of provisions in Tier 2				
Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	35,852	-	17,296	-
Cap on inclusion of provisions in Tier 2 under standardised approach	20,113	-	17,296	-
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	-	-	-	-
Debt instruments subjected to Article 4 (to be implemented between January 1, 2018 and January 1, 2022)				
Current cap on common equity T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from common equity T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on additional T1 capital instruments subject to phase out arrangements	-	-	-	-
Amount excluded from additional T1 capital due to cap (excess over cap after redemptions and maturities)	-	-	-	-

(1) Amounts for items for subject to the transition process.

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

None (31 December 2018 - None).

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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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:

(Full TL.)	USD	EUR
Foreign exchange rates as of 30 September 2019	5.6437	6.1671
1. Bid rate	5.6591	6.1836
2. Bid rate	5.6659	6.1982
3. Bid rate	5.6882	6.2544
4. Bid rate	5.6743	6.2381
5. Bid rate	5.7183	6.2819
Arithmetic average – 31 days	5.7009	6.2803
Foreign exchange rates as of 31 December 2018	5.2810	6.0422

Foreign Exchange Sensitivity Analysis

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 30 September 2019 and 31 December 2018 on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate		Effect on Profit and Loss		Effect on Equity	
		30 September 2019	31 December 2018	30 September 2019	31 December 2018
USD	10%	(2,876)	(543)	(2,876)	(543)
EUR	10%	86	(14)	86	(14)

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	EURO	USD	Other FC	Total
30 September 2019				
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	24	98,580	1	98,605
Due from Banks	786	12,508	37	13,331
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans ⁽¹⁾	193,848	487,406	-	681,254
Investments in Associates, Subsidiaries and Joint Ventures	-	-	-	-
Financial assets at fair value through profit or loss	-	88,032	-	88,032
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	-	-	-
Other Assets	-	21	-	21
Total Assets	194,658	686,547	38	881,243
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	2,467	-	-	2,467
Funds Borrowed From Other Financial Institutions	162,038	261,552	-	423,590
Marketable Securities Issued	-	424,467	-	424,467
Miscellaneous Payables ⁽³⁾	295	1,760	-	2,055
Derivative Financial Liabilities ⁽⁴⁾	-	-	-	-
Other Liabilities ⁽²⁾	30,877	6,440	-	37,317
Total Liabilities	195,677	694,219	-	889,896
Net On-balance Sheet Position	(1,019)	(7,672)	38	(8,653)
Net Off-balance Sheet Position	161	36,431	-	36,592
Derivative Financial Assets	432	36,862	-	37,294
Derivative Financial Liabilities	271	431	-	702
Non-Cash Loans	61,412	52,208	-	113,620
31 December 2018				
Total Assets	155,163	504,572	9	659,744
Total Liabilities	155,019	545,444	-	700,463
Net On-balance Sheet Position	144	(40,872)	9	(40,719)
Net Off-balance Sheet Position	-	46,298	-	46,298
Derivative Financial Assets	-	47,882	-	47,882
Derivative Financial Liabilities	-	1,584	-	1,584
Non-Cash Loans	83,873	78,183	6,574	168,630

(1) Foreign currency indexed loans amounting to TL 18,163 (31 December 2018 – TL 36,384) is included.

(2) Borrowers’ funds amounting to TL 37,317 (31 December 2018 – TL 9,236) are included.

(3) Presented in other liabilities at financial statements.

(4) Excludes TL 4 and TL 1,979 amount of derivative financial assets/liabilities.

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
RISK MANAGEMENT (Continued)**

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.

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

30 September 2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non-Interest Bearing ⁽¹⁾	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	98,575	-	-	-	-	16,528	115,103
Due from Banks	9,946	2,795	-	-	-	1,527	14,268
Financial Assets at Fair Value Through Profit/Loss	1	-	3	-	-	-	4
Money Market Placements	81,710	-	-	-	-	(54)	81,656
Financial assets at fair value through other comprehensive income	5,498	4,113	-	-	-	9,931	19,542
Loans ⁽²⁾	354,589	177,579	312,098	203,108	7,725	(44,615)	1,010,484
Financial assets measured at amortised cost	615	12,809	29,105	45,503	-	(862)	87,170
Other Assets	-	-	-	-	-	277,212	277,212
Total Assets	550,934	197,296	341,206	248,611	7,725	259,667	1,605,439
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	47,485	-	-	-	-	-	47,485
Miscellaneous Payables	-	-	1,724	-	-	14,450	16,174
Marketable Securities Issued	21,980	155	-	423,279	-	-	445,414
Funds Borrowed From Other Financial Institutions	131,395	30,988	321,021	-	-	20	483,424
Other Liabilities ^{(3),(4)}	10,207	4,390	-	-	-	598,345	612,942
Total Liabilities	211,067	35,533	322,745	423,279	-	612,815	1,605,439
Balance Sheet Long Position	339,867	161,763	18,461	-	7,725	-	527,816
Balance Sheet Short Position	-	-	-	(174,668)	-	(353,148)	(527,816)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	339,867	161,763	18,461	(174,668)	7,725	(353,148)	-

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Shareholders’ equity is presented under other liabilities in the non-interest bearing column.

⁽⁴⁾ Borrowers’ funds is presented in the other liabilities.

⁽⁵⁾ Presented in other liabilities at financial statements.

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31 December 2018	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non-Interest Bearing ⁽¹⁾	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	76,536	-	-	-	-	8,549	85,085
Due from Banks	33,844	-	-	-	-	8,705	42,549
Financial Assets at Fair Value Through Profit/Loss	1,309	938	-	-	-	2,787	5,034
Money Market Placements	50,033	-	-	-	-	-	50,033
Financial assets at fair value through other comprehensive income	76	81	4,480	2,778	990	(91)	8,314
Loans ⁽²⁾	225,381	106,715	154,509	234,015	131,951	(12,293)	840,278
Financial assets measured at amortised cost	-	148	13,858	46,688	-	(480)	60,214
Other Assets	-	-	-	-	-	258,058	258,058
Total Assets	387,179	107,882	172,847	283,481	132,941	265,235	1,349,565
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	-	-	-	-	-	-
Miscellaneous Payables	-	-	-	-	-	29	29
Marketable Securities Issued	30,049	26,609	7,507	254,327	-	-	318,492
Funds Borrowed From Other Financial Institutions	106,173	183,879	170,338	-	-	-	460,390
Other Liabilities ^{(3),(4)}	14,524	525	-	-	-	555,605	570,654
Total Liabilities	150,746	211,013	177,845	254,327	-	555,634	1,349,565
Balance Sheet Long Position	236,433	-	-	29,154	132,941	-	398,528
Balance Sheet Short Position	-	(103,131)	(4,998)	-	-	(290,399)	(398,528)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	236,433	(103,131)	(4,998)	29,154	132,941	(290,399)	-

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Shareholders' equity is presented under other liabilities in the non-interest bearing column.

⁽⁴⁾ Borrowers' funds is presented in the other liabilities.

b. Average interest rates for monetary financial instruments

30 September 2019	EUR %	USD %	JPY %	TL %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	-	-	10.55
Due From Banks	-	3.03	-	23.07
Financial Assets at Fair Value Through Profit/Loss	-	-	-	22.41
Interbank Money Market Placements	-	-	-	20.50
Financial assets at fair value through other comprehensive income	-	-	-	20.73
Loans	5.17	6.88	-	23.20
Financial assets measured at amortised cost	-	7.88	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.60	-	-	16.59
Miscellaneous Payables	-	2.00	-	20.49
Marketable Securities Issued	-	3.60	-	23.46
Funds Borrowed From Other Financial Inst.	1.02	3.76	-	20.90

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	EUR %	USD %	JPY %	TL %
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.97	-	8.77
Due From Banks	-	4.00	-	26.42
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	0.01	2.13	-	27.13
Financial assets at fair value through other comprehensive income	-	-	-	22.56
Loans	5.17	7.24	-	21.33
Financial assets measured at amortised cost	-	8.19	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	2.02	-	10.99
Marketable Securities Issued	-	3.90	-	30.08
Funds Borrowed From Other Financial Inst.	0.27	2.63	-	25.84

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

Current Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(9,479)	(1.76%)
TRY	(-) 400 basis point	8,765	1.62%
USD	(+) 200 basis point	10,525	1.95%
USD	(-) 200 basis point	(11,454)	(2.12%)
EUR	(+) 200 basis point	(9,041)	(1.67%)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		(2,689)	(0.50%)
TOTAL (for positive shocks)		(7,995)	(1.48%)

Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TRY	(+) 500 basis point	(3,086)	(0.59%)
TRY	(-) 400 basis point	2,631	0.51%
USD	(+) 200 basis point	(5,584)	(1.07%)
USD	(-) 200 basis point	6,712	1.29%
EURO	(+) 200 basis point	(1,864)	(0.36%)
EURO	(-) 200 basis point	-	-
TOTAL (for negative shocks)		9,343	1.80%
TOTAL (for positive shocks)		(10,534)	(2.02%)

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

As of 30 September 2019, The Bank’s portfolio does not have private equity investments, publicly traded shares and other share equities (31 December 2018 - None).

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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IV. EXPLANATIONS ON EQUITY POSITION RISK

The Bank does not hold equity position as of 30 September 2019. (31 December 2018 - None).

V. EXPLANATIONS ON LIQUIDITY RISK

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

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the liquidity of the Bank daily and informs ALCO about the liquidity position of the Bank weekly. Planning the weekly, monthly and annual liquidity management, taking the necessary measures and informing the top managements is the responsibility of Treasury Department.

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

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

Regulatory Reporting department is responsible for measuring and reporting of legal liquidity risk. Stress test applied to liquidity position and calculation of liquidity coverage rate is performed by Risk Management Department.

The Legal Reporting Unit is responsible for calculating the first maturity and second maturity liquidity ratios and reporting to the legal authorities.

The stress tests to be applied on the liquidity position and the liquidity coverage ratio are calculated by the Risk Management Unit.

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.

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

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

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

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

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

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

e) Information on liquidity risk reduction techniques:

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

f) Disclosure regarding use of stress test:

Liquidity stress test regarding adverse effects in the Bank’s liquidity due to fluctuations in capital markets is applied by Risk Management Department if it is deemed necessary and reported to Risk Management Committee.

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

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

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

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h) Liquidity Coverage Ratio

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

Current Period 30 September 2019 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			186,898	138,506
Cash Outflows				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	166,468	107,868	166,468	107,868
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	166,468	107,868	166,468	107,868
9 Secured Debts	-	-	-	-
10 Other Cash Outflows	99,464	38,315	53,426	25,360
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	99,464	38,315	53,426	25,360
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	99,464	38,315	53,426	25,360
16 TOTAL CASH OUTFLOWS			219,894	133,228
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	165,960	66,138	97,615	46,575
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	165,960	66,138	97,615	46,575
21 TOTAL HLA STOCK			186,898	138,506
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			122,279	86,653
23 LIQUIDITY COVERAGE RATION (%)			152.85%	159.84%

⁽¹⁾ 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.

⁽²⁾ Simple arithmetic mean of weekly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.

The maximum and minimum liquidity coverage ratio for the last three months of 2019 are presented below.

	Maximum	Week	Minimum	Week	Average
LC	830.78	23.08.2019	101.79	02.08.2019	159.84
LC+FC	237.90	30.08.2019	117.93	02.08.2019	152.85

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

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC+LC	FC	FC+LC
30 September 2019				
Average (%)	577	535	305	302
Maximum (%)	1,895	1,767	860	663
Minimum (%)	100	192	100	162

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Current Period 31 December 2018 ⁽²⁾	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			166,987	126,999
Cash Outflows				
2 Real person assets and retail assets	-	-	-	-
3 Stable assets	-	-	-	-
4 Lower Stable assets	-	-	-	-
5 Out of junior debts from real person assets and retail assets	167,413	82,678	167,413	82,678
6 Operational assets	-	-	-	-
7 Non –operating assets	-	-	-	-
8 Other Junior debt	167,413	82,678	167,413	82,678
9 Secured Debts	-	-	-	-
10 Other Cash Outflows	156,033	54,063	80,162	36,057
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	156,033	54,063	80,162	36,057
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	156,033	54,063	80,162	36,057
16 TOTAL CASH OUTFLOWS			247,575	118,735
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	255,155	129,714	195,177	120,656
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	255,155	129,714	195,177	120,656
21 TOTAL HLA STOCK			Upper Limit Applied Amount	
			166,987	126,999
22 TOTAL NET CASH OUTFLOWS ⁽¹⁾			61,894	29,684
23 LIQUIDITY COVERAGE RATION (%)			269.80%	427.84%

⁽¹⁾ 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.

⁽²⁾ Simple arithmetic mean of weekly unconsolidated liquidity ratios for the last three months including the reporting period are accounted in the table above.

The maximum and minimum liquidity coverage ratio for the year of 2018 are presented below:

	Maximum	Week	Minimum	Week	Average
LC	588.72	12.10.2018	239.38	14.12.2018	427.84
LC+FC	315.64	28.12.2018	134.85	23.11.2018	269.80

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

	First Maturity Tranche (Weekly)		Second Maturity Tranche (Monthly)	
	FC	FC+LC	FC	FC+LC
31 December 2018				
Average (%)	1,235	677	745	460
Maximum (%)	3,493	2,544	1,284	865
Minimum (%)	176	204	166	194

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i) Breakdown of assets and liabilities according to their outstanding maturities

30 September 2019	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified¹	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	16,652	98,575	-	-	-	-	(124)	115,103
Due From Banks	1,552	9,946	2,795	-	-	-	(25)	14,268
Financial Assets at Fair Value Through Profit/Loss	-	1	-	3	-	-	-	4
Interbank Money Market Placements	-	81,710	-	-	-	-	(54)	81,656
Financial assets at fair value through other comprehensive income	9,931	3,001	2,142	1,971	-	2,497	-	19,542
Loans ⁽²⁾	-	200,023	105,362	381,914	321,863	45,937	(44,615)	1,010,484
Financial assets measured at amortized cost	-	615	12,809	29,105	45,503	-	(862)	87,170
Other Assets	-	21,010	903	-	-	-	255,299	277,212
Total Assets	28,135	414,881	124,011	412,993	367,366	48,434	209,619	1,605,439
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	20	131,395	30,988	321,021	-	-	-	483,424
Funds Borrowed From Money Markets	-	47,485	-	-	-	-	-	47,485
Marketable Securities Issued	-	21,980	155	-	423,279	-	-	445,414
Miscellaneous Payables ⁽⁵⁾	-	14,450	-	1,724	-	-	-	16,174
Other Liabilities ^{(3),(4)}	38,231	31,644	4,404	1,862	79	-	536,722	612,942
Total Liabilities	38,251	246,954	35,547	324,607	423,358	-	536,722	1,605,439
Liquidity Gap	(10,116)	167,927	88,464	88,386	(55,992)	48,434	(327,103)	-
Net Off-Balance Sheet Liquidity Gap	-	2	(5,065)	(704)	-	-	-	(5,767)
Financial Derivative Assets ⁽⁶⁾	-	703	25,439	11,152	-	-	-	37,294
Financial Derivative Liabilities ⁽⁶⁾	-	(701)	(30,504)	(11,856)	-	-	-	(43,061)
Non-cash Loans	-	6,500	9,560	157,805	21,647	-	115,181	310,693

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Borrowers' funds is presented in the other liabilities.

⁽⁴⁾ Shareholders' equity is presented under other liabilities in the unclassified column.

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified ¹	Total
31 December 2018								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	8,575	76,536	-	-	-	-	(26)	85,085
Due From Banks	8,759	33,844	-	-	-	-	(54)	42,549
Financial Assets at Fair Value Through Profit/Loss	2,787	1,309	938	-	-	-	-	5,034
Interbank Money Market Placements	-	50,033	-	-	-	-	-	50,033
Financial assets at fair value through other comprehensive income	-	76	81	4,480	2,778	990	(91)	8,314
Loans ⁽²⁾	-	225,381	106,715	154,509	234,015	131,951	(12,293)	840,278
Financial assets measured at amortized cost	-	-	148	13,858	46,688	-	(480)	60,214
Other Assets	-	22,161	351	-	-	-	235,546	258,058
Total Assets	20,121	409,340	108,233	172,847	283,481	132,941	222,602	1,349,565
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	106,173	183,879	170,338	-	-	-	460,390
Funds Borrowed From Money Markets	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	30,049	26,609	7,507	254,327	-	-	318,492
Miscellaneous Payables ⁽⁵⁾	-	29	-	-	-	-	-	29
Other Liabilities ^{(3),(4)}	7,951	39,012	4,601	-	-	-	519,090	570,654
Total Liabilities	7,951	175,263	215,089	177,845	254,327	-	519,090	1,349,565
Liquidity Gap	12,170	234,077	(106,856)	(4,998)	29,154	132,941	(296,488)	-
Net Off-Balance Sheet Liquidity Gap	-	925	(339)	-	-	-	-	586
Financial Derivative Assets ⁽⁶⁾	-	22,220	27,396	-	-	-	-	49,616
Financial Derivative Liabilities ⁽⁶⁾	-	(21,295)	(27,735)	-	-	-	-	(49,030)
Non-cash Loans	-	267	98,674	182,754	21,209	-	119,749	422,653

⁽¹⁾ Allowances for the expected credit losses are included in the non-interest bearing column.

⁽²⁾ Finance lease receivables are included.

⁽³⁾ Borrowers' funds is presented in the other liabilities.

⁽⁴⁾ Shareholders' equity is presented under other liabilities in the unclassified column.

⁽⁵⁾ Presented in other liabilities at financial statements.

⁽⁶⁾ Includes asset purchase and sale commitments

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VI. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio calculated in accordance with “Regulation on Measurement and Assessment of Banks’ Leverage Level” was realized as 27.4% (31 December 2018 - 28.3%). Difference between current period and prior period leverage ratios is mostly due to increase in risk amounts on balance and of balance sheet asset items. Regulation established a 3% minimum requirement for the leverage ratio.

	Current Period⁽¹⁾	Prior Period⁽¹⁾
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	1,562,089	1,395,261
(Assets deducted from core capital)	(1,286)	(1,264)
Total risk amount for assets on the balance sheet	1,560,803	1,393,997
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	-	3,288
Potential credit risk amount of derivative financial instruments and loan derivatives	406	1,547
Total risk amount of derivative financial instruments and loan derivatives	406	4,835
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	1,325	-
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	1,325	-
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	337,423	447,994
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	337,423	447,994
Capital and Total Risk		
Core capital	520,901	521,932
Total risk amount	1,899,957	1,846,826
Leverage Ratio		
Leverage ratio	27.4%	28.3%

⁽¹⁾ Arithmetic average of last three months including reporting period.

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VII. EXPLANATIONS ON THE RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué on Disclosures about Risk Management to be Announced to Public by Banks” that have been published in official gazette no 29511 on 23 October 2015. Since Internal Rating-Based (IRB) approach is not applied, tables that have to be prepared within the scope of IRB, are not presented.

a. Bank’s risk management approach

Effective risk management constitutes one of the most important competitive strength of the Bank. Risk management system is assessed as a critical process which includes all units starting from the Board of Directors level.

General strategies regarding Bank’s risk management are given below:

- Effective risk management within the Bank’s risk profile based on materiality; implementing a centralized risk framework that includes all major risk areas.
- Managing existing and potential risks from the beginning through forward looking risk strategies, policies and procedures, models and parameters,
- Applying a risk-focused management approach in the strategic decision process,
- Complying with all national risk management requirements, where the Bank operates.

The Bank’s Board of Directors has the ultimate responsibility for setting-up and monitoring the efficiency of such a risk management system. The Board of Directors manages the risks through Risk Management Committee (RMC). RMC is responsible for the development of risk policies, measurement of risks and determination of methods to manage them, setting up of appropriate risk limits and their monitoring. All the risk policies of RMC are written and integrated with the Bank’s long term strategy.

The Board of Directors fulfils its monitoring responsibility through the Auditing Committee, the Executive Risk Committee, the Credit Committee and other related intermediary committees and by means of regular risk, control and audit reporting system.

The Board of Directors regularly reviews and approves Bank’s main risk approach, risk principles and policies which are initially discussed and decided by the Risk Management Committee. The Board of Directors also determines Bank’s risk appetite by risk limits taking market conditions and Bank’s risk taking capacity into consideration. Risk limits are made up of regulatory and internal limits on the basis of risk types.

Bank’s Senior Management is responsible to the Bank’s Board of Directors that daily activities are executed within the risk management procedures and risk limits determined by the Board of Directors and that risk management system operates in effective and efficient manner.

The Internal Audit, the Internal Control and Compliance Presidency and The Risk Management Departments which directly report to the Board of Directors operate in coordination with the business units of the Bank. In this scope, it is also Senior Management’s responsibility to take necessary measures in order to resolve identified weaknesses, deficiencies and errors stated in the reports of internal and external audits, internal control and risk management.

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Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to analyze the potential risks that the Bank may be exposed in extreme cases, various scenario analyses are performed and contingency plans are prepared. The Bank's internal capital adequacy assessment process ("ICAAP") has been established and the ICAAP has been performed parallel to the annual budget process on an annual basis. Moreover, various risk mitigation techniques are utilized to limit and provide protection against risks the Bank is exposed to. The effectiveness and efficiency of the risk mitigation techniques are regularly monitored.

b. General view to risk weighted amounts

	Risk weighted amounts		Minimum capital requirements
	Current Period 30 September 2019	Prior Period 31 December 2018	Current Period 30 September 2019
Credit risk (excluding counterparty credit risk) (CCR)	1,468,799	1,308,308	117,504
Of which standardized approach (SA)	1,468,799	1,308,308	117,504
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	4,188	1,489	335
Of which standardized approach for counterparty credit risk (SA-CCR)	4,188	1,489	335
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fallback approach	-	-	-
Settlement risk	-	-	-
Securitization exposures in banking book	-	-	-
Of which IRB ratings-based approach (RBA)	-	-	-
Of which IRB Supervisory Formula Approach (SFA)	-	-	-
Of which SA/simplified supervisory formula approach (SSFA)	-	-	-
Market risk	33,425	5,713	2,674
Of which standardized approach (SA)	33,425	5,713	2,674
Of which internal model approaches (IMM)	-	-	-
Operational risk	102,666	68,147	8,213
Of which Basic Indicator Approach	102,666	68,147	8,213
Of which Standardized Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	1,609,078	1,383,657	128,726

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**INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND
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VIII. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	1,009,622	595,817	1,605,439
Total Liabilities	59,929	1,545,510	1,605,439
Net Interest Income/(Loss)	85,749	(8,012)	77,737
Net Fee and Commission Income/(Loss)	3,613	(328)	3,285
Trading Gain/(Loss)	-	(3,542)	(3,542)
Other Operating Segments Gain/(Loss)	4,223	499	4,722
Provisions for Loan Losses and Other Receivables(-)	(36,420)	(505)	(36,925)
Other Operating Expense (-)	-	(23,051)	(23,051)
Profit Before Tax	57,165	(34,939)	22,226
Tax Provision	(12,700)	7,762	(4,938)
Net Profit	44,465	(27,177)	17,288

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	837,615	511,950	1,349,565
Total Liabilities	23,000	1,326,565	1,349,565
Net Interest Income/(Loss)	79,436	(26,365)	53,071
Net Fee and Commission Income/(Loss)	2,156	-	2,156
Trading Gain/(Loss)	-	2,189	2,189
Other Operating Segments Gain/(Loss)	-	463	463
Provisions for Loan Losses and Other Receivables(-)	(8,808)	(783)	(9,591)
Other Operating Expense (-)	-	(18,268)	(18,268)
Profit Before Tax	72,784	(42,764)	30,020
Tax Provision	-	(6,920)	(6,920)
Net Profit	72,784	(49,684)	23,100

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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 2019		31 December 2018	
	LC	FC	LC	FC
Cash/Foreign currency	12	5	9	8
CBRT	16,610	98,600	8,527	76,567
Other	-	-	-	-
Total	16,622	98,605	8,536	76,575

b. Information on the account of the CBRT

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Demand Unrestricted Amount ⁽¹⁾	16,610	25	8,527	31
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount ⁽²⁾	-	98,575	-	76,536
Total	16,610	98,600	8,527	76,567

⁽¹⁾ Local currency reserve requirements is presented demand unrestricted amount accordingly BRSA letter dated 3 January 2018.

⁽²⁾ The blocked reserve requirement at Central Bank.

According to CBRT’s “Required Reserves Announcement” numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold.

The reserve rates for TL liabilities vary between 1% and 7% according to their maturities as of 30 September 2019 (31 December 2018: between 1.5% and 8%). The reserve rates for foreign currency liabilities vary between 5% and 21% according to their maturities as of 30 September 2019 (31 December 2018: between 4% and 20%).

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

a. As of 30 September 2019, the Bank has no financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked (31 December 2018: None).

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b. Financial assets at fair value through profit or loss

	30 September 2019	31 December 2018
Debt Securities	-	2,787
Quoted on Stock Exchange	-	2,787
Not Quoted	-	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	-	2,787

c. Positive differences related to derivative financial assets

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Forward transactions	-	4	118	2,129
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	4	118	2,129

3. Information on banks

a. Information on banks

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Banks	962	13,331	10,103	32,500
Domestic	47	9,036	10,103	16,491
Foreign	915	4,295	-	16,009
Branches and offices abroad	-	-	-	-
Total	962	13,331	10,103	32,500

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

a. Information financial assets subject to repurchase agreements and given as collateral/blocked

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Collateral / Blocked	4,616	-	4,423	-
Repurchase transaction	-	-	-	-
Total	4,616	-	4,423	-

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

	30 September 2019	31 December 2018
Debt Securities	9,611	8,314
Quoted on Stock Exchange	9,611	8,314
Not Quoted	-	-
Share Certificates	9,931	-
Quoted on Stock Exchange	-	-
Not Quoted	9,931	-
Impairment Provision (-)	-	-
Total	19,542	8,314

5. Information on loans

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

	30 September 2019		31 December 2018	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	24,655	-	22,983
Legal Entities	-	24,655	-	22,983
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total⁽¹⁾	-	24,655	-	22,983

⁽¹⁾ TL 553 (31 December 2018 - 804 TL) cash loan was provided with a counter-guarante of Parent Bank.

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

30 September 2019	Standard Loans	Loans Under Close Monitoring		
		Not under the scope of restructuring	Restructured Loans	
Cash Loans ⁽¹⁾			Modifications on agreement conditions	Refinancing
Non-specialized Loans	917,156	51,100	43,604	-
Loans given to enterprises	421,402	51,100	10,268	-
Export Loans	5,746	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	277,840	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	212,168	-	33,336	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	917,156	51,100	43,604	-

⁽¹⁾ TL 34,663 non-performing loans are not included.

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Expected Credit Loss	30 September 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	6,507	-	5,830	-
Significant Increase in Credit Risk	-	19,267	-	6,463
Total	6,507	19,267	5,830	6,463

Number of modifications made to extend payment plan	30 September 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	-	43,604	-	9,158
Extended by 3,4 or 5 times	-	-	-	8,805
Extended by more than 5 times	-	-	-	-
Total	-	43,604	-	17,963

Extended period of time	30 September 2019		31 December 2018	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
0 - 6 Months	-	-	-	9,158
6 - 12 Months	-	33,336	-	8,805
1 - 2 Years	-	-	-	-
2 - 5 Years	-	10,268	-	-
5 Years and over	-	-	-	-
Total	-	43,604	-	17,963

c. Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

None (31 December 2018 - None).

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d. Information on commercial instalment loans and corporate credit cards

30 September 2019	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	-	5,240	5,240
Business residential loans	-	-	-
Automobile loans	-	4,058	4,058
Consumer loans	-	1,182	1,182
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,164	18,164
Business residential loans	-	-	-
Automobile loans	-	2,897	2,897
Consumer loans	-	15,267	15,267
Other	-	-	-
Commercial installment loans - FC	-	-	-
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	-	-
Corporate credit cards-LC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Corporate credit cards-FC	-	-	-
Installment	-	-	-
Non-Installment	-	-	-
Overdraft accounts-LC (Commercial customer)	-	-	-
Overdraft accounts-FC (Commercial customer)	-	-	-
Total	-	23,404	23,404

e. Distribution of domestic and foreign loans

	30 September 2019	31 December 2018
Domestic Loans	860,761	630,819
Foreign Loans	185,762	211,830
Total	1,046,523	842,649

f. Loans granted to investments in associates and subsidiaries

None (31 December 2018 - None).

g. Specific provisions accounted for loans

	30 September 2019	31 December 2018
Loans with limited collectability	14,099	2,663
Loans with doubtful collectability	4,732	-
Uncollectible loans	-	-
Total	18,831	2,663

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h. Information on non-performing loans

i. Information on non-performing loans restructured or rescheduled and other receivables

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period			
Gross amounts before specific reserves	25,995	5,443	-
Loans under restructuring	25,995	5,443	-
Prior period			
Gross amounts before specific reserves	-	-	-
Loans under restructuring	-	-	-

ii. Information on the movement of total non-performing loans

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Prior period end balance	2,663	-	-
Additions (+)	29,220	2,780	-
Transfers from other categories of loans under follow-up (+)	-	2,663	-
Transfers to other categories of loans under follow-up (-)	(2,663)	-	-
Collections (-)	-	-	-
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	29,220	5,443	-
Provision (-)	(14,099)	(4,732)	-
Net Balance on balance sheet	15,121	711	-

iii. Information on non-performing loans granted as foreign currency loans

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period			
Period end balance	10,473	-	-
Provision (-)	(3,021)	-	-
Net balance on balance sheet	7,452	-	-
Prior period			
Period end balance	-	-	-
Provision (-)	-	-	-
Net balance on balance sheet	-	-	-

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iv. Information on non-performing loans based on types of borrowers

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	-	-
Loans granted to real persons and legal entities (Gross)	29,220	5,443	-
Provision (-)	(14,099)	(4,732)	-
Loans granted to real persons and legal entities (Net)	15,121	711	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans granted to real persons and legal entities (Gross)	2,663	-	-
Provision (-)	(2,663)	-	-
Loans granted to real persons and legal entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-

v. Information on interest accruals, rediscounts, valuation differences and their provisions calculated for non-performing loans in accordance with TFRS 9

	III. Group	IV. Group	V. Group
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current period (Net)	-	-	-
Interest accruals and rediscounts and valuation differences	1,147	23	-
Provision (-)	(1,147)	(23)	-
Prior Period (Net)	-	-	-
Interest accruals and rediscounts and valuation differences	-	-	-
Provision (-)	-	-	-

vi. 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.

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6. Information on financial assets measured at amortized cost

a. Information financial assets subject to repurchase agreements and given as collateral/blocked

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Collateral / Blocked	-	-	-	-
Repurchase transaction	-	3,927	-	-
Total	-	3,927	-	-

b. Information on government debt securities measured at amortized cost

	30 September 2019	31 December 2018
Government bonds	40,590	37,533
Treasury bills	-	-
Other public sector debt securities	-	-
Total	40,590	37,533

c. Information on financial assets measured at amortized cost

	30 September 2019	31 December 2018
Debt Securities	88,032	60,694
Quoted in a stock exchange	88,032	60,694
Not quoted	-	-
Impairment provisions (-) ⁽¹⁾	-	-
Total	88,032	60,694

⁽¹⁾ Excludes TL 862 (31 December 2018 – 480 TL) credit losses for financial assets measured at amortized cost

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

	30 September 2019	31 December 2018
Beginning balance	60,694	-
Foreign currency differences on monetary assets	5,295	(2,997)
Purchases during year ⁽¹⁾	22,043	63,691
Disposals through sales and redemptions	-	-
Impairment provisions (-)	-	-
Total	88,032	60,694

⁽¹⁾ Includes TL 696 of accrual differences between the periods.

7. Information on investments in associates (Net)

a. Information on unconsolidated investments in associates

None (31 December 2018 - None).

b. Information on consolidated investments in associates

None (31 December 2018 - None).

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8. Information on subsidiaries (Net)

None (31 December 2018 - None).

9. Information on joint ventures

None (31 December 2018 - None).

10. Information on lease receivables (Net)

a. Information on lease receivables

	30 September 2019	31 December 2018
Financial lease receivables, Gross	9,832	15,134
Unearned income	(1,256)	(2,549)
Financial lease receivables, Net	8,576	12,585

b. Remaining maturities of financial lease investments

	30 September 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 Year	6,213	5,309	8,784	7,211
1 – 4 Years	3,619	3,267	6,350	5,374
Over 4 Years	-	-	-	-
Total	9,832	8,576	15,134	12,585

11. Information on hedging derivative financial assets

None (31 December 2018 - None).

12. Information on investment property

The Bank has purchased a real estate classified as investment property amounting to TL 260,916 as of balance sheet date with the deed transfer process has completed as of 18 June 2018. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value in accordance with TAS 40 “Investment Property”.

	Current Period	Previous Period
Beginning balance, Net	218,333	-
Additions (+)	318	260,916
Disposals (-), net	-	-
Impairment (-) ⁽¹⁾	-	(42,173)
Depreciation (-)	(843)	(410)
Transfers ⁽²⁾	(72,190)	-
Transfer of the cost to buildings and land	(86,479)	-
Transfer of the accumulated depreciation to buildings	136	-
Transfer of the impairment to buildings and land	14,153	-
Current period end balance, Net	145,618	218,333

⁽¹⁾ TL 42,173 of impairment expenses was recorded as of 31 December 2018.

⁽²⁾ As of 30 September 2019, the Bank reclassified net TL 72,190 to its own used buildings and land from investment properties.

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13. Information on 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 2019, the Bank calculated deferred tax asset amounting TL 17,217 and reflected this amount to the financial statements (31 December 2018 - 12,171 TL deferred tax asset).

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

	30 September 2019		31 December 2018	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	645	142	565	124
Expected credit losses	35,774	7,870	16,485	3,627
Other provisions	2,208	486	2,493	548
Impairment for investment property	42,173	9,278	42,173	9,278
Derivatives	4,390	966	-	-
Other	1,905	419	1,808	398
Deferred Tax Asset	87,095	19,161	63,524	13,975
Tangible and intangible assets	(8,230)	(1,811)	(5,153)	(1,134)
Derivatives	(4)	(1)	(2,131)	(469)
Other	(600)	(132)	(915)	(201)
Deferred Tax Liability	(8,834)	(1,944)	(8,199)	(1,804)
Deferred Tax Asset/ (Liability), net	78,261	17,217	55,325	12,171

14. Information on assets held for resale and discontinued operations

None (31 December 2018 - None).

15. Information on other assets

As of 30 September 2019, other assets amount to TL 22,664 (31 December 2018- TL 23,554) and do not exceed 10% of total balance sheet except off balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on deposits

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

2. Negative differences related to derivative financial liabilities

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Forward transactions	-	4,390	-	116
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	-	-	-	-
Total	-	4,390	-	116

3. Information on borrowings

a. Information on banks and other financial institutions

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	16,013	28,060	226	26,586
From foreign banks, institutions and funds	43,821	395,530	34,051	399,527
Total	59,834	423,590	34,277	426,113

b. Information on maturity structure of borrowings

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Short-term	59,834	102,569	34,277	426,113
Medium and long-term	-	321,021	-	-
Total	59,834	423,590	34,277	426,113

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 foreign currency assets mainly with medium and long term funds borrowed and debt securities issued. The Bank aims to have consistency on interest and maturities among assets and fundings. The Bank funds its local currency assets mainly with its capital, funds borrowed and debt securities issued.

4. Securities Issued

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
Nominal	20,960	423,278	54,940	264,050
Cost	19,906	423,278	52,001	264,050
Book Value	20,947	424,467	54,104	264,388

The Bank netted TL 5,000 (31 December 2018 – TL 700) nominal amount of debt securities that bought backed on its financial statements.

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5. Information on other liabilities

As of 30 September 2019, other liabilities amount to TL 39,316 (31 December 2018 - TL 26,655) and do not exceed 10% of total balance sheet.

6. Information on financial lease agreements

	30 September 2019		31 December 2018	
	Gross	Net	Gross	Net
Up to 1 Year	102	82	-	-
1 – 4 Years	111	79	-	-
Over 4 Years	-	-	-	-
Total	213	161	-	-

7. Information on hedging derivative financial liabilities

None (31 December 2018 - None).

8. Information on provisions

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

None (31 December 2018 - None).

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

As of 30 September 2019, the Bank has booked TL 500 (31 December 2018 – TL 3,370) specific provision and TL 8,924 (31 December 2018 – TL 3,539) provision for expected credit loss to the financial statements.

Expected Credit Loss for Non-Cash Loans	30 September 2019	31 December 2019
12 Months Expected Credit Loss	2,063	3,416
Significant Increase in Credit Risk	6,861	123
Total	8,924	3,539

c. Information on other provisions

i. Information on provisions for possible risks

None (31 December 2018 - None).

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

Other provisions amount of TL 1,851 (31 December 2018 - TL 2,356) is comprising of provisions for bonuses and ongoing lawsuits.

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9. Information on taxes payable:

a. Information on current year tax liability

i. Information on tax provision

The Bank recognized TL 749 as current tax liability as of 30 September 2019 (31 December 2018 - TL 4,076).

ii. Information on taxes payable

	30 September 2019	31 December 2018
Corporate Tax Payable	749	4,076
Taxation on Marketable Securities	3	77
Property Tax	3	-
Banking Insurance Transaction Tax	513	586
Foreign Exchange Transaction Tax	1	-
Value Added Tax Payable	31	71
Other	326	414
Total	1,626	5,224

iii. Information on premium payables

	30 September 2019	31 December 2018
Social Security Premiums – Employee	100	87
Social Security Premiums – Employer	111	96
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	7	6
Unemployment Insurance – Employer	14	12
Other	-	-
Total	232	201

10. Information on deferred tax liability

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

11. Information on liabilities for assets held for sale and assets of discontinued operations

None (31 December 2018 - None).

12. Information on the quantity, maturity date, interest rate and supplier firm of the subordinated loans given to the bank and transactional option if there are any marketable securities

None (31 December 2018 - None).

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13. Information on shareholders’ equity

a. Presentation of paid-in capital

	30 September 2019	31 December 2018
Common Stock	500,000	500,000
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 2018 - 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 2018 - None).

h. Information on marketable securities value increase fund

	30 September 2019		31 December 2018	
	LC	FC	LC	FC
From investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-
Revaluation difference	47	-	(41)	-
Foreign exchange difference	-	-	-	-
Total	47	-	(41)	-

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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

	30 September 2019	31 December 2018
Forward asset purchase and sale commitments	1,404	-
Forward deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	17
Other irrevocable commitments	-	65
Total	1,421	82

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

i. 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 2019, the Bank has guarantee and indemnities amounting TL 310,693 (31 December 2018 - TL 422,653) based upon the letter of guarantee and letter of credit.

ii. Revocable, irrevocable guarantees and other similar commitments and contingencies

As of 30 September 2019, the Bank has other guarantees amounting TL 22,575 (31 December 2018 - TL 51,692).

c. Total amount of non-cash loans

	30 September 2019	31 December 2018
Non-cash Loans Given against Cash Loans	200,103	263,803
With Original Maturity of 1 Year or Less Than 1 Year	66,634	227,578
With Original Maturity of More Than 1 Year	133,469	36,225
Other Non-cash Loans	110,590	158,850
Total	310,693	422,653

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

30 September 2019	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	184,176	85,401	12,322	28,219
Letters of Guarantee	184,176	62,258	12,322	28,219
Bank Acceptances	-	-	-	-
Letters of Credit	-	568	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	22,575	-	-

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d. Information on the non-cash loans classified in Group I and Group II (continued)

30 December 2018	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	237,821	167,838	12,832	792
Letters of Guarantee	237,821	116,146	12,832	792
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	51,692	-	-

2. Information on Contingent Assets and Liabilities

As of 30 September 2019, the Bank has booked the provision for its ongoing lawsuits amounting TL 51 to the financial statements (31 December 2018 - TL 350). The process regarding the law suits is still ongoing and decisions will be finalized after trial.

3. Information on services in the name of others' names and accounts

None (31 December 2018 - 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 ⁽¹⁾

	30 September 2019		30 September 2018	
	LC	FC	LC	FC
Short-term Loans	43,118	5,811	51,666	1,216
Medium/Long-term Loans	9,009	25,730	7,297	16,735
Interest on Loans Under Follow-up	2,029	186	-	-
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	54,156	31,727	58,963	17,951

⁽¹⁾ Commission income from cash loans are also included.

b. Information on interest income on banks

	30 September 2019		30 September 2018	
	LC	FC	LC	FC
From the CBRT ⁽¹⁾	348	1,218	1,208	-
From Domestic Banks	1,887	873	2,492	1,264
From Foreign Banks	74	473	-	194
Branches and Offices Abroad	-	-	-	-
Total	2,309	2,564	3,700	1,458

⁽¹⁾ The interest income from required reserves are also included.

c. Information on interest income on marketable securities

	30 September 2019		30 September 2018	
	LC	FC	LC	FC
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	1,368	-	1,989	71
Financial assets measured at amortized cost	-	4,705	-	490
Total	1,368	4,705	1,989	561

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

None (30 September 2018 - None).

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2. Information on interest expense

a. Information on interest expense on borrowings⁽¹⁾

	30 September 2019		30 September 2018	
	LC	FC	LC	FC
Banks	6,556	9,069	4,117	10,409
The Central Bank of Turkey	-	-	-	-
Domestic Banks	115	56	885	44
Foreign Banks	6,441	9,013	3,232	10,365
Branches and offices abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	6,556	9,069	4,117	10,409

⁽¹⁾ Commission expense for borrowings are also included.

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

None (30 September 2018 - None).

c. Interest expense on issued marketable securities

	30 September 2019		30 September 2018	
	LC	FC	LC	FC
Interest expense on securities issued	4,962	11,210	9,513	5,860

d. Maturity structure of the interest expense on deposits

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

3. Information on dividend income

None (30 September 2018 - None).

4. Information on trading income/loss (Net)

	30 September 2019	30 September 2018
Income	417,855	509,138
Profit on trading account securities	128	454
Profit on derivative financial transactions ⁽¹⁾	33	12,424
Foreign exchange gains	417,694	496,260
Loss (-)	(421,397)	(506,949)
Losses on trading account securities	-	(19)
Losses on derivative financial transactions ⁽¹⁾	(4,834)	(1,169)
Foreign exchange losses	(416,563)	(505,761)
Net Trading Income/Loss	(3,542)	2,189

⁽¹⁾ Due to the short maturity of derivative financial instruments held by the Bank, the major part of gains and loss from derivative financial transactions are resulted from changes in exchange rates.

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5. Information on other operating income

TL 4,235 of reversal of prior year expenses and provisions included on other operating income and there is no income regarding extraordinary accounts (30 September 2018 - TL 327).

6. Provision expenses related to loans and other receivables

	30 September 2019	30 September 2018
Expected Credit Loss⁽¹⁾	36,925	9,448
12 Month Expected Credit Loss (Stage 1)	1,182	8,363
Significant increase in credit risk (Stage 2)	19,552	1,085
Non-Performing Loans (Stage 3)	16,191	-
Marketable Securities Impairment Provision	-	143
Financial Assets at Fair Value Through Profit or Loss	-	143
Financial Assets At Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	-	-
Total	36,925	9,591

⁽¹⁾ Includes expected credit losses for the non-cash loans.

7. Information related to other operating expenses:

	30 September 2019	30 September 2018
Reserve for employee termination benefits ⁽¹⁾	80	205
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	1,934	150
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	592	478
Shares (capital method applied) impairment expense	-	-
Impairment expense for investment securities that will be disposed	-	-
Amortization expenses of investment securities that will be disposed	-	-
Impairment expenses for property and equipment held for sale purpose and terminated operations	-	-
Other operating expenses	5,296	5,740
Leasing expenses related to TFRS 16 exemptions	509	1,590
Maintenance expenses	430	47
Advertisement expenses	160	232
Other expenses	4,197	3,871
Loss on sales of assets	-	-
Other	3,600	2,087
Total	11,502	8,660

⁽¹⁾ Provision expenses for unused vacation provision and employee termination benefits are presented in personnel expenses at profit and loss statement.

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PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 30 SEPTEMBER 2019

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

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

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

Profit before tax consists of net interest income/expense amounting to TL 77,737, net commission fee income amounting to TL 3,285, trading loss amounting to TL 3,542, other operating income amounting to TL 4,722, provision for loan losses and other receivables amounting to TL 36,925 and other operating expenses including personnel expenses amounting to TL 23,051.

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

As of 30 September 2019 the Bank has current tax expense TL 10,009 (30 September 2018 - TL 5,597) and the Bank has deferred tax income amounting to TL 5,071 (30 September 2018 - TL 1,323, deferred tax expense).

As of 30 September 2019, 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 17,288 (30 September 2018 - TL 23,100, profit).

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 2018 - 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 other expense are presented in footnote numbered 5 and footnote numbered 7 on disclosure and footnotes related to income statement, respectively.

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

V. 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

Bank’s 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	-	-	-	22,983	-	69
End of the Period	-	-	-	24,655	93,526	83
Interest and Commission Income Received	-	-	-	26	1,020	1

Prior period

Bank’s Risk Group	Investments in Associates, subsidiaries, and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and Other Receivables						
Beginning of the Period						
End of the Period	-	-	-	31,699	-	-
Interest and Commission Income Received	-	-	-	22,983	-	69
	-	-	31	262	-	-

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

As of 30 September 2019, there are no derivative transactions with the Bank’s Risk Group (31 December 2018 - None). As of 30 September 2019, the Bank has TL 30,901 borrowers’ funds from its risk group (31 December 2018 - TL 654). As of 30 September 2019, the Bank has borrowings from its risk group amounting to TL 33,593 (31 December 2018 - TL 34,745). Additionally, TL 410,636 of the securities issued abroad were purchased by the Bank’s risk group (31 December 2018 - TL 258,387).

d. Information on key management compensation

As of 30 September 2019, total benefits paid key management amounts to TL 4,363 (30 September 2018 - TL 3,522).

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

None (31 December 2018 - None).

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK

None.

II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

None.

SECTION SEVEN

INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT

I. EXPLANATIONS ON REVIEW REPORT

The unconsolidated financial statements for the period ended 30 September 2019 have been reviewed by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) The independent auditor’s limited report dated 31 October 2019 is presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITORS

None.

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SECTION EIGHT

INTERIM ANNUAL REPORT

Message from the Chairman

Esteemed Stakeholders,

The Turkish economy has started to give strong signals of recovery from the recession occurred throughout the current year. It seems that the government focuses on building the new economic structure by utilizing the favorable structural balance in the economy, namely positive current account balance. Ultimate goal in this new framework is to enter into sustainable economic growth path and have overall welfare to expand in the long-run.

In general, the latest data as the end of third quarter display increasing number of positively performing indicators. The industrial production have performed narrowing negative growth, tourism and export behave quite well and strong, inflation is on downward trend despite having some base effect, rates in the economy nicely follows trend of inflation etc. are actually examples for those indicators. In addition to that, newly announced New Economic Program of 2020-2021-2022 is expected to have some boost to overall weak recovery in the economy, since the Program envisages some institutional & structural reforms which play as bottleneck for economic growth. The fact is that, the Program targets 5% economic growth in the medium-term on the back of one-digit inflation, small current account deficit and declining unemployment rate.

Despite hard and challenging times, the overall banking system has succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. But it is a fact that, overall slowdown in the economy, is being reflected into the performance indicators of the banking system. In any way, according to latest data, the total assets of the system in the end of August has increased by 10% compared to the end of the previous year reaching TL 4.270 billion. The same trend was recorded in loan portfolio as well, where growth rate and amount equal to 6% and TL 2.537 billion, respectively.

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

As a result, total assets of the Bank increased 19% as compared to the same period of the prior year to TL 1,605 million. Our gross cash loan and leasing receivables portfolio, comprising 66% of total assets, reached TL 1,055 million with a 23% increase. Due to effective risk management framework, and prudent credit policy pursued by the Bank we have been successful in preserving low level of NPL in our balance sheet. It is worth to underline that flexible revisiting of credit policy, adjusting tactics of credit and underwriting policy to the current realities of macroeconomic environment etc. are forming substance of the overall risk approach of the Bank. As a reliable indication of trust to the Bank and the national economy, the Bank's paid-in capital has been increased by TL 245 million in cash to a total TL 500 million and an investment property which will be used as the new headquarter of the Bank has been acquired.

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Message from the Chairman (continued)

The year of 2019 is actually the mid of new 2020 strategy of the Bank where the strategic objectives have been set like continuing as an investment bank, leveraging up, increasing profitability and achieving diversification. To achieve strategic objectives, the Bank would need to quickly build its balance sheet up. By the end of new strategic period, in 2020, aggressive growth of the business is envisaged where project finance, sale and leaseback and cash loans are supposed to be main drivers. All strategic targets and initiatives of the Bank are supposed to yield two-digit growth in main performance indicators, fast convergence to efficiency and profitability metrics vis-a-vis the benchmark and reliable business partner in supporting regional economic relationships. In overall, the designed strategy of the Bank doesn't only cover impressive bottom line performance, additionally, it focuses on introducing totally different value proposition to the market, which in turn acquire its aspiration from the values of the Bank and the shareholders. It is worth to remind that due to changing economic environment, the Bank has initiated revisiting of the current strategy. In essence, the on-going process is not a change in strategy, but is fine-tuning with the aim of consideration tough economic realities. Within this exercise the Bank considers possible strategic options by understanding new market realities, in addition, studying experience of different investment banks across the world which ultimately results in a very good fine-tune of the current strategy. Actually, this exercise is not limited with the calibration of the current strategy, but extended with considering the next strategic period, even vision for longer horizon. In the end, it is supposed to calculate the probability of deviation from strategic KPI's and to formulate preventive measures or actions to bring the projections to the required path.

In order to execute the strategy successfully we would allocate substantial investments in strengthening internal capabilities, including employee development, information technology, to build up the required capabilities. In overall, agility and know-how regarding focus sectors are expected to be differentiating capabilities where the Bank would need to excel risk management, credit management, fund raising, talent acquisition etc. are the direct examples for the latter. It is extremely important to remind that initiatives by the Bank with respect to strengthening risk management capacity is proved to be very preventive considering current market challenges and supportive considering IFRS 9 provisioning.

We will continue to make efforts to diversify bank's funding structure and expand our correspondent network and investor base. In this regard, it is important to emphasize competitive advantage of the Bank which goes beyond the country borders, and comes with the strength of the Group's presence across the region. The fact is that, the Bank has opportunity to attract funding from both Azerbaijan and Georgia, in case it sees favorable interest rate developments there, and this potential is being materialized during the current strategic period. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the current environment characterized with increasing tensions and stress in the market. We shall continue our efforts of offering products and services that are tailored to our customers' needs to make banking experience a gainful experience with PASHA Bank.

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

Sincerely Yours,

Jalal Gasimov
Chairman of the Board of Directors

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Message by the General Manager

Esteemed Stakeholders,

While Turkish Lira has exhibited a relatively calm trade; 5.60-5.80 against USD in the third quarter, annual inflation in September eased to 9.26%. After the second quarter, Central Bank cut rates three times for a total of 1000 bps and thus the policy rate was reduced to 14.00%. We’ll closely watch external developments such as US-China Trade wars, Brexit, global growth worries, FED and ECB’s actions and geopolitical developments on the domestic front in the last quarter following benign (relatively calm) summer months. We anticipate further 200-250 basis points rate cuts for the remainder of the year. We also predict, the annual inflation rate to be at 12%-13% by the close of the year.

We, PASHA Bank maintained our efforts to issue bills in domestic capital markets and diversify our long term foreign exchange denominated funding. We reported a net profit of TL 17.3 million as of third quarter while asset size reached TL 1,605 million. Total Cash and non-cash credit amount including leasing receivables realized as TL 1,366 million before provisions, out of that cash credits and leasing receivables total was TL1,055 million.

Our expectation for the growth to gain upward momentum during the last quarter on the back of recovery of domestic demand supported by falling interest rates. We wish the Banking industry completes 2019 with success.

Sincerely Yours,

H. Cenk Eynehan
General Manager and Board Member

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A. INTRODUCTION

1. Amendments made in Articles of Incorporation within the period

None.

2. Significant Events and Transactions within the Period

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

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

	30 September 2019	31 December 2018
Cash and cash equivalents	211,027	177,667
Financial assets at fair value through profit or loss	-	2,787
Financial assets at fair value through other comprehensive income	19,542	8,314
Derivative financial assets	4	2,247
Loans	1,046,523	842,649
Receivables from leasing transactions	8,576	12,585
Financial assets measured at amortized cost	88,032	60,694
Allowance for expected credit losses (-)	(45,477)	(15,436)
Tangible assets (Net)	89,516	2,375
Intangible assets and goodwill (Net)	1,294	1,274
Investment properties (Net)	145,618	218,333
Current tax assets	903	351
Deferred tax assets	17,217	12,171
Other assets	22,664	23,554
TOTAL ASSETS	1,605,439	1,349,565

	30 September 2019	31 December 2018
Loans received	483,424	460,390
Money market fundings	47,485	-
Marketable securities issued (Net)	445,414	318,492
Funds	48,438	23,000
Derivative financial liabilities	4,390	116
Lease payables (Net)	161	-
Provisions	11,920	9,830
Current tax liabilities	1,858	5,425
Other liabilities	39,316	26,655
Shareholders' equity	523,033	505,657
TOTAL EQUITY AND LIABILITIES	1,605,439	1,349,565

The Bank has completed first nine months of 2019 with a profit figure of TL 17,288 according to unconsolidated results. Total unconsolidated assets of the Bank is TL 1,605,439 with an 19% increase compared to 2018 year-end.

The share of our securities in balance sheet is 7%, the loan and lease receivables are TL 1,055,099 increasing at a ratio of 23% compared to year end of 2018 and the share of loans and leasing receivables in total assets is 66%.

The unconsolidated capital adequacy ratio of the Bank is 33.77% as of 30 September 2019.

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

C. EXPECTATIONS OF PASHA BANK REGARDING 2019

The Bank expects the Turkish economy to take a pause in terms of growth this year, however achieving a growth within the band of 3.00% - 4.00% in 2020 and whereas the inflation realised around 12%-13% at year end due to tough stance by the Central Bank and the stability of FX rates. Finally, the Current Account Deficit is anticipated to be around 0.1%-0.5%.

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