

# STRONG RELIABLE SUSTAINABLE

Second of Ole

Annual Report 2021



PASHA Bank is the reflection of a vision shaped by the regional strengths, the cultural networks and the contemporary perspectives of Turkey, Azerbaijan and Georgia.

Our Goal is to be the "First Bank That Comes to Mind in the Region" by working on;

- development of regional trade and welfare,
- success and sustainability of cross-border projects,
- creating permanent value with efficient investments.



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#### **Contact Information**

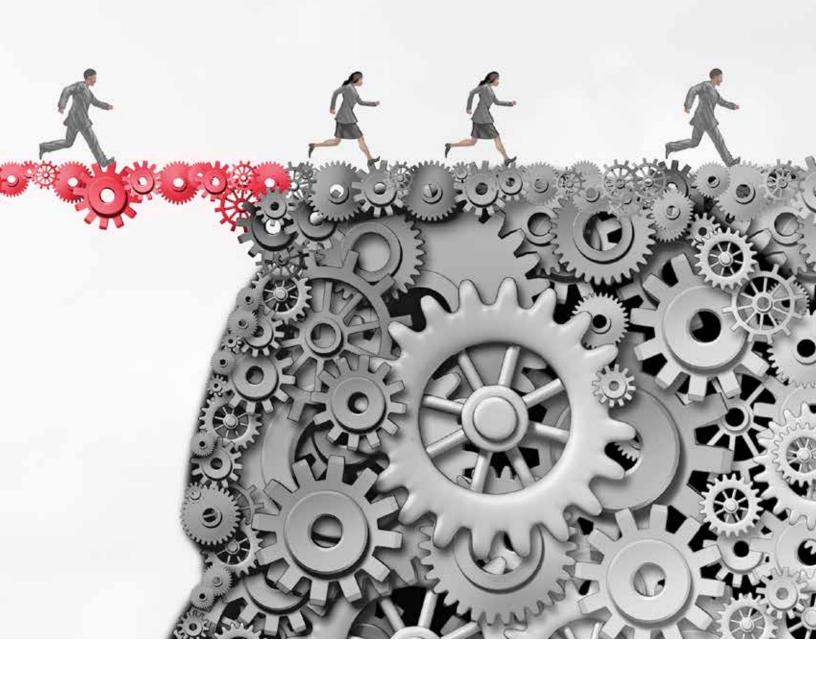


Previous years' annual reports of PASHA Bank

# Agenda of the Annual General Assembly Meeting

- 1. Opening; Election of the Meeting Chairman and empowering the Chairman to undersign the minutes of the Meeting and the participant list,
- 2. Reading summary of the Annual Activity Report of the Board and the Annual Report of the Bank, Independent Auditor's Report and Financial Statements and discussion and ratification of the Annual Report and Financial Report for the accounting period.
- 3. Discussing the proposal of the Board of Directors on the Bank's Profit for the accounting year 2021 and adopting a resolution
- 4. Submitting the appointment of new Member of the Board of Directors to the General Assembly for approval in accordance with Article 363 of the Turkish Commercial Law for the position which became vacant within the year,
- 5. Releasing Board Members separately, who have served during the accounting period, with regard to their activities in the year 2021;
- 6. Determination of remuneration of the Board Members,
- 7. Empowering shareholders having control in management, the Board Members, the top managers, their spouses, the relatives up to second kin and the relatives of marriage to conduct business with the Bank subject to the restrictions in Article 395 "Restrictions on Transactions with the Company and Borrowing" and Article 396 "Obligation Not to Compete" of the Turkish Commercial Code, without prejudice to the provisions of the Banking Law,
- 8. Election of the Independent Audit Institution that would undertake the independent audit of the Bank in 2022 in accordance with Article 399 of the Turkish Commercial Code,
- 9. Informing the shareholders with regard to the total bonus amount paid or to be paid to employees according to Bank's performance for the year 2021,
- Informing the shareholders about remuneration principles of the Board Members and directors having the administrative responsibility and providing information to the shareholders on the total amounts of attendance right, wages, premiums, bonuses and dividends granted to the Board Members and executives in 2021 in accordance with the Corporate Governance Principle no. 4.6.2 promulgated by Capital Markets Board,
- 11. Informing the shareholders with regard to all donations and charities realized in the accounting period and their beneficiaries as per approved policy by the General Assembly in accordance with the Corporate Governance Principle no. 1.3.10 promulgated by Capital Markets Board
- 12. Informing the shareholders with regard to significant transactions executed in 2021 which may cause conflict of interest in accordance with the Corporate Governance Principle no. 1.3.6 promulgated by Capital Markets Board,
- 13. Wishes, suggestions and closing





## **STRONG BUSINESS MODEL**

WE STRENGTHEN OUR ROLE OF BEING A FINANCIAL BRIDGE FOR OUR CUSTOMERS, WHO CONDUCT TRADE AND MAKE INVESTMENTS, WITH OUR BUSINESS MODEL RISING ON THE STRONG SYNERGY WE ESTABLISHED TO REVEAL THE OPPORTUNITIES OFFERED BY OUR GEOGRAPHICAL LOCATION WITH ITS RESOURCES AND DEVELOPMENT POTENTIAL.

# The Values That Will Carry PASHA Bank to the Future

#### INTEGRITY

At the core of our business stands the unshakeable commitment to integrity. For us, it means doing what is right. Every time. All the time. Even when no one sees you. At the very basic level, it is about respecting the laws and regulations of the country we operate in. It is about upholding our company's code of conduct even in the face of challenges. It means never sacrificing company interests for personal gains. It means being honest with ourselves, our colleagues, clients and partners and earning their trust.

#### QUALITY

The outside world will always judge us by the quality of the product or service we deliver. And the quality of our work is directly proportional to the dedication and professionalism of our staff. There is no way around it. That is why we always follow the standards we set. That is why we deliver what we promise - day in, day out - carefully balancing quality with efficiency for optimal results. That is why we try new things and strive to learn and improve - as individuals and as an organization.

## Vision

To create new and enduring values in the business world and society.

#### **COLLABORATION**

When we work as one team across departments, business units, and countries we produce phenomenal results. When we collaborate with clients, partners and suppliers we far exceed market expectations. The impact of these synergies far surpasses that of any individual contribution. Collaboration creates a sound working environment and leads to higher efficiency. It accelerates problem-solving and enables innovation. It nurtures trust and respect.

#### **ENTREPRENEURSHIP**

The world around is constantly changing, so we often have to operate in ambiguity. We seek new opportunities and are ready to take bold steps – do things and go places others don't dare to. We don't fear challenges but view them as opportunities to grow. We are unafraid to take a personal responsibility for going an extra mile or doing something new. Our staff treat the company with care, passion, prudence – just like they would treat their own business.

#### PROFITABILITY

We generate profits for the benefit of our shareholders and the society at large. In fact, it is today's profit that lays the foundation of the sustainable business and serves for maintaining the competitive edge. Our staff understand that value comes not only in every Turkish lira earned but also every Turkish lira saved. However, in the pursuit of short-term business goals we never lose sight of our long-term aspiration - to create and maintain a sustainable global business. And this aspiration drives every strategic decision we make.

## Mission

To become a cross-border bank empowering its customers;

- To be an international bank that adds value to the present and to the future;
- For our customers, through a high-quality, innovative and solution-oriented service concept;
- For our employees, through investing in their professional and personal development;
- For society and the world, through demonstrating social and environmental sensitivity;

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

# Financial Highlights

# **TL 47 million**

PASHA Bank's net profit in 2021 was TL 47 million.

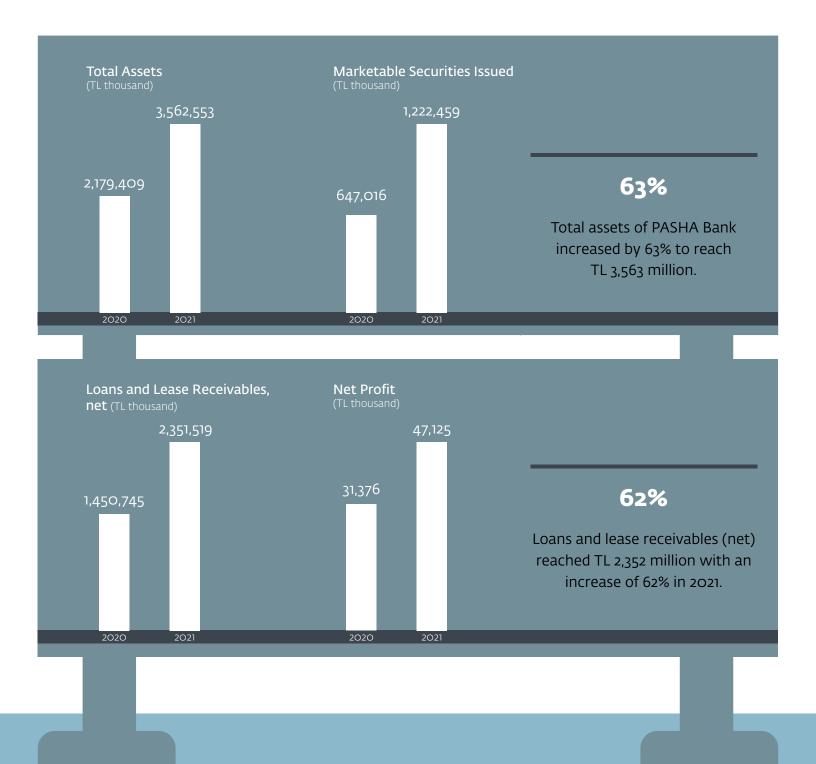
A summary of unconsolidated financial information of PASHA Yatırım Bankası A.Ş. for 2021	
operations is presented below:	

(TL thousand)	31.12.2021	31.12.2020
Cash and cash equivalents, net	493,198	299,289
Financial assets at fair value through profit or loss	20,956	7,405
Financial assets at fair value through other comprehensive income	50,685	30,850
Other financial assets measured at amortized cost	356,879	115,021
Loans and Lease Receivables, net	2,351,519	1,450,745
Other Assets	289,316	276,099
Total Assets	3,562,553	2,179,409
Loans Received	1,376,052	803,224
Money Market Funds	205,523	53,263
Marketable Securities Issued	1,222,459	647,016
Other Liabilities	151,539	113,236
Paid-in Capital	500,000	500,000
Profit Reserves and Marketable Securities Valuation Reserves	59,855	31,294
Net Profit/(Loss)	47,125	31,376
Total Liabilities	3,562,553	2,179,409

PASHA Bank's sectoral shares at key indicators are presented below:

(TL million)	Sector*	PASHA Bank	Share
Total Assets	9,213,196	3,563	0.04%
Shareholders' Equity	710,965	607	0.09%
Cash Loans, gross	5,204,628	2,422	0.05%

\* Reference: BRSA, December 2021



## 2021 Highlights

Eurobond issuance of PASHA Bank for USD 25 million

Asset-Backed Security issuances in automotive industry by PASHA Bank

First Webinar on Asset-Backed Securities in Turkey by PASHA Bank Supporting the cross-border investments with the mission of being a financial bridge between Turkey, Azerbaijan and Georgia triangle, PASHA Bank issued USD 25 million worth of eurobonds in Azerbaijan stock market.

As the first institution to issue bonds with a currency other than its own in Azerbaijan markets, PASHA Bank issued seven foreign currency eurobond, six of them in USD and one in Euro, and thus providing approximately 115 million US dollars of funding to date.

PASHA Bank provided financial funds of TL 65 million for the automotive industry in the past year by issuing asset-backed securities of TL 20 million where Maygold Otomotiv A.Ş. was the originator and in collaboration with 800 auto showrooms and dealers.

Among the investors of the issuances which attracted a great deal of corporate investors were investment funds, pension funds, insurance companies, corporate treasury departments and qualified individual investors.

On 27 May 2021, PASHA Bank organized a webinar with the topic "Capital Markets and Asset-Backed Securities as a Financial Resource" for the first time in Turkey.

Senior executives from Finance Office of the Presidency of the Turkish Republic and Capital Markets Board and capital markets professionals appeared as speakers at this webinar and answered the questions of the investors.



As the leader of the asset-backed securities in Turkey, which are important for the increase of employment in the real sector, PASHA Bank successfully issued the fourth asset-backed security issuance of the year worth of TL 50 million on 9 December 2021.

Supporting the agriculture industry since 2020, PASHA Bank has provided this sector with a funding resource of TL 320 million since 2020 with this issuance.

PASHA Bank was the official sponsor of the İstanbul Digital Arts Festival (IDAF) which was organized for the first time in Turkey.

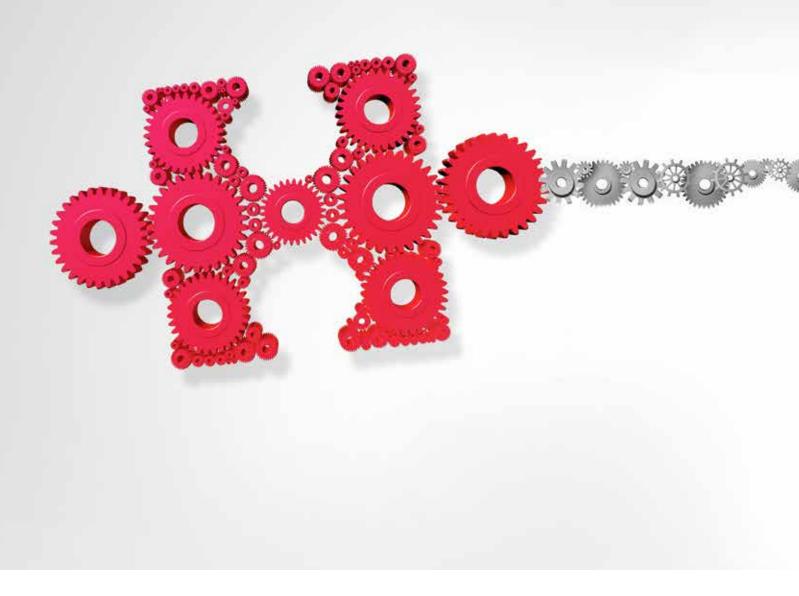
Binbirdirek Cistern at the historical peninsula was the host to the mixed exhibition organized by Mezo Digital which focused on many areas of digital arts. The exhibition was supported by the Ministry of Culture of the Republic of Turkey and the main sponsor was PASHA Bank.





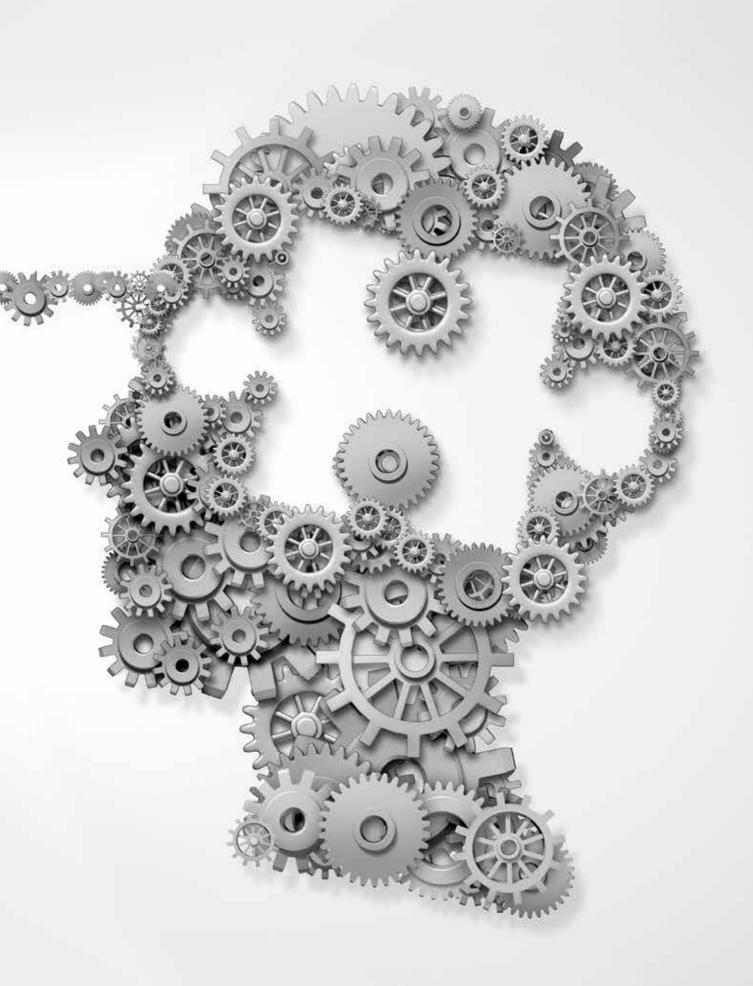
PASHA Bank continued successful asset-backed security issuances in agriculture industry at full speed.

PASHA Bank supported digital art with Dalınç Exhibition.



# **RELIABLE SOLUTION PARTNER**

WE MANAGE OUR SOURCES, SERVICE VARIETY AND PLACEMENTS IN A BALANCED MANNER AND WE STRENGTHEN THE BRIDGES BETWEEN OUR FUNDING FACILITIES AND OUR CUSTOMERS FOR FULL SUPPORT AT ALL CONDITIONS.



# PASHA Bank's Historical Development and Milestones

PASHA Yatırım Bankası A.Ş. was established in Istanbul on 25 December 1987 as the first foreign investment bank in Turkey.

Being established in İstanbul on 25 December 1987 as the first foreign-capitalized investment bank in Turkey, PASHA Yatırım Bankası A.Ş. has been active in the management of different shareholder groups until 2015. In 2015, the Baku based regional financial institution PASHA Bank OJSC which is a private bank with the highest capital in Azerbaijan, acquired the majority shares and the new title of the Bank became PASHA Yatırım Bankası A.Ş. and the business name became PASHA Bank. After PASHA Holding LLC, the controlling shareholder of the Bank, acquired 49% of the shares in 2018, the paid-in capital of the Bank increased to TL 500 million.

PASHA Bank operates from its head office located in Istanbul and has no branch offices.

PASHA Bank provides services to entrepreneurs in the fields of corporate and investment banking with the aim of contributing to the development of trade between Turkey, Azerbaijan and Georgia and offering resources and guidance to businesses investing in the region.

## 1987

PASHA Yatırım Bankası A.Ş. was established in Istanbul as the first foreign-owned investment bank in Turkey.

#### 2015

PASHA Bank OJSC, the highest-capitalized private bank in Azerbaijan, became the majority shareholder by acquiring a majority stake in the Bank. The Bank's title was changed to PASHA Yatırım Bankası A.Ş., and the paid-in capital increased to TL 255 million.

## 2016

The issuance of the first debt instrument was realized by means of a sale to gualified investors.

## 2017

The first M&A transaction was finalized.

The first Eurobond, with a maturity of five years and denominated in USD, was issued in the Azerbaijani market.

The Bank, for the first time, acted as an intermediary in the issuance of a debt instrument.

# "The first foreign-capitalized investment bank in Turkey"

## 2018

PASHA Holding LLC acquired 49% of the shares, and the paid-in capital was increased to TL 500 million.

## 2019

Moved to its new headquarters building.

First euro-denominated Eurobond issuance in the three-year tenor was realized for Azerbaijan market.

#### 2020

The first Lease Certificate backed by financial leasing assets was issued.

PASHA Bank intermediated in funding the customers in the agricultural and automotive industry by issuing asset backed securities.

The bank participated in Venture Capital Funds, the development of technology.

## 2021

PASHA Bank intermediated in the issuance of 7 asset-backed securities during 2021 which provided TL 296 million of funds and played an active role in capital markets.

# Changes in Articles of Association, Share Capital, Shareholding and Organization Structure of PASHA Bank

As of 31 December 2021, paid-in-capital of the Bank is TL 500 million and there were no changes in the Bank's share capital, Articles of Association and direct ownership structure during this period.

Share capital and ownership structure as of 2021 year-end is presented below:

Shareholder's Trade Name/Full Name	Share Amount (TL)	Ratio (%)
PASHA Bank OJSC	254,795,000	50.96
PASHA Holding LLC	245,000,000	49.00
Other	205,000	0.04
Total	500,000,000	100.00
PASHA Bank OJSC 50.96%	PASHA Holding LLC 49.00%	

As of reporting date, PASHA Holding LLC holds 56.82%, Bless LLC 28.18%, Arif Pashayev 9.99% and Mir Jamal Pashayev 5.01% of the shares in PASHA Bank OJSC.

Bless LLC and Reveri LLC are qualified shareholders of PASHA Holding LLC with equal rates of 37.50% followed by Arif Pashayev and Mir Jamal Pashayev with rates of 15% and 10% respectively. Paid-in-capital of the Bank is divided into 500,000,000 registered shares of TL 1.00 par value. Each share has one voting right. The Bank has no preferred shares.

The Chairman and the Members of the Board of Directors, as well as the CEO and Deputy CEOs do not hold direct or indirect shares in the Bank.

#### Changes in Organization Structure

Based on the Board of Directors' resolution dated 17 December 2021, organizational structure of the Bank was reorganized and the following changes were realized within the scope of growth objectives anticipated at the strategic plan of 2021-2023 period:

# Reorganization of Units directly reporting to CEO and of Deputies:

- "Information Security" Unit and "Change and Project Management" Unit will be directly reporting to CEO through a Directorship position.
- Position for the Deputy CEO in charge of operations was aborted. Finance, Operations and Administrative Affairs were consolidated to report to the same Deputy CEO.

# Reorganization of Units under Deputy CEO in charge of Marketing:

 Marketing function was reorganized based on customer segment-oriented approach as per our strategy, under three different unit organization as "Corporate Banking", "Commercial Banking" and "Premium Banking". The first two units will be reporting to the newly established "Corporate and Commercial Banking Director" position.

# Reorganization of Units under Deputy CEO in charge of Credits and Information Technologies:

 "Information Technologies" function was restructured as "System and Network Management" Unit and "Core Banking and Application Management" Unit.

# Reorganization of Units under Deputy CEO in charge of Finance:

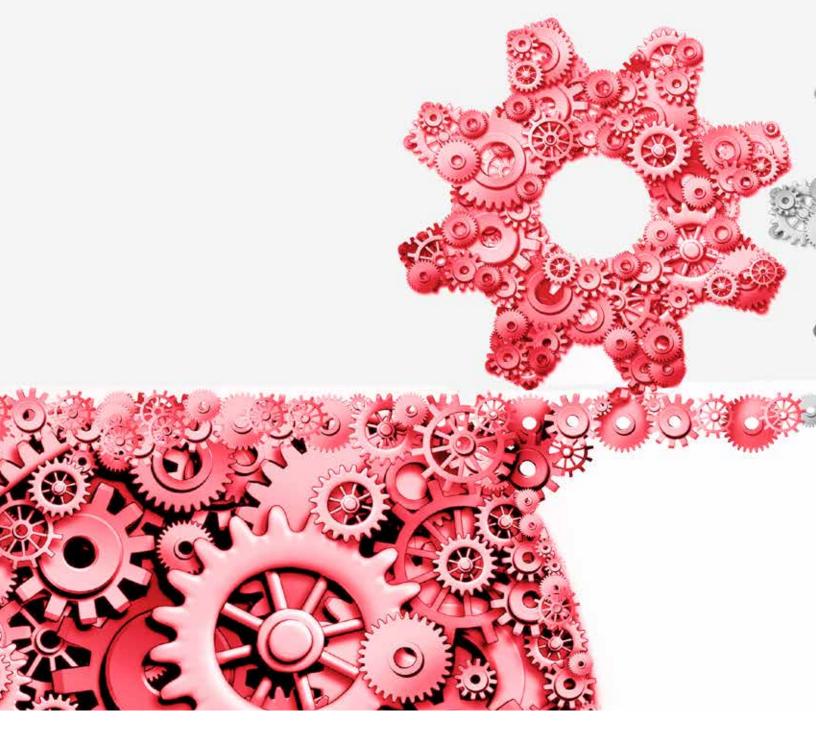
 "Financial Planning, Control and Strategy" Unit was reorganized under two different units; "Balance Sheet Management" Unit and "Reporting" Unit. These two units were restructured under "Finance" Directorship which reports directly to the same Deputy CEO, along with the "Accounting" Unit. "Administrative Affairs" Unit and "Operations" Unit will continue to report to the related Deputy CEO.

# Reorganization of Units under Deputy CEO in charge of Treasury:

 A new Deputy CEO position was established to be in charge of Treasury, Financial Institutions and Investor Relations.
 These functions were structured under "Treasury and Investor Relations" Directorship to report to the same Deputy CEO.
 Financial Institutions and Investor Relations functions were organized as two separate units.

#### Reorganization of Units under Audit Committee and Risk Management Committee:

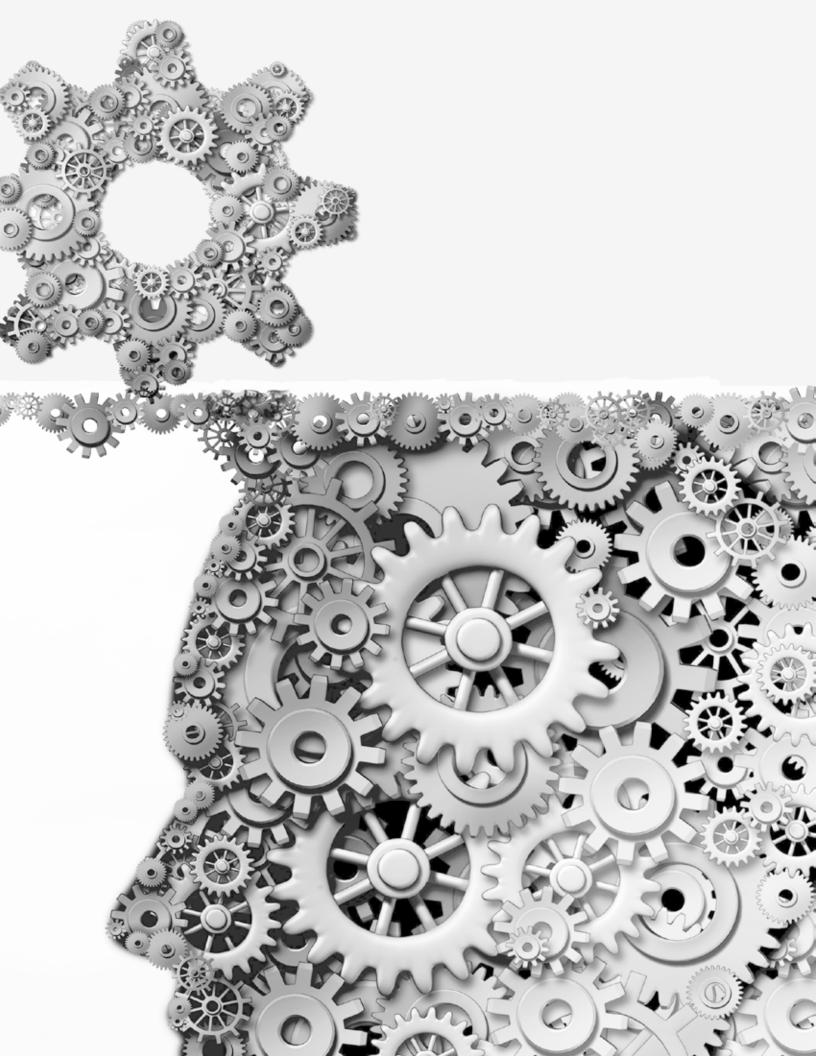
 "Internal Control" Unit and "Compliance" Unit which was previously reporting to Risk Management Committee was reorganized to report directly to the Audit Committee.



# **SUSTAINABLE FUTURE**

WITH THE AIM OF CONTRIBUTING TO ECONOMIC, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY WITH A HOLISTIC PERSPECTIVE, WE TAKE QUICK AND BRAVE STEPS TO ADAPT TO CHANGE, BUILDING A BRIDGE BETWEEN TODAY AND TOMORROW.





## About the PASHA Group

Established in 2006, the Holding builds its business on the basis of effective management, corporate governance and well-thought-out investment decisions.

#### PASHA Holding LLC

PASHA Holding LLC, through its subsidiaries, invests in banking, insurance, construction, information technology, the property development and tourism sectors.

Established in 2006, the Holding builds its business on the basis of effective management, corporate governance and well-thought-out investment decisions.

The Holding has two types of investment assets portfolios: Controlling stakes in PASHA Holding and its subsidiaries (PASHA Group) and minority private equity investments.

As of 31 December 2020, the total assets of PASHA Holding stood at AZN 13.2 billion, while its total equity and revenues reached AZN 2.6 billion and AZN 1.6 billion, respectively. The total number of employees within the Group exceeds 9,500.

#### PASHA Bank Azerbaijan

PASHA Bank OJSC is one of the leading corporate banks in Azerbaijan. PASHA Bank OJSC provides all the important financial services covering investment banking, trade finance and asset management to a range of customers ranging from big corporations to SMEs.

The Bank works in close cooperation with companies in the agriculture, transportation, construction, tourism and retail sectors which play a vital role in diversification of the Azerbaijan economy.

PASHA Bank OJSC is among the first three banks in Azerbaijan with respect to total assets. As of 31 December 2021, the Bank's total equity is registered as AZN 591,935 and the total assets being AZN 6,111,711 thousand.

PASHA Bank OJSC focuses on creating and developing long-term supportive relations with the expanding customer base. The Bank aims to provide the highest level of internationally transparent banking services constructed on values of "Integrity, Profitability, Responsibility, Quality and Collaboration". Adopting a strategic approach for keeping up with the rapidly changing financial markets, PASHA Bank OJSC is a corporation determining the trends in the Azerbaijan banking sector, especially in the digital field.

PASHA Bank also aims to create the best employee experience in Azerbaijan and to strengthen its employer profile within the labor market as the most preferred company by the employees countrywide. All of the innovation plans of the Bank are devised with the support of valuable employees for developing and implementing the best.

Since 2011, PASHA Bank OJSC has provided high net worth individuals private banking services including deposits, loans and financial planning.

PASHA Bank OJSC serves in its Baku-based Headquarters and its nine branches. The Bank is operating with the vision of generating integrated banking activities aiming at increasing the trade and investment volume between Baku, Tiflis and Istanbul, being the most dynamic markets in the region.

The Bank's first subsidiary, PASHA Bank Georgia, started operations on 17 December 2012.

PASHA Bank OJSC is an affiliate of the PASHA Group which is a large scale investment holding group, holding important assets in insurance, real estate development, construction, tourism and other lines of business in Azerbaijan.

\* USD 1 = AZN 1.7 (31 December 2020)

#### PASHA Bank Georgia

A subsidiary of PASHA Bank OJSC, PASHA Bank Georgia has offered corporate banking and investment banking services to large, medium and small-sized firms and retail banking products since its establishment in 2013.

As of 31 December 2021, PASHA Bank Georgia attained a GEL 473 million asset size. The Bank is an important player in the fields of corporate and investment banking in Georgia.

The Bank provides finance to the leading companies in Georgia and offers financial consulting services. It has also specialized in participating and/or leading the syndications of firms in different sectors.

\*\* 1 USD 1 = GEL 3.29 (31 December 2020)

#### Credit Ratings

PASHA Bank OJSC was assessed by international credit rating agencies. S&P Global Ratings rated the Bank as "BB-" for the long term and "B" for the short term.

#### The performance of PASHA Bank Azerbaijan is rewarded.

2015	· EMEA Finance - Europe Banking Awards - "Best Bank in Azerbaijan"
2016	<ul> <li>Global Finance - "Azerbaijan's Best Bank and Banking Group"</li> <li>World Finance - "Best Commercial Bank"</li> </ul>
2017	<ul> <li>Euromoney - "Best Bank in Azerbaijan"</li> <li>EMEA Finance - "Best Bank in Azerbaijan"</li> <li>EMEA Finance - "Best Investment Bank of Azerbaijan"</li> <li>EMEA Finance - "Europe Banking Awards "Bank with Corporate Social Responsibility in CEE &amp; CIS Countries"</li> <li>Global Finance - "Best Bank in Azerbaijan"</li> </ul>
2018	<ul> <li>Global Finance - "Best Private Bank",</li> <li>Global Finance - "Best Bank in Azerbaijan"</li> <li>World Finance - "SAP", "Best Trade Bank in Azerbaijan"</li> <li>The Banker - "The Bank of the Year"</li> <li>The Bank was selected as the "Leading Bank" in non-cash payments in the annual evaluation of the Central Bank of Azerbaijan and the Azerbaijan Banks' Association.</li> </ul>
2019	<ul> <li>EMEA Finance - "Best Bank in Azerbaijan"</li> <li>EMEA Finance - "Best Investment Bank of Azerbaijan"</li> <li>EMEA Finance - "Best Product Offering"</li> </ul>
2020	<ul> <li>Raiffeisen Bank International - "RBI STP Quality Award"</li> <li>EMEA Finance - "Best Bank of Azerbaijan" and "Best Investment Bank of Azerbaijan"</li> <li>EMEA Finance - "Non-cash Payment Promotion", "Digital Banking", "E-Banking", "Best Corporate Social Responsibility", "Most Active Education Supporter"</li> <li>EMEA Finance - "Best Banking Product" and "Best Corporate Social Responsibility" among Middle and Eastern Europe and Commonwealth of Independent States Banks</li> <li>EMEA Finance - "Leading Bank in Internet Banking Services", "Leading Bank in Contactless Payments" and "Leading Bank in Contactless POS-Terminal Infrastructure"</li> <li>Global Finance - "Best Foreign Trade Financing Bank"</li> </ul>

# Overview of 2021 and Expectations for 2022

# **Global inflation**

Increasing inflation in global scale created a downward risk on economic outlook and limited growth.

Coronavirus pandemic and developments in vaccination process continued to be the main agenda of global economy during the year 2021. Increase in inflation at a global scale has created a prominent downward risk on economic outlook, thus limiting growth. Central banks of developing countries started to take tightening steps in their monetary policies. In addition to Chinese real estate firm Evergrande's failure in payments of two bond interests, the negative impact of energy crisis in China on expectations for global economic activities placed pressure on global risk perception. Deterioration in risk perception caused an increase in global stock market fluctuations. After low price levels in 2020 with the effect of the pandemic, oil prices rapidly increased in 2021 due to improvement in global demand and decrease in inventories caused by extension of production reduction of OPEC+ countries. Price of a barrel of brent crude oil exceeded USD 86 to reach the highest levels of the last three years. Concerns about current production increase plan of OPEC+ countries not meeting the global oil demand caused the oil prices to cruise around the highest levels of recent years. Coronavirus pandemic continues to create uncertainties over global economic activities. In November, the outbreak of omicron variant, which is considered to be more contagious, caused travel restrictions and measures against pandemic to be re-introduced in many countries. Interim Preliminary data in November demonstrates that economic activities in USA and Euro Zone Area continue to be dynamic and China is recovering. On the other hand, rapid increases in prices resulting from high energy and food costs caused inflation to cruise around the highest-ever rates in those countries to remain at historically high levels in these countries. In this context, assessments which state that inflation is temporary are deserted and expectations on central banks' possibility of tightening monetary policies in the short-term increased. In its December meeting, Central Bank of England (BoE) increased interest rate, for the first time since in 3 years, raising its policy interest rate from 0.10% to 0.25%.

Central Bank of USA (Fed) did not change its monetary policy at its meetings during the year 2021, and kept the policy interest rate at 0%-0.25% band. Fed declared that they will keep interest rates at existing levels until a significant progress is achieved in reaching inflation and employment targets. Due to rapid increase in oil and food prices, inflation in USA followed a high course in 2021 and as of December, annual CPI inflation increased rose to 7.0%. This figure is the highest inflation rate since 1982. Increase in inflation expectations and the concern that the Fed may raise the policy rate earlier than anticipated, anticipated inflation and concerns around the possibility of Fed's interest increase to be sooner than expected caused 10-year maturity USA Treasury Bond interest rate to the US 10 year Treasury bond yields to rise to increase to 1.74% which was the highest level rate of the last year.

In its November meeting, Fed decided to reduce its USD 120 million monthly asset purchase program in line with expectations and reduced it by USD 15 million monthly in November and December. Furthermore, Fed decided that it will double the speed of asset purchase reduction in the following months, and increased the monthly amount to USD 30 million. With this decision, it is expected that bond purchases which started during the pandemic will end in March 2022 and interests will increase at least four times in 2022 by 25 basis points each time. US economy grew by 6.3 % in the first quarter of 2021 and by 6.7% in the second quarter with lower impact of pandemic, thanks to expansive vaccination practices. In the third quarter, due to procurement problems and increase in the number of cases caused by delta variant, growth lost speed and the annual growth became 2.3% which was below expectations. US economy performed considerably higher than expectations by 6.9% at the fourth quarter. Thus, US economy which was supported by an incentive package of USD 6 trillion recorded its fastest growth rate since 1984, which is 5.7% on an annual basis.

European Central Bank (ECB) did not make any changes in its monetary policy in 2021 and kept policy rate at 0%. In its December meeting ECB confirmed that purchases within the scope of Pandemic Emergency Asset Purchase Program (PEPP) at Euro 1.85 million would end in March 2022. Consumer prices in Euro Area have reached its highest levels in history due to increase in energy costs and problems in supply chain. Annual CPI Inflation reached its historical high level of 5.0% in December. Producer prices cruising around the highest levels in history point out to continuance of inflationary pressures. Annual PPI inflation in the region also rose to 26.2%, its historical high level Consumer inflation is expected to decrease in 2022 in the region.

After a recession by 1.1% in the first quarter, Euro Area economy grew by 14.4% in the second quarter and 3.9% in the third quarter on an annual basis. The economy of Euro Area grew by 4.6% in the last quarter of 2021 in line with expectations. Measures taken due to increase in number of cases during the last few months of 2021 affected the growth performance negatively, thus making the annual growth for 2021 5.2%.

#### Overview of 2021 and Expectations for 2022

The Central Bank of Turkey kept the policy rate at 17% in its January and February meetings and emphasized its tight monetary policy position to reach its 5% inflation target. In February, the Central Bank increased TL required reserve ratio by 200 basis points for all maturities and raised interest rate to be applied for required reserve in TL to 13.5%. USD/TL rate which was 7.44 at the beginning of 2021 went down to 6.96 at mid-February. At the March meeting, the Central Bank increased the policy rate beyond market expectations from 17% to 19%. Naci Ağbal, Central Bank Governor resigned from his position on 20 March and Şahap Kavcıoğlu was appointed as the new Governor. After this change, volatility dominated the domestic markets and the new Governor's actions were closely observed by the markets.

The Central Bank increased required reserve ratio in foreign currency further by 200 basis points for all maturities. Moreover, it took the decision to cease the opportunity to set the TL required reserve in terms of foreign currency in October 2021. The Central Bank, under the governance of Kavcioğlu decreased the policy rate by 100 basis points in September, 200 basis points in October, 100 basis points in November and 100 basis points in December to 14%. After a total of 500 basis points decrease, USD/TL exchange rate went up to 17.85. To take a hold of TL's devaluation and foreign exchange rate fluctuations, the Government implemented FX-linked TRY deposit instrument which was positively perceived by the markets, USD/TL exchange rate started to decrease and closed the year at 13.32.

Increasing trend in inflation was experienced in Turkey as well as around the world due to increase in energy costs and supply problems. Consumer price index was 14.97% in January, but it started to increase beyond expectations all months, except May. With the high devaluation of TL, annual CPI inflation reached 36.08% in December, which is the highest level since September 2018. Annual D-PPI inflation also increased to 79.89% which was the highest level realized since April 2002.

## 500 basis points

CBRT has cut the policy rate by 500 basis points since September.

The exchange rate, which increased with the interest rate cuts, decreased with the Government implemented FX-linked TRY Deposit instrument.



In October 2021, current account surplus was realized as USD 3.2 billion, which is the highest level since October 2018, thanks to increases in exports and service income. Twelve-month cumulative current account deficit continued its downward trend since March to USD 15.4 billion in October, the lowest level in the last 16 months. Exports were strong in accordance with the rapid recovery of global demand and high export prices. Despite high increases in commodity prices and strong economic activity, imports demonstrated a moderate increase trend in the third guarter in comparison with the previous quarter. Relatively stronger import price increases limit the effect of quantity-wise balancing in foreign trade on current account balance. On the service income side, recovery is stronger with the speeding up of vaccination and removal of restrictions. In 2022, improvement in current account balance is expected to continue with increasing trend in exports in accordance with foreign demand.

Turkish economy grew by 7.41% in the first quarter and 22% in the second quarter of 2021. In the third quarter, it grew by 7.38% in line with market expectations. It is anticipated that growth will lose acceleration during the fourth quarter due to fluctuations in the financial markets. However, the annual growth is expected to be greater than 10%, the highest performance in the last 10 years. In the following period, monetary policy followed by the Central Bank will continue to be monitored in terms of contribution to growth through investments and net exports. Additionally, it is expected that monetary policies of central banks of developed countries and new variants of the virus will continue to affect economic activity in 2022.

### strong growth

In 2021, the Turkish economy is expected to perform the highest growth of the last 10 years.

Turkish economy grew by 7.38% in the third quarter in line with market expectations.

# GNP Growth (%) 11.7 7.5 2.8 0.9 1.8 0.9

## Turkish economy growth rates for 2021

+7.41%

## +22.0%

+7.38%

1<sup>st</sup> quarter

2<sup>nd</sup> quarter

3<sup>rd</sup> quarter

## Message from the Chairman

# dynamic structure



It is a tradition, we are proud to say that PASHA Bank as a dynamic market player keeps going on its healthy expansion. Esteemed Stakeholders,

Apparently, the Turkish economy ends up 2021 year as a period to strive to exit from the pandemic conditions. The fact is that the economy and the markets are gradually re-opening in line with on-going vaccination pace. In addition to that, the year is also characterized with high volatility in the financial markets that we witnessed especially in the last quarter. The good news is that, despite the volatility the economy has succeeded to stay in the positive zone. According to incoming data set, export inflows continue to expand, both in the form of goods and services like tourism, and increasing global interest due to supply chain replacement gives extra boost for the economy to grow further. Generally speaking, accelerating pandexit across the globe is not only providing opportunity for improving export performance of the country, from

#### New strategic period

Continuation of same business segments, also with full dedication to the new initiatives Concentration on to realization of potential niche markets

Delivering value to all stakeholders by yielding higher financial performance

other hand it is returning as rising inflation due to price surge in commodities. Subsequent price increase in commodities and even historical high records at some are pushing up consumer and producer prices. But in its turn efforts with respect to monetary policy normalization, strong export performance, stimulus agenda of the government for the recovery is feeding the positive expectations going forward. Therefore, it is not a coincidence that, some international organizations are revising growth outlook of Turkey on upward side which is typically reflecting expectations on strong rebound narrative.

On the back of above mentioned economic landscape, the overall banking system succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. According to latest data, the total assets of the system in the last 12 month has increased by 51% as opposed to prior year and reached TL 9,213 billion. The same trend applies to credit portfolio. Total credits of the industry reached TL 5,205 billion with 36% increase.

It is a tradition, therefore, we are proud to say that PASHA Bank as a dynamic market player keeps going on its healthy expansion. In general, continuous investments 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 by 63% to reach TL 3,563 million when compared to the same period of the prior year. Our gross cash loan and leasing receivables portfolio, comprising 68% of total assets, reached TL 2,422 million with a 62% 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. Moreover, it is worth to underline that the proactive approach of the regulator to risk management has also expanded the ability of the banks managing credit risks in a proper way.

The Bank has successfully completed the strategy formulation process and the prepared strategy document with attraction of internationally well-known consulting company has been approved by the Board of Directors. In general, the 2023 strategy rises on the foundation of values like integrity, quality, collaboration, entrepreneurship and profitability, builds up with the vision to create new and enduring values in the business world and society, focuses as the mission to become a cross-border bank empowering its customers.

#### Message from the Chairman

New strategic period in its essence is characterized with continuation of same business segments, also with full dedication to the new initiatives. Coming to the latter, it actually concentrates on to realization of potential niche markets. Financing investment into the real estate market in the countries of operations via the mortgage lending, investment into the venture capital in order to materialize technological return in the greater scale of the entire Group business etc. are examples in this regard. In addition to diversifying its funding side, the structure also covers main business enablers which are actually the main assets of bank in the way of execution of the strategy. It is our privilege to state that, the proper strategy formulation is expected to yield higher financial performance that has basically been the case in the previous strategic periods. Both profit side indicators, and also expense ratios are forecasted to perform positive trend promising higher profitability for its shareholders, and stability for other stakeholders.

While executing the strategy, we would continue to make substantial investments to the information technologies, risk management, credit management, fund raising, talent acquisition etc. and development of our employees that are of foremost importance. In overall, agility and know-how regarding focus sectors are expected to be differentiating capabilities of the Bank. It is worth to mention that the operational agility of the Bank yields its return even in the core operations. The typical example could be budgeting process of the Bank for the next year. Due to above-mentioned volatility in the financial market the Bank needed to revise the budget and re-organize as institution in order to be able quickly react to the conditions and get approval of the budget in a due course.

We will continue to make efforts to diversify the 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. It is really a privilege to us to witness expanding business opportunities on the back of increasing regional

## agility and know-how

Agility and know-how regarding focus sectors are expected to be differentiating capabilities of the Bank.

It is worth to mention that the operational agility of the Bank yields its return even in the core operations. economic relationships after the great victory of Azerbaijan. Signing free trade agreement between Azerbaijan and Turkey, announcing foreign trade target by 2025, increasing FDI flows, active participation of Turkish firms in reconstruction process of liberated areas etc. are the examples for the above mentioned economic ties. In its turn, this expanding economic base is providing a feasible opportunity for the Bank to materialize promising business perspectives in this regard.

In addition to 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 volatility 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.

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

## tailored products

We shall continue our efforts of offering products and services that are tailored to our customers' needs.

We will make banking experience a gainful experience with PASHA Bank.

# Message from the CEO



PASHA Bank successfully completed the first year of the three-year strategic plan covering the period 2021-2023.

Esteemed Stakeholders,

As in the prior year, the agenda of the global economy was impacted by the pandemic and developments in vaccination process in 2021. As the vaccination expanded all over the world and countries fully opened, delayed demand caused prices of energy, transportation and food to increase, leading to rapid price increases of other goods, thus leading to an inflationist pressure all over the world. As a result, all eyes focused on steps to be taken by the central banks and primarily Central Bank of USA, Fed. Maintaining a loose monetary policy during the first three quarters of the year, Fed announced its program to reduce bond purchases in the last quarter, thus renouncing its statement of inflation being temporary in rate hike and gave the signal of the possibility of three rate hikes in 2022. Financial markets of Turkey followed a quite dynamic course under the light of all these developments.

## A-(tur)

Long-term National Credit Note of PASHA Bank was confirmed by Fitch Ratings as A- (tur).

## asset-backed securities

In 2021, we issued Asset Backed Securities worth TL 296 million.

foreign trade

We played an important role in financing of foreign trade in Turkey-Azerbaijan-Georgia triangle.

Particularly, US Dollar/ Turkish Lira has gone through the most fluctuating period of all times and the currency fluctuated at a considerable wide band between 6.80 and 18.30 during the year. FX-protected Turkish Lira deposit product, which was set up by the support of Treasury and Turkish Central Bank, was welcomed by the investors and the exchange rate went down from a record level of 18.30 to 11. We will closely observe the effect of this product on foreign exchange rates in the following period. While the inflation was high during the year, our current deficit was reduced with the support of tourism and consumption spending. It is anticipated that the Turkish economy will continue to grow strongly in 2021 and will record a growth of approximately 10%.

In line with our sustainable growth goal, PASHA Bank increased its asset size by 63% in comparison with prior year to reach TL 3,563 million. Our support for the real sector continued at an increasing trend during this process. Gross cash loan size of our Bank was up by 62% in comparison with 2020 to reach TL 2,422 million and we realized a profit of TL 47 million for the year.

PASHA Bank successfully completed the first year of the three-year strategic plan covering the period 2021-2023. Our strategy included achieving a healthy and sustainable growth, an increase in product diversity and quality of the service we provide to our customers, strengthening our role in capital markets and increasing our share in foreign trade finance in the region. Long-term National Credit Note of PASHA Bank as confirmed by Fitch Ratings in December was A- (tur) which was an indication of the accuracy of our strategy. Moreover, JCR Eurasia Rating increased PASHA Bank's Corporate Governance Principles Compliance Note from 9.20 to 9.23 and defined its outlook as "Stable".

In spite of the rapidly changing market conditions, we continued to issue bonds and securities both in Turkey and foreign countries. At the investor visits and the reception we gave at Baku, we discussed our country and opportunities in our country with the investors. Two US dollar bond issuances realized in Azerbaijan attracted attention of corporate and qualified individual investors of this country. In line with our strategy, we will pursue our goal of "Being the first bank that comes to mind in the region" in 2022.

Our Bank continued to take steps towards growing its activities in investment banking during the year. In 2021, we provided financial sources of an additional TL 296 million of Asset-backed Security issuances for our customers in agriculture and automotive industries which we started in 2020 with a fund amount of TL 89 million. Behind such issuances designed for our customers are a strong, multi-guarantee structure and opportunity for attractive returns for investors. We wish such transactions increase in our country just like in those countries with developed capital markets and PASHA Bank is ready to provide all the support both to our customers and investors in this area. In this context, we organized a webinar during the year in "Capital Markets as a Source for Financing and Asset-backed Securities". Executives from Republic of Turkey Presidency Office of Finance and Capital Markets Board as well as capital markets experts participated this webinar as speakers and answered the questions of the investors. Moreover, at the "Economy Talks" we try to organize each year, Dr. Murat Üçer answered the questions of the investors this year.

#### Message from the CEO

Our Bank also increased the limits of funding from domestic and foreign banks and played an important role in Turkey-Azerbaijan-Georgia triangle via its expanded correspondent network. We were part of the projects, primarily for the reconstruction of the Nagorno-Karabakh region of Azerbaijan in terms of financing and providing guarantee. We will be part of development of this region to provide the required financing together with our main shareholder PASHA Bank Azerbaijan in the following period.

Our Bank continued to support art since its establishment and this year it took its place at a digital art project which became very popular lately. PASHA Bank was the official sponsor of Dalınç exhibition which took place at Binbirdirek Cistern. At the Istanbul Digital Art Festival, which was the first in Turkey, the Bank brought together technology and art at the historical fabric of Istanbul.

Sustainability, as a growing trend in the world, is also important for our Bank. The Bank successfully achieved its sustainable growth goal in line with its strategy from the day of establishment. Moreover, we conduct our corporate social responsibility projects and our waste management system which contributes to the environment and society. Funding we allocate to renewable energy projects is a significant part of our balance sheet. This year, we took another step in sustainability. We started a Gap Analysis project with an international consulting firm. After creating the sustainability map of our Bank, we will carry activities with a few committees to be established. In the following years, we aim to have a rating score of our sustainability activities to raise financing through capital market products at domestic and international platforms and transfer these resources to renewable energy projects.

## Karabakh

We were part of the projects, primarily for the reconstruction of the Nagorno-Karabakh region of Azerbaijan.

We will be part of development of this region to provide the required financing together.

In accordance with our goals of the 2021-2023 strategy, we continued system improvements in the first year of the strategy. In the second half of 2021, considering COVID-19 pandemic, changes in the way we work due to the pandemic, digitalization, technological infrastructure, political, economic changes and collaborations in the Turkey-Azerbaijan- Georgia triangle, we revisited PASHA Bank's strategy and shared it with our employees.

In 2021, we also worked on digital based platforms and projects that will support foreign trade in Azerbaijan-Turkey eco-system. We continued our technological investments as planned.

In coordination with PASHA Holding, we conducted projects to expand our corporate values within the organization and human resources projects. We made continuous progress on automation in Risk Management, which is one of the issues that our group focuses on sensitively, and Risk Health Index areas. We have gone through a successful evaluation in risk culture, which is one of the keystones of PASHA Group and we were proud of our achievements in directing our investments and activities on processes and systems appropriately.

As we say goodbye to 2021, I would like to express my gratitude to my devoted colleagues, customers, Members of the Board of Directors and shareholders for their contribution to our success. I wish 2022 will be a good year for our country.

Sincerely yours,

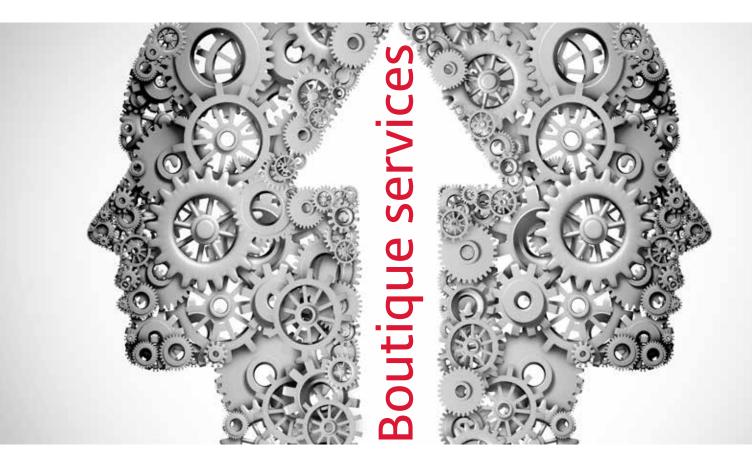
H. Cenk Eynehan CEO and Board Member

## **Sustainability**

Sustainability, as a growing trend in the world, is also important for our Bank.

Funding we allocate to renewable energy projects is a significant part of our balance sheet.

# Activities of PASHA Bank in 2021



PASHA Bank offers its customers high quality, unique and highly value added products and services on the basis of three main areas, namely corporate banking, premium and investment banking.

The Bank offers the following products and services to meet the investment and working capital needs of its customers

- Cash and Non-cash Loans,
- · Leasing,
- Project Financing,
- · Treasury Products,
- · Foreign Trade Products

under the Corporate Banking business line to satisfy the working capital and investment needs of its customers.

Under the Investment Banking business line, the Bank provides its customers with

- · Intermediation to Issuance of Debt Instruments,
- · Structured Finance Products,
- Corporate Finance Products,
- · Issuance of Asset Backed Securities

In Premium Banking segment, the Bank offers the following products:

- · Sale of PASHA Bank Bonds/Bills,
- · Sale of Asset-Backed Securities
- · Repo Transactions in TL and Foreign Currency
- · Intermediation of Eurobond Sales and Purchases
- FX Spot and Derivatives Transactions

In order to diversify its funding sources, PASHA Bank continues to expand its investor base by providing resources with the issuance of lease certificates, in addition to the bond and bill issuances it has carried out regularly. The USD eurobonds of the bank issued in Azerbaijan are currently traded in the Baku Stock Exchange and can be used in repo-reverse repo transactions in the Baku Stock Exchange Repo Market.

In line with its boutique service approach and the strategy, PASHA Bank has limited the number of customers in order to deal with its customers more quickly and effectively and to establish a more in-depth customer relationship. In this way, the Bank believes that it will maintain its high service quality and fast service reflex.

The Bank also reviewed its processes for the protection of personal data, and standardized the related policies, procedures and practices.

PASHA Bank carries out projects focusing on improving the core banking system with the aim of increasing productivity in banking processes. In this context, a series of development projects was successfully completed within the IT infrastructure, in line with enhancements to core banking applications and the principles of compliance with COBIT processes, including:

- · capacity increase;
- · renewal of virtualization infrastructure;
- · the establishment of a monitoring infrastructure;
- backup and improvement of data transmission to the disaster recovery center.

In 2021, PASHA Bank operated with a team of 60 experienced and qualified employees at its Headquarters in İstanbul.

#### Strategic Management

The strategy function is carried out under the management of the Strategy and Budget Committee which reports to the Board of Directors, in cooperation with the Balance Sheet Management Unit and the Change and Project Management Unit. The strategy function involves the processes of setting strategic priorities in line with the Bank's vision, as well as budget preparation and monitoring according to the business plan, and the management and execution of strategic projects based on priorities in close coordination with PASHA Holding, Senior Management and relevant business units. Compliance with the strategic plan is evaluated every six months.

In the 2021-2023 strategic plan the strategic actions and projects were determined for setting 2020 goals and building the roadmap to achieve these goals, with all units working in line with the Bank's priorities. Business plans for units were established accordingly. The Bank's strategy was explained to the employees by the CEO.

On the second half of 2021, Pasha Bank's strategy was reviewed and updated taking into consideration the ongoing pandemic around the world, business manners that changed in line with the pandemic, digitalization, technological infrastructure, political, economic changes and collaborations within Turkey, Azerbaijan and Georgia triangle. The new strategy was shared with the Managers at the Managers Meeting on 20-21 November 2021 and with all employees through their managers.

#### **Corporate Banking**

- Cash and Non-cash Loans,
- Leasing,
- Project Financing,
- Treasury Products,
- Foreign Trade Products

#### **Investment Banking**

- Intermediation to Issuance of Debt Instruments,
- Structured Finance Products,
- Corporate Finance Products,
- Issuance of Asset Backed
   Securities

#### **Premium Banking**

- PASHA Bank Bond Sales,
- Asset-Backed Securities Sales
- Repurchase Transactions in TL and Foreign Currency
- Mediation of Eurobond Sales and Purchases
- FX Spot and Derivative Transactions

Activities of PASHA Bank in 2021

#### **Treasury Management**

The Treasury Department is tasked with managing PASHA Bank's assets and liabilities with optimal efficiency in conformity with the regulations of legal bodies. The Unit closely observes the developments in the markets and considers all possible risks including liquidity risk and price risk.

The Treasury Department performs trading transactions for profit on the inter-bank market in line with the risk limits set by the Board of Directors.

PASHA Bank employs the treasury products in an increasing quantity while offering the products and services the customers need. The Bank, outstanding with the competitive pricing of derivatives such as forward and swap, helps the customers hedge against risks with custom made products.

In addition to its TL-denominated financing bond issues, it acts as an intermediary for the trading of other capital market instruments on Borsa Istanbul, while supporting customers in their investments with repo transactions denominated in Turkish lira and foreign currencies in various tenors.

Monitoring market developments and opportunities closely in Turkey and around the world, PASHA Bank Treasury Department works in coordination with Treasury departments of Pasha Bank Azerbaijan and Georgia, provides guidance for pricing and marketing of local financial products in the targeted region. Similarly, economic developments in the region are being shared with investors through various bulletins and research reports by working in cooperation with research units in Azerbaijan and Georgia.

PASHA Bank's Treasury Department aims as well to manage future risks in the most effective way in line with the Bank's risk management strategy. The Department plans to improve the structured products offered to domestic and foreign corporate customers and to play a role in expanding the diversification of potential customers and profitability in Azerbaijan and Georgia by offering them Turkish capital markets products.

#### **Financial Institutions and Investor Relations Services**

Financial Institutions and Investor Relations Unit continued to contribute to the increase in foreign trade and Interbank Treasury transactions mediated by PASHA Bank in 2021. This contribution is realized by the Unit expanding its local and international correspondent network and establishing additional cash and non-cash credit limits in line with the needs of corporate customers and the Treasury Unit. Alongside the transactions, relations are established with correspondent banks in various currencies, thus mediating the exchange transfers of PASHA Bank customers in AZN (Azerbaijani manat), GEL (Georgian lari) and other currencies.

The Bank plans to gain further recognition in international banking markets and increase its share in foreign trade transactions of its customers by expanding its encrypted connection network (RMA) and by participating events which all banks of the world such as SIBOS and Euromoney attend. Taking the advantage of being an investment bank, PASHA Bank also provided funds from different markets through alternative financing products such as Murabaha and Sukuk in 2021.

Furthermore, looking at transactions in Capital Markets, domestic bond issuance volume tripled in 2021 compared to 2020 and number of investors doubled. In accordance with the permission from CMB dated 16 December 2021, domestic bond issuance ceiling limit was increased from TL 300 million to TL 500 million. Financial Institutions and Investor Relations Department will continue its contributions to the Bank's growing and developing structure in 2022.

### 2021 Eurobond/Bond/Sukuk Issuances

## **Triple Increase**

Double Increase

In Investor Portfolio

#### USD 25 million

Eurobond Issuance in Azerbaijan

in TL Issuance Volume

#### Corporate Banking Activities

PASHA Bank operates in line with its main corporate banking principles that are predicated on the concepts of "Boutique Service", "Continuous Development", "Customer Loyalty" and being a "Regional Player."

"Boutique Service" principle	"Continuous Development" principle	"Customer Loyalty" principle	"Regional Player" principle
Apart from offering traditional solutions to its customers, whom it sees as business partners, the Bank has adopted the principle of providing solution-oriented and versatile boutique services and establishing effective, sustainable and productive relationships with its customers.	Having adopted a corporate governance approach and continuous development principle, the Bank follows current developments in the finance sector, and offers customized solutions to its customers by correctly identifying their needs and by improving its service infrastructure. PASHA Bank's objective is to foresee the future needs of customers by staying attentive to ever-increasing competition and ongoing developments, both worldwide and in Turkey. In this manner, we offer our customers the financing alternatives most suitable for them, whereby the Bank adopts the principle of enjoying mutual gains.	The prioritized goal of PASHA Bank is to ensure high customer satisfaction and loyalty. In line with this goal, the Bank defines its primary principle as getting to know the customer well, always acting on the basis of principles and creating trust-based customer rapport.	PASHA Bank is the only bank established in Turkey with main shareholders based in Azerbaijan. With the power it derives from shareholders who are among the leading groups in Azerbaijan, and the opportunity for cooperation thanks to the sister company operating in Georgia, the Bank serves firms that perform trading activities in the region. It is also the only bank in Turkey to perform transactions in Azerbaijani manat and Georgian lari.

#### Activities of PASHA Bank in 2021

2021 was a year when the health crisis caused by the pandemic and the effects of economic developments and global inflation resulting from the pandemic continued. PASHA Bank demonstrated a quick adaptation to working conditions that changed during this period. The Bank continued to support the real economy without interruption by offering the most appropriate financing alternatives for its customers' needs parallel with the increasing competitive conditions and rapid changes in technology.

In 2021, while volatility and uncertainty of foreign currency and interest rates continue, PASHA Bank provided the liquidity, products and services its customers need for the continuity of their operations in accordance with its widespread customer policy. At the same time, the Bank sustained its asset quality by supporting this policy with effective risk and liquidity management.

Conducting its operations in line with its customer-focused service approach, the Bank provided tailored financing products in 2021 such as project financing, leasing transactions, syndications and financing of foreign trade transactions, particularly for regional trade, in addition to cash and non-cash credits for its customers' working capital needs.

PASHA Bank will continue its widespread expansion with its products and services in line with the developments in the industry and their innovative activities. The Bank will continue to provide its support for the real sector of Turkey through offering tailored financing solutions for its customers' needs.

**Project Financing:** Despite challenging market conditions, PASHA Bank continued to take part in financing of new projects, capacity increases in existing facilities, renovation and modernization investments in various industries, particularly in energy and tourism.

#### Mergers and Acquisitions Financing:

PASHA Bank mediated its first acquisition financing in 2021. PASHA Bank increased its credit amount in project financing, including mergers and acquisitions financing by 20% in comparison with prior year.

#### Leasing (Sale and Leaseback Transactions): In

accordance with its strategy, PASHA Bank continued to intermediate in Sale and Leaseback transactions by transferring real estates of companies to the Bank for a specified period to meet their financing needs. With more focus on this area in 2021, the Bank increased its leasing loans by 90%.



## Strong Support for the Real Sector

**Supplier Financing:** With supplier financing services, PASHA Bank provides opportunity for various product and service suppliers by creating an alternative finance source they can rapidly reach for their cash flow needs. Trade Receivable Financing: In 2021, PASHA Bank continued to provide fast financing solutions for its customers by cashing out their receivables from commercial transactions before their due dates. Forfaiting: PASHA Bank continued to provide financing to meet liquidity needs of exporter companies in 2021, by transferring the receivables, not yet due, from export transactions to the Bank without recourse.

**Regional Banking:** PASHA Bank continued and increased its synergy with the Group bank and subsidiaries in 2021 in accordance with its goal of being "The first bank that comes to mind in the region" for companies operating or planning to operate within "Turkey-Azerbaijan-Georgia" triangle. With the regional collaboration opportunities it has and the support of innovative perspective and approach, the Bank achieved to increase its share in trade and trade financing in that region rapidly.

Activities of PASHA Bank in 2021

#### Investment Banking and Intermediary Services

PASHA Bank is authorized in Transaction Intermediary Operations, Portfolio Intermediary Operations, Best Effort Public Offering Intermediary Operations and Limited Custody Services with the licenses obtained from Capital Markets Board in 2015.

Within the scope of investment banking operations, the Bank provides funds to its corporate customers by performing intermediary services in debt instrument issuances. In line with its vision for being more active on this area in the coming years, PASHA Bank plans to support more companies and more industries on this area.

#### Domestic Bonds / Bills / Sukuk Issuances

Issuing the first bank financing bill with sale to qualified investors method in 2016, PASHA Bank Turkey increased the issuance volume in 2021 by three times the amount in 2020 (from TL 96 million to TL 282 million) and the number of investors doubled. In accordance with the permission from CMB dated 16 December 2021, domestic bill issuances' shelf registration was increased from TL 300 million to TL 500 million.

With the first financial lease backed lease certificate/sukuk issuance in 2020, PASHA Bank reached a volume of TL 180 million as of 2021 year-end and continued to demonstrate its position in participation banking capital markets and diversified its product range offered to investors.

In 2022, PASHA Bank Turkey aims to enrich the investor diversity achieved in prior years and continue its recognition in capital markets with new and diversified issuances.

#### Eurobond (Foreign Bond) Issuances

USD and Euro Bonds issued by PASHA Bank Turkey are being traded at Baku Stock Exchange which is an organized market and being used in repo transactions at Baku Stock Exchange Repo Market.

The Bank realized its first Eurobond issuance in 2017 in USDs for the Azerbaijan market which had a 5-year term (USD 25 million). In 2019, the Bank issued its first Eurobond in EUR and continued its successful operations in Azerbaijan.

With the last Eurobond issuance in 2021 for USD 25 million, the Bank reached a total of USD 108 million and EUR 3.3 million transaction volume.

PASHA Bank Turkey will continue its capital market operations in this area through Eurobond issuances with the most favorable return rates and terms in the following years. By issuing 7 Asset-backed Securities in 2021 for various industries and with different terms and conditions, PASHA Bank reached TL 296 million in issuance size and the Bank is determined to play an active role in bringing together the real sector and capital markets with its investor banking identity.

Intermediating the issuance of two different companies operating in the agriculture and automotive sectors, which have a quality asset pool but do not have access to financing on favorable terms through such transactions, PASHA Bank has successfully concluded the process of obtaining funds through the capital markets. Particularly in the current market conditions, the Bank played a leading role in eliminating an important deficiency by taking its place as the leading institution in providing funds for the agricultural sector from the capital markets. PASHA Bank supports the increase of momentum of developed capital market transactions in Turkey and will continue intermediating in issuance of Asset-Backed Securities to obtain funds for corporations in different sectors.

#### Asset-Backed Security Issuances

PASHA Bank Turkey became the leader in Turkish capital markets with Asset-Backed Security issuances and realized total sales of TL 385 million in this area during the last two years. Behind this product which is tailored to customers, are multiple guarantee structure and attractive return opportunity for investors. Through these transactions the Bank not only provides financial sources for the real sector but also offers high return advantages to qualified investors with customized guarantees.

With the purpose of developing the Private Sector Debt Instruments Market, PASHA Bank continued to issue Asset-Backed Securities in 2021 with different terms through the Asset Financing Funds established in 2020 to intermediate in securitization transactions.

#### Corporate Finance Transactions

PASHA Bank provides services to leading corporate companies in terms of accessing the financing they need, with the most optimal model under the title of "Mergers and Acquisitions". Advisory services are provided based on the needs of the companies, acting as an intermediary for financial and strategic partnerships or purchases and sales of assets.

Under the investment banking area, PASHA Bank aims to participate in venture capital funds which especially invest in technology-focused small companies with huge potential in our country. This way, the Bank is planning to support technological developments as well as gaining experience and know-how to establish similar types of funds within the Bank in the future. With these types of ventures, the Bank aims to monitor new trends and companies with successful performances more closely and become an intermediary in their growth and gaining access to the global arena through investment banking operations.

Recently, banks operating as technology-intense service firms are critical in maintaining their presence. Hence, PASHA Bank stays close to technology-focused firms and aims to develop new products and services for the Bank via these companies.

PASHA Bank considers that such ecosystems that are being supported by all stakeholders in the society are useful for developing operations as well as providing contribution to the society. The Bank took the first steps within this framework by investing in two Venture Capital Funds, one established abroad and one being domestic. Activities of PASHA Bank in 2021

#### **Premium Banking**

Premium Banking Department offers treasury and capital market products to investors based on individual customer's needs. In addition to PASHA Bank bonds which are issued in Turkey in Turkish Lira for qualified investors, the Department also invites foreign individual and corporate investors to invest in Turkey with bond issuances in Azerbaijan in different terms and foreign currencies. PASHA Bank not only intermediates in sale and purchase of other capital market instruments and Eurobonds trading in Istanbul Stock Exchange, but also provides opportunity to invest in currencies of Turkish and foreign customers' choice through Turkish Lira or foreign currency repo transactions with requested maturities.

PASHA Bank became a leader in capital markets in Turkey in Asset-Backed Security issuances which are structured capital market instruments and realized a total sales of TL 385 million. Behind this product which is tailored to customers, are multiple guarantee structure and attractive return opportunity for investors. Through these transactions the Bank not only provides financial sources for the real sector but also offers high return advantages to qualified investors with customized guarantees.

Premium Banking Department brings together individual investors in Turkey and Azerbaijan with investment products based on their risk appetite. The Department plans to offer its mortgage product in 2022 designed for Azerbaijani investors for their real estate purchases in Turkey.

## **Retail customers**

Premium Banking Unit offers investment products suitable for risk appetites of retail customers in Turkey and Azerbaijan.

Premium Banking Unit offers treasury and capital market products to investors based on retail customers' needs.



#### **Change and Project Management**

In accordance with PASHA Bank's 2021-2023 strategic plan, the Bank continued to carry on planned development activities of the Core Banking Project which was implemented on 11 September 2020. Within the scope of these activities, the following items were carried on:

- · Firm Confirmation Letter automation
- · Electronic Letter of Guarantee Platform integration
- e-Invoice integration change
- Daily Screening of Bank Customers at Paygate Inspector Application
- Designing the INTER-BASEL Central Counter-party Risk
  calculation logic on the system
- · Check simulation automation, automation of legal reports, viewing of internet banking investment transaction products

Developments were made in treasury, pricing and credits in the Core Banking application and customer contracts were updated within the scope of replacement of LIBOR reference interest rate with risk-free rate.

Electronic Board of Directors Meeting System was automatized by including all Board of Directors, Board of Directors Committee meetings and approval processes.

Activities for new payment platforms and supplier financing platforms are in progress which were included in targets within the strategic plan. All projects and activities which aim to increase customer acquisition and efficiency are performed rapidly thanks to the Bank's current API infrastructure. Customers can access their account transactions via API connections whenever they want, upon passing the Bank's security requirements.

In order to provide its customers higher quality services, PASHA Bank simultaneously completed the improvement of business processes, and annual review process of policies, regulations and procedures in line with these improvements.

### **New platforms**

The Bank continues to work on new payment platforms and supplier financing platforms in accordance with the targets in the strategic plan.

All projects and activities which aim to increase customer acquisition and efficiency are conducted rapidly thanks to the Bank's current API infrastructure.

#### Activities of PASHA Bank in 2021

In this context, provision calculation function of PBT Rate model was improved so that it produces control reports. This model aims to evaluate customers' financial conditions by performing financial analyses and monitor early warning signals. Additionally, the model was updated to include daily KKB-KRM information flow; five new early warning signals were added and guarantee intelligence started to be performed daily.

Project management process was updated based on Group methodology. In addition to regulatory projects, the Bank effectively participated in PASHA Group's projects in corporate culture, human resources, risk management and audit areas with strategic projects, core banking and environmental systems development projects:

- Development and Implementation of Framework for Fraud Detection Project
- · Backup Application in Critical Positions Project
- · Rotation Planning within the Group Project
- Combined Ethical Code Project within the Group
- Information Technologies and Information Security Risk Improvement Project
- Risk Culture Project

The following activities were completed to meet regulatory reporting and integration requirements in 2021:

- Documentary Export Credit Integration Services
- Documentary Export Credits Log structure and Issuance of DIR Document
- Non-documentary Export Credit Integration Services
- · SWIFT Release 2020 Updates
- · Purposes for External Institution Inquiry Logging Screens
- · KRM Daily Notification Posting
- Inter EFT Logging
- · KKB Individual Customer Notifications
- · e-VEDO Report Developments

- ETMP (Electronic Letter of Guarantee Platform)-KKB Bank Service Integration v15-16-17
- · Reporting of SWIFT Data Additional developments
- Capital Movements Circular Changes in 16/A and 42/3
- e-VEDO Price Multiplier Column and Istanbul Stock Exchange SWIFT Code
- · TBB Risk Center FX Rate Disclosure Change
- Commercial Fee Commission Internet Site Update Activities
- · Central Bank Payment Systems Message Changes
- SWIFT Release 2021 Updates
- · 2020 CRS Report Updates
- Non-documentary Export Credits ETGB (Electronic Commerce Customs Declaration) Change
- ETMP KKB-Bank Service Integration 19. Version
- ETMP KKB-Banka Service Integration 20. Version
- · Rediscount Credits Management System 3.3 Version Update
- KPS (Identity Sharing System) Service Change
- Export Circular Phase 2 Developments
- Turkcell SMS OTP Service
- Sending expense records of statements which are sent with 950 with swift references
- Non-documentary Export Credits- SBIF (Free Zone Transaction Form) Annotation Notification and Cancellation Service
- Approval of TAHSA screen on XONAY
- Interbasel Profile Identification
- ETMP KKB Bank Service Integration 22. and 23. Version Changes
- ETGB Annotation
- · Customs Declaration Registration Number Format Change

A total of 32 legal projects are finalized. The following projects are currently ongoing for Clean Export Credits, sharing The Banks Association of Turkey Risk Center e-YTB and SWIFT updating.

#### Information Technology Departments

2021-2023 Strategy period Information Systems Strategy was prepared. Within the scope of this strategy, the following activities were performed:

Virtualization platform was updated and capacity was increased.

Capacity increases were realized at the new generation server and storage units of the Bank which contributes to performance and efficiency by developing suggestions in performance development, problem prevention, resource optimization via artificial intelligence features.

Telephone switchboard infrastructure and devices were renewed to comply with the new infrastructure.

System and Network Operations Management and support service purchased for back-up are being performed, monitored and reported in a healthy manner.

Core Banking and Application Management continued its support throughout the year for development activities in Core Banking and other environmental systems and regulatory projects.

Reporting infrastructure was developed for request and change management applications which were implemented in 2020. Information Systems Purchasing process automation was realized and trainings were delivered.

In accordance with principles of compliance with COBIT processes, activities continued for increasing data storage and process capacity and performance, monitoring of network and system infrastructure and developing reporting tools. All changes were reflected in back-up and Emergency Center.

PASHA Bank Kartal Business Continuity Center was kept ready for all business continuity activities, Business Continuity tests were performed based on remote working requirements.

In 2022, PASHA Bank will pursue its investments and development activities in infrastructure and security areas at the Headquarters, with the design of mobile working structure independent from the network and implementation of network access controls and continue to comply with the digital world by working on projects in its strategy.

#### Information Security

Information Security Management and Support Service outsourced for backup purposes were implemented, monitored and reported in a healthy way by the Bank teams.

All of the Bank's technological processes for employees' remote working were applied in compliance with the dynamics of COVID-19, the required awareness training programs were organized and supported by training documents.

A high functioning application security wall was added to security applications taking into consideration services open to outside, capacity increase and addition of new functions were realized in vulnerability detection systems. At PASHA Bank, information security policies are updated in line with the changes and threats happening in the area, information technology management processes are constantly reviewed and improved.

Like every year, penetration tests for minimizing security and cyber threat risks were made, no critical level findings were noticed and the operations for strengthening the infrastructure were maintained according to the results. All of the employees and the new comers to the Bank participated in the in-house training program on information security awareness.

Within the scope of Analyses and Improvement of Information Systems and Information Security Risks Project at PASHA Group, the Group worked on standards and benchmarks used in all countries and a new standard was prepared. Improvements will continue at the Group level in 2022.

In the following period, developments will continue with investments for network security audit, mobile device management and cyber security applications.

## digital world

PASHA Bank will continue to adapt to digital world in 2022 in accordance with its strategy.

## Information on Top Management



#### JALAL GASIMOV Chairman

Jalal Gasimov earned his Bachelor's degree in economics from Azerbaijan Economy University, and his Master's degree in Economic Relations from the Higher Diplomatic College of Azerbaijan. He completed his MBA at the Warwick Business School, UK.

Gasimov began his banking career at Ilkbank OSJC, Azerbaijan in 1999. In 2002-2003, he held various financerelated positions at private sector companies. From 2003-2004, he worked at Azpetrol Oil Company as a finance director, and served as the Deputy Chairman of the Board of Directors of Azpetrol Holding between 2004-2006. He joined the Moscow Office of McKinsey & Company as a consultant from 2006-2007. He held top management duties as CEO at the Bank of Baku, finance director at CRA Group Companies, and as the CEO and Chairman of the Executive Board at Unibank between 2007-2015, respectively. Jalal Gasimov joined PASHA Holding as the Head of the Banking Group and Deputy CEO in 2015, and served as the First Deputy CEO between October 2016 and December 2019 and from January 2020, became the CEO of PASHA Holding. He also serves as Supervisory Board Member at PASHA Insurance, PASHA Life, PASHA Investment, JSC PASHA Bank Georgia, and as the Chairman of the Supervisory Board of Kapital Bank OSJC.

Mr. Gasimov has been the Chairman of the Board of Directors of PASHA Yatırım Bankası A.Ş. since 31 March 2017, where he joined as a Board Member effective 17 August 2015.

He has 23 years of experience in banking and business administration.



#### FARID MAMMADOV Deputy Chairman

Farid Mammadov earned his Bachelor's degree in Political Science at Baku Institute of Social Management and Political Sciences, and his Master's degree in Political Science at the Academy of Public Administration under the President of the Republic of Azerbaijan. He holds international MBA degree from IE Business School and a CFA degree.

He began his banking career in 1999 as a loan officer at United Credit Bank CB. From 2001 to 2010, he worked at Bank of Baku OJSC as Director of Credit Department and subsequently as Deputy CEO. Mr. Mammadov joined PASHA Holding in 2012 as Director of Risk Management, while also serving as a Board Member at PASHA Bank OJSC until June 2013. He was the First Deputy CEO at Kapital Bank OJSC between 2013 and February 2017. He currently serves as Deputy CEO and Director of the Business Lines Group at PASHA Holding. He is Supervisory Board Member at PASHA Investment and Kapital Bank OJSC, in addition to his role as Chairman of the Supervisory Board at PASHA Insurance, PASHA Life, PASHA Technology and JSC PASHA Bank Georgia.

Farid Mammadov has been the Deputy Chairman of the Board of Directors of PASHA Yatırım Bankası A.Ş. since 31 March 2017.

He has 23 years of experience in banking and business administration.



#### SHAHIN MAMMADOV Board Member

Shahin Mammadov graduated with a Bachelors' degree in accounting and auditing from Azerbaijan State Economic University in 2002. He obtained his Master's degree 2004. He also completed his Ph.D. study in Economy at the Azerbaijan Republic Science Academy in 2010 and graduated from the Harvard Business School in July 2017.

He started his business career at Yapi Kredi Bank Azerbaijan (formerly, Kochbank JSB Azerbaijan) in 2013 and then continued as Audit Manager at Deloitte&Touche LLC. In 2009, Mr. Mammadov was assigned to the position of Director of the Financial Management Department at PASHA Bank Azerbaijan and in 2011 he became a Member of the Executive Board. In 2013, he joined the Board of Directors of PASHA Bank Georgia supervising the business development function. In July 2014, Mr. Mammadov was appointed as the CEO and Chairman of the Board of Directors at PASHA Bank Georgia.

In January 2018, Mr. Mammadov was assigned to the position of Business Support Director and Deputy CEO at PASHA Holding. On 1 March 2018 Shahin Mammadov became Member of the Supervisory Board of PASHA Bank Azerbaijan and on 30 May 2018 became Member of the Supervisory Board of PASHA Bank Georgia. He is also Supervisory Board Member at PASHA Insurance, PASHA Life and PASHA Technology in Azerbaijan.

Shahin Mammmadov joined PASHA Yatırım Bankası A.Ş. as a Board Member effective 31 March 2015.

He has 19 years of experience in banking and business administration.

#### JAVID GULIYEV Board Member

Javid Guliyev graduated from the Azerbaijan University of Languages and from the Azerbaijan State Economic University majoring in Finances and Credit.

Javid Guliyev began his career in 1996 as Head of Clients Department in British Bank of the Middle East, a subsidiary of HSBC, and in 1999, he served as Head of Financial Control Department of the bank.

In 2003, Javid Guliyev joined Unibank first as advisor to the Board, and later, in 2004, he was appointed First Deputy Chairman of the bank. During the period between 2005 and 2012, Mr. Guliyev was First Deputy Chairman of Bank Standard. In 2012, Javid Guliyev was appointed Executive Finance Director at Capital Resources Advisors, Azerbaijan Branch. In 2014, he joined PASHA Holding as Chief Advisor.

Javid Guliyev began his career in PASHA Bank OJSC in 2015 as Business Development Advisor to the Chairman of the Bank's Board. On 22 February 2016, he was appointed Deputy Chairman of the Executive Board of PASHA Bank OJSC, on 1 March 2018 he was appointed Deputy Chairman of the Executive Board and Chief Commercial Officer of the Bank

Javid Guliyev joined PASHA Yatırım Bankası A.Ş. as a Board Member effective 12 June 2019.

He has 26 years of experience in banking and business administration.

#### KAMALA NURIYEVA Board Member

Kamala Nuriyeva obtained her Bachelor's degree in Banking Management from Western University in 1998, and her Master's degree in Finance from Azerbaijan State Economic University in 2002.

Nuriyeva started her professional career at Postbank OJSC as an IT specialist. She worked there for seven years, ultimately becoming the Head of the Credit Department.

In 2003, she joined the Agricultural Rural Investment Fund, established under the TACIS program for agricultural industry development in Azerbaijan, serving as a loan officer. There, she was responsible for attracting customers, as well as loan origination and management. That same year, she was recruited by Unibank OJSC to work as Treasury controller, where she was responsible for currency and market risk management. During 2004-2005, she served McDermott Caspian Contractors Inc. as a cost controller for the fabrication and installation of Central Azeri Offshore Platforms. In 2005, she joined the Bank of Baku OJSC as a deputy chief accountant responsible for accounting activities and management reporting.

She joined PASHA Bank in 2007 as an internal auditor, and was promoted to Head of the Risk Management Department in 2010. In 2011, she moved to PASHA Holding as Group internal auditor and was appointed the Chairperson of the Audit Committee at PASHA Bank, Azerbaijan. In 2013, she was appointed the Head of Group Risk Management at PASHA Holding. Since May 2021, she is the President in Charge of Risk Management at the Shareholders Office. She is a Supervisory Board Member at Kapital Bank OJSC Azerbaijan and Member of the Investment Committee at PASHA Investments.

Ms. Nuriyeva joined PASHA Yatırım Bankası A.Ş. as a Board Member effective 25 November 2016.

She has 26 years of experience in banking and business administration.



#### EBRU OĞAN KNOTTNERUS Independent Board Member

Ebru Oğan Knottnerus graduated from Middle East Technical University, the Department of Business Administration. She started her banking career in 1991, with roles at various private sector banks and organizations as manager and senior manager in the fields of internal audit, internal control, financial control, planning & budget, MIS reporting, system software implementations and project management, predominantly focused on risk management.

She administered risk management activities of the bank and its subsidiaries as Head of Risk Management at T. Garanti Bankası A.Ş. between 2001 and 2018. Since 2002, she has also been a Board Member and Chairperson of the Risk Managers' Association, of which she is a founding member. She is an Independent Board Member at Odea Bank A.Ş. since July 2021.

Ms. Knottnerus has been serving as an Independent Board Member of PASHA Yatırım Bankası A.Ş. since 2 July 2018, and has simultaneously been a Supervisory Board Member of PASHA Bank Georgia since 31 December 2018.

She has  ${\scriptstyle 31}$  years of experience in banking and business administration.





#### NURİ TUNCALI Independent Board Member

Nuri Tuncali is a graduate of Boğaziçi University, the Department of Business Administration. He had started his career in the year 1984 in Akbank T.A.Ş. as an Assistant Auditor, and continued his career at TEB A.Ş. as an Auditor after the year 1986 and he was Deputy Manager at Loan Control Department, Gayrettepe Branch and Loan Allocation Department from 1988 to 1996 and he served between years 1996-2001 as the Manager and Director of Loan Allocation Department; between years 2001-2011 as the Deputy General Manager in charge of Credit Allocation and Financial Analysis Group; between years 2011-2018 as the Deputy General Manager in charge of SME Credits Group. He served as a Member of the Credit Committee at TEB Factoring A.Ş. between 2001-2019 and as a Member of the Board of Directors at BNP Paribas Finansal Kiralama A.Ş. between 2017-2019.

Nuri Tuncalı has been serving as an Independent Board Member of PASHA Yatırım Bankası A.Ş. since 29 March 2019.

He has 38 years of experience in banking and business administration.



#### FURKAN EVRANOS Independent Board Member

Dr. Furkan Evranos obtained his undergraduate degree at Istanbul University, Department of Economics (English), his graduate degrees at Marmara University Social Sciences Institute in English Accounting and Finance, and International Economics. He also received his doctorate degree in international economics.

He started his professional career in 2000 at Finansbank A.Ş. as a Management Trainee and continued as Assistant Auditor in 2003. He worked as Auditor, Head Auditor and Audit Group Manager at Türk Ekonomi Bankası A.Ş. Auditing Department between 2008-2016, as the Head of Audit Department at Odea Bank A.Ş. between 2016-2017 and as Deputy CEO at Emir Varlık Yönetimi A.Ş. between 2017-2018. He is the founder and managing partner of Cogito Park & Co Investments group, which is a finance technologies start-up, operating in Teknopark İstanbul. He acts as board member at various companies, faculty member at Beykent University Department of Finance and Banking, member of advisory committee and visiting professor at various universities.

Furkan Evranos, is an Independent Board Member of PASHA Yatırım Bankası A.Ş. since 25 May 2021.

He has an experience of 22 years in banking and business administration.



#### H. CENK EYNEHAN CEO and Board Member

Hikmet Cenk Eynehan earned a degree in economics from Erasmus University in the Netherlands, and a Bachelor's degree in management from Monroe College in the USA. He is a graduate of the Foreign Trade and Marketing program from New York University and Master of Business Administration (MBA-Management Program for Executives) from Koç University, Istanbul.

Mr. Eynehan started his banking career in 1994, serving in various management and business development capacities at DHB Bank (Nederlands) N.V. until 2001. He continued his professional career as a managing partner in the

non-financial sector during 2002-2004. In 2005, he joined Şekerbank T.A.Ş. and held executive positions in various departments until 2010. He was Deputy General Manager in charge of Corporate Marketing & Sales at Ekspo Factoring A.Ş. from 2011 until 2013.

H. Cenk Eynehan has been serving since 2 August 2013 as the CEO and Board Member at PASHA Yatırım Bankası A.Ş. He concurrently served as the Supervisory Board Member of PASHA Bank Georgia from September 2015 until December 2018.

He has 28 years of experience in banking and business administration.

## Senior Management

#### AYŞE HALE YILDIRIM Deputy CEO

Ayşe Hale Yıldırım received her undergraduate degree from İstanbul University Department of Economics and graduate degree from Istanbul Bilgi University Management Information Systems.

Ayşe Hale Yıldırım started her banking career at Türk Ekonomi Bankası A.Ş. in 1998. She held various positions in the corporate banking department at Finansbank A.Ş. from 2004 until 2008, and assumed the positions of Marketing Manager and Deputy General Manager at Ekspo Faktoring A.Ş. between 2008 and 2013.

She joined PASHA Yatırım Bankası A.Ş. as the Head of Corporate Marketing Department in 2013. Ayse Hale Yıldırım is the Acting CEO of PASHA Yatırım Bankası A.Ş. with effect from 17 May 2019, and currently serves as the Deputy CEO in charge of Corporate and Commercial Banking, Premium Banking and Corporate Communications.

She has 24 years of experience in banking and business administration.

She joined PASHA Yatırım Bankası A.Ş. on 23 September 2019 and she is the Deputy CEO in charge of Finance, Operations and Administrative Affairs.

She has 25 years of experience in banking and business administration.



#### BENAN BİLGE KÖKSAL Deputy CEO

Benan Bilge Köksal, graduated from Bahrain University, Department of Business Administration in 2000

She began her professional career at Yapı ve Kredi Bankası Bahrain Branch in 1996 and continued her banking career at HSBC Bahrain Branch until 1999. She worked at Arthur Andersen, the independent auditing and consultancy firm between 2000 and 2003, and took role in the audit of financial services particularly. Throughout her tenure of 16 years with Yapı Kredi Portföy Yönetimi A.Ş., she served as the Manager of Finance and Administrative Affairs until 2003 and afterwards as CFO, the Director of Operations, IT, Finance and Administrative Affairs until 2019.

> 2009-2010. Between 2010-2020, he worked at Türkiye Finans Katılım Bankası A.Ş. as Risk Policies and Reporting Manager, Project Credits and Commercial Allocation Manager, Risk Management Deputy CEO and Credits Deputy CEO, respectively.

Özer Baran has been working as Deputy CEO in charge of Credits and Information Technologies at PASHA Yatırım

He has 22 years of experience in banking and business administration.



#### ÖZER BARAN Deputy CEO

Özer Baran obtained his undergraduate degree from Bilkent University, Faculty of Engineering, Department of Industrial Engineering in 1999 and his graduate degree from İzmir Economy University, Department of Finance Economics.

He started his career as an Auditor at Audit Department of Türkiye İş Bankası A.Ş. in 1999. He acted as Assistant Manager at Corporate and Business Credit Department of HSBC Bank A.Ş. between 2007-2009, and as Manager at the Risk Department of Eurobank Tekfen A.Ş. between

Bankası A.Ş. since 12 April 2021.

# Information on Managers of Departments within the Scope of Internal Systems and Independent Auditor

## Internal Systems Department Heads: Names & Surnames, Terms of Office, Area of Responsibility, Academic Background, Professional Experience

Name-Surname	Role	Field of Responsibility	Term of Office	Academic Background	Professional Experience (Years)
Ferhat Aslan	Director	Risk Management	03.02.2020 - Ongoing	Graduate	22
Önder Devrim Erol	Department Head	Internal Audit	23.05.2016 - Ongoing	Undergraduate	22
Meltem Kıyak	Department Head	Compliance	05.05.2015 - Ongoing	Undergraduate	19
Serhat Ünsal	Department Head	Internal Control (*)	14.09.2021 - Ongoing	Undergraduate	13

<sup>(1)</sup> Pinar Abanoz, who was the Unit Manager during the period has resigned from her position at our Bank as of 14 July 2021

#### Terms of Office and Professional Experience of the Independent Auditor

At the Annual General Meeting of Shareholders of the Bank held on 18 March 2021, Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst & Young Global Limited) was appointed as per Banking Law No. 5411 and Turkish Commercial Code No. 6102, to serve as an Independent Audit Institution with respect to fiscal year 2021.

The independent audit company titled Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member firm of Ernst&Young Global Limited) was deemed appropriate, and decided to be submitted to the approval of the General Assembly, for authorization to conduct independent audit on the Bank's financial statements for the fiscal period covering 01.01.2022-31.12.2022, banking processes and information systems as well as support service organizations, and to carry out other activities as required by law for a term of one (1) year, pursuant to the Board Resolution dated 2 February 2022.

## Working Principles of Board Committees

The Committees act within the powers and duties assigned to them according to the Committee regulations approved by the Board of Directors.

Committee members are appointed for three-year terms, but not more than twice consecutively.

Committee activities are carried out via working meetings convening members. Provisions of the applicable legislation and the working principles set forth by the Board of Directors apply in determining the meeting schedules for Committees.

Where possible, committee meetings are held in alignment with the timing of Board meetings.

Where deemed necessary, and provided it is of consultative nature, the executives of the Bank and managers in charge of relevant functions from the controlling shareholders' organizations may attend the meetings in order to present opinion and information on the agenda items upon the invitation of the Committee.

Meetings follow an agenda. The agenda is prepared in a way to cover the tasks assigned by law to the Committees.

The agenda shall cover, at a minimum, the following matters:

- For the Audit Committee, supervision of the accounting system, disclosure of financial information to the public, functioning and effectiveness of the independent audit and internal systems;
- For the Risk Management Committee, early detection and management of internal and external risks which may jeopardize the Bank's operations, and review of risk management systems, and operational limits with risk appetite statement;

- For the Corporate Governance Committee, monitoring and improvement of compliance with corporate governance principles, supervision of the unit in charge of relations with shareholders and the investor relations function, evaluations on the structure and efficiency of the Board of Directors, and recommendations to the Board of Directors on these matters;
- For the Human Resources Committee, monitoring and improvement of human resources processes and applications independently for the Board of Directors and providing suggestions for primary tasks related with human resources policies;
- For the Nomination and Remuneration Committee, establishing and monitoring of a remuneration policy compatible with the Bank's activities, structure, strategy and related legal legislation and a remuneration system which is independent, strong, competitive and effective; providing opinions and support to the Board of Directors for executive appointments;

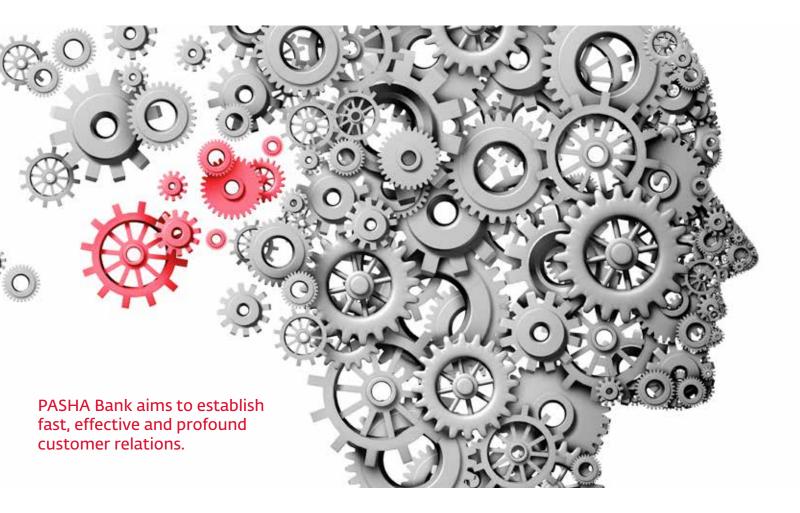
Committees may seek the opinions of independent expert persons or entities in order to perform their respective tasks.

A quorum must be present for committee meetings to be legally held. Committee decisions are taken with the majority of the members present at the meeting. If votes are equal, the vote of the Committee Chair shall be decisive.

Matters discussed and decisions taken in the meeting are written in the minutes of meeting by the secretary and signed by the members.

Committees present a quarterly report to the Board of Directors on how they fulfill their responsibilities; and submit to the Board for approval the matters they tackle within the powers assigned to them depending on the nature of such matters.

## Evaluations Regarding the Activities of the Board of Directors and the Committees



In principle, the Board of Directors meet at the Bank's headquarters every two months, with all members present. The members of the Board of Directors attend meetings, or provide notification to the contrary. The Board resolutions are taken in accordance with the meeting and resolution quorums specified in the Articles of Association. During the year, the Board of Directors convened a total of eleven times, four with all members physically present, and seven times via telecommunication, and passed 101 resolutions. All resolutions of the Board of Directors were taken unanimously.

The average attendance rate of the Board Members in the meeting held throughout the year is 96%, and the details of attendance are provided in the following table:

Meeting Dates	Number of Attending Members	Type of Meeting
01 February 2021	8	Electronic Media
26 February 2021	8	Electronic Media
18 March 2021	8	Electronic Media
30 April 2021	8	Electronic Media
25 May 2021	8	Electronic Media
25 June 2021	9	Electronic Media
30 July 2021	8	Physical Attendance
24 September 2021	8	Physical Attendance
22 October 2021	7	Electronic Media
26 November 2021	9	Physical Attendance
17 December 2021	9	Physical Attendance
		,

	Meetings Attended / Meetings Held							
Board Members	Independence Status	Board of Directors	Audit Committee	Risk Management Committee	Strategy and Budget Committee	Corporate Governance Committee	HR Committee	Nomination and Remuneration Committee
Average Attendance Ratio		96%	100%	92%	87%	100%	92%	100%
Jalal Gasimov		10/11			1/2			2/2
Farid Mammadov		10/11		11/12	5/5		3/4	2/2
Shahin Mammadov		11/11			3/3	1/1	4/4	
Javid Guliyev		11/11						
Kamala Nuriyeva		9/11	14/14	10/12				
Ebru Oğan Knottnerus	+	11/11	6/6	12/12				
Nuri Tuncalı	+	11/11				1/1		
Furkan Evranos*	+	6/6	8/8					
H. Cenk Eynehan		11/11			5/5		4/4	2/2

(\*) Furkan Evranos was selected as Independent Board Member and appointed as the Chairperson of Audit Committee and Chairperson of Corporate Governance Committee at 25 May 2021.

The Credit Committee, Audit Committee, Corporate Governance Committee, Human Resources Committee, Nomination and Remuneration Committee, Strategy and Budget Committee, and Risk Management Committee were established under the Board of Directors while fulfilling its duties and responsibilities, to take decisions in their own areas of responsibility in accordance with the powers granted by the Board of Directors, and to carry out the supervision and audit of the Bank's policies, processes, and practices on behalf of the Board of Directors.

Evaluations Regarding the Activities of the Board of Directors and the Committees

The duties and members of the committees are determined by the Board and announced to the public on the PASHA Bank corporate website as well as in its Annual Report.

Information on the committees set up under the Board of Directors is provided below. The Board Committees have carried out activities effectively and in full conformity with laws, and documented and kept the records of all activities they conducted in the fiscal period.

#### Audit Committee

The Audit Committee was established to supervise on behalf of the Board of Directors the effectiveness and adequacy of the internal systems of the Bank; the operation of these systems, and the accounting and reporting systems within the framework of the Law and related regulations, and the reliability and integrity of the information produced; to establish the audit and control process that will guarantee ICAAP's adequacy and accuracy; to make the necessary preliminary evaluations in the selection by the Board of Directors of independent auditing firms and rating, appraisal and support service organizations; to monitor regularly the activities of the institutions selected and contracted by the Board; to ensure the pursuance and coordination of the internal audit activities in a consolidated manner of the subsidiaries subject to consolidation pursuant to the regulations that come into force on the basis of law; and to fulfil the duties specified within the Banking and Capital Markets legislation. The present structure of the Audit Committee is given below:

Name-Surname	Committee Position
Furkan Evranos®	Chairperson
Kamala Nuriyeva	Member

<sup>°</sup>Furkan Evranos was appointed as the Chairperson of Audit Committee replacing Ebru Oğan Knottnerus in accordance with the Board Resolution dated 25 May 2021.

The Audit Committee convenes as required by business needs, and at least quarterly.

#### Board of Directors' Evaluation of Committee Effectiveness

The structure, duties, powers and responsibilities of the Audit Committee have been determined in accordance with the provisions of the Regulation on Internal Systems and the Internal Capital Adequacy Assessment Process of Banks that were published in the Official Gazette No. 29057 dated 11 July 2014 and other relevant legislation, and laid out in writing by the Audit Committee Regulation. The working principles of the Audit Committee are posted on the corporate website. The Audit Committee presented the results of its activities within their responsibilities and its evaluation of activities of units under internal systems to the Board of Directors within the activity report prepared for the period of six months.

In 2021, the Audit Committee held 14 meetings with full attendance and passed a total of 32 decisions either in meetings or on the basis of file reviews. The meetings were held to discuss and decide on the risk assessment report prepared by the Internal Audit Unit and annual audit plan prepared based thereupon, internal audit reports within the scope of the audit plan; validation and review reports for the ICAAP report dated 31 December 2020; internal audit, technical adequacy, risk analysis and annual review reports for support services providers; annual assessment reports for appraisal firms; designation of the independent audit firm and the services to be procured, the activities and independence of the independent auditor; independently audited financial reports that have been drawn up in accordance with the BRSA regulations and IFRS; management declaration studies; action plans in response to the findings from the penetration tests and information systems audit report; intra-group transactions report; changes in internal regulations for the units under Internal Systems.

The Audit Committee informed Board Members on the results of its activities concerning internal systems and its decisions regarding the issues on the Board's agenda at the meetings held during the year. The activity reports prepared by the Committee and the Internal Systems Units were presented to the Board of Directors for information and/or approval.

Meeting Dates	Number of Attending Members	Type of Meeting
22 January 2021	2	Videoconference
24 February 2021	2	Videoconference
12 March 2021	2	Videoconference
17 March 2021	2	Videoconference
27 April 2021	2	Videoconference
27 May 2021	2	Videoconference
24 June 2021	2	Videoconference
29 June 2021	2	Videoconference
28 July 2021	2	Videoconference
29 September 2021	2	Videoconference
22 October 2021	2	Physical Attendance
25 October 2021	2	Videoconference
26 November 2021	2	Physical Attendance
29 December 2021	2	Videoconference

Evaluations Regarding the Activities of the Board of Directors and the Committees

#### Corporate Governance Committee

The Corporate Governance Committee was established to ensure the management of the Bank in a responsible, fair, transparent, and accountable manner, so as to protect the rights and interests of all stakeholders and shareholders in line with identified objectives, the Banking Law, the Capital Markets Law, and relevant regulations, as well as other laws, the Articles of Association, the Bank's internal regulations, and banking ethics; and of monitoring the Bank's compliance with corporate governance principles; and submitting proposals required to the Board of Directors. Below is the existing structure of the committee:

Name-Surname	Committee Position
Furkan Evranos *	Chairperson
Shahin Mammadov	Member

"Furkan Evranos was appointed as the Chairperson of Corporate Governance Committee replacing Nuri Tuncalı in accordance with the Board Resolution dated 25 May 2021.

The Committee continues its activities within the framework of the Corporate Governance Committee Regulation. It convenes as required by business needs, and at least once a year.

#### Board of Directors' Evaluation of Committee Effectiveness

The independence declarations of Board Members who meet the independence criteria described in CMB's Corporate Governance Principles No: 4.3.6 have been presented to the Board of Directors.

In 2021, within the scope of evaluation of the Bank's corporate governance practices, Corporate Governance Committee evaluated the Investor Relations Department, Board of Directors and Annual Reports, Corporate Governance Principles Compliance Report, Corporate Governance Rating Report and the election of rating agency for Corporate Governance Rating.

The Committee presented the results of its monitoring activities to the Board of Directors. These results included its Evaluations of Environmental, Social, Corporate Governance Activities, Investor Relations Activities, Activities of Board of Directors and Board of Directors Committees.

The Committee convened once in the accounting period and made resolutions on relevant items of the agenda.

Meeting Dates	Number of Attending Members	Type of Meeting
26 February 2021	2	Videoconference

#### **Risk Management Committee**

The Risk Management Committee was established to ensure that the Bank's risk identification, evaluation, measurement, control, reporting and monitoring processes and capabilities are effective, adequate, and reliable, and to advise and assist the Board of Directors on this matter in meeting its duties and responsibilities.

Tasked with establishing an effective risk management system, the Risk Management Committee sets out the Bank's risk management policies and strategies in accordance with the Capital Markets Legislation and the principles contained in the BRSA regulations; reviews the types of credit, market, strategic, operational, and financial risks that it is exposed to; monitors implementations of the risk management strategy; and presents important risk issues to the Board of Directors.

It also evaluates, and reports to the Board of Directors, the issues identified on the topics of managing such risks in accordance with the corporate risk-taking profile of the Bank, taking them into account in the decision-making mechanisms, and establishing and integrating effective internal control systems in this direction. The present structure of the committee is given below.

Name-Surname	Committee Position
Ebru Oğan Knottnerus	Chairperson
Farid Mammadov	Member
Kamala Nuriyeva	Member

The Committee conducts its operations in accordance with the Risk Management Committee Regulation came into force on 23 September 2016 and was last updated on 24 July 2020. Meetings are held at least once in each quarter and as frequent as required by the business needs.

#### Board of Directors' Evaluation of Committee Effectiveness

The Risk Management Committee presented the results of its activities and its assessment of internal systems in quarterly activity reports.

The Committee reviewed and challenged the formulation of the Risk Appetite Statement, in order to assure that it is effective in setting appropriate boundaries in respect of each Principal Risk Type and presented the calculation methodology of related criteria and their suggestions of changes in Operational Limits to the Board of Directors.

It tracked a broad range of risk metrics that are reported to the Committee periodically.

During the fiscal period, Risk Management Committee held 12 meetings to discuss and evaluate the policies and procedures for risk management process, ICAAP road map, scenarios and reports, monthly risk management reports prepared by the Risk Management Department, 2021 Risk Appetite Statement and operational limits, any breaches of the identified limits, credit authority limits within operational limits, limits of financial institutions and their effects on risk appetite, stress test results, internal credit risk rating model monitoring outcomes, quarterly activity reports by the Risk Management Committee, action plan for risk health index executed Group-wide, non-performing loans and provision calculations for them, information security and information technologies risks within the context of operational risks, effects of foreign currency fluctuations on limits defined at risk appetite statement, results of macroeconomic scenario calibration related to expected credit loss and macroeconomic forecasts, annual internal control plan and improvements realized.

Number of Attending Members	Type of Meeting
3	Videoconference
3	Videoconference
3	Videoconference
3	Videoconference
3	Videoconference
3	Videoconference
2	Videoconference
3	Videoconference
2	Videoconference
3	Videoconference
3	Videoconference
3	Videoconference
	Number of Attending Members           3           3           3           3           3           3           3           3           3           3           3           3           2           3           2           3           3           3           3           3           3           3           3           3           3           3

Evaluations Regarding the Activities of the Board of Directors and the Committees

#### Nomination and Remuneration Committee(\*)

The Nomination and Remuneration Committee was established to monitor and supervise remuneration policies, processes and practices on behalf of the Board of Directors for ensuring an independent and effective remuneration system in line with the provisions of the Banking Law and the Bylaw on the Banks' Corporate Governance Principles. The Committee was composed of the members named below as at 31 December 2021.

Name-Surname	Committee Position
Farid Mammadov*	Chairperson
Jalal Gasimov	Member
H. Cenk Eynehan	Member

The Committee carried out its activities within the framework of the Nomination and Remuneration Committee Regulation that was enforced on 6 July 2021. The committee convenes as required by business needs, and at least once a year.

(\*) Pursuant to the Board of Directors decision intended to increase the efficiency of corporate governance, the Human Resources and Remuneration Committee was divided into two separate committees as of or February 2021: "HR Committee" and "Nomination and Remuneration Committee". It was decided that the HR Committee would be composed of Farid Mammadov (Chairperson), Shahin Mammadov (Member), H. Cenk Eynehan (Member), and that the Nomination and Remuneration Committee would be composed of Farid Mammadov (Chairperson), Jalal Gasimov (Member), and H. Cenk Eynehan (Member).

#### Board of Directors' Evaluation of Committee Effectiveness

In 2021, the Nomination and Remuneration Committee reviewed the Bank's policies and practices regarding remuneration systematics and submitted its assessment report on such matters to the Board of Directors.

On another note, the Committee reviewed key performance indicators for 2021 and suggested amendments thereto, performance scorecards of the CEO and Deputy CEOs, eligibility for the Bank's bonus pool and payment of success bonuses to employees, the personnel promotions, the proposals to be made to the Board of Directors regarding the payments to Board Members and Executive Managers, annual increase rates on fixed salaries and fringe benefits of the Bank's employees and the annual report, which includes the Bank's remuneration policies and practices for the period January-December 2020, the policies implemented within the Group, and the proposal for the candidate independent board member.

The committee held two meetings, one of which was with physical attendance, during the accounting period.

Meeting Dates	Number of Attending Members	Type of Meeting
04 April 2021	3	Videoconference
24 September 2021	3	Physical Attendance

#### Human Resources Committee (\*)

The Committee was established in accordance with the Banking Law and Regulation On Corporate Governance Principles of Banks to monitor remuneration policies, processes and applications on behalf of the Board of Directors to attain an independent and effective remuneration system. The Committee was composed of the members named below as at 31 December 2021.

Name-Surname	Committee Position
Farid Mammadov	Chairperson
Shahin Mammadov	Member
H. Cenk Eynehan	Member

The Committee conducted its activities within the framework set by the Human Resources Committee Regulation which became effective at 6 July 2021. The Committee convenes once at a minimum during the year, or as frequent as the business need arises.

(\*) In accordance with the Board of Directors resolution to increase corporate governance efficiency, Human Resources and Remuneration Committee was structured as of 1 February 2021 as two separate Committees, namely "Human Resources Committee" and "Nomination and Remuneration Committee". It has also been resolved that the Human Resources Committee will be composed of Farid Mammadov (Chairperson), Shahin Mammadov (Member), H. Cenk Eynehan (Member) and Nomination and Remuneration Committee will be composed of Farid Mammadov (Chairperson), Jalal Gasimov (Member), H. Cenk Eynehan (Member).

The Committee held four meetings during the accounting period.

# Meeting DatesNumber of Attending MembersType of Meeting26 February 20213Videoconference25 June 20213Videoconference08 September 20212Videoconference24 December 20213Videoconference

#### Board of Directors' Evaluation of Committee Effectiveness

During the period, based on periodic reports prepared by the Human Resources Department, the Committee also evaluated recruitment activities, demographic statistics, performance evaluations of the employees, training and development activities, employee turnover analyses, key performance indicators for HR Strategy practices for 2018-2020 period, current status of planned strategic projects, remote working conditions during the COVID-19 pandemic, activities to increase employee retention and suggested projects, as well as updated policies and similar internal regulations within the scope of annual review activities. Evaluations Regarding the Activities of the Board of Directors and the Committees

#### Strategy and Budget Committee

The Strategy and Budget Committee was established to provide assurance on the preparation of the Bank's business and strategy plans and annual budget in accordance with the strategy, operation and budget management processes approved by the controlling shareholder; to advise the Board of Directors, and to assist it in fulfilling its duties and responsibilities. The present structure of the committee is given below.

Name-Surname	Committee Position
Shahin Mammadov	Chairperson
Farid Mammadov	Member
H. Cenk Eynehan	Member

The Committee carries out its activities in accordance with the Strategy and Budget Committee Regulation enforced on 23 September 2016 and most recently amended on 16 June 2020. The Committee meets as often as business needs require and at least once every three months.

#### Board of Directors' Evaluation of Committee Effectiveness

The Strategy and Budget Committee presented the results of its activities to the Board of Directors in quarterly activity reports.

The Strategy and Budget Committee held five meetings during the reporting period and passed decisions regarding the agenda items. In the meetings, the Committee reviewed the Bank's 2022 budget and macroeconomic and market projections in connection with budgeting, interim financial performance and financial statements, year-end forecasts, internal documents about the Committee, and macroeconomic projections, execution plans for strategic initiatives and projects carried out, Information Systems Strategy Plan for the 2021-2023 period, Talent Development and Retention Strategy, the Committee's periodic activity reports, key performance indicators, the impacts of COVID-19 and the actions taken in response, and the market and competitive environment.

Meeting Dates	Number of Attending Members	Type of Meeting
01 February 2021	3	Videoconference
30 April 2021	2	Videoconference
30 July 2021	3	Physical Attendance
22 October 2021	3	Physical Attendance
10 November 2021	3	Videoconference

#### Credit Committee

The Credit Committee was established to take credit allocation decisions, and to perform related tasks concerning credits within its power of authority, within the limits set by the Board of Directors in the framework of legal and banking regulations. The present structure of the Credit Committee is given below:

Name-Surname	Committee Position
H. Cenk Eynehan	Chairperson
Nuri Tuncalı	Permanent Member
Javid Guliyev	Permanent Member
Farid Mammadov	Substitute Member
Shahin Mammadov	Substitute Member

#### Board of Directors' Evaluation of Committee Effectiveness

Carrying out its activities under the relevant regulation and the authority granted by the Board of Directors, the Committee evaluates the credit limits and conditions proposed by the Credit Department and the Credits Monitoring Department after reviewing for compliance with related Banking legislation and our Bank's internal regulations.

The Credit Committee has discussed the credit proposals remaining in its authority within the limits determined by the Board of Directors and within the framework of the relevant legal and banking legislative regulations, and approved credits for firms with positive reviews. Evaluations Regarding the Activities of the Board of Directors and the Committees

The Credit Committee convened 24 times and passed 58 resolutions during the accounting period.

Meeting Dates	Number of Attending Members	Type of Meeting
26 January 2021	3	Physical Attendance
17 February 2021	3	Physical Attendance
03 March 2021	3	Physical Attendance
10 March 2021	3	Physical Attendance
07 April 2021	3	Physical Attendance
26 April 2021	3	Physical Attendance
05 May 2021	3	Physical Attendance
21 May 2021	3	Physical Attendance
09 June 2021	3	Physical Attendance
16 June 2021	3	Physical Attendance
22 June 2021	3	Physical Attendance
07 July 2021	3	Physical Attendance
14 July 2021	3	Physical Attendance
28 July 2021	3	Physical Attendance
10 August 2021	3	Physical Attendance
20 August 2021	3	Physical Attendance
10 September 2021	3	Videoconference
17 September 2021	3	Physical Attendance
08 October 2021	3	Physical Attendance
27 October 2021	3	Videoconference
10 November 2021	3	Physical Attendance
19 November 2021	3	Physical Attendance
10 December 2021	3	Videoconference
29 December 2021	3	Videoconference

## Summary of the Board of Directors' Annual Report Submitted to the General Assembly

Dear Shareholders,

We thank each and every one of the shareholders participating in the 2021 Annual General Meeting of Shareholders of our Bank.

Our bank completed its activities in 2021 with a 63% growth in asset size, our total assets reached TL 3,563 million, according to the audited unconsolidated financial statements for 2021, and the share of total cash loans and lease receivables constituted 68% of total assets.

PASHA Bank's total shareholders' equity as of 31 December 2021 was TL 607 million.

The increase in loans reflected positively on the results of 2021. The total cash, non-cash loans and lease receivables of the Bank reached TL 2,422 million, rising by 62% compared to the previous year as a result of the prudent risk policies that were applied. The net profit for the period was recorded at TL 47 million.

We have examined the Bank's financial statements for the period of 1 January to 31 December 2021, and they do not contain any misstatements materially affecting the presentation of the information, and they accurately reflect the Bank's financial position. PASHA Bank's financial statements containing the operating results for 2021 are presented for your examination and approval in the attachment.

We propose and submit to the General Assembly the approval of the audited, unconsolidated financial statements prepared as of 31 December 2021, and the release of our members of the Board of Directors individually.

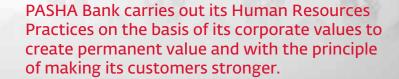
Regards,

On Behalf of the Board of Directors

Jalal Gasimov Chairman

## Human Resources Practices

# permanent value



PASHA Bank carries out all its human resources practices on the basis of its corporate values of integrity, quality, collaboration, entrepreneurship and profitability to create permanent value for the business world and society and to become a cross border bank which helps its customers get stronger.

In line with these values, our Strategic Priorities as the Human Resources Department of PASHA Bank are as follows:

- Providing our employees a work environment that is conducive to open communication,
- Adopting a transparent and secure management style that supports innovation and development,
- Adopting an agile management approach which provides rapid solutions,

- Creating an environment of collaboration and trust for our employees,
- · Placing emphasis on our employees' motivation
- Supporting improvement of employees' competences by offering continuous development opportunities,
- Contributing to employees' development by expanding feedback culture,
- Adopting a career management system which enriches career opportunities based on employees' staffing needs,
- Placing emphasis on employees' ideas and supporting in-house entrepreneurship,
- · Creating human resources with a high level of risk awareness,

- · Creating a social environment for our employees,
- Treating our employees and candidates equally and promoting diversity,
- · Adopting a management approach which cares about employee and candidate experiences,
- Adopting a sustainable notion of work that could respond to current and future needs.

#### PASHA Bank Recruitment Policy

PASHA Bank Recruitment Policy is based on the principle of attracting high potential human resource to the organization in line with the Bank's objectives and strategies, corporate values and the competencies required for the position. Our recruitment process begins with a clear determination of the duties and responsibilities, qualifications and competencies required for each position. The process is completed by evaluating the candidate's suitability regarding these criteria and the corporate culture, as well as the employee's enthusiasm for the job and the institution. The most appropriate candidates for the position are interviewed by the Human Resources and the Manager of the relevant Unit and competency inventories are implemented for objectively evaluating the candidate's competencies, assessment centers are conducted for senior positions.

#### **Orientation Training Programs**

New employees are subjected to orientation training programs upon arrival, helping them to understand the vision, mission and the corporate culture of the Bank and these programs are supported with orientation booklets. The importance of the Bank's vision, mission, competencies and corporate culture is emphasized during these programs. Furthermore, an "Online Orientation" program in line with the orientation project carried out among the PASHA Group companies, is run conveying the messages of the C Level Managers so that the new comers learn more about Pasha Holding and the Group companies.

#### Training and Development Activities

Training and development activities are conducted to support continuous development, starting with an orientation program and continuing with on the job training, technical trainings for individual needs of employees, conferences, seminars and leadership trainings. In 2021, the Bank contributed to the development of the employees with in-house and external training programs in line with its strategy and objectives. PASHA Bank has provided an average of 4.03 days of training per employee in 2021.

In 2021, priority continued to be given to supporting our employees in all areas in order to cope with the pandemic. In order to develop the new generation competencies necessary for adapting to the new normal, various training programs were organized for personal development. Furthermore, the individual needs of our employees were analyzed and they were supported with individual coaching sessions and tailor made training programs accordingly.

#### Corporate Culture and Organizational Development

Organizational Health Index (OHI) survey which started in 2017 with group companies continued in 2021. This is a significant indicator of Group's emphasis on organizational development and cultural integration.

PASHA Bank carried out communication and motivation focused activities so as to increase performance and to manage change across the Group also in 2021 within the framework of Organizational Health Index activities.

Projects started within the light of Organizational Health Index assessments data across the Group, will continue in line with the Bank's growing structure and needs in 2022.

The following activities and applications were implemented at the projects conducted to create awareness and commitment of the employees regarding the vision, mission, strategic goals and corporate values.

Value Competition was held to internalize our values and create awareness. Workshops were organized to strengthen and reinforce our values.

Human Resources Practices

#### Employee Loyalty

Chess Club, Basketball Club, Music Club were set up within the Social Activities Team. Various events were held by the Social Activities Team which was set up by the employees.

Employee Support Program was launched to help our employees, which are the most valuable assets of our Bank, with the challenging business and private life events that affect their performance and efficiency, thus supporting them to provide more added value by keeping their ambitions alive in their business lives. This program provides 24/7 advisory and informative services to employees and their family members to consult in all areas that may create personal stress or anything that needs to be inquired.

Various workshops were organized to keep employee communication close and to share developments regarding the Bank. Strategy meetings were held with the employees at managerial positions.

#### Collaboration with Universities and Internship Programs

Collaboration with Istinye University was established to prepare university students for business life and to contribute to their development. In this context, Training Programs were held in four different topics.

Internship opportunities were provided to students with career goals in banking and finance to contribute to their development, thus leading to hire new talents.

#### Transparent Performance Evaluations and Career Planning

Promotion and career planning of our employees are planned transparently by the Human Resources Committee on a periodic basis.

High performance and innovation are supported and encouraged by the Bank's human resources policy. A career management system based on enriching career opportunities has been adopted by giving priority to employees with consideration for positions.

In-house rotational and promotional practices are designed to contribute to the career developments of employees, and to meet the human resources needs of the Bank in a rapid and effective manner. In promotions to senior positions, the Assessment Center Application service is obtained from a professional consulting firm in order to conduct a fair and objective evaluation. In 2021, 11% of the employees were promoted.

In performance evaluations, it was determined that better results are achieved for both employees and the Bank by managing individual performance in line with bank targets and strategies. Performance evaluations of employees are performed with a transparent management perspective. Our Bank implements an "Open Performance Assessment System."

The following criteria are taken into consideration in periodic performance evaluations:

- Financial and Non-Financial Performance goals that support employee's continuous development;
- Commitment to corporate values and compliance with Bank policies/procedures,
- Contribution with respect to compliance with risk management and legislation,
- Suitability for the Bank and for the competencies required by the task.

The results of performance evaluations are used in career, training and compensation planning.

#### **Talent Management Programs**

In order to raise new generation leaders within PASHA Group Companies, the Bank worked with a professional consultancy firm. In this context, mentors were identified within the Group to contribute in development of managerial candidates who are at the talent pool of the Group. Moreover, leadership program was planned to develop new generation competencies of the leaders of our Bank.

#### **Remuneration Policy**

PASHA Bank's Remuneration Policy is supported by a fair, internal compensation strategy based on industry salary survey. Practices in the industry related to remuneration and fringe benefits have been monitored, and necessary arrangements have been made regarding annual wage increases and other fringe benefits under existing practices. A gross wage policy is implemented at our Bank, and our employees are provided with fringe benefits such as health and life insurance, meal cards, transportation, and mobile phones and vehicles (according to the requirements of their positions), and employee support program services. Employees and senior executives may receive fixed and performance-based compensation in accordance with the Bank's Remuneration Policy and Bonus Policy.

The criteria for performance-based compensation are determined by the Remuneration Policy and the Bonus Policy.

Total amount of financial benefits provided to the members of the Board of Directors and senior management as of 31 December 2021, including salaries, allowances and bonuses was TL 11,307 thousand.

In this context, total amount paid to members of the Board of Directors and senior management in accordance with the Bank's remuneration policy and bonus policy is disclosed in the notes to unconsolidated financial statements as of 31 December 2021, and independent audit report Section 5 Note 7 under the 'Information on benefits provided to senior management' article of 'Disclosures related with the risk group of the Bank'.

The payments made to senior management by the Bank are disclosed to public in line with the general practices not on an individual basis but collectively, covering the top management as a whole.

Furthermore, Directors' & Officers' Liability Insurance with a limit of US 1 million is provided for the individual liabilities of the Board members and the Bank's managers in case of wrongdoing while running the business.

Operating with its experienced and competent staff, PASHA Bank supports women's participation in business life with its female employees, who consist 50% of both its C level positions and all its employees.

67% of the employees are university graduates, 28% hold Masters and PhD degree.



## **Profit Distribution Policy**

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

The Bank's principles pertaining to profit distribution are included in the Articles of Association and the corporate website of the Bank.

The General Assembly can – after setting aside the statutory reserves as required by Turkish Commercial Code and the provisions of the Articles of Association of the Bank, and provided that the permissions required by the legislation on banks are obtained – at its sole discretion and in a way not to constitute a vested right, decide to distribute profits out of the remaining amount, to the members of the Board of Directors and/or of the senior management of the Bank, and to the personnel, at the amounts it wishes.

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

In case the Board of Directors tabled a motion for the approval of the shareholders at the general assembly meeting in order that a decision be taken to not distribute the profit for the period, it is obligatory to disclose to the shareholders the reason for not distributing the profit and where the retained profit will be used.

At the General Assembly convened on 18 March 2021, the following resolutions were agreed upon based on the proposal under the Bank's Board of Directors Decision No. 2021/14, dated 26 February 2021: Out of the distributable profit of TL 31,376,224.82, which is the Bank's unconsolidated net profit for 2020, TL 1,568,811.24 will be set aside as First Legal Reserves as the statutory obligation, net distributable profit for the period in the amount of TL 29,807,413.58 will not be distributed as dividends but will be transferred to Extraordinary Reserves. It has also been resolved that 2020 period income and undistributed profit and reserves from periods before 2020 will not be distributed to cause cash outflow, taking into consideration the directives of Banking Regulation and Supervision Agency.

Based on our financial statements for the period of 1 January 2021 - 31 December 2021 audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (member company of Ernst&Young Global Limited) TL 47,125,266.86 "Net Period Profit" was realized and the Board of Directors' proposal for the method of distribution will be submitted for the approval of the General Assembly on 18 March 2022.

## Information on Support Service Providers

The following are the details of the support services procured during the reporting period within the scope of the "Regulation Regarding the Procurement of Support Services by the Banks" put into effect on 5 November 2011 by the Banking Regulation and Supervision Agency.

Trade Name of Support Services Provider	Service Description	Operating Area
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİCARET A.Ş.	The main connection and infrastructure required for the IP based messaging network for SWIFT, SWIFTNet, and maintenance and support services for the PayGate software.	Information Systems
INTERTECH BİLGİ İŞLEM VE PAZARLAMA TİCARET A.Ş.	Support, update and maintenance services for the core banking system (INTER-VISION)	Information Systems
ACTIVE BİLGİSAYAR HİZMETLERİ VE TİCARET LİMİTED ŞİRKETİ	Core Banking System Securities Module	Information Systems
BARİKAT BT BİLİŞİM TİC. A.Ş.	Information Security and Operations Center	Information Systems
BİLGİ BİRİKİM SİSTEMLERİ ELEK. VE BİLG. END. TİC. LTD. ŞTİ.	Information Technologies Network Operations Monitoring	Information Systems
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	Private security service for the head office	Private Security Service

## Transactions Made with the Bank's Risk Group

Information on loans of the Bank's risk group is given below:

Current Period	Investments in Associates, subsidiaries, and joint ventures		Direct and shareholders		Other real and legal persons that have been included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	_	-	-	44,749	277,974	83
End of the Period	-	-	25,071	187,981	464,149	268
Interest and Commission Income Received	-	-	-	695	19,908	8

Information on forward and option agreements and other similar agreements made with the Bank's risk group is given below:

Bank's Risk Group	Investments i subsidiaries, and		Direct and shareholders		Other real and legal persons that have been included in the risk group		
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period	
Financial Assets where Fair Value Through Profit or Loss							
Beginning of the Period	-	-	-	-	_	_	
End of the Period	-	-	-	-	-	-	
Total Income/Loss	-	-	170	2	(1,816)	(75)	

In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters are given below:

	Current Period			Prior period		
	Risk Group	Total	% Share	Risk Group	Total	% Share
Banks	276	209,910	O.1	1,004	121,511	0.8
Cash loans and receivables from leasing transactions	489,220	2,422,452	20.2	277,974	1,492,935	18.6
Loans received	14,010	1,376,052	1.0	532	803,224	O.1
Money market funds	10,835	205,523	5.3	1,194	53,263	2.2
Marketable securities issued	982,820	1,222,459	80.4	588,381	647,016	90.9
Borrower funds	3,782	126,392	3.0	916	90,212	1.0
Non-Cash loans	188,249	732,489	25.7	44,832	332,626	13.5
Derivatives	-	278,708	0.0	-	194,643	0.0

## Information on Significant Developments Related with the Bank's Operations and Legal Disclosures

#### Disclosures Concerning Administrative or Judicial Sanctions Imposed on the Bank and its Management due to Practices in Violation of Regulations

There were no administrative or judicial sanctions imposed on the members of the Board of Directors due to regulatory violations in accordance with Banking Law and related legislation.

In 2021, the obligations regarding the administrative and irregularity fines practiced by the regulatory and supervisory authorities for the legislative discords were met by means of benefiting from the discount permitted by the legislation and a total amount of TL 245,497.50 was paid.

#### Lawsuits Against the Bank and any Probable Outcomes That Could Impact the Bank's Financial Situation and Operations

There are no lawsuits filed against the Bank in 2021 significant enough to have a material impact on its financial situation or operations.

## Information on regulatory changes that may have a material impact on the operations of the Bank

1. Regulation on Remote Identification Methods to be Used by Banks and Establishment of Contractual Relations in Electronic Environment was published in the Official Gazette dated 1 April 2021 and became effective on 1 May 2021 which regulate the procedures and principles of establishing contractual relations with customers through an IT system or an electronic communication device, replacing a written format whether remotely or not, or a remote contract relation. These rules relate to remote identification methods which can be used when acquiring new / potential customers and banking services to be provided upon customer identification. Changes that came with this regulation are to be applied when acquiring new customers, along with the requirements of Law No: 5549 on Prevention of Laundering Proceeds of Crime dated 1 October 2006, Law No: 6698 on Protection of Personal Data dated 24 March 2016 and related legislation. Additionally, technical infrastructure and security measures will be taken which are required by the Regulation on Banks' Information Systems and Electronic Banking Services which was published on the Official Gazette No: 31069 dated 15 March 2020 and became effective with all its articles on 1 January 2021. Upon taking technical measures required by the related legislation, the Bank will be able to establish remote identification and contractual relations in electronic environment with potential customers. This regulation allows establishing customer relations with electronic methods from the start, rather than depending on an original signed contract.

2. Rules to be followed when providing payment services to the Bank's customers as a Payment Service Provider were listed at the Regulation on Payment Services and Electronic Money Issuance, Payment Service Providers which was published at the Official Gazette dated 1 December 2021 and became effective on the same date. This regulation was issued based on Law No: 6493 Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions. There are significant regulations which require foreign institutions that we collaborate with in providing these services to apply to the Central Bank of Turkey which is the regulatory authority of our country in this respect. In addition to this special regulation, rules and requirements are established with this legislation for outside service providers of our Bank and/or payment institutions we collaborate with while providing payment services to our customers. Minimum principles in establishing customer relations are also regulated with this legislation.

**3.** After the recent foreign currency mobility, in order to reduce the impacts of foreign currency changes on capital adequacy ratio, BRSA issued its Resolution No: 9996, dated 21 December 2021. Based on this resolution;

- As stated on the Agency's Resolution No: 9795, dated
   6 September 2021, it has been decided that, for the calculation of credit risk exposure in accordance with Regulation on the Measurement and Evaluation of Banks' Capital Adequacy (Capital Adequacy Regulation), out of monetary and non-monetary assets, measurement of items other than foreign currency items that are measured at historical cost, in accordance with Turkish Accounting Standards and related specific provision amounts, simple arithmetic average of foreign currency buying rates of last 252 business days issued by the Central Bank of Turkey will be used, unless otherwise indicated by the Agency. Accordingly, as of 1 January 2022, simple arithmetic average of Central Bank buying rates for the last 252 business days as of 31 December 2021 will be used in this calculation.
- As of the date of the Resolution, if net measurement differences of the Banks' securities classified under "Fair Value Through Other Comprehensive Income" portfolio are negative, these differences may be omitted in the equity amount to be used in the capital adequacy ratio calculated in accordance with the Regulation on Equity of Banks. For the securities under "Fair Value Through Other Comprehensive Income" portfolio purchased after the date of the Resolution, current rulings of the Regulation will be applied.

**4.** The following changes were made to the Capital Adequacy Regulation:

• Threshold at the definition of Small and Medium-sized Enterprises (SME) at the Article 3, first paragraph, item (vv) is determined as TL 220,000,000 for domestic SMEs.  Retail credit limit as per the Article 6, second paragraph, item (c), first sentence is determined as TL 10,000,000. For SMEs residing at foreign countries, it was decided that SME definition of the related foreign country's capital adequacy regulations issued by its banking authority should be used.

# Extraordinary General Assembly Meeting held during the year, if any

An Extraordinary General Assembly meeting was not held in 2021.

## Information on Audits

In accordance with the Banking Law no.5411, the Bank is subject to limited reviews at each quarter and a full scope audit at year ends by an Independent Audit Firm. Audit reports are approved by the Audit Committee and the Board of Directors. Moreover, based on Article 65 of the same Law, the Bank is under continuous oversight and audit of Banking Regulation and Supervision Agency and other regulatory agencies and authorities.

In 2021, an audit of our Bank was performed by an inspector from the Central Bank of Turkey.

## Activities within the Scope of Prohibition of Competition

Board of Directors Members were given the permission by the General Assembly to act within the scope of Article 395 of the Turkish Commercial Code numbered 6762 "Prohibition of doing business with the Company and loans from the Company" and Article 396 of the same Law, "Prohibition of competition". However, the members of the Board of Directors did not have any activities on their or other parties' behalf or any act within the scope of prohibition of competition within the frame of this permission granted by the General Assembly.

# Measures Intended to Prevent Conflicts of Interest

PASHA Bank has established an equilibrium policy regarding stakeholders in order to tackle any potential conflicts of interest among them in a balanced manner within the framework of the Corporate Governance Policy.

The Bank follows the general principles and code of practice defined in the Conflicts of Interest Policy in managing potential conflicts of interest among stakeholders as described below, and implements the measures set forth in the aforementioned policy to prevent conflicts of interest.

- · Conflict of interest between the Bank and its customers;
- · Conflict of interest between the Bank and its employees;
- · Conflict of interest between employees and/or functions;
- · Conflict of interest between customers;
- Conflict of interest between the Bank's employees and customers.

Compliance Department Manager is responsible for sharing incidents of conflict of interest detected with the Audit Committee and reporting them to the Human Resources Department and Internal Audit Department via the Compliance Report. Human Resources Department is responsible for reporting those cases which were communicated by the Compliance Department to the Human Resources Committee, along with the solutions and action plans determined by the Committees of the Headquarters. PASHA Bank announces to the public its Conflict of Interest Policy and Corporate Governance Policy by publishing the same on the corporate website.

The Audit Committee conducted a risk assessment on the support services procured by the Bank; and prepared an evaluation report on whether or not any situation has emerged in a way to prevent or pose a risk for the effective and efficient functioning of the Bank's internal systems or performance of internal control or internal audit activities in procurement of support services; as well as whether or not the qualified shareholders of, and managers authorized to represent, the support service organizations continue to meet the criteria required by law. The committee submitted the report to the Board, and monitored the efficiency of the services performed by support service organizations regularly. No conflict of interest was found in the evaluations made by the Committee.

Moreover, independence of activities between the Bank and the chairman and members of the board of directors, managers, appraisal experts, employees and auditors of the appraisal institutions which the Bank procured services from in 2021 were reviewed. No conflicts of interest were noticed for the Bank and the risk group which includes the Bank other than the ones anticipated at the appraisal service agreement.

# Statement of Compliance with Corporate Governance Principles

It is decided to submit the Corporate Governance Compliance Report – which has to be prepared as per Resolution of the Capital Markets Board dated 10.01.2019 and numbered 2/49 and as required by Corporate Governance Communiqué II-17.1 - via the Public Disclosure Platform ("PDP"), by using the templates of the Corporate Governance Compliance Reporting ("CRF") and of the Corporate Governance Information Form ("CGIF"). The said templates as well as the explanations made according to Corporate Governance Communiqué II-17.1's Article 8 with the heading "Corporate Governance Principles Compliance Report" are presented below. CRF templates are used in order to report the compliance status with the voluntary principles, CGIF templates are used to inform about the corporate governance practices, and the related forms are announced to the public at least three weeks before the General Assembly Meeting on the PDP. The information in the CRF and CGIF templates announced at PDP have been assessed by the Corporate Governance Committee, Audit Committee and accepted by the resolution of the Board of Directors.

The Corporate Governance Compliance Report was prepared as annexed in accordance with the formats determined by the Capital Markets Board's decision.

The fields indicated by (X) represent the Bank's compliance status, and necessary explanations have been made for the implementations other than yes.

With the awareness of the importance of corporate governance practices as well as financial performance, PASHA Bank improves its internal practices to establish an effective, adequate and consistent corporate structure with regard to the "Bylaw on the Corporate Governance Principles for Banks" issued by the Banking Regulation and Supervision Agency ("BRSA"). On the other hand, it has been working voluntarily to ensure maximum compliance with the Corporate Governance Principles contained in the attachment to the "Corporate Governance Communiqué" no. II-17.1 that was published by the Capital Markets Board ("CMB"), and continues to strengthen corporate governance mechanisms in this endeavor. PASHA Bank believes that the existence of independent members in the Board of Directors as part of the Corporate Governance Principles will contribute to the development and strengthening of the Bank's activities, and the establishment of a more professional management approach. Two members at the Board of Directors possess the qualities of independent Board members.

PASHA Bank's determination to implement corporate governance principles, and its willingness to manage this process dynamically and continuously, were confirmed in 2021 by an independent rating agency and JCR Eurasia Rating has revised PASHA Bank's overall compliance score with CMB Corporate Governance Principles upwards to (9.23) along with a (Stable) outlook.

As per resolution of the Board of Directors to enhance corporate governance efficiency, "Human Resources and Remuneration Committee" has been restructured under two separate committees as "Human Resources Committee" and "Nomination & Remuneration Committee as of 01 February 2021. The discrepancies arising between the CMB's Corporate Governance Principles and the practices by the Bank were included in the report under the relevant subject headings.

In 2021, PASHA Bank adhered compliance to the "Corporate Governance Principles" published by the CMB with the exception of certain principles provided below that were not required to be implemented. There is no conflict of interest stemming from the matters outlined below that were not implemented.

As required by the Corporate Governance Communique numbered II-17.1, article 11 and clause 2, "The manager of the investor relations department that possesses the necessary CMB licenses mentioned in the Communiqué has not been placed as a member of the Corporate Governance Committee.

With respect to the principle numbered 1.5.2.; Minority rights have not been recognized by the Articles of Association for those who hold less than one-twentieth of the capital.

With respect to the principle numbered 2.1.2; information about the real persons who own more than 5% of the issued capital is not published on the corporate web page.

With respect to the principle numbered 3.3.1.; there is no official succession plan for the key posts. However, activities to develop an official succession plan for the key posts has continued throughout 2021 within the scope of an action plan regarding enhancement of the corporate governance processes before the controlling shareholder and the approach for succession planning of the Board and Committees' members and chairpersons was approved by the Group ExCo.

With respect to the principle numbered 3.3.8.; there is no union organization among the Bank's employees and the Bank does not have an action plan for such arrangement in this regards.

With respect to the principle numbered 4.2.8.; The limit of the directors' and officers' liability insurance does not exceed 25% of the paid-up capital of the Bank, and no explanation has been made in this regard at the PDP.

With respect to the principle numbered 4.3.9.; There is not yet a target rate and target time determined for the ratio of female members in the Board of Directors. As of reporting date there are two female members in the Bank's Board of Directors.

With respect to the principle numbered 4.5.3.; the roles of chair of the committees other than the Human Resources Committee and Nomination & Remuneration Committee have been conducted by independent non-executive directors.

With respect to the principle numbered 4.5.5.; Assignment to the Board Committees is carried out in line with the relevant legislation, taking into consideration the accumulated knowledge and experience of the members of the Board of Directors and some members of the Board of Directors are assigned to more than one committee. However, members assigned to more than one committee ensure communication between committees involved in related issues and increase cooperation opportunities.

With respect to the principle numbered 4.6.5.; The remuneration and other benefits provided to the Board Members and senior executive directors are disclosed to the public through the annual report. However, the payments made are disclosed to the public on a collective basis in parallel to market practice, rather than an individual basis.

Explanations about the activities of the Committee in charge of audit and the outcome of its meetings are included under the section "Information On Management and Corporate Governance Practices" of the Annual Report and functioning and effectiveness of the internal systems organization are included under the heading "Audit Committee's Assessments on the Operation of Internal Systems" of the Annual Report.

# RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THEIR ACTIVITIES IN THE REPORTING PERIOD

### Board of Directors' Activities in 2021

Board of Directors defines the Bank's strategies, related business goals and risk limits for three-year periods based on Strategy and Budget Committee's suggestions. In 2021, the Board of Directors discussed and resolved the issues on related with the activities summarized below:

"The responsibilities assigned to the Board of Directors within the framework of the provisions of the Communiqué on Internal Systems and Internal Capital Adequacy Assessment Process of Banks, risk management and credit policies and methodologies, improvements on the internal credit risk rating model, updates on the risk appetite limits, Risk Appetite Statement and related Operational Limits, new and updated policies and regulations of the Bank, independent audit reports in accordance with BRSA regulations and International Financial Reporting Standards, the action plans for the correction of the findings regarding the information systems and banking processes audit and the penetration test, loan allocation, financial restructuring and procurement requests under the authority of the Board of Directors, key performance indicators and information systems strategy plan of the strategy period, the budget for the next fiscal year and its monthly financial performance, domestic and cross border issuance conditions for the debt instruments, asset finance fund establishments, corporate governance practices, changes in the Bank's organizational structure, distribution of duties in the Board of Directors and its Committees, top management appointments, promotion and personal benefits of Bank's employees, authority levels of employees who will be granted signature authorities or changes in those with existing authorities, implementation plan of strategic initiatives, selection of independent auditor, Annual General Shareholders' Meeting agenda and suggestions to be submitted to the General Assembly.

Corporate Secretary Unit is assigned to perform duties of determining the agenda of the PASHA Bank's Board of Directors' meetings, preparing the Board of Directors resolutions, briefing and communication of the Board of Directors. Topics to be discussed at the meetings are gathered at the Corporate Secretary Unit and upon consolidation of these topics, the agenda is determined as per endorsement by the Chairman.

Evaluation of individual director performance was carried out by the Chairman in 2021.

In order to ensure automation of board packs and digitization of meetings, to enhance the decision making process and help directors to manage/review the vast amount of information and monitor the meeting process effectively and to enable voting and signing the resolutions electronically, electronic board meeting system has become operational in 2021.

# Board of Directors Structure and Status of Members at the Board

All members of our Board of Directors were reelected on 30 March 2020 to serve for three years except Mr. Furkan Evranos who was appointed as an Independent Board Member on 25 May 2021 to complete the term of service of Ms. Meriç Uluşahin, the Independent Board Member who stepped down on 12 August 2020.

Biographies of the Board Members can be found on pages 46 and 47 of the annual report.

#### Information on Aids and Donations

During the period, aids and donations at a total amount of TL 86,301.51 were realized. The Bank's internal procedures on donation policy are set up with its Corporate Governance Policy and no changes were made during the period.

Information on the amount of aids and donations and their beneficiaries are presented at the General Assembly meeting as a separate agenda item.

## Corporate Governance Compliance Report

		Comp	any C	ompliance St	<b>-</b> • • •	
	Yes	Partial	No	Exempted	Not Applicable	Description
1.1. FACILITATING THE EXERCISE OF SHAREHO	DLDER					
1.1.2 - Up sto-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	Х					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMA	ATION					
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.					Х	The Article 33 of the Articles of Association of the Bank contains the provision "the independent audit of the Bank is performed by independent auditors authorized to perform independent audits in the banks in accordance with the relevant legislation. The independent audit firm to conduct the audit is selected by the General Assembly", and there is no provision in the Articles of Association of the Bank regarding the request for the appointment of a special auditor. There were no requests made during the reporting period as to the appointment of a special auditor for our Bank.
1.3. GENERAL ASSEMBLY						
1.3.2 -The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	Х					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					Х	
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	Х					

		Comp	oany C	ompliance S		
	Yes	Partial	No	Exempted	Not Applicable	Description
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	Х					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		Х				There is no media participation.
1.4. VOTING RIGHTS						
1.4.1-There is no restriction preventing shareholders from exercising their shareholder rights.	Х					
1.4.2-The company does not have shares that carry privileged voting rights.	Х					
<ul> <li>1.4.3-The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.</li> <li>1.5. MINORITY RIGHTS</li> </ul>					Х	The Bank has no subsidiaries and affiliates.
1.5.1- The company pays maximum diligence to the exercise of minority rights.	Х					
1.5.2-The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			Х			Minority rights have not been determined to be less than one-twentieth of the capital in the Articles of Association of the Bank.
1.6. DIVIDEND RIGHT						
1.6.1 -The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	Х					
1.6.2-The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	Х					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	Х					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	Х					

		Comp	any C	compliance St		Description
	Yes	Partial	No	Exempted	Not Applicable	Description
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	Х					
2.1. CORPORATE WEBSITE						
2.1.1The company website includes all elements listed in Corporate Governance Principle 2.1.1.		Х				Frequently Asked Questions section is not available.
2.1.2-The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.			Х			The information on real person shareholders who own more than 5% of the issued capital is not available on the corporate website.
2.1.4 -The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		Х				Important information is prepared in English. Related information is updated as needed.
2.2. ANNUAL REPORT						
2.2.1-The board of directors ensures that the annual report represents a true and complete view of the company's activities.	Х					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	Х					
3.1. CORPORATION'S POLICY ON STAKEHOLDE	RS					
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	Х					
3.1.3-Policies or procedures addressing stakeholders' rights are published on the company's website.	Х					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	Х					
3.1.5-The company addresses conflicts of interest among stakeholders in a balanced manner.	Х					

	Company Compliance Status						
		Dential	N1 -	e	Not	Description	
	Yes	Partial		Exempted	Applicable		
3.2. SUPPORTING THE PARTICIPATION OF THE 3.2.1-The Articles of Association, or the internal	STAK	EHOLDER		HE CORPOR	ATION'S MAN	IAGEMENT	
regulations (terms of reference/manuals), regulate the participation of employees in management.	Х						
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	Х						
3.3. HUMAN RESOURCES POLICY							
3.3.1- The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.		Х				Ongoing effort has been made to develop an official succession plan for the key posts.	
3.3.2-Recruitment criteria are documented.	Х						
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	Х						
3.3.4-Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	Х						
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	Х						
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	Х						
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	Х						

	Yes	Partial	No	Exempted	Not Applicable	Description
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.			Х	Exempted	присартс	The Bank does not have a regulation issued on this matter.
3.3.9 - A safe working environment for employees is maintained.	Х					
3.4. RELATIONS WITH CUSTOMERS AND SUPP	LIERS					
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	Х					
3.4.2-Customers are notified of any delays in handling their requests.	Х					
3.4.3 - The company complied with the quality standards with respect to its products and services.	Х					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	Х					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBIL	ITY.					
3.5.1-The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	Х					
3.5.2-The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	Х					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long- term interests of the company, and that effective risk management is in place.	Х					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	Х					
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTOR</b> 4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	s X					

		Comp	oany C	ompliance S		
	Vac	Partial	No	Evenneted	Not Applicable	Description
4.2.2-Duties and authorities of the members of the board of directors are disclosed in the annual report.	Yes X	Partial	ΝΟ	Exempted	Applicable	
4.2.3-The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	Х					
4.2.4-Information on the functioning and effectiveness of the internal control system is provided in the annual report.	Х					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	Х					
4.2.7 - The board of directors ensures that the Investor Relations department and the corporate governance committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	Х					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			Х			The cost of liability insurance for managers does not exceed 25% of the capital of the Bank, and there was not a disclosure made on the PDP on this issue.
4.3. STRUCTURE OF THE BOARD OF DIRECTO	RS					
4.3.9-The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		Х				There has been no target rate and target time determined for the female member rate in the Board of Directors. As at 2021 year-end, two female directors sit on the Board of Directors and a rate of 22% was attained.
4.3.10-At least one member of the audit committee has 5 years of experience in audit/ accounting and finance.	Х					

		Comp	any C	ompliance St	tatus	
	Yes	Partial	No	Exempted	Not Applicable	Description
4.4. BOARD MEETING PROCEDURES						
4.4.1-Each board member attended the majority of the board meetings in person.		Х				Due to the COVID-19 pandemic, which started in 2020 and continued throughout the year 2021, majority of the board meetings are held in the form of videoconference.
4.4.2-The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	Х					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.	Х					
4.4.4-Each member of the board has one vote.	Х					
4.4.5-The board has a charter/written internal rules defining the meeting procedures of the board.	Х					
4.4.6-Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	Х					DASUA Holding LLC the

4.4.7-There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.

Х

PASHA Holding LLC, the controlling shareholder of the Company, has subsidiaries and, as the Members of the Board of Directors of the Bank taking part in the management of these companies is for the benefit of the Group, they have not been restricted in taking on these duties outside the Bank. On the other hand, independent members have also not been restricted in taking on other duties outside the Bank. The duties of the Members of the Board of Directors outside the Bank are submitted to the information of the shareholders in the General Assembly through the annual report and information document.

		Com	pany C	ompliance Sta		Description
	Yes	Partial	No	Exempted	Not Applicable	Description
4.5. BOARD COMMITTEES						
4.5.5-Board members serve in only one of the Board's committees.			Х			Assignment to the Board of Directors' Committees are made in accordance with the relevant legislation, taking into account the knowledge and experience of the Board Members, and some of the Members of the Board of Directors are assigned to more than one committee. However, members who serve in more than one committee provide communication between committees that work on related matters and increase cooperation opportunities.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	Х					
4.5.7-If external consultancy services are used, the independence of the provider is stated in the annual report.	Х					
4.5.8-Minutes of all committee meetings are kept and reported to board members.	Х					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.	Х					
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favour of them.	Х					
4.6 s-The individual remuneration of board						The remuneration and other benefits provided to the Board Members and senior executive directors are disclosed to the

4.6.5-The individual remuneration of board members and executives is disclosed in the annual report.

benefits provided to the Board Members and senior executive directors are disclosed to the public through the annual report. However, the payments made are disclosed to the public on a collective basis parallel to market practice, rather than an individual basis.

## **Corporate Governance Information Form**

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
The number of investor meetings (conference, seminar/etc.) organised by the company during the year	No representation was possible in any meeting due to Covid 19 pandemic which effects was felt globally throughout the year.
1.2. Right to Obtain and Examine Information	
The number of special audit request(s)	The request for the appointment of a special auditor has not yet been laid out as an individual right in the Bank's Articles of Association. No requests were received for the appointment of a special auditor within the period.
The number of special audit requests that were accepted at the General Shareholders' Meeting 1.3. General Assembly	There was no request for a special auditor at the Ordinary General Assembly Meeting held in 2021.
	The Consul Assembly Information Decumentary posted consultably on
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	The General Assembly Information Document was posted separately on the corporate website.
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	The documents of the General Assembly Meeting are not published in English at the same time.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There are no non-unanimous transactions within the scope of the Principle 1.3.9.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communique on Corporate Governance (II-17.1)	The related-party transactions realized by the Bank in 2021 as part of ordinary operations were presented to the Board of Directors by means of financial reports that were disclosed to the public. In 2021, there were no related-party transactions or significant transactions that must have been submitted to the approval of the General Assembly because of lack of approval by the independent members.
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communique on Corporate Governance (II-17.1)	There were no widespread and continuous related-party transactions that needed to be decided on by the Board of Directors, other than the transactions carried out by the Bank in 2021 due to its ordinary operations.
The name of the section on the corporate website that demonstrates the donation policy of the company	It is contained in the heading "Donations and Aids Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pashabank.com. tr".
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/919035
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	22
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Bank employees, Members of the Board of Directors, shareholders' representative, independent audit firm's representative, corporate governance rating agency's representative can attend the General Assembly meeting.

1.4. Voting Rights	
Whether the shares of the company have differential voting rights	None.
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	None.
The percentage of ownership of the largest shareholder	50.96
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	No
If yes, specify the relevant provision of the articles of association	None.
1.6. Dividend Right	
The name of the section on the corporate website that describes the dividend distribution policy	It is included in the heading "Profit Distribution Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at "www.pashabank.com.tr".
Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend	As per the motion submitted by the proxy of PASHA Bank OJSC and PASHA Holding LLC, in accordance with the resolution of the Board of Directors dated 26 February 2021 and numbered 14, by considering the regulations related with the Banking Law, it was unanimously resolved that; a primary legal reserve at the amount of TL 1,568,811.24, out of nonconsolidated profit of TL 31,376,224.82 for the year 2020 be set aside; the net distributable profit of TL 29,807,413.58 for the period, be transferred to the Extraordinary Reserves account; without being distributed as dividend, the profit distribution statement, annexed to the proposal be approved.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to	https://www.kap.org.tr/tr/Bildirim/919035

minutes in case the board of directors proposed to the general assembly not to distribute dividends

General Meeting Date	The number of additional disclosure requests submitted to the company in relation to the agenda of the General Assembly	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
18.03.2021	0	99.92%	99.92%	It is contained under the "General Assembly Meetings" tab in the "Corporate Governance" section within the "About Us" page on the bank's website located at the address "www.pash- abank.com.tr".	N/A	11	0	https://www.kap.org.tr/tr/ Bildirim/906690

## 2. DISCLOSURE AND TRANSPARENCY 2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	It is included in the "Corporate Governance" section of the "About Us" page under the "Investor Relations" page on the Bank's corporate website at the address of www.pashabank. com.tr
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	None.
List of languages for which the website is available	Turkish and English
2.2. Annual Report	
The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	It is located in the section of "Information on Management and Corporate Governance Practices" of the annual report.
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	It is located under the heading "Information on Activities of the Board and Committees" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	It is located under the heading "Information on Activities of the Board and Committees" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	It is located under the heading "Information on Significant Developments Related with the Bank's Operations and Legal Disclosures" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	It is located under the heading "Information on Significant Developments Related with the Bank's Operations and Legal Disclosures" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	It is located under the heading "Measures Intended to Prevent Conflicts of Interest" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	None.
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate	It is located under the heading "Human Resources Practices" in the section of "Information on Management and Corporate Governance Practices" of the Annual Report.
	<ul> <li>information requested by the Principle 2.1.1.</li> <li>If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.</li> <li>List of languages for which the website is available</li> <li>2.2. Annual Report</li> <li>The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.</li> <li>a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members</li> <li>b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure</li> <li>c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation</li> <li>d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings</li> <li>c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation and the possible results thereof</li> <li>e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest fi The page</li></ul>

3. STAKEHOLDERS	
3.1. Corporation's Policy on Stakeholders	
The name of the section on the corporate website that demonstrates the employee remedy or severance policy	It is located in the heading "Compensation Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the Bank's website at the address of "www.pashabank.com.tr".
The number of definitive convictions the company was subject to in relation to breach of employee rights	None.
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Employees can communicate their concerns about any illegal or unethical practices made in the Bank, all issues related to the violation of ethical principles, and their findings on the following issues to the Compliance Officer via e-mail address "EtikHatGroup@pashabank.com. tr" of the Ethics Line communication channel specified within the Bank's structure. • Fraud, • Corruption, • Forgery, • Unethical behavior, • Cases creating conflict of interest • Non-compliance with legal regulations
The contact detail of the company alert mechanism.	Those concerned can be reached via the e-mail address of "EtikHatGroup@pashabank.com.tr".
3.2. Supporting the Participation of the Stakeholders in t	he Corporation's Management
Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies.	Employee participation in decision-making processes is ensured by the "Employee Satisfaction Survey" system.
Corporate bodies where employees are actually represented	Employees of the Bank can use any communication channel to participate in management.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	The Board of Directors puts into place the necessary succession plans.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Human Resources Policy" under the "Policies" tab contained in the "Corporate Governance" section of the "About Us" page on the Bank's corporate web site at the address of www.pashabank.com.tr.
Whether the company provides an employee stock ownership programme	There is no share purchase plan.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of www.pashabank.com.tr.
The number of definitive convictions the company is subject to in relation to health and safety measures	None.

3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	It is located in the heading "Code of Conduct" under the "Policies" tab in the "Corporate Governance" section of the "About Us" page on the Bank's corporate website at the address of www.pashabank.com.tr.
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	<ul> <li>Within the framework of its Sustainability, Environment and Social Responsibility Policy, the Bank bases on the principles exemplified below on related issues.</li> <li>The Bank endeavors to comply with all Corporate Governance principles as well as the mandatory Corporate Governance principles within the scope of the Capital Markets Board Corporate Governance Communiqué numbered II-17.1.</li> <li>The Bank applies the Law on Occupational Health and Safety and its secondary regulations in Turkey to provide full compliance, related to the health and safety of their employees apply the necessary measures in time.</li> <li>The Bank undertakes to comply with the related obligations by following all environmental regulations it is subject to due to its activities.</li> <li>The Bank aims to support investments in renewable energy with projects with high environmental awareness.</li> <li>The Bank conducts environmental awareness raising activities to ensure that its employees act environmentally sensitive in their activities.</li> <li>The Bank takes the necessary measures to ensure the recovery of wastes.</li> <li>Within the framework of the Bank's Credit Policy approved by the Board of Directors, it is undertaken not to finance restricted sectors and areas in terms of loan granting regardless of the amount limitation.</li> </ul>
Any measures combating any kind of corruption including embezzlement and bribery	The following methods are used pursuant to the Misconduct Prevention Policy to prevent abuses before they occur and to reveal them after they occur. • External Audit of Financial Statements and Financial Reporting • Financial Reporting Approved by Senior Management • Authority Limits • Segregation of Duties • Ethical Principles Policy • Corporate Governance • Independent Audit Committee • Whistleblowing Hotline • Misconduct Training for Staff and Managers • Misconduct Prevention Policy • Official Misconduct Risk Assessments • Internal Audit and Internal Control Practices • Unexpected Inspections • Supervision • Physical Inspections and Reconciliations • Information Security Policies • Personnel Policies • CV Reference Checks • Rotation / Mandatory Leave

4. BOARD OF DIRECTORS-I	
4.2. Activity of the Board of Directors	
Date of the last board evaluation conducted	26.11.2021
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There has been no delegation of authority.
Number of reports presented by internal control unit to the audit com- mittee or any relevant committee to the board	7
Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	It is included under the heading "Audit Committee's Assessment of the Functioning of Internal Systems" in the section of the annual report titled "Assessments on Financial Information and Risk Management".
Name of the Chairman	Jalal Gasimov
Name of the CEO	Hikmet Cenk Eynehan
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	They are different persons.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	The cost of directors' & officers' liability insurance does not exceed 25% of the capital of the Bank and no sepa- rate disclosure was made in the PDP on this matter.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	None.
The number and ratio of female directors within the Board of Directors	2 people, with a rate of 22%.

Name, Surname of the Board Member	Real Person Acting on Behalf of Legal Person Member	Gender	Title	Profession	The First Election Date To the Board	Whether Executive Director Or Not	Positions Held in the Company in the Last 5 Years
Jalal Gasimov	-	Male	Chairman	Banker	17/08/15	Non-Executive	Chairman of Board of Directors Chairperson of Strategy and Budget Committee Chairperson / Member of HR and Remuneration Committee Member of Corporate Governance Committee
Farid Mammadov	-	Male	Deputy Chairman	Banker	31/03/17	Non-Executive	Deputy Chairman of Board of Directors Member of Strategy and Budget Committee Member / Chairperson of HR and Remuneration Committee Member of Risk Management Committee Substitute Member of Credit Committee
Shahin Mammadov	-	Male	Board Member	Banker	31/03/15	Non-Executive	Board Member Chairperson of Strategy and Budget Committee Substitute Member of Credit Committee Member of Corporate Governance Committee
Javid Guliyev	-	Male	Board Member	Banker	12/06/19	Non-Executive	Board Member Member of Credit Committee
Kamala Nuriyeva	-	Female	Board Member	Banker	25/11/16	Non-Executive	Board Member Chairperson / Member of Risk Management Committee Member of Audit Committee
Ebru Oğan Knottnerus	-	Female	Board Member	Banker	02/07/18	Non-Executive	Independent Board Member Member / Chairperson of Risk Management Committee Chairperson of Audit Committee
Nuri Tuncalı	-	Male	Board Member	Banker	29/03/19	Non-Executive	Independent Board Member Member of Credit Committee Chairperson of Corporate Governance Committee
Furkan Evranos		Male	Board Member	Banker	25/05/21	Non-Executive	Independent Board Member Chairperson of Audit Committee Chairperson of Corporate Governance Committee
H. Cenk Eynehan	-	Male	CEO and Board Member	Banker	02/08/13	Executive	CEO and Board Member Chairperson of Credit Committee Member of Strategy and Budget Committee Member of HR and Remuneration Committee

Current Positions Held Outside the Company	Whether The Director Has At Least 5 Years' Experience On Audit, Accounting And/Or Finance Or Not	Independent Board Member or Not	Link to PDP Notification That Includes The Independency Declaration	Whether the Independent Director Considered By The Nomination Committee	Whether She/He is the Director Who Ceased to Satisfy The Independence or Not	Committees Charged and Task
PASHA Holding LLC, CEO Kapital Bank OJSC, Azerbaijan, Chairman of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board PASHA Investments, Azerbaijan, Member of the Supervisory Board	Yes	Not Independent				Member of Nomination and Remuneration Committee
PASHA Holding LLC, Deputy CEO, Business Group Director Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Chairman of the Supervisory Board PASHA Insurance, Azerbaijan, Chairman of the Supervisory Board PASHA Life, Azerbaijan, Chairman of the Supervisory Board PASHA Technology, Azerbaijan, Chairman of the Supervisory Board PASHA Investments, Azerbaijan, Member of the Supervisory Board	Yes	Not Independent				Member of Strategy and Budget Committee Chairperson of Human Resources Committee Chairperson of Nomination and Remuneration Committee Member of Risk Management Committee Substitute Member of Credit Committee
PASHA Holding LLC, Deputy CEO, Business Support Director PASHA Bank OJSC, Azerbaijan, Member of the Supervisory Board JSC PASHA Bank, Georgia, Member of the Supervisory Board PASHA Insurance, Azerbaijan, Member of the Supervisory Board PASHA Life, Azerbaijan, Member of the Supervisory Board PASHA Technology, Azerbaijan, Member of the Supervisory Board		Not Independent				Chairperson of Strategy and Budget Committee Member of Human Resources Committee Member of Corporate Governance Committee Substitute Member of Credit Committee
PASHA Bank OJSC, Deputy Chairman of the Executive Board and Chief Commercial Officer	Yes	Not Independent				Member of Credit Committee
PASHA Shareholder's Office, CRO Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board PASHA Investments, Azerbaijan, Member of the Investment Committee	Yes	Not Independent				Member of Risk Management Committee Member of Audit Committee
JSC PASHA Bank, Georgia, Member of the Supervisory Board, Member of the Audit Committee, Chairperson of Risk Management Committee Odea Bank A.Ş., Independent Board Member, Member of Risk Committee and Reserve Member of Credit Committee	Yes	Independent		Not Considered	No	Chairperson of Risk Management Committee
-	Yes	Independent		Considered	No	Member of Credit Committee
Rubik Elektronik Para ve Ödeme Hizmetleri A.Ş., Board Member Cogito Park Bilişim ve Teknoloji Yatırımları A.Ş. / Cogito Park Eğitim ve Danışmanlık Ticaret. A.Ş. / Cogito Park Cognitive Dijital Teknoloji ve Yatırım A.Ş. / Cogito Park Cognizant Ankara Bilişim ve Teknoloji Yatırımları A.Ş., Founding Partner and Chairman Cogito Capital Partners Yatırım A.Ş., Founding Partner and Deputy Chairman Beykent Üniversity, Asst. Prof. Dr.@ Banking & Finance, Advisor to the Chancellor and Board of Trustees İstanbul Kent University, Member of Advisory Board Kültür University, Visiting Lecturer	Yes	Independent		Considered	No	Chairperson of Audit Committee Chairperson of Corporate Governance Committee
PD Turizm ve Gayrimenkul A.Ş., Board Member	Yes	Not Independent				Chairperson of Credit Committee Member of Strategy and Budget Committee Member of HR and Remuneration Committee

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	In 2021, 4 meetings were held by meeting in person.
Director average attendance rate at board meetings	96%
Whether the board uses an electronic portal to support its work or not	Electronic Board of Directors System is being used since July 2021
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Each meeting notification confirming the date, time, place and agenda is made by the Board Secretariat to all Members of the Board of Directors at least four (4) business days prior to the meeting date, and the relevant supporting documents for the agenda items to be addressed are submitted to the members of the Board of Directors at least three (3) business days prior to the date of the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	It was described in the article 14 of the "Articles of Association"
	located in the "Corporate Governance" section within the "About Us" page on the Bank's corporate website at the address of "www.pashabank.com.tr".
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	•
4.5. Board Committees	
Page numbers or section names of the annual report where information about the board committees are presented.	It is located under the heading "Information on Activities of the Board and Committees" in the section of "Information on Management and Corporate Governance Practices" of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	None.

## Composition of Board Committees-I

Composition of Board Committees-				
Names Of The Board Committees	Name Of Committees Defined As "Other" In The First Column	Name-Surname of Committee Members	Whether Committee Chair Or Not	Whether Board Member Or Not
Audit Committee	-	Furkan Evranos	Yes	Board Member
Audit Committee	-	Kamala Nuriyeva	No	Board Member
Corporate Governance Committee	-	Furkan Evranos	Yes	Board Member
Corporate Governance Committee	-	Shahin Mammadov	No	Board Member
Risk Management Committee	-	Ebru Oğan Knottnerus	Yes	Board Member
Risk Management Committee	-	Farid Mammadov	No	Board Member
Risk Management Committee	-	Kamala Nuriyeva	No	Board Member
Nomination & Remuneration Committee		Farid Mammadov	Yes	Board Member
Nomination & Remuneration Committee		Jalal Gasimov	No	Board Member
Nomination & Remuneration Committee		H. Cenk Eynehan	No	Board Member
Human Resources Committee		Shahin Mammadov	Yes	Board Member
Human Resources Committee	-	Farid Mammadov	No	Board Member
Human Resources Committee	-	H. Cenk Eynehan	No	Board Member
Strategy and Budget Committee	-	Shahin Mammadov	Yes	Board Member
Strategy and Budget Committee	-	Farid Mammadov	No	Board Member
Strategy and Budget Committee	-	H. Cenk Eynehan	No	Board Member
Credit Committee	-	H. Cenk Eynehan	Yes	Board Member
Credit Committee	-	Nuri Tuncalı	No	Board Member
Credit Committee	-	Javid Guliyev	No	Board Member
Credit Committee	-	Farid Mammadov	No	Board Member
Credit Committee	-	Shahin Mammadov	No	Board Member

## 4. BOARD OF DIRECTORS-III

4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	It is contained in the "Information on Management and Corporate Governance Practices" of the annual report.
4.6. Financial Rights	
Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	It is contained in the CEO's Message in the Annual Report, the Summary Report by the Board of Directors submitted to the General Assembly, and under the "Assessments on the Financial Condition, Profitability, Debt Servicing Capability and Realization of the Defined Strategic Objectives" in the "Financial Information and Assessments on Risk Management".
Specify the section of website where remuneration policy for executive and non-executive directors are presented.	It is located in the heading "Remuneration Policy" under the "Policies" tab in the "Corporate Governance" section within the "About Us" page on the Bank's corporate website at the address of "www.pashabank.com.tr".
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	It is located under the heading "Human Resources Practices" in the section of "Information on Management and Corporate Governance Practices" of the Annual Report.

## Composition of Board Committees-II

	Name Of Committees Defined As "Other" In The	The Percentage Of Non- executive	The Percentage Of Independent Directors In The	The Number Of Meetings Held In	The Number Of Activity Reports Submitted to
Names Of The Board Committees	First Column	Directors	Committee	Person	the Board
Audit Committee	-	100%	50%	2	2
Corporate Governance Committee	-	100%	50%	0	1
Risk Management Committee	-	100%	33%	0	4
Human Resources Committee	-	66%	0%	0	1
Nomination and Remuneration Committee	_	66%	0%	1	1
Strategy and Budget Committee	-	66%	0%	3	4
Other	Credit Committee	66%	33%	20	0

# Statement of Independence

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
- 2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
- 3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- 4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
- 5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated 31 December 1960;
- 6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
- 7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
- 8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
- 9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
- 10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member

Ebru Oğan KNOTTNERUS Independent Member of the Board of Directors

# Statement of Independence

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
- 2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
- 3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- 4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
- 5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated 31 December 1960;
- 6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
- 7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
- 8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
- 9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
- 10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member

Nuri TUNCALI Independent Member of the Board of Directors

# Statement of Independence

I hereby declare that I currently serve as an "independent member" on the Board of Directors of PASHA Yatırım Bankası A.Ş. pursuant to the provisions of the Communiqué Serial: II-17.1 on Corporate Governance Principles issued by the Capital Markets Board and in this context, I hereby declare the following:

- Neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the second degree, have, within the most recent five years, entered into any employment relationship in an executive capacity involving major duties and responsibilities, or individually or jointly held more than 5% of the capital or voting rights or privileged shares, or established any commercial interest of a significant nature, with any corporate entity with which the Bank, any company in which the Bank has management control or significant influence, or any shareholder having management control or significant influence over the Bank or any corporate entity;
- 2. I was neither a shareholder (5% and higher), nor have I worked in an executive capacity involving major duties and responsibilities for or served as a member on the boards of directors of any company from/to which, under a contract, the Bank purchased/sold services or products of material quantity during the period of time such services or products were being purchased or sold, and particularly of the firms performing the audit (including tax audit, legal audit and internal audit), rating and consultancy of the Bank, in the past five years;
- 3. I possess the professional education, knowledge and experience for due performance of the duties I will assume in connection with being an independent board member;
- 4. After having been elected as a member I am not a full-time employee of public institutions and organizations, except as a member of academia should applicable legislation permit;
- 5. I am considered to be a resident of Turkey as for the purposes of the Income Tax Law no. 193, dated 31 December 1960;
- 6. I possess strong ethical standards, professional credibility and experience that are necessary for making positive contributions to the Bank's operations, maintaining my independence in possible conflicts of interest between the Bank and its shareholders, and making decisions freely taking into consideration the rights of stakeholders;
- 7. I am capable of dedicating sufficient amount of time to be able to follow up the execution of the Bank's affairs and to fully meet the requirements of the duties I undertake;
- 8. I have not held the position of member of the Board of Directors of the Company for more than six years in the past ten years;
- 9. I am not serving as an independent board member in any company which is controlled by the Bank or by shareholders having management control over the Bank;
- 10. I will be serving on the Bank's Board of Directors as a real person and in this context; I have not been registered and promulgated in the name of any corporate entity elected as a board member

Furkan EVRANOS Independent Member of the Board of Directors

# Corporate Governance Compliance Report Responsibility Statement

As per the decision 2/49 of Capital Markets Board (CMB) dated 10 January 2021, we have reviewed the Corporate Governance Compliance Report and Corporate Governance Information Form for the period 1 January 2021-31 December 2021 and we declare that these reports were prepared in accordance with the rules and principles stated in CMB's Communiqué on Corporate Governance numbered II-17.1.

Furkan EVRANOS Chairperson of Audit Committee

Kamala NURIYEVA Member of Audit Committee

# PASHA Yatırım Bankası A.Ş. 2021 Annual Report Responsibility Statement

Annual report of PASHA Yatırım Bankası A.Ş. for the year 2021 was prepared in accordance with the rules and procedures specified within the frame of "Regulation on Principles and Procedures for Preparation and Publication of Annual Reports by the Banks" published in the Official Gazette numbered 26333, dated 1 November 2006 and presented hereafter.

Jalal GASIMOV Chairperson of Board of Directors

H. Cenk EYNEHAN CEO and Board Member

Furkan EVRANOS Chairperson of Audit Committee

Benan Bilge KÖKSAL Deputy CEO

Kamala NURIYEVA Member of Audit Committee

Yeşim ÇAĞLAR Director, Finance

## (Convenience translation of a reporting originally issued in Turkish)

# Independent Auditor's Report on the Annual Report of the Board of Directors

### To the General Assembly of PASHA Yatırım Bankası Anonim Şirketi

## 1) Opinion

We have audited the annual report of PASHA Yatırım Bankası Anonim Şirketi ("the Bank") for the period of January 1 – December 31, 2021.

In our opinion, unconsolidated financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Bank are presented fairly and consistent, in all material respects, with the audited full set unconsolidated financial statements and the information we obtained during the audit.

## 2) Basis for Opinion

We conducted our audit in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 published by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Bank in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 15, 2022 on the full set unconsolidated financial statements of the Bank for the period of January 1 – December 31,2021.

### 4) The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks', the management of the Bank is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Bank for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to unconsolidated financial statements. The development of the Bank and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

(Convenience translation of a reporting originally issued in Turkish)

# Independent Auditor's Report on the Annual Report of the Board of Directors

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which have significance,
- The research and development activities of the Bank,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.
- Other matters prescribed in the communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated November 1, 2006.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

### 5) Auditor's Responsibilities for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communique on 'Principles and procedures set out by the regulations on preparation and issuance of annual reports of Banks' published in official gazette no.26333 dated 1 November 2006, "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"), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkey Financal Reporting Standards ("TFRS") for the matters which are not regulated by these regulations, on unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with Bank's audited unconsolidated financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS and BRSA Independent Audit Regulation. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the unconsolidated financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the unconsolidated financial statements.

The name of the engagement partner who supervised and concluded this audit is Emre Çelik.

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

Emre Quille, SMMM

Partner

18 February 2022 İstanbul, Turkey

# Assessments of the Audit Committee on the Activities of Internal Systems

PASHA Bank's internal audit, internal control, risk management and compliance departments assume the responsibility to report to the Board of Directors in compliance with the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks "as well as the provisions of the "Regulation on Program of Compliance with Obligations of Anti-Money Laundering of Proceeds of Crime and Combatting the Financing of Terrorism, and conduct their activities in line with these regulations.

The internal systems organization of the Bank consisting of Internal Audit, Internal Control, Compliance, and Risk Management Departments that operate in line with the BRSA and The Financial Crimes Investigation Board (MASAK) directives reports to the Board of Directors through the Audit Committee and the Risk Management Committee.

#### Internal Audit Department

The internal audit plan is prepared annually as of the end of previous year, taking into consideration the regulation amendments and the developments and changes in the Bank's activities. Also in 2021, the internal audit plan was made in line with the risk assessment report and the results of the risk matrix and was put into effect by the Board of Directors' approval following endorsement of Audit Committee.

Audit activities in 2021 were realized for the operational areas specified in the audit plan which covers the effectiveness of the Bank's internal control environment and risk management systems.

During the year, the main activities of such internal systems departments were monitored in accordance with this plan and were reported accordingly. Decisions taken during the Audit Committee meetings were forwarded to the relevant departments of the Bank by the Bank's Internal Audit Department.

Risk analysis studies for support service institutions were created in line with the views of the internal systems departments, and the periodic evaluation reports and audit reports issued on the relevant organizations were submitted to the Board of Directors. The Internal Audit Department, together with the Internal Control Department, has carried out during the year the audits underlying the Bank's "Management Statement" within the scope of the Circular No. BSD 2010/3 dated 30 July 2010 of the Banking Regulation and Supervision Agency, and submitted its report first to the Audit Committee and then to the Board of Directors. In addition to the banking processes and information systems controls, the audit of the support service institutions was also carried out by the Internal Audit Department within the scope of the Management Statement study. Audit results were reviewed by the Audit Committee and the results were presented to the Board of Directors.

The Internal Audit Department operates as a whole in the form of an inherent supervision and audit function with respect to the banking and information systems processes and risk management, internal control and compliance practices, and examines and audits units periodically on the basis of risk. It also assumes an objective and independent consulting function in terms of the management of all applications and processes of the bank in parallel with best practices. It provides Board of Directors with assurance that the Bank's operations are conducted in accordance with laws and other relevant legislation, as well as on such matters as the effectiveness and adequacy of the internal control environment and risk management systems. It provides opinions and proposals for effective and efficient use of bank resources.

Internal Audit Unit performed all audits in accordance with the prescribed audit plan for 2021 and submitted 10 audit reports to the Board of Directors via the Audit Committee.

Members of the Internal Audit Department continued their efforts for licensing tests in 2021. In this context, the Internal Audit Department Manager took audit trainings for 40 hours and team members attended trainings for local and international certifications.

## Assessments of the Audit Committee on the Activities of Internal Systems

#### **Internal Control Department**

Internal Control Unit is responsible for securing and coordinating a healthy, competent and efficient internal control environment, taking into consideration the evolving and changing nature of the Bank. Internal Control Unit assists the Bank in carrying out its activities efficiently, and effectively in line with the management strategy and policies and within the framework of current regulation and rules. Furthermore, it is supervised that all control activities within the Bank are carried out duly.

Within the scope of the internal control model designed in accordance with three lines of defense principles, first level of controls were defined by business units considering their risks. The Internal Control Unit realized second level controls for all functions based on a certain methodology, taking into consideration the scope and sample size. Control activities regularly performed by different departments for operations of Head Office business units were closely monitored and inspections were made to observe they are being performed timely, completely and accurately. Internal Control team continuously monitors the IT activities to ensure they are being performed securely within the scope of rules defined by the Bank. Similarly, internal control points are being designed by the Internal Control Unit for the IT processes based on the Bank's internal control model. These control points are being adopted into the control activities in accordance with the methodology and tools.

Suggestions were made for deficiencies and weaknesses detected as a result of the activities of the Internal Control Department and resolutions of findings were monitored based on a specific action plan.

Control activities designed for this purpose were conducted by internal control personnel competent and experienced in their areas. Local and international developments in internal control area were followed up and the Bank's internal control applications were updated. In 2021, all operational activities of the Bank were reviewed on a changing frequency and on a need basis for control points and control results were reported to the Audit Committee and senior management.

Additionally, using control assertion forms implemented by the Internal Control Unit and key control results prepared by business units responsible for first level controls, the effectiveness of the general control environment was assessed and second level controls were realized. Moreover, management assertion tests and validation studies for ICAAP Report were performed.

Furthermore, Internal Control Unit team attended various trainings during the year for their professional development and one team member successfully finalized the Certified Public Accountancy exam and received the SMMM (CPA) certificate.

Internal Control Unit will continue to perform their tasks and responsibilities to establish an objective, transparent and effective internal control system and ensure its sustainability, in accordance with legal requirements and the Bank's internal regulations and procedures.

#### **Compliance Department**

Compliance Department performs its activities with the objective of conducting and developing control and monitoring activities which are designed within the scope of a risk-based approach. Activities performed in 2021 in accordance with Laws 5549, 6415, 7262 and related legislation are presented below:

- Development of monitoring and control activities which suits the Bank's business activities designed with a risk-based approach and providing for full compliance of the Bank's activities with MASAK (Financial Crimes Investigation Board) regulations and all other related legislation.
- Conducting activities for full compliance of internal regulations, legislation and procedures with MASAK (Financial Crimes Investigation Board) regulations and all other related legislation.

- Development of compliance models for new products and services to be in compliance with MASAK regulations and issuing opinion before implementation of these models.
- Coordination of support service procurement process based on BRSA regulations.
- Within the scope of compliance with ethical principles; management of the internal communication system, Ethics Hotline, which was established within the scope of Ethical Principles of PASHA Yatırım Bankası A.Ş. and monitoring of measures taken to prevent conflicts of interest under ethical principles discipline.
- Management of MIDES and customer complaint resolution process within the scope of protection of the interests of customers.
- Development and organization of training programs intended for the prevention of laundering of proceeds of crime and combatting the financing of terrorism and conducting activities for improving the compliance culture.
- Development and improvement of existing embargo and sanction list controls under the scope of financial security and monitoring and controlling activities under the scope of prevention of laundering of proceeds of crime and combatting the financing of terrorism.
- Application of controls at customer acceptance stage, before and after establishing SWIFT, account etc. relations with banks within the scope of prevention of laundering of proceeds of crime and combatting the financing of terrorism.

Monitoring of suppliers within the scope of the prevention of laundering of proceeds of crime and combatting the financing of terrorism. Application of controls both within this scope and in terms of conflicts of interest under the ethical principles sub-discipline before establishing relations. Following up best practices and local legislation for FATCA and CRS (Common Reporting Standards), making adjustments within the Bank and preparing the reports.

#### **Risk Management Department**

The Risk Management Department continued to monitor at regular intervals credit risk concentrations, quality of assets, the risk in the financial asset portfolio, and the operational risks that were exposed to in accordance with the internal policies and rules and risk limits approved by the Board of Directors. The Risk Management Department carried out the following activities in 2021:

Risk maps regarding the risks the Bank is exposed to, key risk indicators, risk reducing actions were monitored within the frame of Operational Risks. The areas in need of improvement regarding the Bank's operational risks are identified and the necessary measures were taken together with the relevant teams within the Bank.

In terms of Market Risk, relevant regulatory reports were prepared and market risk capital adequacy was calculated. Risks that our Bank may be exposed due to fluctuations in market prices were measured. Balance sheet and off-balance sheet foreign currency positions were followed and reported based on internal and regulatory limits. These reports were shared with Asset Liability Committee (ALCO) and Risk Management Committee and risk reduction techniques were implemented based on senior management views when necessary.

The structural interest rate risk due to term discord in the structure of the Bank's Balance sheet was monitored through gap analysis under the scope of Structural Interest Rate and Liquidity Risk. The executed stress tests were debated at the Asset-Liability Committee and Risk Management Committee. The Bank's liquidity level is being monitored with both TL - FX and as total liquidity. The liquidity adequacy was tested under various stress assumptions of which the results were submitted regularly to the relevant Committees and Senior Management.

## Assessments of the Audit Committee on the Activities of Internal Systems

Credit Risk is also monitored within the scope of regulatory reports, credit risk and credit risk capital requirement were calculated. Historical trend of credit portfolio and concentration risk were monitored. To keep credit concentration under control, concentration limits were identified and monitored for individual firms, group companies and banks. Provisions were calculated using provision methods established within the frame of compliance with legal and international standards based on IFRS 9.

Under the scope of credit risk, life cycle of the internal risk assessment model was completed, which aimed to digitize the risk considering the financial and qualitative data, behavioral data, group approach and warning signals with the objective of assessing the customers by more objective criteria and increasing the risk quantification efficiency. Validation studies for the model were performed for its strength of distinction and reliability. It was decided that the model was performing at the expected level.

Results of the rating model were continued to be used in processes such as credit rating, pricing, monitoring and credit provision calculation.

Capital adequacy calculations were transferred to a module which is integrated in the core banking system. As a result, systematic calculations are made at a sophisticated software instead of manual calculations, thus preventing possible operational risks.

All of the analysis and reports covering the credit, market, liquidity and operational risks were submitted primarily to Asset-Liability Committee and Risk Management Committee and to relevant committees.

Stress tests and scenario analyses which are intended to assess and measure all risks that the Bank may be exposed to and which enables the determination of necessary capital amount were performed and shared with the Board of Directors within the scope of Internal Capital Adequacy Assessment Process (ICAAP). Risks that the Bank may be exposed to and the risk appetite regarding these risks were identified by taking the stress test results into consideration and the Risk Appetite Statement was updated.

Policies and procedures of Risk Management Department are updated to include the Bank's current structure and risks that the Bank may be exposed to.

Improvement of technical infrastructure and competences were achieved in terms of the Bank's risk identification, monitoring, control, risk reduction and stress testing processes within the scope of the action plans established so that Risk Health Indicators (RHI) scores reach the expected levels, which is among the Bank's strategic key performance indicators. Assessments were made within the Bank to increase risk awareness within the scope of the risk culture project of the Holding. Improvement areas were identified and action plans were established.

Internal systems departments are at the focus of all transactions within the Bank in terms of risk, organization, quality management, effectiveness, adequacy and compliance.

In this context, Internal Control and Risk Management Departments which constitute the second line of defense will continue its activities such as updating the infrastructure, performing second level controls, monitoring and reporting of results, fulfilling regulatory requirements and demands, improvement of the Bank's internal control and risk management environment in 2022. Compliance Department will also continue its monitoring and control activities in accordance with the legislation.

Similarly, Internal Audit Department will continue its activities to fulfill its auditing responsibilities for effectiveness, adequacy and compliance of internal control and risk management environment in the Bank, with the same scope and attention in 2022.

## Assessments on the Financial Condition, Profitability, Debt Servicing Capability and Realization of the Defined Strategic Objectives

PASHA Bank defined its key strategic support points to reach its targets for the three-year strategic period, which includes 2021-2023, as regional visibility in foreign trade, re-definition of credit products, diversified funding, guiding growth and innovation in investment banking.

PASHA Bank's total assets grew by 63% year-over-year to reach TL 3,563 million, due to the growth in loans. In the same period, the Bank's liabilities increased to TL 2,956 million, and total shareholders' equity rose to TL 607 million. Having attained a gross operating profit of TL 154.9 million according to the unconsolidated financials at the end of 2021, the Bank closed 2021 with a net period profit of TL 47.1 million.

The total amount of cash loans and lease receivables (gross) rose by 62.3% year-over-year at the end of 2021, increasing from TL 1,493 million to TL 2,422 million, corresponding to 68% in the total assets. Non-cash loans amounted to TL 732 million and the total credit risk exposure rose to TL 3,155 million with 72.8% increase.

Cash, banks and liquid marketable securities consist of 25.48% of total assets. High liquidity state bonds and bills amount to 53.5% of the Bank's total securities portfolio of TL 429 million with a 179.6% increase.

The Bank's non-performing loans were realized as TL 45.8 million thousand and its ratio over total loans was 1.9%.

The primary funding sources of the Bank are the shareholders' equity with a 17.0% share, "Funds Borrowed" and "Due to Money Markets" with a 44.4% share, and "Debt Securities Issued" with a 34.3% share.

Among debt securities issued, Eurobond issuances in Azerbaijan constitute the whole of total issuances in circulation as of the balance sheet date.

Among debt securities issued and in circulation, amount of USD 83 million and EUR 3.2 million were issued in Azerbaijan as Eurobonds.

Funding from the risk group constitutes 34.5% of total funding. Normal customer relations and market conditions are considered for relations with the risk group.

Total operating expenses reached TL 53.1 million in parallel with the expansion in the operations of the Bank.

Information on investments of the Bank in 2021 was disclosed in the Independent Audit Report Section 5/ I. Notes and disclosures to asset account in balance sheet.

PASHA Bank exceeded its target by 44% in total assets set for the year 2021 budget objectives. Among the key financial indicators, capital adequacy ratio was 17.4% and total assets/ equity ratio was 5.9.

Actions and projects supporting strategic goals are being studied by senior management through the committees they work in, reviewed by the Board of Directors and decisions are taken.

Strategy and Budget Committee reviews the Bank's strategy and its key pillars regularly, strategic initiatives and implementation plan is reviewed in meetings which are realized at Group level every six months.

The Bank's paid-in-capital amounting to TL 500 million was assessed for possibility of loss of capital within the scope of Article 376 of the Turkish Commercial Code. It was determined that there were no obstacles in front of PASHA Bank to continue its operations in a healthy manner thanks to its strong position in terms of capital adequacy ratio and debt structure and assets are at a sufficient level to meet liabilities.

PASHA Bank analyzes its capital requirements in line with its strategic goals within the scope of the criteria defined in "Regulation on Banks' Internal Systems and Internal Capital Adequacy Assessment Process" and "Guidance on ICAAP Report". Capital planning is done in accordance with ICAAP.

A measurement and assessment process was established to cover risks specified within the scope of ICAAP.

a. First structural pillar risks

b. Second structural pillar risks that are significant and identified by the Bank.

c. External risks arising from the economic environment, business environment and regulatory framework which are not covered above.

## **Risk Management Policies**

The risk management process of PASHA Yatırım Bankası A.Ş. is laid out and implemented in accordance with the "Banking Law" and the "Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks" that was published by the Banking Regulation and Supervision Agency and other relevant regulations and the principles and implementation procedures contained in good practice guidelines It is essential that the Risk Management Unit works independently of other business lines. Risk management function at our Bank was established in accordance with this independence principle and reports to Risk Management Committee.

The Bank's risk management approach aims to achieve an integrated risk management structure overseeing risk-return-equity balance by establishing necessary infrastructure required for a healthy risk management system including human resources, information technologies, risk assessment models, regulations, procedures, practice manuals and reports.

Risk awareness and management is an important component of the bank culture and utmost attention is paid to compliance with domestic legislation and in the implementation of internationally accepted standards. The establishment and pursuance of an effective risk management system is among the priorities of the top management at PASHA Yatırım Bankası A.Ş.

The Bank's risk appetite strategy is determined by overseeing equity and liquidity capacity, by considering potential risks to be assumed in financial markets, position boundaries limiting these risks and control points of risks to be taken. The managers and the employees at all levels of the bank have been tasked with assessing the risks that are faced, knowing the techniques for managing possible risks that may be encountered in the areas within their job descriptions, as well as providing the necessary support for the control and audit procedures implemented by other units within the internal systems. Accordingly, first level controls were put in place that need to be performed by each operational area, in addition to second and third level controls monitored by the Bank's internal systems department.

Policies and procedures for measurement, analysis, monitoring, reporting and control of the identified risks are being defined by the Risk Management Department and the relevant departments of the Bank. These policies and procedures are adopted upon the review of the Risk Management Committee and approval of the Board of Directors.

The risk management unit is responsible for monitoring the risk appetite and limits and submitting them to the Board of Directors after updating them when necessary, and the Board of Directors has the ultimate responsibility. Limits are set by using methods developed in accordance with the Bank's risk appetite in that field of activity and the volume and complexity of the products and services offered and with early warning limits, when appropriate.

Risk management activities carried out in accordance with the policies are checked in periods determined by the Internal Audit Unit and findings are reported to the Audit Committee and Board of Directors for their information and for actions to be taken if necessary.

## Information on Ratings Assigned by Rating Agencies

The international credit rating agency Fitch Ratings increased PASHA Bank's rating and affirmed its outlook in its press release dated 4 October 2021 as follows.

#### National Long-Term Rating: A- (tur) (Outlook: Stable)

The Bank's credit rating was publicly announced via PDP and detailed information about the Bank's rating was posted on the Bank's corporate website www.pashabank.com.tr and Fitch Ratings' website www.fitchratings.com.

On its Corporate Governance Rating report dated 8 June 2021, JCR Eurasia Rating has assigned PASHA Bank an overall

compliance score of (9.23) with CMB Corporate Governance Principles by revising it upwards along with a (Stable) outlook.

According to JCR Eurasia Rating's methodological infrastructure and notation representation, the level of overall convergence of the Bank with the CMB Corporate Governance Principles corresponds to the [AAA (Trk) / Distinctive] category and its notch degree to the level of [aa / Superior].

The corporate governance compliance rating score comprises four main fields with different weights as per relevant CMB's regulations and distribution of PASHA Bank's ratings on these fields are as follows;

Main Fields	Weight	Numerical Value	Convergence Level	Rating	Outlook
Shareholders	25%	90.70	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Public Disclosure and Transparency	25%	91.90	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Stakeholders	15%	93.03	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable
Board of Directors	35%	93.40	[AAA (Trk) / Distinctive Compliance]	[aa / (Superior)]	Stable

The revised Corporate Governance Rating Score for the period was posted on the Bank's corporate website, www.pashabank.com. tr, and also announced to the public via material disclosure made on the Public Disclosure Platform (PDP).

# Five-Year Summary of Unconsolidated Financial Highlights

(TL thousand)	31.12.2021	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Total Assets	3,562,553	2,179,409	1,725,503	1,349,565	896,845
Loan and Leasing Receivables, net	2,351,519	1,450,745	1,045,060	840,278	713,048
Securities, net	428,520	153,276	96,133	71,315	26,251
Total Equity	606,980	562,670	531,611	505,657	260,607
Net Profit/Loss	47,125	31,376	25,691	(3,563)	16,008

### PASHA Yatırım Bank A.Ş. Publicly Announced Unconsolidated Financial Statements Together with Audit Report at 31 December 2021

(Convenience Translation of Publicly Announced Unconsolidated Financial Statements and Independent Auditor's Report, Originally Issued in Turkish, See Note I of Section Three)

## Independent Auditor's Report

#### To the General Assembly of Pasha Yatırım Bankası A.Ş.

#### Report on the Unconsolidated Financial Statements

#### Opinion

We have audited the accompanying unconsolidated financial statements of Pasha Yatırım Bankası A.Ş. (the Bank"), which comprise the statement of unconsolidated statement of financial position as at 31 December 2021, unconsolidated statement of profit and loss and unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended and the notes to the unconsolidated financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the unconsolidated financial position of Pasha Yatırım Bankası A.Ş. as at December 31,2021 and financial performance and unconsolidated cash flows for the year then ended in accordance with the prevailing accounting principles and standards set out as in accordance with "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), circulars, interpretations published by BRSA and "BRSA Accounting and Financial Reporting Legislation" which includes the provisions of Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations.

#### **Basis for Opinion**

Our audit was conducted in accordance with "Regulation on independent audit of the Banks" published in the Official Gazette no.29314 dated 2 April 2015 by BRSA (BRSA Independent Audit Regulation) and Independent Auditing Standards ("ISA") which are the part of Turkish Auditing Standards issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters

## Independent Auditor's Report

Key Audit Matter	How the matter is addressed in our audit
Financial impact of TFRS 9 "Financial Instruments" standard and recognition of impairment on financial assets and related important disclosures	
<ul> <li>We considered expected credit loss calculations of financial assets outlined in TFRS 9 as a key audit matter due to the transition to TFRS 9 as a key audit matter due to:</li> <li>Balance sheet and off balance sheet items that are subject to expected credit loss calculation is material for the financial statements</li> <li>Complex accounting requirements of TFRS 9</li> <li>The model that is established by the Bank management to calculate the expected credit losses has the compliance risk whether it is established based on the requirements of TFRS 9 and other practices</li> <li>TFRS 9, have complex and intensive control environment</li> <li>The new, significant and complex judgments and estimations needed for the calculation of expected credit losses and</li> <li>The complex disclosure requirements of TFRS.</li> </ul>	<ul> <li>Our audit procedures include among others include:</li> <li>Evaluating the appropriateness of management's selection of accounting policies based on the requirements of TFRS 9, out business understanding and industry practice.</li> <li>Identifying and testing relevant controls by involving Process audit specialists.</li> <li>Evaluating the reasonableness of management's key judgements and estimates made in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of management's selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice</li> <li>Involving financial risk management specialists to challenge significant assumptions judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, an recovery rates and significant estimates and judgements.</li> <li>Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss.</li> <li>Evaluating the impact of Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses calculation together with forward-looking estimates and significant assumptions</li> <li>Evaluating the judgments and estimates used for the individually assessed financial assets.</li> <li>Evaluating the reasonableness of and tested the post-mode adjustments.</li> <li>Auditing of TFRS 9 disclosures</li> </ul>

#### Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Bank management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the BRSA Accounting and Reporting Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with BRSA Independent Audit Regulation and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with BRSA Independent Audit Regulation and ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

- In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities and financial statements for the period January 1 - December 31, 2021 are not in compliance with the code and provisions of the Bank's articles of association in relation to financial reporting.
- 2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

The engagement partner who supervised and concluded this independent auditor's report is Emre Çelik.

#### Additional paragraph for convenience translation to English

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

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

#### Güney Balimerz Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi A member fina of Bust & Young Global Limited



15 February, 2022 İstanbul, Turkey

## PASHA Yatırım Bank A.Ş. The Year-End Unconsolidated Financial Report of Pasha Yatırım Bankası A.Ş. as of 31 December 2021

Address of the Bank's Headquarters	: Sultan Selim Mahallesi Hümeyra Sokak PASHA Plaza No:2/7 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 year-end financial report includes the following sections in accordance with the Communiqué on Financial Statements and Related Explanations and Notes that will be Publicly Announced as sanctioned by the Banking Regulation and Supervision Agency.

- 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. Independent Auditor's 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

H. Cenk EYNEHAN CEO

Furkan EVRANOS Chairperson of Audit Committee

Benan Bilge KÖKSAL

Deputy of CEO

Kamala NURIYEVA Member of Audit Committee

Yeşim ÇAĞLAR Director of Financial Planning, Control and Strategy

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

Telephone Number Fax Number

Name-Surname/Title : Erkan AKGÜZEL/Head of Financial Planning, Control and Strategy : (0212) 705 89 18

: (0212) 345 07 12

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## Notes to Unconsolidated Financial Statements

## At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### SECTION ONE

#### **GENERAL INFORMATION**

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

Bank's commercial title	PASHA Yatırım Bankası A.Ş.
Reporting Period	1 January - 31 December 2021
Address of the Bank's Headquarters	Eski Büyükdere Caddesi Hümeyra Sokak No:2 PASHA Plaza, Kat:5 34415 Kağıthane, İstanbul
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 repealed Banking Law No. 3182 and the Bank, as a subsidiary of Bahrain based TAIB Bank B.S.C.(c) has been established under the trade name of Yatırım Bank A.Ş. headquartered in İstanbul on the date of 25 December 1987. The trade name of the Bank have been changed to TAIB YatırımBank A.Ş. in effect from 29 May 1997.

In the year 2013, Aksoy Holding A.Ş. acquired the majority shares of the Bank, which until then had been held by TAIB Bank B.S.C.(c), and became the controlling shareholder. Acquisition of the Bank's share capital for as much as TL 28,795 from Aksoy Holding A.Ş. by the PASHA Bank OJSC, the Baku based financial organization, and thus directly obtaining 79.92% of its shares upon at the same time increasing the paid-up capital from TL 80,000 to TL 255,000, by injecting TL 175,000 cash and; acquisition of the 47.95% of the shares indirectly by PASHA Holding LLC, had been approved by the resolution of the Banking Regulation and Supervision Board, dated 26 December 2014 and numbered 6137. This share transfer had been recorded in the Bank's share ledger, as of the date of 27 January 2015.

The amendment of the Bank's Articles of Association, including at the same time the change of its business name to PASHA Yatırım Bankası A.Ş. and its brand name to PASHA Bank, had been decided by the Extraordinary General Assembly on the date of 27 January 2015 and had taken effect upon having been published in the 8773<sup>rd</sup> issue of the Trade Registry Gazette of Turkey, dated 6 March 2015.

Upon transfer of the total TL 51,000 shares of Aksoy Holding A.Ş. to PASHA Bank OJSC, the ratio of PASHA Bank OJSC's shares in the Bank had reached 99.92%, and the ratio of the indirect shareholding of PASHA Holding LLC had reached to 59.95%, as permitted by the resolution of the Banking Regulation and Supervision Board, dated 24 December 2015 and numbered 110. This share transfer had been recorded in the share ledger, as per the resolution of the Board of Directors, dated 24 January 2015 and numbered 110.

Increasing of the Bank's paid-up capital to TL 500,000, by PASHA Holding LLC - which indirectly owned 59.95% of the total share capital - by injecting TL 245,000 cash, and thus directly acquiring 49% of the shares as permitted by the resolution of the Banking Regulation and Supervision Board, dated 4 May 2018 and numbered 7803, had been approved and; as the result of this capital increase, the total direct and indirect shareholding of PASHA Holding LLC in the Bank had increased to 79.57%.

The Bank's Articles of Association had been amended by the resolution of the Extraordinary General Assembly, dated 18 May 2018 and registered by the Trade Registry Directorate of Istanbul on the date of 6 June 2018 and had been announced in the 9598<sup>th</sup> issue of the Trade Registry Gazette of Turkey, dated 12 June 2018.

## PASHA Yatırım Bank A.ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### GENARAL INFORMATION (continued)

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

There were no changes in the Bank's share capital, Articles of Association and ownership structure during the period and the shareholding structure of the Bank as of 31 December 2021, is stated below:

Name Surname/Commercial Title	Capital	%
PASHA Bank OJSC	254,795	50.96%
PASHA Holding LLC	245,000	49.00%
Other	205	0.04%
Total	500,000	100.00%

Paid-in-capital of the Bank is divided into 500,000,000 registered shares of TL 1.00 (full) par value. Each share has one voting right. The Bank has no preferred shares.

As of 31 December 2021, the shareholders of PASHA Bank OJSC are PASHA Holding LLC, Bless LLC, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev with rates of 56.82%, 28.18%, 9,99% and 5.01% respectively.

As of 31 December 2021, the shareholders of PASHA Holding LLC are Bless LLC, Reveri LLC, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev with rates of 37.50%, 37.50%, 15.00% and 10.00% respectively.

## Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### **GENARAL 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 (i)	Jalal Gasimov	Postgraduate	-
Deputy Chairman of the Board of Directors (1)	Farid Mammadov	Postgraduate	-
Board Member	Shahin Mammadov	PhD	-
Board Member	Javid Guliyev	Postgraduate	-
Board Member/Audit Committee Member	Kamala Nuriyeva	Postgraduate	-
Independent Board Member/Audit Committee Chairperson <sup>(3)</sup>	Furkan Evranos	PhD	-
Independent Board Member	Ebru Oğan Knottnerus	Graduate	-
Independent Board Member	Nuri Tuncalı	Graduate	-
Board Member and CEO	Hikmet Cenk Eynehan	Postgraduate	-
Deputy CEO (Acting CEO)	Ayşe Hale Yıldırım	Postgraduate	-
Deputy CEO <sup>(2)</sup>	Özer Baran	Postgraduate	-
Deputy CEO	Benan Bilge Köksal	Graduate	-

<sup>(1)</sup> Upon allocation of duties among the members of the Board of Directors, as per Article 13 of the Articles of Association of the Bank, and by the Board resolution dated March 18, 2021 and numbered 23, it has been decided to have Jalal Gasimov continue to serve as the Chairman of the Board of Directors, and Farid Mammadov as the Deputy Chairman of the Board of Directors.

<sup>(2)</sup> As per the Board Resolution dated April 09, 2021 and numbered 29, Özer Baran has been appointed and as of report date Özer Baran is Deputy CEO in charge of Credits and Information Technologies.

<sup>(3)</sup> Furkan Evranos has been appointed as an Independent Board Member and the Chairman of the Audit Committee with the Board resolutions dated 25 May 2021 and numbered 43 and 44.

The Chairman and the Members of the Board of Directors, as well as the CEO and Deputy CEOs do not possess shares of the Bank directly or indirectly.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### GENARAL INFORMATION (continued)

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

Explanation on shareholders having control shares of the Bank as of 31 December 2021, is stated below;

	Share	Share	Paid-in	Unpaid
Name/Commercial title	Amounts (nominal)	percentage	Capital (nominal)	portion
Leyla Aliyeva	179,916	35.98%	179,916	-
Arzu Aliyeva	179,916	35.98%	179,916	-
Arif Pashayev	88,229	17.65%	88,229	-
Mir Jamal Pashayev	51,734	10.35%	51,734	

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

The Bank operates as an investment bank and as of 31 December 2021 the Bank has 60 employees (31 December 2020 - 56).

The Bank has been operating through its Head Office in Istanbul only as of 31 December 2021 and has no branches.

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

None.

### PASHA Yatırım Bank A.Ş. Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### SECTION TWO

#### UNCONSOLIDATED FINANCIAL STATEMENTS

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

			C	urrent Perio 31/12/2021	d		Prior Period 31/12/2020		
•••••	ASSETS	Note	LC	51/12/2021 FC	Total	LC	FC	Tota	
•••••		Note	LC	10	rotai		10	Tota	
I.	FINANCIAL ASSETS (Net)		77,046	501,397	578,443	64,098	273,939	338,037	
1.1	Cash and cash equivalents		10,078	483,120	493,198	31,283	268,006	299,289	
1.1.1	Cash and balances at Central Bank	(5.1.1)	7,592	276,177	283,769	6,083	149,017	155,100	
1.1.2	Banks	(5.1.3)	2,967	206,943	209,910	2,522	118,989	121,51	
1.1.3	Receivables from money markets	(55)	-,507	-		23,011	-	23,01	
1.1.4	Allowance for expected credit losses (-)		(481)	-	(481)	(333)	-	(333	
1.2	Financial assets at fair value through profit or loss	(5.1.2)	2,679	18,277	20,956	1,472	5,933	7,40	
1.2.1	Public debt securities	, y ,	-	-	-	-	-		
1.2.2	Equity instruments		-	18,277	18,277	-	5,933	5,93	
1.2.3	Other financial assets		2,679	-	2,679	1,472	-	1,472	
1.3	Financial assets at fair value through other comprehensive income	(5.1.4)	50,685	-	50,685	30,850	-	30,850	
1.3.1	Public debt securities	(5+)	39,205	-	39,205	14,039	-	14,039	
1.3.2	Equity instruments		7,659	-	7,659	7,659	-	7,659	
1.3.3	Other financial assets		3,821	-	3,821	9,152	-	9,15	
1.4	Derivative financial assets		13,604	-	13,604	493	-	49.	
1.4.1	Derivative financial assets at fair value through profit or loss	(5.1.2)	13,604	_	13,604	493	_	49. 49.	
1.4.2	Derivative financial assets at fair value through other comprehensive income	(5.1.11)	-	_		495	_	49.	
II.	FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)	(5.1.11)	677,541	2,030,857	2,708,398	419,389	1,146,377	1,565,760	
2.1	Loans	(5.1.5)	663,192	1,553,258	2,216,450	404,170	980,596	1,384,760	
2.1	Receivables from leasing transactions	(5.1.10)	88,824	1,553,250	2,210,450			1,384,700	
	Factoring receivables	(5.1.10)	00,024	11/,1/0	200,002	57,377	50,792	100,109	
2.3	Financial assets measured at amortised cost	(-, -, -, -)	-	-	-	-	-		
2.4	Public debt securities	(5.1.6)	-	<b>361,103</b> 189,860	<b>361,103</b> 189,860	-	116,776	116,776	
2.4.1			-	·····	•••••••••••••••••••••••••••••		45,092	45,092	
2.4.2		(=)	-	171,243	171,243	(40.750)	71,684	71,684	
2.5	Allowance for expected credit losses (-) NON-CURRENTS ASSETS OR DISPOSAL GROUPS HELD FOR SALE AND	(5.1.5)	(74,475)	(682)	(75,157)	(42,158)	(1,787)	(43,945	
111.		(							
	FROM DISCONTINUED OPERATIONS (Net)	(5.1.16)	-	-	-		-		
3.1	Held for sale		-	-	-	-	-		
3.2	Held from discontinued operations		-	-	-		-		
IV.	INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	<i>,</i> , ,	-	-	-	-	-	•	
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		-	-		-	-		
	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		-	-		-	-		
	Non-consolidated jointly controlled partnerships		-	-		-	-		
V.	TANGIBLE ASSETS (Net)	(5.1.12)	87,982	-	87,982	88,878	-	88,878	
VI.	INTANGIBLE ASSETS AND GOODWILL (Net)	(5.1.13)	7,784	-	7,784	6,849	-	6,849	
6.1	Goodwill		-	-	-	-	-		
6.2	Other		7,784	-	7,784	6,849	-	6,849	
VII.	INVESTMENT PROPERTIES (Net)	(5.1.14)	143,910	-	143,910	144,862	-	144,862	
VIII.	CURRENT TAX ASSETS		483	-	483	632	-	63:	
IX.	DEFERRED TAX ASSETS	(5.1.15)	13,020	-	13,020	13,746	-	13,746	
Χ.	OTHER ASSETS (Net)	(5.1.17)	22,505	28	22,533	20,639	-	20,639	
	TOTAL ASSETS		1,030,271	2,532,282	3,562,553	759,093	1,420,316	2,179,409	

## PASHA Yatırım Bank A.Ş. Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

			C	Current Period		Prior Period			
				31/12/2021			31/12/2020		
	EQUITY AND LIABILITIES	Note	LC	FC	Total	LC	FC	Tota	
	DEPOSITS	(5.2.1)	-	-	-	-	-		
Ι.	LOANS RECEIVED	(5.2.3)	90,947	1,285,105	1,376,052	92,529	710,695	803,22	
П.	MONEY MARKET FUNDS	(5.2.4)	141,143	64,380	205,523	48,168	5,095	53,26	
V.	MARKETABLE SECURITIES ISSUED (Net)	(5.2.5)	64,264	1,158,195	1,222,459	-	647,016	647,01	
4.1	Bills		64,264	-	64,264	-	-		
1.2	Asset backed securities		-	-	-	-	-		
4.3	Bonds		-	1,158,195	1,158,195	-	647,016	647,01	
V.	FUNDS		12,977	15,202	28,179	3,019	21,493	24,51	
5.1	Borrower funds		12,977	15,202	28,179	3,019	21,493	24,51	
5.2	Other		-	-	-	-	-		
VI.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-		
VII.	DERIVATIVE FINANCIAL LIABILITIES		-	114	114	118	1,312	1,430	
7.1	Derivative financial liabilities at fair value through profit or loss	(5.2.2)	-	114	114	118	1,312	1,430	
7.2	Derivative financial liabilities at fair value through other comprehensive								
	income	(5.2.8)	-	-	-	-	-		
VIII.	FACTORING PAYABLES		-	-	-	-	-		
IX.	LEASE PAYABLES (Net)	(5.2.7)	538	-	538	178	-	17	
Χ.	PROVISIONS	(5.2.9)	15,969	-	15,969	17,597	-	17,59	
10.1	Provision for restructuring		-	-	-	-	-		
0.2	Reserves for employee benefits		1,349	-	1,349	808	-	80	
0.3	Insurance technical reserves (Net)		-	-	-	-	-		
0.4	Other provisions		14,620	-	14,620	16,789	-	16,78	
XI.	CURRENT TAX LIABILITIES	(5.2.10)	8,526	-	8,526	3,819	-	3,81	
XII.	DEFERRED TAX LIABILITIES	(5.2.11)	-	-	-	-	-		
XIII.	LIABILITIES RELATED TO NON-CURRENT ASSETS HELD FOR SALE								
	AND DISCONTINUED OPERATIONS (Net)	(5.2.12)	-	-	-	-	-		
13.1	Held for sale		-	-	-	-	-		
3.2	Related to discontinued operations		-	-	-	-	-		
XIV.	SUBORDINATED DEBT	(5.2.13)	-	-	-	-	-		
14.1	Loans		-	-	-	-	-		
14.2	Other debt instruments		-	-	-	-	-		
XV.	OTHER LIABILITIES	(5.2.6)	52,709	45,504	98,213	35,549	30,151	65,700	
XVI.	SHAREHOLDERS` EQUITY	(5.2.14)	606,980	-	606,980	562,670	-	562,670	
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		-	-	-	-	-		
16.4	Other accumulated comprehensive income that will be reclassified in								
	profit or loss		(2,911)	-	(2,911)	(96)	-	(96	
6.5	Profit reserves		62,766	-	62,766	31,390	-	31,390	
6.5.1	Legal reserves		2,971	-	2,971	1,402	-	1,40	
6.5.2	Statutory reserves		295	-	295	295	-	29	
6.5.3	Extraordinary reserves		59,500	-	59,500	29,693	-	29,69	
6.5.4	Other profit reserves		-	-	-	-	-		
6.6	Profit or loss		47,125	-	47,125	31,376	-	31,37	
6.6.1	Prior years' profits or losses		-	-	-	-	-		
6.6.2	Current period net profit or loss		47,125	-	47,125	31,376	-	31,37	
			004.053	2 568 500	2 562 552	762 647	1 415 762	2 170 40	
	TOTAL EQUITY AND LIABILITIES	:	994,053	2,568,500	3,562,553	763,647	1,415,762	2,179,40	

## PASHA Yatırım Bank A.Ş. Unconsolidated Off-Balance Sheet As at 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### **II. OFF-BALANCE SHEET**

				Current Period 31/12/2021			Prior Period 31/12/2020		
	OFF BALANCE SHEET COMMITMENTS	Note	LC	FC	Total	LC	FC	Total	
A.	OFF-BALANCE SHEET COMMITMENTS (I+II+III)		231,574	795,011	1,026,585	205,515	339,715	545,230	
Ι.	GUARANTEES AND WARRANTIES	(5.3.1)	151,668	580,821	732,489	165,346	167,280	332,626	
1.1.	Letters of Guarantee		151,668	153,419	305,087	165,346	126,473	291,819	
1.1.1	Guarantees Subject to State Tender Law		-	-	-	-	-	-	
1.1.2	Guarantees Given for Foreign Trade Operations		-	-	-	-	-	-	
1.1.3	Other Letters of Guarantee		151,668	153,419	305,087	165,346	126,473	291,819	
1.2	Bank Acceptances		-	-	-	-	-	_	
1.2.1	Import Letter of Acceptance		-	-	-	-	-	-	
1.2.2	Other Bank Acceptances		-	-	-	-	-	-	
1.3	Letters of Credit		-	109,673	109,673	-	-	-	
1.3.1	Documentary Letters of Credit		-	-	-	-	-	-	
1.3.2	Other Letters of Credit		-	109,673	109,673	-	-	-	
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		-	317,729	317,729	-	40,807	40,807	
1.9	Other Collaterals		-	-	-	-	-	-	
II.	COMMITMENTS	(5.3.1)	-	15,388	15,388	7,718	14,715	22,433	
2.1	Irrevocable Commitments		-	15,388	15,388	7,718	14,715	22,433	
2.1.1	Asset Purchase and Sales Commitments		-	-	-	2,246	2,226	4,472	
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		-	-	-	-	-	-	
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		-	15,388	15,388	5,472	12,489	17,961	
2.2.	Revocable Commitments		-	5,500 -	5,500 -	ے / 4،ر -			
2.2.1	Revocable Commitments for Loan Limits		-	-	_	_	_		
2.2.1	Other Revocable Commitments		-		_	-	_		
2.2.2    .	DERIVATIVE FINANCIAL INSTRUMENTS	(5.3.2)	79,906	198,802	278,708	32,451	157,720	190,17	
3.1	Hedging Derivative Financial Instruments	(ے،د،د)	-			'⊂+יر -			
3.1.1 3.1.1	Transactions for Fair Value Hedge		-	-	-	-	-		
3.1.1 3.1.2	Transactions for Cash Flow Hedge			-	-				

The accompanying notes are an integral part of these financial statements

## PASHA Yatırım Bank A.Ş. Unconsolidated Off-Balance Sheet As at 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

			Cı	urrent Perio 31/12/2021	bd	Prior Period 31/12/2020		
	OFF BALANCE SHEET COMMITMENTS	Note	LC	FC	Total	LC	FC	Tota
3.1.3	Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
3.2	Trading Derivative Financial Instruments		79,906	198,802	278,708	32,451	157,720	190,17
3.2.1	Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	
3.2.1.1	Forward Foreign Currency Transactions-Buy		-	-	-	-	-	
3.2.1.2	Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2	Swap Transactions Related to Foreign Currency and							
	Interest Rates		79,906	198,802	278,708	32,451	157,720	190,17
3.2.2.1	Foreign Currency Swap-Buy		-	145,999	145,999	9,661	84,789	94,450
3.2.2.2	Foreign Currency Swap-Sell		79,906	52,803	132,709	22,790	72,931	95,72
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)		2,938,397	2,721,906	5,660,303	2,318,912	2,096,503	4,415,41
IV.	ITEMS HELD IN CUSTODY		35,076	2,666	37,742	5,119	-	5,119
4.1	Customer Fund and Portfolio Balances		-	-	-	-	-	
4.2	Investment Securities Held in Custody		33,824	2,666	36,490	3,604	-	3,604
4.3.	Cheques Received for Collection		1,252	-	1,252	1,515	-	1,51
4.4.	Commercial Notes Received for Collection		-	-	-	-	-	
4.5.	Other Assets Received for Collection		-	-	-	-	-	
4.6.	Assets Received for Public Offering		-	-	-	-	-	
4.7.	Other Items Under Custody		-	-	-	-	-	
4.8.	Custodians		-	-	-	-	-	
V.	PLEDGES RECEIVED		2,787,894	2,602,645	5,390,539	2,301,249	2,035,361	4,336,610
5.1.	Marketable Securities		115,630	214,027		199,268	230,426	429,694
5.2.	Guarantee Notes		321,118	251,471	572,589	291,072	102,621	393,69
5.3.	Commodity		515,483	331,856	847,339	322,999	189,537	512,536
5.4.	Warranty		-	-	-	-	-	
5.5.	Immovable		965,051	869,248	1,834,299	865,051	484,208	1,349,259
5.6.	Other Pledged Items		870,612	936,043	***************************************	622,859	*****	1,651,428
5.7.	Pledged Items-Depository		-	-	-	-	-	
VI.	ACCEPTED INDEPENDENT GUARANTEES AND							
	WARRANTIES		115,427	116,595	232,022	12,544	61,142	73,686
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		3,169,971	3,516,917	6,686,888	2,524,427	2,436,218	4,960,64

The accompanying notes are an integral part of these financial statements

## Unconsolidated Income Statement For the Year Ended 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### **III. STATEMENT OF PROFIT OR LOSS**

	INCOME STATEMENT	Note	Current Period 31/12/2021	Prior Period 31/12/2020
		Note	51/12/2021	517 127 2020
	INTEREST INCOME	(5.4.1)	219,309	129,745
	Interest on Loans		175,815	107,605
	Interest Received From Reserve Deposits		1,951	149
	Interest Received From Banks Interest Received From Money Market Transactions		792	871
	Interest Received From Marketable Securities Portfolio		4,528 18,027	3,401 11,027
	Financial assets at fair value through profit or loss		-	
	Financial Assets at Fair Value Through Other Comprehensive Income		3,925	2,318
	Financial Assets Measured at Amortised Cost		14,102	8,709
1.6	Finance Lease Income		18,187	6,692
	Other Interest Income		9	-
	INTEREST EXPENSES (-)	(5.4.2)	106,394	53,853
	Interest on Deposits		-	-
	Interest on Funds Borrowed Interest on Money Market Transactions		56,267	28,006
	Interest on Securities Issued		6,277 39,854	1,81 <u>3</u> 22,706
	Finance Lease Expense		39,854 54	22,700
	Other Interest Expenses	(5.4.12)	3,942	1,304
	NET INTEREST INCOME/EXPENSE (I - II)		112,915	75,892
	NET FEES AND COMMISSIONS INCOME/EXPENSES		10,285	4,186
4.1	Fees and Commissions Received		15,431	5,923
	Non-cash loans		3,927	3,585
in the second second pro-	Other	(5.4.12)	11,504	2,338
	Fees and Commissions Paid (-)		5,146	1,737
	Non-Cash Loans	()	428	464
4.2.2	Other DIVIDEND INCOME	(5.4.12)	4,718	1,273
	TRADING PROFIT/LOSS (Net)	(5.4.3) (5.4.4)	- 20,516	- - 75
	Profit/Losses From Capital Market Transactions	(5-4-4)	3,158	5,476
	Profit/Losses From Derivative Financial Transactions		30,262	5,207
	Foreign Exchange Profit/Losses		(12,904)	269
	OTHER OPERATING INCOME	(5.4.5)	11,155	9,065
VIII.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII)		154,871	94,619
	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(5.4.6)	37,459	4,520
	OTHER PROVISION EXPENSES (-)	(5.4.6)	100	28
	PERSONNEL EXPENSES (-)	(	28,442	24,265
	OTHER OPERATING EXPENSES (-)	(5.4.7)	24,680	23,718
	NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII) SURPLUS WRITTEN AS GAIN AFTER MERGER		64,190	42,088
	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	
	NET MONETORY POSITION GAIN/LOSS		-	-
	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XIII++XVI)	(5.4.8)	64,190	42,088
XVIII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (±)	(5.4.9)	17,065	10,712
	Current Tax Provision		15,635	8,744
	Expense Effect Of Deferred Tax (+)		8,463	2,609
	Income Effect Of Deferred Tax (-)		7,033	641
	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVII±XVIII)	(5.4.10)	47,125	31,376
	INCOME FROM DISCONTINUED OPERATIONS Income From Assets Held For Sale		-	-
	Profit From Sale Of Associates. Subsidiaries And Joint Ventures		-	
	Other Income From Discontinued Operations		-	-
	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
	Expenses On Assets Held For Sale		-	-
	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-	-
	Other Expenses From Discontinued Operations		-	-
	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS (XX-XXI)	(5.4.8)	-	-
	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)	(5-4-9)	-	-
	Current Tax Provision		-	-
	Expense Effect Of Deferred Tax (+) Income Effect Of Deferred Tax (-)		-	-
	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)	(5.4.10)	-	
	NET PROFIT/LOSSES (XIX+XXIV)	(5.4.11)	47,125	31,376
	Profit/Loss Per Share (Expressed in exact TL)	SE 1. 7	0.0943	0.0628

### PASHA Yatırım Bank A.Ş. Unconsolidated Income and Expense Items Accounted in Equity For the Year Ended 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Current Period 31/12/2021	Prior Period 31/12/2020
		5.,.=,===	5.,.=,====
Ι.	PROFIT (LOSS)	47,125	31,376
<u>II.</u>	OTHER COMPREHENSIVE INCOME	(2,815)	(317)
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	(2,815)	(317)
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	(3,519)	(403)
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	704	86
	TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	44,310	31,059

## Notes to Unconsolidated Statement of Changes in Shareholders' Equity For the Year Ended 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

						Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss				
		Note	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	
	Prior Period 01/01/2020 - 31/12/2020	Note	Cupitui	Tremum	TTORES	Reperves		-	د	
Ϊ.	Balance at the beginning of the period		500,000	-	-	-	-	-	-	
П.	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	
2.1	Effect of adjustment		-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	
	New balance (I+II)		500,000	-	-	-	-	-	-	
IV.	Total comprehensive income (loss)		-	-	-	-	-	-	-	
V.	Capital increase in cash		-	-	-	-	-	-	-	
VI.	Capital increase through internal reserves		-	-	-	-	-	-	-	
VII.	Issued capital inflation adjustment difference		-	-	-	-	-	-	-	
	Convertible bonds		-	-	-	-	-	-	-	
IX.	Subordinated debt		-	-	-	-	-	-	-	
Х.	Increase (decrease) through other changes, equity		-	-	-	-	-	-	-	
XI.	Profit distribution		-	-	-	-	-	-	-	
11.1	Dividends distributed		-	-	-	-	-	-	-	
11.2	Transfers to legal reserves		-	-	-	-	-	-	-	
11.3	Other		-	-	-	-	-	-	-	
_										
	Period-End Balance (III+IV++X+XI)		500,000	-	-	-	-	-	-	
	Current Period 01/01/2021 - 31/12/2021									
<u> </u>	Balance at the beginning of the period		500,000	-	-	-	-	-	-	
	Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	
2.1	Effect of adjustment		-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	
<u> </u>	New balance (I+II)		500,000	-	-	-	-	-	-	
IV.	Total comprehensive income (loss)		-	-	-	-	-	-	-	
V.	Capital increase in cash		-	-	-	-	-	-	-	
VI.	Capital increase through internal reserves		-	-	-	-	-	-	-	
	Issued capital inflation adjustment difference		-	-	-	-	-	-	-	
	Convertible bonds		-	-	-	-	-	-	-	
IX.	Subordinated debt		-	-	-	-	-	-	-	
X.	Increase (decrease) through other changes, equity		-	-	-	-	-	-	-	
XI.	Profit distribution		-	-	-	-	-	-	-	
11.1	Dividends distributed		-	-	-	-	-	-	-	
11.2	Transfers to legal reserves		-	-	-	-	-	-	-	
11.3	Other		-	-	-	-	-	-	-	
	Period-End Balance (III+IV++X+XI)		500,000					-		
			500,000	-	-	-	-		-	

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)

	ed Comprehensive Incom lassified In Profit and Loss			<b>C</b>	
				Current Period	Total
		Profit	Prior Period	Profit	Shareholders'
 4	5	6 Reserves	Profit or (Loss))	or (Loss)	Equity
 -	221	- 5,656	43	25,691	531,611
-	-		-	-	-
 	_		-	-	-
 -	221	- 5,656	43	25,691	531,611
 -	(317)		-	31,376	31,059
-	-		-	-	-
-	-		-	-	-
-	-		-	-	-
 -	-		-	-	-
 -	-		-	-	-
 -	-		-	-	-
 -	-	- 25,734	(43)	(25,691)	-
 	-		- (43)	- (25,691)	-
 	_	- 25,734	(43)	(25,091)	-
 -	(96)	- 31,390	-	31,376	562,670
					<i></i>
-	(96)	- 31,390	-	31,376	562,670
 -	-		-	-	-
 -	-		-	-	-
-	-		-	-	-
 -	(96)	- 31,390	-	31,376	562,670
 -	(2,815)		-	47,125	44,310
 	-		-	-	-
 _	_		-	-	-
 -	-		-	-	-
 -	-		-	-	-
-	-		-	-	-
-	-	- 31,376	-	(31,376)	-
-	-		-	-	-
 -	-	- 31,376		(31,376)	-
 -	-		-	-	_
 	(				<i></i>
 -	(2,911)	- 62,766	-	47,125	606,980

## Notes to Unconsolidated Statements of Cash Flow For the Year Ended 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### VI. STATEMENT OF CASH FLOW

		Nata	Current Period	Prior Period
•••••		Note	31/12/2021	31/12/2020
Α.	CASH FLOWS FROM BANKING OPERATIONS			
1.1	Operating Profit Before Changes in Operating Assets and Liabilities		73,617	37,669
1.1.1	Interest Received		190,940	122,510
1.1.2	Interest Paid		(99,592)	(59,193)
1.1.3	Dividend Received		-	-
1.1.4	Fees and Commissions Received		11,736	3,602
1.1.5	Other Income		20,840	10,964
1.1.6	Collections from Previously Written-off Loans and Other Receivables		7,927	3,354
1.1.7	Payments to Personnel and Service Suppliers Taxes Paid		(27,268)	(19,094)
1.1.8 1.1.9	Other	(5.6.2)	(12,097) (18,869)	(7,206) (17,268)
1.1.9		(5.0.2)	(10,809)	(1/,200)
1.2	Changes in Operating Assets and Liabilities		(94,884)	(118,016)
1.2.1	Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		(3.575)	(6,575)
1.2.2	Net increase (decrease) in due from banks		(65,638)	12,094
1.2.3	Net increase (decrease) in loans		(221,469)	(169,626)
1.2.4	Net increase (decrease) in other assets	(5.6.2)	(444)	953
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		9,242	(49,708)
1.2.9 1.2.10	Net Increase/(Decrease) in matured Payables Net Increase/(Decrease) in Other Liabilities	(5.6.2)	- 187,000	- 94,846
1.2.10		(5.0.2)	107,000	94,040
<u>I.</u>	Net Cash Provided from Banking Operations		(21,267)	(80,347)
В.	CASH FLOWS FROM INVESTING ACTIVITIES			
II.	Net Cash Provided from/(Paid For) Investing Activities		(148,666)	(32,003)
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		(4,827)	(3,413)
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		(52,561)	(26,531)
2.6	Cash obtained from the sale of financial assets at fair value through other comprehensive income		28,597	12,163
2.7	Cash paid for the purchase of financial assets at amortised cost		(119,875)	(49,278)
2.8	Cash obtained from sale of financial assets at amortised cost		-	35,056
2.9	Other			-
С.	CASH FLOWS FROM FINANCING ACTIVITIES			
	Net Cash Provided from Financing Activities		65,638	48,274
3.1	Cash Obtained from Funds Borrowed and Securities Issued		596,425	188,568
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		(530,634)	(140,195)
3.3	Equity instruments issued		-	-
3.4	Dividends Paid		-	-
3.5	Payments for Finance Lease Liabilities		(153)	(99)
3.6	Other		-	-
IV.	Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents	(5.6.2)	115,356	36,806
V.	Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		11,061	(27,270)
VI.	Cash and Cash Equivalents at the Beginning of the Period	(5.6.1)	163,361	190,631
	Cash and Cash Equivalents at the End of the Period (V+VI)	(= ( - )		262.26-
VII.	Cash and Cash equivalents at the end of the Penod (V+VI)	(5.6.1)	174,422	163,361

### PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Statements of Profit Distribution For the Year Ended 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### VII. PROFIT DISTRIBUTION STATEMENT

		Current Period	Prior Period
		31/12/20211	31/12/2020
<u>I.</u>	DISTRIBUTION OF CURRENT YEAR INCOME		
	CURRENT YEAR INCOME	64100	42.0%
1.1	TAXES AND DUTIES PAYABLE (-)	64,190 (17,065)	42,088
1.2 1.2.1	Corporate Tax (Income tax)		(10,712)
1.2.2	Income withholding tax	(15,635)	(8,744
1.2.3	Other taxes and duties <sup>2</sup>	(1,430)	(1,968
		(1+3+)	
Α.	NET INCOME FOR THE YEAR (1.1-1.2)	47,125	31,376
1.3	PRIOR YEAR LOSSES (-)	-	
1.4	FIRST LEGAL RESERVES (-)	_	(1,569
1.5	OTHER STATUTORY RESERVES (-)	-	
В.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5)]	47,125	29,807
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	
1.6.1	To Owners of Ordinary Shares	-	
1.6.2	To Owners of Privileged Shares	-	
1.6.3	To Owners of Preferred Shares	-	
1.6.4	To Profit Sharing Bonds		
1.6.5	To Holders of Profit and (Loss) Sharing Certificates	-	
1.7	DIVIDENDS TO PERSONNEL (-)	-	
1.8	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	
1.9.1	To Owners of Ordinary Shares	-	
1.9.2	To Owners of Privileged Shares	-	
.9.3	To Owners of Preferred Shares	-	
1.9.4	To Profit Sharing Bonds	-	
1.9.5	To Holders of Profit and (Loss) Sharing Certificates	-	
1.10	SECOND LEGAL RESERVES (-)	-	
1.11	STATUTORY RESERVES (-)	-	
1.12	EXTRAORDINARY RESERVES	-	29,80
1.13	OTHER RESERVES	-	
1.14	SPECIAL FUNDS	_	
II.	DISTRIBUTION OF RESERVES		
	DISTRIBUTION OF RESERVES	-	
2.1	APPROPRIATED RESERVES	-	
2.2	SECOND LEGAL RESERVES (-)	-	
2.3	DIVIDENDS TO SHAREHOLDERS (-)	-	
2.3.1	To owners of ordinary shares	-	
2.3.2	To owners of privileged shares	-	
2.3.3	To owners of preferred shares	-	
2.3.4	To profit sharing bonds	-	
2.3.5	To holders of profit and (loss) sharing certificates		
2.4	DIVIDENDS TO PERSONNEL (-)	-	
2.5	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	
	EARNINGS PER SHARE	=	
3.1	TO OWNERS OF ORDINARY SHARES	-	
3.2	TO OWNERS OF ORDINARY SHARES (%)	-	
3.3	TO OWNERS OF PRIVILEGED SHARES	-	
3.4	TO OWNERS OF PRIVILEGED SHARES (%)		
IV.	DIVIDEND PER SHARE	-	
4.1	TO OWNERS OF ORDINARY SHARES		
	•		
	ELO OWNERS OF ORDINARY SHARES (%)		
4.1 4.2 4.3	TO OWNERS OF ORDINARY SHARES (%) TO OWNERS OF PRIVILEGED SHARES	_	

<sup>1)</sup> As of financial statements preparation date, Bank's General Shareholders Meeting have not yet been made, hence no decision has been taken on profit distribution. <sup>2)</sup> Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation.

## Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

#### I. BASIS OF PRESENTATION

## 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.

#### 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 prior period. Aforementioned accounting policies and valuation principles are explained in below.

#### Judgements and estimates used in the preparation of the financial statements:

The COVID-19 epidemic has spread to various countries around the world, causing potentially fatal respiratory infections, affects both regional and global economic conditions negatively, as well as causing malfunctions in operations, especially in countries exposed to the epidemic. As a result of the spread of COVID-19 around the world, various measures have been taken in our country as well as in the world in order to prevent the transmission of the virus and it is still being taken. In addition to these measures, economic measures are also taken to minimize the economic impact of the virus outbreak on individuals and businesses in our country and worldwide.

While preparing the financial statements, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates ad judgments used in the preparation of the financial statements. The estimates and assumptions used in the calculation of expected loan losses are explained in the statements on impairment of financial assets.

#### Inflation accounting:

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, financial statements as of December 31, 2021 are not adjusted for inflation in accordance with TAS 29.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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 Standards except for the matters regulated by BRSA Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding sources of the Bank are shareholders' equity, borrowing from domestic and foreign financial institutions and debt securities issued. 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 "TFRS 9 Financial Instruments" ("TFRS 9"), "Derivative Financial Assets/Liabilities Designated at Fair Value through Profit or Loss" or "Derivative Financial Assets/Liabilities Designated at Fair Value through Other Comprehensive Income".

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Other Comprehensive Income", if the fair value is negative, the amount is classified as "Derivative Financial Liabilities Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets Designated at Fair Value Through Profit or Loss" or "Derivative Financial Assets 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.

#### IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized in the income statement by using the "effective interest rate method". The Bank calculate interest income accrual for the non-performing loans that are not fully provisioned in the period they occur.

## Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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.

#### 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.

#### 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.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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.

#### 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.

### Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### **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.

In the calculation of the expected loss provision, for banks and central governments the ratings given by the internationally accepted independent rating institutions are taken as basis. For corporate loans and financial customers other than banks, internal rating model of the Bank are used to evaluate customers. In determining the internal rating grades, the rating scale published by independent credit institutions is taken as a basis, and sub-notches are used to better differentiate customers with low grade bands. In the determination of PD values, independent credit rating agency methodology based on the historical default rates and Bank's calibration methodology with a forward-looking perspective taking macroeconomic expectations into consideration is used. For customers having a better rating than the Turkey's rating, a sub-notch below of the country's rating is applied as a cap. Thus, a prudent approach is applied that doesn't allow to assign a better rating than country.

In the last quarter of 2020, some improvements were made to increase the performance of the Bank's internal rating model. The bank portfolio consists of large companies and financial institutions that are small in number but have a high volume of loan demand. Due to the low number of observations involving bank internal default data, a global rating methodology based on publicly published global methodology documents is used instead of a model based on internal data. The methodology is based on both a financial assessment based on information from the client's balance sheets and a qualitative assessment, including questions such as management strategy and structure. This assessment is the base module, which is the basis of the Bank's rating methodology. Then, subsequent adjustment factors such as the parental support, government support, early warning signals and country ceiling are applied in the form of grade increases/decreases on the base module in a modular structure. As of September 2021, the one-year usage period of the internal rating model has been completed. Validation studies were conducted on the discrimination power and reliability of the model based on the one-year usage period data, and it was concluded that it performed at the expected level. 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:

#### ECL = PD \* LGD \* EAD \* (if any CCF)

Expected credit loss calculation is calculated over financial assets that has counterparty risk which in scope of IFRS 9 and off-balance sheet risks that are present each reporting period.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### 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.

As a mentioned in the important estimates and judgments note used in the preparation of the financial statements, the Bank reflected the possible effects of the COVID-19 outbreak as of report date with the best estimation method for the estimates and judgments used in calculating the expected loan losses. The Bank has revised its macroeconomic expectations for the second quarter of the year in June and reflected the calculations made as of report date in the light of these data, taking into account the values of default probabilities and the loss of default. While the default probabilities were calibrated, the long-term default rate estimates were updated and reflected to the financial statements. In this context, the Bank has measured the impact of the change in gross domestic product on frozen receivables within different scenarios and reflected the increase coefficient, which is considered to reflect the current situation in the NPL ratio, to loan parameters, by reflecting on the loan parameters. This approach, which is preferred in reserve calculations, will be revised by taking inti consideration the impact of the epidemic, loan portfolio and future expectations in the following reporting periods.

Due to the disruptions in economic and commercial activities as a result of the COVID-19 pandemic, the decisions of the BDDK dated March 17, 2020 and numbered 8948 and March 27, 2020 and numbered 8970, To apply the 90-day delay period for the credit classification of loans as 180 days within the scope of Articles 4 and 5 of the Regulation on the Classification of Loans and the Procedures and Principles; the 30-day period for classification as Stage 2 was also allowed to be applied as 90 days.

With the announcement made on September 16, 2021, it was decided to end flexibility by the end of September 30, 2021, excluding stage 1 loans with a delay period of more than 31 days and no more than 90 days as of October 1, 2021, and stage 2 loans with a late period exceeding 91 days and a delay period of no more than 180 days.

#### 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".

## Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### 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.

As of 31 December 2021 and 31 December 2020, there is no any goodwill amount that need to reflect to the financial statements.

#### 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 with useful life of 50 years and other fixed assets with useful lives of three to fifteen years 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.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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.

#### 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.

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.

#### 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.

## Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### 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.

	31 December 2021	31 December 2020
Discount Rate (%)	3.48	3.85
Inflation Rate (%)	15.00	9.00

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 accordance with the 11<sup>th</sup> article of the Law on the Procedure of Collection of Public Claims and the Law on the Amendment of Certain Laws, which entered into force after being published in the Official Gazette dated April 22, 2021 and numbered 31462, and the provisional article 13 added to the Corporate Tax Law numbered 5520 the corporate tax rate is applied as 25% for the corporate income for the 2021 taxation period and will be applied 23% for the corporate income for the 2022 taxation period.

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. 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.

## PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

With the "Law Amending the Tax Procedure Law and the Corporate Tax Law", which was accepted on the agenda of the Turkish Grand National Assembly on January 20, 2022, the application of inflation accounting was postponed starting from the balance sheet dated on December 31, 2023

#### **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".

#### XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

None.

#### 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.

## Notes to Unconsolidated Financial Statements At 31 December 2021

#### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### 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.

#### XXVIII. EXPLANATIONS ON OTHER MATTERS

None.

#### 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 646,135 (31 December 2020 -TL 584,574) while its capital adequacy standard ratio is 17.39% (31 December 2020 - 26.34%) as of 31 December 2021. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

a. Information on shareholders' equity

	Current Period	Prior Period
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	500,000	500,000
Share premium	-	-
Legal reserves	62,766	31,390
Projected gains to shareholders' equity of the accounting standards in Turkey	971	1,388
Profit	47,125	31,376
Net current period profit	47,125	31,376
Prior period profit	-	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit		_
Common Equity Tier 1 capital before regulatory adjustments	- 610,862	-
Common Equity Tier 1 capital: regulatory adjustments	010,002	564,154
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	3,374	469
Development cost of operating lease	-	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	7,784	6,849
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	11,158	7,318
Common Equity Tier 1 capital (CET 1)	599,704	556,836

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Current Period	Prior Period
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)	599,704	556,836
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	46,431	27,738
Tier 2 capital before regulatory adjustments Tier 2 capital: regulatory adjustments	46,431	27,738
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)	46 421	- פרד דר
Total capital (TC = T1 + T2)	46,431 646,135	27,738 584,574
	040,135	504,574
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		
ot which: The sum of partnership share on banks and tipancial institutions (domestic and abroad) with shareholding of less than 10%	-	-
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		

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Current Period	Prior Period
Shareholders' Equity		
Total shareholders' equity	646,135	584,574
Total risk weighted items	3,714,502	2,219,041
CAPITAL ADEQUACY RATIOS		
Core Capital Adequacy Ratio (%)	16.14	25.09
Tier 1 Capital Adequacy Ratio (%)	16.14	25.09
Capital Adequacy Standard Ratio (%)	17.39	26.34
BUFFERS		
Total additional core capital requirement ratio (a+b+c)	2.505	2.505
a) Capital conservation buffer requirement (%)	2.500	2.500
b) Bank specific countercyclical buffer requirement (%)	0.005	0.005
c) Higher bank buffer requirement ratio (%)	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%)	8.14	17.09
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)	58,143	34,452
Cap on inclusion of provisions in Tier 2 under standardised approach	46,431	27,738
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)	-	-

<sup>(1)</sup> Amounts for items for subject to the transition process.

As a result of COVID-19 epidemic, in the calculation of the amount subject to credit risk, in accordance with the Regulation on the Measurement and Evaluation of Capital Adequacy due to the fluctuations in the financial markets, based on the press release of the BRSA on 23 March 2020 and updated with its regulation on 17 June 2021 and 16 September 2021; It has been made possible to use the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days when calculating the amounts of monetary assets and non-monetary assets, other than items in foreign currency measured in terms of historical cost, in accordance with Turkish Accounting Standards and related special provisions. As of 31 December 2021, the Bank has not used this opportunity in its Capital Adequacy calculations.

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

None (31 December 2020 - None).

#### c. Explanations on reconciliation between amounts in the statement of information on equity items

The main difference between the amount of 'Equity' given in the statement of equity and the amount of 'Equity' in the unconsolidated balance sheet arises expected credit losses. The expected credit losses are considered as contribution capital in the calculation of the 'Equity' given in the equity table. In addition, operating lease development costs, intangible assets, and some other accounts determined by the Board are taken into account in calculating the 'Equity' amount in calculations as deductions.

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

a. The Bank takes into account the Banking Law as far as the limits applied to a single obligor or a risk group is concerned. Limits are determined to avoid sectoral concentration, and the compliance to these limits are monitored on transaction basis.

Regarding daily credit and security transactions, compliance to limits and concentrations are monitored ad reported by the risk management unit. Besides, the compliance of credits to their limits are followed by operations, marketing and internal control units.

Credits and other receivables are re-evaluated at least once a year by the credit allocation unit. Ratings are calculated by using models specifically developed for this purpose.

Including the necessary documents, credit allocation activities are also subject to controls by the internal control unit, which is independent from business units.

- **b.** According to TFRS 9 Financial Instruments Standard and Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions, loans are classified as overdue loans that are not have performing loan specifications. The accounting and provisioning police have been disclosed in section 3.
- c. Bank does not carry any forward or option positions or similar positions based on other agreements on the organized markets.
- d. The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk, which may necessitate mitigation through futures or options. As credit risk increases, usage of such derivative instruments may be relevant.
- e. The Bank does not have any non-cash loans that were transformed into cash. If such loans exist, they are going to be applied the same risk weight as the cash loans.
- f. The restructured and the rescheduled loans have been disclosed in Section 5.

The discrimination of credit risk is performed through rating systems. No risk discrimination is made via maturity.

- g. The Bank does not have any credit transaction abroad.
- **h.** The Bank, as an active participant in the national and international banking market, compared to the financial activities of other financial institutions, is not exposed to high volumes of credit risk.
- i. The share of the greatest 100 and 200 cash loan customers within the total cash loans portfolio is 100% and 100%, respectively (31 December 2020: 100% and 100%).

The share of the greatest 100 and 200 non-cash loan customers within the total non-cash loans portfolio is 100% and 100%, respectively (31 December 2020: 100% and 100%).

The share of the greatest 100 and 200 cash and non-cash loan customers within the total cash and non-cash loans portfolio in the on and off balance sheets is 100% and 100%, respectively (31 December 2020 100% and 100%).

- j. The expected credit losses for the credit risk is TL 58,143 (31 December 2020 TL 34,452).
- k. The total amount of risk the Bank is exposed to, without taking into account the mitigation effects, and average of the risks grouped based on different risk classes and types are shown in the table below:

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	31 Decem	ber 2021	31 Decemt	oer 2020
	<b>Current Period</b>	Average Risk	Prior Period	Average Risk
	Risk Amount <sup>1</sup>	Amount <sup>2</sup>	Risk Amount <sup>1</sup>	Amount <sup>2</sup>
Risk Classifications				
Conditional and unconditional receivables from central				
governments or central banks	525,830	322,151	214,848	187,511
Conditional and unconditional receivables from regional				
management or local governments	-	-	-	-
Conditional and unconditional receivables from administrative				
units or non-commercial ventures	-	-	-	-
Conditional and unconditional receivables from multilateral				
development banks	-	-	-	-
Conditional and unconditional receivables from international				
Organizations	-	-	-	
Conditional and unconditional receivables from banks and				
brokerage corporation	750,620	399,915	186,365	218,876
Conditional and unconditional corporate receivables	2,453,449	1,883,513	1,537,365	1,452,193
Conditional and unconditional retail receivables	190	15,553	22,816	11,310
Conditional and unconditional collateralized by real estate				
mortgages receivables	256,695	173,232	108,169	64,714
Non-performing receivables	20,930	19,744	16,246	16,158
Receivables defined in high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables and short-term corporate receivables				
from banks and brokerage corporations	-	76,782	127,549	165,356
Investments in nature of collective investment funds	20,956	24,813	25,366	15,750
Equity security investments	7,659	7,659	7,659	2,553
Other receivables	254,932	261,765	268,139	267,840
Total	4,291,261	3,185,127	2,514,522	2,402,261

<sup>(1)</sup> The figures represent total risk amounts before Credit Risk Mitigation and after credit conversion factor.

<sup>(2)</sup> Average risk amounts are calculated as arithmetical average of monthly amounts of relevant year.

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

In. Profile of significant exposures in significant regions

	Risk Classifi	cations						
	1	2	3	4	5	6	7	
Current Period								
Domestic	525,830	-	-	-	-	449,812	1,981,969	
European Union Countries	-	-	-	-	-	18,900	-	
OECD Countries <sup>2</sup>	-	-	-	-	-	-	-	
Off-shore Banking Regions	-	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	79,682	-	
Other Countries	-	-	-	-	-	202,226	471,480	
Associates, Subsidiaries and								
Joint -Ventures	-	-	-	-	-	-	-	
Unallocated								
Assets/Liabilities <sup>3</sup>	-	-	-	-	-	-	-	
Total	525,830	-	-	-	-	750,620	2,453,449	

<sup>(1)</sup> Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks". Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

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

- 2) Conditional and unconditional receivables from Regional Management or Local Governments
- 3) Conditional and unconditional receivables from Administrative Units or Non-commercial Ventures
- 4) Conditional and unconditional receivables from Multilateral Development Banks
- 5) Conditional and unconditional receivables from International Organizations
- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables
- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA
- 12) Securities collateralized by mortgages
- 13) Securitization positions
- 14) Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations
- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables
- <sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.
- <sup>(3)</sup> Includes assets and liability items that cannot be allocated on a consistent basis.

8	9	10	11	12	13	14	15	16	17	Total
10	256,695	20,930	-	-	-	-	2,679			3,500,516
-	-	-	-	-	-	-	18,277	-	-	37,177
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	79,682
180	-	-	-	-	-	-	-	-	-	673,886
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
190	256,695	20,930	-	-	-	-	20,956	7,659	254,932	4,291,261

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Risk Classif	fications	(1)					
	1	2	3	4	5	6	7	
Prior Period								
Domestic	214,848	-	-	-	-	163,990	1,147,489	
European Union Countries	-	-	-	-	-	-	111,902	
OECD Countries <sup>2</sup>	-	-	-	-	-	-	-	
Off-shore Banking Regions	-	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	-	-	
Other Countries	-	-	-	-	-	22,375	277,974	
Associates, Subsidiaries and								
Joint -Ventures	-	-	-	-	-	-	-	
Unallocated								
Assets/Liabilities <sup>3</sup>	-	-	-	-	-	-	-	
Total	214,848	-	-	-	-	186,365	1,537,365	

<sup>(1)</sup> Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks". Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

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

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

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

4) Conditional and unconditional receivables from Multilateral Development Banks

5) Conditional and unconditional receivables from International Organizations

6) Conditional and unconditional receivables from Banks and Brokerage Corporation

7) Conditional and unconditional corporate receivables

8) Conditional and unconditional retail receivables

- 9) Conditional and unconditional collateralized by real estate mortgages receivables
- 10) Non-performing receivables
- 11) Receivables defined in high risk category by BRSA

12) Securities collateralized by mortgages

13) Securitization positions

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

15) Investments in nature of Collective Investment funds

16) Equity security investments

17) Other receivables

<sup>(2)</sup> Includes OECD countries other than EU countries, USA and Canada.

<sup>(3)</sup> Includes assets and liability items that cannot be allocated on a consistent basis.

8	9	10	11	12	13	14	15	16	17	Total
22,816	108,169	16,246	-	-	-	98,348	6,944	7,659	268,139	2,054,648
-	-	-	-	-	-	20,656		-	-	150,980
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	6,412	-	-	-	6,412
-	-	-	-	-	-	2,133	-	-	-	302,482
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
22,816	108,169	16,246	-	-	-	127,549	25,366	7,659	268,139	2,514,522

### Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

l2. Risk profile by sectors or counterparties

	Risk Classific	ations <sup>(1)</sup>						
Current Period	1	2	3	4	5	6	7	
Agriculture	-	-	-	-	-	-	10,000	
Farming and Stockbreeding	-	-	-	-	-	-	10,000	
Forestry	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	-	708,986	
Mining and Quarrying	-	-	-	-	-	-	4,057	
Production	-	-	-	-	-	-	348,950	
Electricity, Gas and Water	-	-	-	-	-	-	355,979	
Construction	-	-	-	-	-	-	797,116	
Services	512,810	-	-	-	-	750,620	922,432	
Wholesale and Retail Trade	-	-	-	-	-	-	136,211	
Accommodation and Dining	-	-	-	-	-	-	684	
Transportation and Telecom	-	-	-	-	-	-	248,546	
Financial Institutions	512,810	-	-	-	-	750,620	402,544	
Real Estate and Rental Services	-	-	-	-	-	-	65,442	
Professional Services	-	-	-	-	-	-	-	
Educational Services	-	-	-	-	-	-	-	
Health and Social Services	-	-	-	-	-	-	69,005	
Others	13,020	-	-	-	-	-	14,915	
Total	525,830	-	-	-	-	750,620	2,453,449	

<sup>(1)</sup> Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks". Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

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

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

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

4) Conditional and unconditional receivables from Multilateral Development Banks

5) Conditional and unconditional receivables from International Organizations

- 6) Conditional and unconditional receivables from Banks and Brokerage Corporation
- 7) Conditional and unconditional corporate receivables

8) Conditional and unconditional retail receivables

9) Conditional and unconditional collateralized by real estate mortgages receivables

10) Non-performing receivables

11) Receivables defined in high risk category by BRSA

12) Securities collateralized by mortgages

13) Securitization positions

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

15) Investments in nature of Collective Investment funds

16) Equity security investments

17) Other receivables

8	9	10	11	12	13	14	15	16	17	LC	FC	Total
-	-	-	-	-	-	-	-	-	-	10,000	-	10,000
-	-	-	-	-	-	-	-	-	-	10,000	-	10,000
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	44,863	109	-	-	-	-	-	-	-	87,134	666,824	753,958
-	-	-	-	-	-	-	-	-	-	-	4,057	4,057
-	-	109	-	-	-	-	-	-	-	29,685	319,374	349,059
-	44,863	-	-	-	-	-	-	-	-	57,449	343,393	400,842
-	113,451	4,818	-	-	-	-	-	-	-	100,922	814,463	915,385
-	98,381	16,003	-	-	-	-	20,956	7,659	-	709,661	1,619,200	2,328,861
-	49,576	-	-	-	-	-	-	-	-	75,403	110,384	185,787
-	-	-	-	-	-	-	-	-	-	684	-	684
-	-	16,003	-	-	-	-	-	-	-	33,319	231,230	264,549
-	-	-	-	-	-	-	20,956	7,659	-	541,130	1,153,459	1,694,589
-	47,805	-	-	-	-	-	-	-	-	52,144	61,103	113,247
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	1,000	-	-	-	-	-	-	-	-	6,981	63,024	70,005
190	-	-	-	-	-	-	-	-	254,932	267,920	15,137	283,057
190	256,695	20,930	-	-	-	-	20,956	7,659	254,932	1,175,637	3,115,624	4,291,261

# Notes to Unconsolidated Financial Statements

### At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

Drier Deried	Risk Classification	ons (1)					
Prior Period	1	2	3	4	5	6	7
Agriculture	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	466,188
Mining and Quarrying	-	-	-	-	-	-	29,753
Production	-	-	-	-	-	-	172,876
Electricity, Gas and Water	-	-	-	-	-	-	263,559
Construction	-	-	-	-	-	-	375,961
Services	214,848	-	-	-	-	186,365	695,207
Wholesale and Retail Trade	-	-	-	-	-	-	71,822
Accommodation and Dining	-	-	-	-	-	-	-
Transportation and Telecom	-	-	-	-	-	-	118,748
Financial Institutions	214,848	-	-	-	-	186,365	369,075
Real Estate and Rental Services	-	-	-	-	-	-	126,574
Professional Services	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	8,988
Others	-	-	-	-	-	-	9
Total	214,848	-	-	-	-	186,365	1,537,365

<sup>(1)</sup> Stands for the risk categories listed in "Regulations on Measurement and Assessment of Capital Adequacy Ratios of Banks". Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

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

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

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

4) Conditional and unconditional receivables from Multilateral Development Banks

5) Conditional and unconditional receivables from International Organizations

6) Conditional and unconditional receivables from Banks and Brokerage Corporation

7) Conditional and unconditional corporate receivables

8) Conditional and unconditional retail receivables

9) Conditional and unconditional collateralized by real estate mortgages receivables

10) Non-performing receivables

11) Receivables defined in high risk category by BRSA

12) Securities collateralized by mortgages

13) Securitization positions

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

15) Investments in nature of Collective Investment funds

16) Equity security investments

17) Other receivables

8	9	10	11	12	13	14	15	16	17	LC	FC	Total
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
1,485	-	95	-	-	-	-	-	-	-	98,151	369,617	467,768
-	-	-	-	-	-	-	-	-	-	-	29,753	29,753
1,485	-	95	-	-	-	-	-	-	-	44,523	129,933	174,456
-	-	-	-	-	-	-	-	-	-	53,628	209,931	263,559
-	17,190	-	-	-	-	-	-	-	-	59,557	333,594	393,151
3,271	90,979	16,151	-	-	-	127,549	25,366	7,659	-	509,280	858,115	1,367,395
2,858	38,073	-	-	-	-	-	-	-	-	47,980	64,773	112,753
42	-	-	-	-	-	-	-	-	-	42	-	42
371	-	16,151	-	-	-	-	-	-	-	32,065	103,205	135,270
-	25,063	-	-	-	-	127,549	25,366	7,659	-	427,347	528,578	955,925
-	27,843	-	-	-	-	-	-	-	-	1,846	152,571	154,417
-	-	-	-	-	-	-	-	-	-	-	-	_
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	8,988	8,988
18,060	-	-	-	-	-	-	-	-	268,139	259,188	27,020	286,208
22,816	108,169	16,246	-	-	-	127,549	25,366	7,659	268,139	926,176	1,588,346	2,514,522

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

m. Analysis of maturity bearing exposures according to remaining maturities

	Time to Maturity								
Risk Classifications (Current Period)	1 month	1-3 months	3-6 months	6-12 months	Over 1 year <sup>2</sup>				
Conditional and unconditional receivables from Central									
Governments or Central Banks	284,007	15,621	946	93,321	131,935				
Conditional and unconditional receivables from Regional									
Management or Local Governments	_		-	-	-				
Conditional and unconditional receivables from									
Administrative Units or Non-commercial Ventures	-	-	-	-	-				
Conditional and unconditional receivables from Multilateral									
Development Banks	_		-	-	-				
Conditional and unconditional receivables from International									
Organizations	-	-	-	-	-				
Conditional and unconditional receivables from Banks and									
Brokerage Corporation	290,830	20,645	131,088	128,104	179,953				
Conditional and unconditional corporate receivables	484,798	290,078	109,354	362,684	1,206,535				
Conditional and unconditional retail receivables	180		1	9	-				
Conditional and unconditional collateralized by real estate									
mortgages receivables	41,682	28,729	7,838	18,664	159,782				
Non-performing receivables	5,920	86	130	260	14,534				
Receivables defined in high risk category by BRSA	-	-	-	-	-				
Securities collateralized by mortgages	-	-	-	-	-				
Securitization positions	-	-	-	-	-				
Short-term receivables and short-term corporate receivables									
from Banks and Brokerage corporations	-	-	-	-	-				
Investments in nature of Collective Investment funds	-	-	-	-	20,956				
Equity security investments	7,659	-	-	-	-				
Other receivables	20,742	1,115	494	438	232,143				
Total <sup>(1)</sup>	1,135,818	356,274	249,851	603,480	1,945,838				

<sup>()</sup> Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

(2) Includes also undistributed amounts.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Time to Maturity							
Risk Classifications (Prior Period)	1 month	1-3 months	3-6 months	6-12 months	Over 1 year <sup>2</sup>			
Conditional and unconditional receivables from Central								
Governments or Central Banks	155,086	1,651	4,229	9,535	44,347			
Conditional and unconditional receivables from Regional								
Management or Local Governments	-	-	-	-	-			
Conditional and unconditional receivables from								
Administrative Units or Non-commercial Ventures	-	-	-					
Conditional and unconditional receivables from Multilateral								
Development Banks	-	-	-					
Conditional and unconditional receivables from International								
Organizations	-	-	-	-				
Conditional and unconditional receivables from Banks and								
Brokerage Corporation	31,187	7,110	18,206	26,886	102,976			
Conditional and unconditional corporate receivables	320,944	179,950	239,005	323,871	473,595			
Conditional and unconditional retail receivables	240	852	2,763	729	18,232			
Conditional and unconditional collateralized by real estate								
mortgages receivables	6,502	11,109	12,440	7,201	70,917			
Non-performing receivables	1,593	322	14,331					
Receivables defined in high risk category by BRSA	-	-	-	-	-			
Securities collateralized by mortgages	-	-	-	-	-			
Securitization positions	-	-	-	-	-			
Short-term receivables and short-term corporate receivables								
from Banks and Brokerage corporations	127,549	-	-	-	-			
Investments in nature of Collective Investment funds	-	-	-	-	25,366			
Equity security investments	7,659	-	-	-	-			
Other receivables	18,862	-	-	-	249,277			
Total <sup>(1)</sup>	669,622	200,994	290,974	368,222	984,710			

<sup>(1)</sup> Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors. <sup>(2)</sup> Includes also undistributed amounts.

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

o. There is no credit rating for issuer or issue for the items not included in trading accounts where there is no credit ratings.

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### p. Risk amounts according to risk weights

Risk Weights <sup>1</sup> (Current Period)	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Deductions from Equity
Amount before Credit Risk Mitigation	335,994	-	249,739	-	-	334,278	191	3,355,057	16,002	-	-	-
Amounts after Credit Risk Mitigation	335,994	_	249,739	_	10,731	477,615	191	3,159,591	16,002	_	_	

<sup>(1)</sup> Excluding counterparty credit risk and securitization positions

Risk Weights (Prior Period)	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Deductions from Equity
Amount before Credit Risk Mitigation	183,517	-	174,834	-	-	222,128	-	1,886,122	16,151	-	31,770	-
Amounts after Credit Risk Mitigation	206,299	-	193,835	-	-	222,128	-	1,863,109	16,151	-	13,000	_

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### r. Miscellaneous Information by major sectors and type of counterparties

#### In accordance with TFRS 9;

*Impaired loans;* By the end of the reporting period, not more than 90 days overdue or impaired due to credibility. For such loans, "Specific Provisions" are calculated within the scope of TFRS 9 Financial Assets.

*Overdue Loans;* By the end of the reporting period up to 90 days due but not impaired loans. For such loans, "Stage 1 and Stage 2" expected credit losses are calculated within the scope of Provision Regulation.

	(	Current Period	d		Prior Period	
	Loa	ans <sup>1</sup>	Provisions	Loa	เทรา	Provisions
	Impaired Lo	ans (TFRS 9)		Impaired Loa	ans (TFRS 9)	
	Significant	Non-	Expected	Significant	Non-	Expected
	increase in	Performing	Credit	increase in	Performing	Credit
	credit risk	Loans	Losses	credit risk	Loans	Losses
	(Stage 2)	(Stage 3)	(TFRS 9) <sup>2</sup>	(Stage 2)	(Stage 3)	(TFRS 9) <sup>2</sup>
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	11,448	3,130	4,949	47,137	3,292	4,484
Mining and Quarrying	-	-	-	29,753	-	1,009
Production	11,448	3,130	4,949	17,384	3,292	3,475
Electricity, Gas and Water	-	-	-	-	-	-
Construction	-	25,617	20,799	11,804	13,855	19,940
Services	150,490	17,077	28,973	60,250	18,930	9,846
Wholesale and Retail Trade	8,791	-	900	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	141,699	17,077	28,073	60,239	18,930	9,846
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	11	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	161,938	45,824	54,721	119,191	36,077	34,270

1) Cash Loans

2) Expected Credit Losses for cash loans

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

	Opening	Provision for	Provision	Other	Closing
Current Period	Balance	Period	Reversals	Adjustments	Balance
Specific provisions (Stage 3)	19,831	6,792	(1,106)	-	25,517
General provisions (Stage 1&2)	34,452	30,667	(6,976)	-	58,143
	Opening	Provision for	Provision	Other	Closing
Prior Period	Balance	Period	Reversals	Adjustments	Balance
Specific provisions (Stage 3)	22,279	-	(2,448)	-	19,831
General provisions (Stage 1&2)	34,015	4,520	(4,083)	-	34,452

### t. Risk involved in counter-cyclical capital buffer calculation

The breakdown of private sector receivables by geographic area which considered in the calculation of counter-cyclical capital buffer in accordance with 'Capital Conservation and Countercyclical Capital buffers' published in official gazette dated 5 November 2013 and numbered 28812 and the sub-regulations are provided in the table below:

Current Period	Banking book for	RWAs of	
Country	private sector lending	trading book	Total
Turkey	2,782,544	-	2,782,544
Montenegro	464,149	-	464,149
Azerbaijan	215,116	-	215,116
United States of America	15,936	-	15,936
Others	6,311	-	6,311
Total	3,484,056	-	3,484,056
Prior Period	Banking book for	RWAs of	
Country	private sector lending	trading book	Total
Turkey	1,649,842	-	1,649,842
Montenegro	277,974	-	277,974
Ireland	111,902	-	111,902
Azerbaijan	23,377	-	23,377
Others	40,514	-	40,514
Total	2,103,609	-	2,103,609

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

### **III. 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 31 December 2021	13.3290	15.0867
1. Bid rate	12.9775	14.6823
2. Bid rate	12.2219	13.8011
3. Bid rate	11.8302	13.4000
4. Bid rate	11.3900	12.8903
5. Bid rate	11.7278	13.2926
Arithmetic average - 31 days	13.6356	15.4126
Foreign exchange rates as of 31 December 2021	7.4194	9.1164

### Foreign Exchange Sensitivity Analysis

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

		Effect on Profit		Effect on Equity		
	e in Currency Rate	Current Period	Prior Period	Current Period	Prior Period	
USD	10% decrease	(2,431)	(2,556)	(2,431)	(2,556)	
USD	10% increase	2,431	2,556	2,431	2,556	
EUR	10% decrease	(5,641)	(854)	(5,641)	(854)	
EUR	10% increase	5,641	854	5,641	854	

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

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

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

Current Period	EURO	USD	Other FC	Total
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and				
cheques purchased) and Balances with the Central Bank of Turkey	59	276,118	_	276,177
Due from Banks	17,888	188,943	112	206,943
Financial Assets at Fair Value Through Profit or Loss	18,277	-	-	18,277
Money Market Placements		_	_	- 10,277
Financial assets at fair value through other comprehensive income	_	_	_	_
Loans <sup>(i)</sup>	865,229	828,257	-	1,693,486
Investments in Associates, Subsidiaries and Joint Ventures		- (220,23	_	-,095,400
Financial assets at fair value through profit or loss	_	361,103	_	361,103
Derivative Financial Assets	_		_	ر ۲۰٫۱۰۵
Property and Equipment	_	_	_	-
Intangible Assets	_	_	_	_
Other Assets	28	_	_	28
Total Assets	901,481	1,654,421	112	2,556,014
	901,401	1,034,421	112	2,00,014
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	39,084	25,296	-	64,380
Funds Borrowed From Other Financial Institutions	688,581	596,524	-	1,285,105
Marketable Securities Issued	48,384	1,109,811	-	1,158,195
Miscellaneous Payables (3)	2,357	43,147	-	45,504
Derivative Financial Liabilities (4)	-	-	-	-
Other Liabilities (2)	13,866	1,336	-	15,202
Total Liabilities	792,272	1,776,114	-	2,568,386
Net On-balance Sheet Position	100.000	(121 602)	112	(12.272)
Net Off-balance Sheet Position	109,209 (52,803)	(121,693)	112	(12,372) 93,196
Derivative Financial Assets	(52,803)	145,999	-	
Derivative Financial Liabilities	-	145,999	_	145,999
Non-Cash Loans	52,803	- 261 - 29	-	52,803
	419,483	161,338	-	580,821
Prior Period				
Total Assets	482,184	956,729	79	1,438,992
Total Liabilities	400,716	1,013,734	-	1,414,450
Net On-balance Sheet Position	81,468	(57,005)	79	24,542
Net Off-balance Sheet Position	(72,931)	82,563	-	9,632
Derivative Financial Assets	-	84,789	-	84,789
Derivative Financial Liabilities	72,931	2,226	-	75,157
Non-Cash Loans	75,466	91,814	-	167,280

<sup>(1)</sup> Foreign currency indexed loans amounting to TL 23,732 (31 December 2020 - TL 18,626), receivables from leasing transaction amounting to TL 117,178 (31 December 2020 - 50,792 TL) and foreign currency expected credit losses amounting to TL 682 (31 December 2020 - 1,787 TL) are included.

<sup>(2)</sup> Borrowers' funds amounting to TL 15,202 (31 December 2020 - TL 21,493) are included.

<sup>(3)</sup> Presented in other liabilities at financial statements.

(4) Excludes derivative financial liabilities amounting to TL 114 TL (31 December 2020 - TL 1,312 of derivative financial liabilities).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### IV. 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

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing <sup>(1)</sup>	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money							
in transfer and cheques purchased) and Balances with the CB of							
Turkey	282.666					744	202 410
Due from Banks	66,646	-	-	-	-	744 143,142	283,410 209,788
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	13,604	-		_		20,956	209,788 34,560
Money Market Placements	13,004	-				20,950	34,500
Financial assets at fair value through other comprehensive		-				-	-
income	2 207	640	1101	27.079		7(50	FO ( 0F
Loans <sup>(2)</sup>	3,307	·····	1,101		-	7,659	50,685
Financial assets measured at amortised cost	609,771	363,660	583,371	856,310	9,340	(70,933)	2,351,519
Other Assets	1,155	28,994	183,060	147,894	-	(4,224)	356,879
Total Assets	-	-	-	- 1,042,182	-	275,712	275,712
TOTALASSETS	977,149	393,294	767,532	1,042,102	9,340	373,056	3,562,553
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	194,227	5,845	5,451	-	-	-	205,523
Miscellaneous Payables <sup>(5)</sup>	23,651	601	-	-	-	49,985	74,237
Marketable Securities Issued	66,372	1,503	773,082	381,502	-	-	1,222,459
Funds Borrowed From Other Financial Institutions	257,743	266,133	181,242	670,698	-	236	1,376,052
Other Liabilities (3).(4)	11,361	-	-	-	-	672,921	684,282
Total Liabilities	553,354	274,082	959,775	1,052,200	-	723,142	3,562,553
Balance Sheet Long Position	423,795	119,212	-	-	9,340	-	552,347
Balance Sheet Short Position	-		(192,243)	(10,018)	-	(350,086)	(552,347)
Off-balance Sheet Long Position <sup>(6)</sup>	145,999	-		-	-		145,999
Off-balance Sheet Short Position <sup>(6)</sup>	(132,709)	-	-	-	-	-	(132,709)
Total Position	437,085	119,212	(192,243)	(10,018)	9.340	(350,086)	13,290

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

(2) Finance lease receivables are included.

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

<sup>(4)</sup> Borrowers' funds is presented in the other liabilities.

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

(7) Includes derivatives financial assets

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

Prior Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing <sup>(1)</sup>	Total
Assets						U	
Cash and Cash Equivalents (Cash in vault, effectiveness, money							
in transfer and cheques purchased) and Balances with the CB of							
Turkey	139,799	-	-	-	-	15,123	154,922
Due from Banks	104,635	-	-	-	-	16,721	121,356
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	493	-	-	-	-	7,405	7,898
Money Market Placements	23,011	-	-	-	-	-	23,011
Financial assets at fair value through other comprehensive							
income	2,575	275	20,341	-	-	7,659	30,850
Loans <sup>(2)</sup>	405,573	297,427	443,776	334,140	12,019	(42,190)	1,450,745
Financial assets measured at amortised cost	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	-	-	-	-	275,606	275,606
Total Assets	676,630	298,928	464,572	448,691	12,019	278,569	2,179,409
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	49,634	1,064	2,565	-	-	-	53,263
Miscellaneous Payables	1,367	9,318	-	-	-	34,119	44,804
Marketable Securities Issued	1,412	621	185,485	459,498	-	-	647,016
Funds Borrowed From Other Financial Institutions	187,932	148,684	85,967	380,521	-	120	803,224
Other Liabilities (3).(4)	1,362	1,070	-	-	-	628,670	631,102
Total Liabilities	241,707	160,757	274,017	840,019	-	662,909	2,179,409
Balance Sheet Long Position	434,923	138,171	190,555	-	12,019	-	775,668
Balance Sheet Short Position	-	-	-	(391,328)	-	(384,340)	(775,668)
Off-balance Sheet Long Position <sup>(6)</sup>	38,899	57,797	-	-	-	-	96,696
Off-balance Sheet Short Position <sup>(6)</sup>	(38,691)	(59,256)	-	-	-	-	(97,947)
Total Position	435,131	136,712	190,555	(391,328)	12,019	(384,340)	(1,251)

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

<sup>(2)</sup> Finance lease receivables are included.

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

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

<sup>(7)</sup> Includes derivatives financial assets

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

Current Period	EUR %	USD %	JPY %	TRY %
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and				
Balances with the CBRT	-	-	-	11.98
Due From Banks	0.03	0.13	-	19.45
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	18.20
Financial assets at fair value through other comprehensive income	-	-	-	16.82
Loans	4.64	5.53	-	20.83
Financial assets measured at amortised cost	-	7.58	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	1.21	2.50	-	17.25
Miscellaneous Payables <sup>(1)</sup>	-	O.23	-	16.88
Marketable Securities Issued	1.75	3.55	-	18.96
Funds Borrowed From Other Financial Institutions	1.48	3.85	-	18.05

<sup>(1)</sup> Includes borrowers'funds.

	EUR %	USD %	JPY %	TRY %
Prior Period				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and				
Balances with the CBRT	-	-	-	9.56
Due From Banks	0.01	0.49	-	11.44
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	11.18
Financial assets at fair value through other comprehensive income	-	-	-	13.10
Loans	4.50	5.76	-	14.55
Financial assets measured at amortised cost	-	8.01	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	0.89	2.31	-	10.30
Miscellaneous Payables <sup>(1)</sup>	-	0.95	-	9.87
Marketable Securities Issued	1.75	3.60	-	11.02
Funds Borrowed From Other Financial Institutions	1.15	4.03	-	10.63

<sup>(1)</sup> Includes borrowers'funds.

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

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	(15,651)	(2.42)
TRY	(-) 400 basis point	13,890	2.15
USD	(+) 200 basis point	6,967	1.08
USD	(-) 200 basis point	5,597	0.87
EUR	(+) 200 basis point	(12,501)	(1.93)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		19,487	3.02
TOTAL (for positive shocks)		(21,185)	(3.27)
Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity-Losses/Equity(%)
TRY	(+) 500 basis point	(9,718)	(1.66)
TRY	(-) 400 basis point	8,751	1.50
USD	(+) 200 basis point	21,398	3.66
USD	(-) 200 basis point	(5,869)	(1.00)
EUR	(+) 200 basis point	(2,875)	(0.49)
EUR	(-) 200 basis point	-	-
TOTAL (for negative shocks)		2,882	0.50
TOTAL (for positive shocks)		8,805	1.51

### V. EXPLANATIONS ON EQUITY POSITION RISK

The Bank does not hold equity position as of 31 December 2021. (31 December 2020 - None).

### VI. EXPLANATIONS ON LIQUIDTY RISK and LIQUIDITY COVERAGE RATIO

### 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%.

The Financial Planning, Control and Strategy Department 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.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## b. Information on centralization grade of liquidity management and funding strategy and its functionality among Bank and its affiliates

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

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

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

### 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 Appetite Statements 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 and reported to Risk Management Committee.

In the stress scenarios created, the problems to be experienced on the funding side and the inability to collect the receivables expected to be collected are analyzed. In the liquidity planning process of the bank, an assessment of the situation is made by evaluating the cumulative maturity mismatches according to the maturities under different severity scenarios.

#### 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.

Regarding the sectors affected by COVID-19, the analysis published by foreign rating agencies and shared with the public were used. The sectors that are expected to be affected the most are ranked from high risk to low risk, and all customers in our Bank were separated by risk groups, evaluated in monitoring activities, stress test analyzes, sectoral concentration analyzes and these evaluations will continue in the coming periods.

#### h. Liquidity Coverage Ratio

The liquidity coverage ratio is calculated by proportioning the high quality liquid assets owned by the bank to net cash outflow in a one month maturity. Significant balance sheet items that determine the ratio can be listed as required reserves at the CBRT, securities that not subject to repo/collateral, foreign funds and receivables from banks. As of the balance sheet period, 66% of the high quality liquid assets of LCR subject bank accounts with the Central Bank, and 31% of the issued securities is composed by the Treasury of Republic of Turkey. The main funding sources of the Bank are loans received, debts due to money markets and securities issued.

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

As of the balance sheet date, 47% of the Bank's funds consist of loans received and 41% consists of securities issued. There may be fluctuations in the liquidity coverage ratio in the weeks when the share of funds originated from banks within fund sources increases or when medium/long term foreign funds, which are renewed when due, enter the one-month maturity.

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.

	Total amount v		Total amount which is		
	not applied conside	······	applied consideration rate		
Current Period <sup>(2)</sup>	LC+FC	FC	LC+FC	FC	
High-quality Liquidity Assets (HLA)					
1 High-quality Liquidity Assets			385,660	339,257	
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	484,007	227,349	484,007	227,349	
6 Operational assets	-	-	-	-	
7 Non -operating assets	-	-	-	-	
8 Other Junior debt	484,007	227,349	484,007	227,349	
9 Secured Debts			-	_	
10 Other Cash Outflows	300,468	218,261	135,319	104,795	
11 Derivative liabilities and margin liabilities	28	-	28	-	
12 Debts from Structured financial instruments	-	-	-	-	
13 Payment commitments for debts to financial markets and					
other off-balance sheet liabilities	300,440	218,261	135,291	104,795	
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	_	_	_	_	
16 TOTAL CASH OUTFLOWS			619,326	332,144	
CASH INFLOWS			5,5		
17 Secured receivables	-	-	_	-	
18 Unsecured receivables	622,291	387,838	434,930	315,837	
19 Other cash inflows	6,259	30,694	6,259	30,694	
20 TOTAL CASH INFLOWS	628,550	418,532	441,189	346,531	
			Upper limit applie		
21 TOTAL HLA STOCK			385,660	339,257	
22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup>			178,137	83,036	
23 LIQUIDITY COVERAGE RATION (%)			216.50	408.57	

() 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.

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Total amount v not applied conside		Total amount which is applied consideration rate		
Prior Period (2)	LC+FC	FC	LC+FC	FC	
High-quality Liquidity Assets (HLA)					
1 High-quality Liquidity Assets			251,262	213,615	
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	368,060	272,019	368,060	272,019	
6 Operational assets	-	-	-	-	
7 Non -operating assets	-	-	-	-	
8 Other Junior debt	368,060	272,019	368,060	272,019	
9 Secured Debts			-	-	
10 Other Cash Outflows	186,244	118,673	87,191	55,381	
11 Derivative liabilities and margin liabilities	39	-	39	-	
12 Debts from Structured financial instruments	-	-	-	-	
13 Payment commitments for debts to financial markets and					
other off-balance sheet liabilities	186,205	118,673	87,152	55,381	
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	300	273	300	273	
16 TOTAL CASH OUTFLOWS			455,551	327,673	
CASH INFLOWS					
17 Secured receivables	-	-	-	-	
18 Unsecured receivables	389,450	197,649	267,412	170,998	
19 Other cash inflows	394	2,486	394	2,486	
20 TOTAL CASH INFLOWS	389,844	200,135	267,806	173,484	
			Upper limit applie	d amount	
21 TOTAL HLA STOCK			251,262	213,615	
22 TOTAL NET CASH OUTFLOWS <sup>(1)</sup>			187,745	154,189	
23 LIQUIDITY COVERAGE RATION (%)			133.83	138.54	

<sup>(1)</sup> 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.

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

### Notes to Unconsolidated Financial Statements At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

The maximum and minimum liquidity coverage ratio for the last three months of 2021 and 2020 are presented below.

Current Period	Maximum	Week	Minimum	Week	Average
FC	492.33	18.10.2021	354.18	13.12.2021	408.57
LC+FC	266.00	08.11.2021	151.45	13.12.2021	216.50
Prior Period	Maximum	Week	Minimum	Week	Average
FC	265.78	02.10.2020	93.65	30.10.2020	138.54
LC+FC	231.99	02.10.2020	100.07	30.10.2020	134.52

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

	First Maturity Tranch	ne (Weekly)	Second Maturity Tranche (Monthly)		
Current Period	FC	FC+LC	FC	FC+LC	
Average (%)	451	254	201	154	
Maximum (%)	951	372	300	210	
Minimum (%)	216	159	130	106	
Prior Period	FC	FC+LC	FC	FC+LC	
Average (%)	348	277	149	156	
Maximum (%)	978	418	209	223	
Minimum (%)	162	140	93	109	

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

		Up to 1	1-3	3-12		5 Year	Unclassi-	
Current Period	Demand	month	Month	Month	1-5 Year	and Over	fied	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	8,052	275,717	-	-	-	-	(359)	283,410
Due From Banks	143,264	66,646	-	-	-	-	(122)	209,788
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>	-	13,604	-	-	2,679	18,277	-	34,560
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	7,659	799	640	1,101	37,978	2,508	-	50,685
Loans <sup>(2)</sup>	-	507,842	317,566	471,294	1,060,873	64,877	(70,933)	2,351,519
Financial assets measured at amortized								
cost	-	1,155	28,994	183,060	147,894	-	(4,224)	356,879
Other Assets	-	20,718	1,115	933	235	-	252,711	275,712
Total Assets	158,975	886,481	348,315	656,388	1,249,659	85,662	177,073	3,562,553
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial								
Institutions	236	257,743	266,133	181,242	670,698	-	-	1,376,052
Funds Borrowed From Money Markets	-	194,227	5,845	5,451	-	-	-	205,523
Marketable Securities Issued	-	66,372	1,503	773,082	381,502	-	-	1,222,459
Miscellaneous Payables <sup>(5)</sup>	46,650	26,986	601	-	-	-	-	74,237
Other Liabilities <sup>(3).(4)</sup>	16,932	36,447	10,694	1,328	3,510	122	615,249	684,282
Total Liabilities	63,818	581,775	284,776	961,103	1,055,710	122	615,249	3,562,553
Liquidity Gap	95,157	304,706	63,539	(304,715)	193,949	85,540	(438,176)	-
Net Off-Balance Sheet Liquidity Gap	-	13,290	-	-	-	-	-	13,290
Financial Derivative Assets <sup>(6)</sup>	-	145,999	-	-	_	-	-	145,999
Financial Derivative Liabilities <sup>(6)</sup>	-	(132,709)	-	-	-	-	-	(132,709)
Non-cash Loans	237,642	66,645	12,069	224,779	191,354	-	-	732,489

 $^{\left( \right)}$  Allowances for the expected credit losses are included in the non-interest bearing column.

<sup>(2)</sup> Finance lease receivables are included.

<sup>(3)</sup> Borrowers' funds is presented in the other liabilities.

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

<sup>(5)</sup> Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

<sup>(7)</sup> Includes derivative financial assets

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

		Up to 1	1-3	3-12		-	Unclassi-	
Prior Period	Demand	month	Month	Month	1-5 Year	and Over	fied	Total
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	21,269	133,831	_	-	_	-	(178)	154,922
Due From Banks	16,876	104,635	-	_	-	-	(155)	121,356
Financial Assets at Fair Value Through Profit/Loss <sup>(7)</sup>		493	_	_	_	7,405		7,898
Interbank Money Market Placements	_	493 23,011	_	-	_	7,405	_	23,011
Financial assets at fair value through		23,011						23,011
other comprehensive income	7,659	76	275	20,341	_	2,499	_	30,850
Loans <sup>(2)</sup>	-	353,688	160,378	486,835	÷	61,995	(42,190)	
Financial assets measured at amortized		55,000	100,570	400,000	430,039	رووران	(42,190)	(+).0,745
cost	-	544	1,226	455	114,551	-	(1,755)	115,021
Other Assets	-	18,848	632	-	-	-	256,126	275,606
Total Assets	45,804	635,126	162,511	507,631	544,590	71,899		2,179,409
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial								
Institutions	120	187,932	148,684	85,967	380,521	-	-	803,224
Funds Borrowed From Money Markets	-	49,634	1,064	2,565	-	-	-	53,263
Marketable Securities Issued	-	1,412	621	185,485	459,498	-	-	647,016
Miscellaneous Payables <sup>(5)</sup>	33,989	1,497	9,318	-	-	-	-	44,804
Other Liabilities <sup>(3),(4)</sup>	23,510	22,556	10,658	51	111	-	574,216	631,102
Total Liabilities	57,619	263,031	170,345	274,068	840,130	-	574,216	2,179,409
Liquidity Gap	(11,815)	372,095	(7,834)		(295,540)	71,899		-
Net Off-Balance Sheet Liquidity Gap	-	208	(1,459)	-	-	-	-	(1,251)
Financial Derivative Assets <sup>(6)</sup>	-	38,899	57,797	-	-	-	-	96,696
Financial Derivative Liabilities <sup>(6)</sup>	-	(38,691)	(59,256)	-	-	-	-	(97,947)
Non-cash Loans	103,949	375	39,466	153,829	35,007	-	-	332,626

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

(2) Finance lease receivables are included.

 $\ensuremath{^{(3)}}$  Borrowers' funds is presented in the other liabilities.

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

 $^{\rm (5)}$  Presented in other liabilities at financial statements.

<sup>(6)</sup> Includes asset purchase and sale commitments

(7) Includes derivative financial assets

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

j. Breakdown of contractual cash outflows of financial liabilities according to their remaining maturities

	Up to	1-3	3-12	1-5	Over 5	
Current Period	1 month	months	months	years	years	Total
Deposits	-	-	-		-	-
Funds borrowed from other financial inst.	258,689	269,066	203,507	679,112	-	1,410,374
Funds from interbank money market	194,552	5,879	5,492	-	-	205,923
Financial leasing payables	24	49	213	382	-	668
Marketable securities issued	67,108	7,550	796,746	391,443	-	1,262,847
Current accounts of customers	28,338	-	-	-	-	28,338
Miscellaneous Payables	73,762	610	-	-	-	74,372
Total	622,473	283,154	1,005,958	1,070,937	-	2,982,522
	Up to	1-3	3-12	1-5	Over 5	
Prior Period	1 month	months	months	years	years	Total
Deposits	-	-	-	-	-	-
Funds borrowed from other financial inst.	188,700	150,257	99,427	399,789	-	838,173
Funds from interbank money market	49,841	1,096	2,695	-	-	53,632
Financial leasing payables	8	15	70	129	-	222
Marketable securities issued	1,824	3,771	200,901	472,993	-	679,489
Current accounts of customers	24,513	-	-	-	-	24,513
Miscellaneous Payables	35,491	9,442	-	-	-	44,933
Total	300,377	164,581	303,093	872,911	-	1,640,962

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

	Up to	1-3	3-12	1-5	Over 5	
Current Period	1 month	months	months	years	years	Total
Forward Transactions-Buy	-	-	-	-	-	-
Forward Transactions-Sell	-	-	-	-	-	-
Swap Transactions-Buy	145,999	-	-	-	-	145,999
Swap Transactions-Sell	(132,709)	-	-	-	-	(132,709)
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	13,290	-	-	-	-	13,290

### Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Up to	1-3	3-12	1-5	Over	
Prior Period	1 month	months	months	years	5 years	Total
Forward Transactions-Buy	2,246	-	-	-	-	2,246
Forward Transactions-Sell	(2,226)	-	-	-	-	(2,226)
Swap Transactions-Buy	36,653	57,797	-	-	-	94,450
Swap Transactions-Sell	(36,465)	(59,256)	-	-	-	(95,721)
Futures Transactions-Buy	-	-	-	-	-	-
Futures Transactions-Sell	-	-	-	-	-	-
Options-Buy	-	-	-	-	-	-
Options-Sell	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total	208	(1,459)	-	-	-	(1,251)

### VII. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio was realized as 14.8% (31 December 2020 - 21.1%). The increase occurred in the on-balance sheet assets and off-balance sheet transactions led to a change in leverage compared to the previous period. Regulation has been linked to the provision of the minimum leverage ratio of 3%.

	Current Period <sup>(1)</sup>	Prior Period <sup>(1)</sup>
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives,		
including collaterals)	3,319,383	2,220,580
(Assets deducted from core capital)	(6,925)	(5,665)
Total risk amount for assets on the balance sheet	3,312,458	2,214,915
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	-	174
Potential credit risk amount of derivative financial instruments and loan derivatives	9,952	745
Total risk amount of derivative financial instruments and loan derivatives	9,952	919
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in		
the balance sheet)	28,255	10,410
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	28,255	10,410
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	699,957	413,523
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	699,957	413,523
Capital and Total Risk		
Core capital	601,044	556,771
Total risk amount	4,050,622	2,639,767
Leverage Ratio		
Leverage ratio	14.8%	21.1%

<sup>(1)</sup> Arithmetic average of last three months including reporting period.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### VIII. 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.

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 analyse 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.

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

### (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### b. General view to risk weighted amounts

	Risk weighted amounts		Minimum capital requirements	
	Current Period	Prior Period	Current Period	
Credit risk (excluding counterparty credit risk) (CCR)	3,418,692	2,009,956	273,495	
Of which standardised approach (SA)	3,418,692	2,009,956	273,495	
Of which internal rating-based (IRB) approach	-	-	-	
Counterparty credit risk	36,679	5,575	2,934	
Of which standardised approach for counterparty credit risk (SA-CCR)	36,679	5,575	2,934	
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	20,956	25,366	1,676	
Equity investments in funds - fallback approach	-	-	-	
Settlement risk	-	-	-	
Securitisation exposures in banking book	-	-	-	
Of which IRB ratings-based approach (RBA)	-	-	-	
Of which IRB Supervisory Formula Approach (SFA)	-	-	-	
Of which SA/simplified supervisory formula approach (SSFA)	-	_	-	
Market risk	70,000	37,100	5,600	
Of which standardised approach (SA)	70,000	37,100	5,600	
Of which internal model approaches (IMM)	-	-	-	
Operational risk	168,175	141,044	13,454	
Of which Basic Indicator Approach	168,175	141,044	13,454	
Of which Standardised Approach	-	-	-	
Of which Advanced Measurement Approach	-	_	-	
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-	
Floor adjustment	-	-	-	
Total	3,714,502	2,219,041	297,159	

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

c. Linkages between financial statements and regulatory exposures

c.1) Differences and mapping between regulatory consolidation and financial statement

	Carrying values of items in accordance with TAS				AS	
Current Period	Carrying values as reported in published financial statements <sup>1</sup>		Subject to counterparty		Subject to	Not subject to capital requirements or subject to deduction from
Assets Cash and cash equivalents	402.100	402 670				
Financial assets at fair value through profit or loss Financial assets at fair value through other	493,198 20,956	493,679 20,956		-	-	-
comprehensive income	50,685	50,685	30,931	-	-	-
Derivative financial assets	13,604		13,604		-	-
Loans (Net)	2,146,810	2,216,450		-	-	-
Receivables from leasing transactions (Net)	204,709	206,002		_	-	-
Factoring receivables (Net)			-	-	-	-
Financial assets measured at amortised cost (Net) Non-currents assets or disposal groups held for	356,879	361,103	105,169	-	-	-
sale and from discontinued operations (Net)	-	-	-	-	-	-
Investments in associates (Net)	-	-	-	-	-	-
Investments in subsidiaries (Net)	-	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures)						
(Net)	-	-	-	-	-	-
Tangible assets (Net)	87,982	87,982	-	-	-	-
Intangible assets and goodwill (Net)	7,784	-	-	-	-	7,784
Investment properties (Net)	143,910	143,910	-	-	-	-
Current tax assets	483	483		-	-	-
Deferred tax assets	13,020	13,020		-	-	-
Other assets (Net)	22,533	22,533		-	-	-
Total assets	3,562,553	3,616,803		-	-	7,784
Liabilities						
Deposits	-	-	-	-	-	_
Loans received	1,376,052	-	-	-	-	1,376,052
Money market funds	205,523	-	105,023	-	-	100,500
Marketable securities issued (Net)	1,222,459	-	-	-	-	1,222,459
Funds	28,179	-	-	-	-	28,179
Financial liabilities at fair value through profit or loss		-	-	-	-	-
Derivative financial liabilities	114	-	114	-	-	-
Factoring payables	-	-	-	-	-	-
Lease payables (Net)	538	-	-	-	-	538
Provisions	15,969	-	-	-	-	15,969
Current tax liabilities	8,526	-	-	-	-	8,526
Deferred tax liabilities	-	-	-	-	-	-
Liabilities related to non-current assets held for						
sale and discontinued operations (Net)	-	-	-	-	-	-
Subordinated debt	-	-	-	-	-	-
Other liabilities	98,213	-	-	-	-	98,213
Shareholders` equity	606,980	-	-	-	-	606,980
Total liabilities	3,562,553	-	105,137	-	-	3,457,416

<sup>(1)</sup> Unconsolidated financial statements of Bank are stated.

<sup>(2)</sup> The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column.

## Notes to Unconsolidated Financial Statements

### At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

### c. INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

	Carrying values of items in accordance with TAS					5	
						Not subject	
	Carrying values					to capital	
	as reported					requirements	
	in published financial		Subject to			or subject to	
		financial	financial	Subject to	counterparty	Subject to the	Subject to
Prior Period	statements '	credit risk	credit risk	securitisation	market risk <sup>2</sup>	capital	
Assets							
Cash and cash equivalents	299,289	276,611	23,011	-	-	-	
Financial assets at fair value through profit or loss	7,405	7,405	-	-	-	-	
Financial assets at fair value through other comprehensive		· · · · · · · · · · · · · · · · · · ·					
income	30,850	30,850	4,133	_	-	-	
Derivative financial assets	493	-	493	-	493	-	
Loans (Net)	1,343,457	1,384,766		-	-	-	
Receivables from leasing transactions (Net)	107,288	108,169	-	-	-	-	
Factoring receivables (Net)		-	_	_		-	
Financial assets measured at amortised cost (Net)	115,021	116,776	27,016			-	
Non-currents assets or disposal groups held for sale and	ו20,כוו	110,770	27,010				
from discontinued operations (Net)	-	-	-	-	-	-	
Investments in associates (Net)	-		-	-	-	-	
Investments in subsidiaries (Net)	-		-		-	-	
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-	-	
Tangible assets (Net)	88,878	88,878	-	-	-	-	
Intangible assets and goodwill (Net)	6,849	-	-	-	-	6,849	
Investment properties (Net)	144,862	144,862	-	-	-	-	
Current tax assets	632	632	-	-	-	-	
Deferred tax assets	13,746	13,746	-	-	-	-	
Other assets (Net)	20,639	20,639	-	-	-	-	
Total assets	2,179,409	2,193,334	54,653	-	493	6,849	
Liabilities							
Deposits	-	-	-	-	-	-	
Loans received	803,224	-	-	-	-	803,224	
Money market funds	53,263	-	22,782	-	-	30,481	
Marketable securities issued (Net)	647,016	-	-	-	-	647,016	
Funds	24,512	-	-	-	-	24,512	
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	
Derivative financial liabilities	1,430	-	1,430	-	1,430	-	
Factoring payables	-	-	-	-	-	-	
Lease payables (Net)	178	-	-	-	-	178	
Provisions	17,597	-	-	-	-	17,597	
Current tax liabilities	3,819	-	-	-	-	3,819	
Deferred tax liabilities	-	-	-	-	-		
Liabilities related to non-current assets held for sale and							
discontinued operations (Net)							
Subordinated debt	-	-	-	-	-	-	
Other liabilities	65 700	-	-	-	-	- 65,700	
Shareholders` equity	65,700 562,670	-	-	-		562,670	
Total liabilities	,	-	-	-	-		
I Utal Havilities	2,179,409	-	24,212	-	1,430	2,155,197	

1) Unconsolidated financial statements of Bank are stated.

2) The Amounts of financial instruments, which are measured in accordance with TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks" are represented in "Subject to market risk framework" column.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

c.2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

					Subject to	
					counterparty	
	Current Period	Total	credit risk	securitization	credit risk	market risk 1
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	3,766,507	3,616,803	-	149,704	_
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	105,023	-	_	105,023	-
3	Total net amount under regulatory scope of consolidation	3,661,484	3,616,803	-	44,681	-
4	Off-balance sheet amounts	747,877	648,011	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA's applications		-	-	-	-
9	Differences due to risk reduction		-	-	-	-
	Risk amounts		4,264,814	-	44,681	

<sup>(i)</sup> The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

	Prior Period	Total		Subject to securitization	Subject to counterparty credit risk	
1	Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	2,248,480	2,193,334	-	54,653	493
2	Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	22,782	_	_	22,782	
3	Total net amount under regulatory scope of consolidation	2,225,698	2,193,334	-	31,871	493
4	Off-balance sheet amounts	355,059	285,296	-	-	-
5	Differences in valuations		-	-	-	-
6	Differences due to different netting rules		-	-	-	-
7	Differences due to consideration of provisions		-	-	-	-
8	Differences due to BRSA's applications		-	-	-	-
9	Differences due to risk reduction		-	-	-	-
	Risk amounts		2,478,630	-	31,871	493

<sup>(1)</sup> The Amounts of financial instruments, which are measured according to TAS and included in trading accounts within the scope of the "Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks", are represented in "Subject to market risk framework" column are presented.

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## c.3) Explanations of differences between amounts in accordance with TAS and regulatory exposure amounts

i) Differences between amounts presented in financial statements in accordance with TAS and amounts accounted in accordance with regulatory consolidation

#### None.

### ii) Differences between amounts in accordance with TAS and regulatory exposure amounts

On counterparty credit risk related transactions, the differences between the valued amounts in accordance with TAS in the scope statutory consolidation and the amounts after risk reduction arise from the addition of potential risk amounts per maturity and transaction type to renewal cost of derivative transactions related to counterparty credit risk.

The valued amounts of the items which are subject to market risk per TAS represent the fair value of trading financial instruments. Despite that, the amount at the risk amount line represents the amount which is subject market risk that derives from the calculation of capital requirements due to the loss on interest rate risk of market risk, share price risk, currency risk in the scope of "Regulation on Measurement and Evaluation of Banks Capital Adequacy Ratio".

# iii) Explanations related to the systems and controls which are defined to ensure prudence and reliability of valuation estimates in accordance with prudent valuation procedures and principles within the scope of appendix 3 of "Regulation on Measurement and Evaluation of Capital Adequacy of Banks"

In case financial instruments that are accounted at their fair values are traded in an active market, the valuation is made based on market price. The accuracy of market price that is used at valuation is being confirmed periodically. The fair value of financial instruments that are not traded in an active market are being calculated in accordance TMS 39. Derivative financial instruments are valued by discounted cash flow model with the use of market data. For the valuation of certain financial instruments, third party valuations and generally accepted valuation models can be used. The accuracy and independence of inputs that are used at the valuation of market value and/or used at valuation methods by modelling are being controlled periodically. In addition, there are control processes for the comparison of the current market value of financial instruments with the recalculated values.

# d. Explanations on Credit Risk

Credit risk management includes the definition of credit risks, their measurement and management.

Risk limits are defined by Board of Directors in such a manner that covers all possible important risk components, in accordance with the Bank's operations and the size and complexity of products and services. The care is taken to ensure that the risk limits are in line with market expectations and reflect the Bank's risk appetite and Bank's strategies. The credit policies are established in consistence with risk limits.

When determining Bank's credit risk profile, diversification methods are applied in order to prevent concentrations. The choice of customers are done in accordance with policies and risk limits. Besides, the capability of the customer to pay via its cash flows generated from its own activities are taken into consideration.

Risk rating models are utilised to discriminate borrowers in terms of their credibilities.

In the credit risk management process, Risk Management Unit conducts the activities of measurement of credit risk through models, monitoring and reporting. In addition to the risk limits regarding credit risk, several concentrations are analyzed in the credit portfolio.

The outputs of the risk rating models are an important part of credit allocation process as well as a tool to measure the probability of default of the customers and the portfolio.

The Bank utilises an effective risk management policy that truly classifies risks and customers in order to achieve its targets. Appropriate decision systems are in place for the correct evaluation of risks and the limit structure of the customers are determined.

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

To measure the credibility of the customers, analysis and intelligence studies are performed. The information from past, current and future financial and non-financial data are examined.

For a consistent evaluation, quantification and monitoring of risks; in order to make correct decisions during the processes of credit request by the customer, credit approval, collateralization, restructuring, monitoring and closing, all information and documents regarding the customer are collected in a shared database. Credit proposals are finalized by the evaluation of General Manager, Credit Committee or Board of Directors, depending on the limits. Credit risks are measured, monitored and reported by the Risk Management Unit.

## d.1) CR1 - Credit quality of assets

		Gross Carrying Amo Financial Sta in accordance	atements e with TAS	Allowances/	
	Current Period	Defaulted exposures		amortization and impairment	Net Value
1	Loans and lease receivables	45,824	2,376,628	(70,933)	2,351,519
2	Debt securities	-	432,744	(4,803)	427,941
3	Off-balance sheet exposures	-	747,877	(6,820)	741,057
	Total	45,824	3,557,249	(82,556)	3,520,517

		Gross Carrying Amo Financial Sta in accordance	atements e with TAS	Allowances/		
	Prior Period	Defaulted exposures		amortization and impairment	Net Value	
1	Loans and lease receivables	36,077	1,456,858	(42,190)	1,450,745	
2	Debt securities	-	155,031	(2,221)	152,810	
3	Off-balance sheet exposures	-	355,059	(9,539)	345,520	
	Total	36,077	1,966,948	(53,950)	1,949,075	

## d.2) CR2 - Changes in stock of defaulted loans and debt securities

		Current period	Prior Period
1 E	Beginning Balance	36,077	35,454
2 /	Additions	12,584	53
3 F	Receivables that are not re-default	-	-
4 \	Write-offs	-	-
5 (	Other changes <sup>1</sup>	(2,837)	570
	Ending Balance(1+2-3-4±5)	45,824	36,077

<sup>(1)</sup> Includes collection from the non-performing loans.

# d.3) CRB - Additional explanations on credit quality of assets

Bank details calculate expected loss provisions within the scope of TFRS'9, as explained in the account policies and disclosures related to impairment of Financial assets and expected credit loss calculation. The Bank evaluates whether there is a significant increase in the credit risk of the Financial instrument within the scope of impairment since it was first included in the Financial statements. In making this assessment, it uses the change the expected default risk of the Financial instrument.

Loans that have overdue above 90-day in delay in the relevant month are included in the follow-up accounts and are subject to specific provisions.

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

Refinancing or restructuring; One or more loans extended by the Bank due to financial difficulties that the customer or group is expected to be present for future, is subject to a new loan that will cover the principal or interest payment completely or partially, or the conditions in existing loans are changed to ensure that the debt can be paid.

The breakdown of assets by geographic, sector and time to maturity is provided on Section Four, Note II.

#### Non-Performing loans and specific provision by geographic breakdown

	C	Current Period			Prior Period		
		Specific			Specific		
	NPL	Provision	Write-offs	NPL	Provision	Write-offs	
Domestic	45,824	24,894	-	36,077	19,831	-	
European countries	-	-	-	-	-	-	
USA, Canada	-	-	-	-	-	-	
OECD countries	-	-	-	-	-	-	
Off-shore banking regions	-	-	-	-	-	-	
Other	-	-	-	-	-	-	
Total	45,824	24,894	-	36,077	19,831	-	

Non-Performing loans and specific provision by sectoral breakdown

	Cı	urrent Period		Prior Period		
	NPL	Specific Provision	Write-offs	NPL	Specific Provision	Write-offs
Agriculture	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-
Forestry	-	-	-	-	-	-
Fishery	-	-	-	-	-	-
Manufacturing	3,130	3,021	-	3,292	3,197	-
Mining and Quarrying	-	-	-	-	-	-
Production	3,130	3,021	-	3,292	3,197	-
Electricity, Gas and Water	-	-	-	-	-	-
Construction	25,617	20,799	-	13,855	13,855	-
Services	17,077	1,074	-	18,930	2,779	-
Wholesale and Retail Trade	-	-	-	-	-	-
Accommodation and Dining	-	-	-	-	-	-
Transportation and Telecom	17,077	1,074	-	18,930	2,779	-
Financial Institutions	-	-	-	-	-	-
Real Estate and Rental Services	-	-	-	-	-	-
Professional Services	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	45,824	24,894	-	36,077	19,831	-

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

Aging analysis of performing loans with overdue and non-performing loans

	Current Period	Prior Period
Up to 3 Months	661	538
3-12 Months	11,766	-
1-3 Years	34,058	36,077
3-5 Years	-	-
Over 5 Year	-	-
Total	46,485	36,615

Information on loans that have been restructured or rescheduled

	Current Period	Prior Period
Standard Loans that have been restructured or rescheduled	-	-
Loans Under Close Monitoring that have been restructured or		
rescheduled	117,845	83,244
Non-performing loans that have been restructured or rescheduled	20,207	30,581
Total	138,052	113,825

d.4) Qualitative requirements to be disclosed regarding Credit risk mitigation techniques and CR3 - Explanations on Credit risk mitigation techniques

In order to ensure timely and complete fulfilment of all obligations arising from the loan, it is essential to obtain appropriate collaterals.

The main purpose of collateralization of any loan is to minimize the credit, foreign exchange and maturity risk. Within this scope, the minimum margin of guarantee is determined and the guarantees suitable for the loan types are obtained. There is collateral matching in the system for each loan. In addition, the appropriateness of the margin for each guarantee is also checked.

The Bank discounts the collaterals by using some fixed ratios and calculates the expected cash equivalent of the collaterals in case they are transformed into cash. The difference between the credit and the cash equivalent of the collateral is defined as the net risk. In calculation of the net risk, the coefficients in the facility rating model are taken into account.

# PASHA Yatırım Bank A.Ş.

# Notes to Unconsolidated Financial Statements At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Current Period	Exposures unsecured: carrying amount (According to TAS)	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	of which:	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans and lease receivables	2,009,604	341,915	187,800	135,740	41,398	-	-
2	Debt securities	427,941	-	-	-	-	-	-
3	Total	2,437,545	341,915	187,800	135,740	41,398	-	-
4	Defaulted items	45,824	-	-	-	-	-	-
		Exposures unsecured:		Exposures secured by		Exposures secured by financial		Exposures secured by credit
		carrying amount (According	Exposures secured by	collateral, of which: secured	Exposures secured by financial	guarantees, of which:	Exposures secured by credit	derivatives, of which:

	Prior Period	to TAS)	collateral	amount	guarantees		derivatives	uniounic
	Loans and lease							
	receivables	1,342,576	108,169	61,085	13,351	9,194	-	-
2	Debt securities	152,810	-	-	-	-	-	-
3	Total	1,495,386	108,169	61,085	13,351	9,194	-	-
4	Defaulted items	36,077	-	-	-	-	-	_

#### d.5) Qualitative explanations using the rating grades to calculate the banks' credit risk by standard approach

In determining the risk weights regarding risk classes defined in Article 6 of "Regulation on Measurement and Assessment of Capital Adequacy of Banks", country risk classification published by OECD (Organisation for Economic Cooperation and Development) is taken into account. According to capital adequacy regulations, the risk classification and risk weights of receivables from banks and intermediary institutions and receivables from corporates are determined in accordance with the regulations.

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

CR4: Standardised approach - Credit risk exposure and credit risk mitigation effects

	Current Period	Exposures b risk mitigatic conversio	on and credit	Exposures aft mitigation conversio	and credit	Risk weigh (RWA) amoui den	nts and RWA
		On balance sheet	Off balance sheet	On balance sheet	Off balance sheet		RWA
	Risk Classifications	amount	amount	amount	amount	۲ RWA	Density (%)
1	Receivables from Central Governments or Central Banks	525,830	-	525,830	-	189,861	36.11
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	0.00
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	0.00
4	Receivables from Multilateral Development Banks	-	-	-	-	-	0.00
5	Receivables from International Organizations	-	-	-	-	-	0.00
6	Receivables from Banks and Brokerage Corporation	547,309	253,036	547,309	203,311	565,370	75.32
7	Corporate receivables	2,007,670	494,000	1,967,772	444,279	2,201,179	91.26
8	Retail receivables	181	17	181	9	142	74.74
9	Collateralized by real estate						
	mortgages receivables	10,319	824	10,319	412	3,756	35.00
10	Collateralized by trading mortgages receivables	245,964	-	245,964	-	169,021	68.72
11	Non-performing receivables	45,824	-	20,930	-	26,795	128.02
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00
13	Collateralized securities	-	-	-	-	-	0.00
14	Short-term receivables and short- term corporate receivables from Banks and Brokerage corporations	_	-	-	-	-	0.00
15	Investments in nature of Collective Investment funds	20,956	-	20,956	-	20,956	100.00
16	Other receivables	254,932	-	254,932	-	254,909	99.99
17	·	7,659	-	7,659	-	7,659	100.00
	Total	3,666,644	747,877	3,601,852	648,011	3,439,648	80.94

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

	Prior Period	Exposures b risk mitigatic conversio	on and credit	Exposures aft mitigation conversio	and credit	Risk weighted asset (RWA) amounts and R density	
	Risk Classifications	On balance sheet amount	Off balance sheet amount	On balance sheet amount	Off balance sheet amount	RWA	RWA Density(%)
1	Receivables from Central Governments or Central Banks	214,848	-	214,848	-	49,694	23.13
2	Receivables from Regional Management or Local Governments	_	-	-	-	_	0.00
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	_	0.00
4	Receivables from Multilateral Development Banks	_		_	_	_	0.00
5	Receivables from International Organizations	_	_	_	_	_	0.00
6	Receivables from Banks and Brokerage Corporation	96,825	96,265	123,971	62,394	122,451	65.70
7	Corporate receivables	1,328,359	235,536	1,337,309	200,056	1,351,717	87.92
8	Retail receivables	4,343	825	22,403	413	3,511	15.39
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00
10	Collateralized by trading mortgages receivables	108,169	-	108,169	-	77,627	71.76
11	Non-performing receivables	36,077	-	16,246	-	24,274	149.42
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	0.00
13	Securities collateralized by mortgages	-	-	-	-	-	0.00
14	Short-term receivables and short- term corporate receivables from Banks and Brokerage corporations	121,510	4,472	123,077	4,472	118,644	93.02
15	Investments in nature of Collective Investment funds	7,405	17,961	7,405	17,961	25,366	100.00
16	Other receivables	268,139	-	268,139	-	254,379	94.87
17		7,659	-	7,659	-	7,659	100.00
	Total	2,193,334	355,059	2,229,226	285,296	2,035,322	80.94

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

CR5 - Standardised approach - exposures by risk classes and risk weights

	Current Period	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central				-9.0	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	<b>J</b> 2 2	/ 5				0 110 0	
	Governments or Central												
	Banks	335,969	-	-	-	-	-	-	189,861	-	-	-	525,830
2	Receivables from Regional Management or Local												
	Governments Receivables from	-	-	-		-	-	-	-	-	-	-	-
3	Administrative Units or Non-commercial Ventures												
	Receivables from	-	-	-	-	-	-	-		-	-	-	-
4	Multilateral Development Banks	-	_	-	_	_	-	-	_	_	_	-	-
5	Receivables from												
	International												
	Organizations	-	-	-	-	-	-	-	-	-	-	-	-
6	Receivables from Banks and Brokerage						_						
	Corporation	-	-	164,238	-	-	107,870	-	478,512	-	-	-	750,620
.7	Corporate receivables	-	-	85,500	-	-	211,585	-	2,114,966	-	-	-	2,412,051
8	Retail receivables	-	-	-	-	-	-	190	-	-	-	-	190
9	Collateralized by real estate mortgages												
	receivables	-	-	-	- :	10,731	-	-	-	-	-	-	10,731
	Collateralized by trading mortgages receivables	-	-	-	-	-	153,887	-	92,077	-	-	-	245,964
11	Non-performing receivables	-	_	_	-	_	4,273	_	654	16,003	_	-	20,930
12	Receivables defined in high risk category by								-97				
	BRSA Securities collateralized by	-	-	-	-	-	-	-	-	-	-	-	-
13	mortgages	-	-	-	_	_	-	_	_	-	_	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	_	_	_	_	_	_	_	_	_	_	_	-
15	Investments in nature of Collective Investment												
	funds	-	-	-	-	-	-	-	20,956	-	-	-	20,956
16	Equity security investments	-	-	_	-	_	-	_	7,659	-	_	-	7,659
17	Other receivables	24	-	-	-	-	-	-	254,908	-	-	-	254,932
	Total	335,993	-	249,738	-	10,731	477,615	190	3,159,593	16,003	-	-	4,249,863

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

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

	Prior Period	0%	10%	20%	25%	35%	50%	75%	100%	150%	250%	Others	Total credit risk amount (after CRM and CCF)
1	Receivables from Central Governments or Central Banks	169,756	_	-	-	-	-	-	45,092	-	-	-	214,848
2	Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-	-	-	-
3	Receivables from Administrative Units or Non-commercial Ventures	-	-	-	-	-	-	-	-	-	-	-	-
4	Receivables from Multilateral Development Banks	-	-	-	-	_	-	-	_	-	-	_	-
5	Receivables from International Organizations	-	-	-	-	_	-	-	-	-	-	_	-
6	Receivables from Banks and Brokerage Corporation	-	-	16,699	-	_	42,659	-	127,007	-	-	_	186,365
7	Corporate receivables	-	-	155,615	-	-	104,512	-	1,268,283	-	-	8,955	1,537,365
8	Retail receivables	-	-	-	-	-	-	4,755	-	-	-	18,061	22,816
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-	-	-	-
10	Collateralized by trading mortgages receivables	-	-	-	_	-	61,085	-	47,084	_	-	_	108,169
11	Non-performing receivables	-	-	-	-	-	95	-	-	16,151	-	-	16,246
12	Receivables defined in high risk category by BRSA	-	-	-	_	_	-	-	-	-	-	_	-
13	Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
14	Short-term receivables and corporate receivables from Banks and Brokerage Corp.	_	_	2,520	_	_	13,777	_	111,252	_	_	_	127,549
15	Investments in nature of Collective Investment funds			2,520			111,61		25,366				25,366
16	Equity security investments		-	-	-	-		-	7,659	_	-	-	7,659
17	Other receivables	13,760	-	-	-	-	-	-	254,379	-	-	-	268,139
	Total	183,516	-	174,834	-	-	222,128	4,755	1,886,122	16,151	-	27,016	2,514,522

# e. Issues related to counterparty credit risk (CCR)

The CCR strategy is determined by counterparty type and product categories. Counterparties are categorized as central counterparties, banks, corporate and commercial companies. The products are grouped as foreign exchange transactions (forward, futures, swap), interest swap transactions (interest swap, cross currency swap and futures and repo transactions.

The creditworthiness of the counterparty is analyzed prior to the transactions leading to the CCR and subsequently the creditworthiness of the counter parties is reviewed at regular intervals. The frequency of inspections is increased when necessary.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

The scope and level of information providing the opportunity to assess the creditworthiness of the counterparty shall be differentiated depending on the volume of the transaction to be realized, the level of the CCR and/or the counterparty.

For counterparties except banks, the counterparty credit risk limits are determined based on credit allocation policies. In case of deterioration of market conditions or in case of deterioration of credit quality of some counterparties, limits are reviewed and necessary changes are made.

The related approvals identified for loan allocation process are applied for corporate and individual customers, excluding banks. In case of detoriation in market conditions and/or in the credit quality of the borrower company/group, the related company/group limits are reviewed and necessary actions are taken. For the loan allocation process approvals of Board of Directors or the relevant committee approvals authorized by the Board of Directors are applied. In case of significant changes in market conditions and/ or structure or financials of the related company/group, the related company/group limits are reviewed and necessary actions are taken. Collateralization principles and procedures are applied for counterparties other than financial institutions within the framework of credit policies and application principles currently applied in the Bank.

The potential, current and maximum risk amounts of the transactions are calculated/determined in order to determine the CCR. The risks of transactions that are subject to the legally binding bilateral netting agreement and to which the netting transaction can be applied are followed together.

#### Exposure Potential after Risk Weighted Revaluation credit risk credit risk FFPF **Current Period** exposure Alpha mitigation Amounts Cost Standard approach-CCR (for derivatives) 13,604 1.40 15,063 1 1,459 3,013 Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Simple Approach for credit risk mitigation 3 (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) Comprehensive Approach for credit 4 risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit) 34,777 33,666 VaR for derivatives, Repo Transactions, 5 Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit Total 36,679

## e.1) CCR1 - Analysis of counterparty credit risk (CCR) exposure by approach

# Notes to Unconsolidated Financial Statements At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Prior Period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	100	074		1 4 0	1 - 6 - 7	
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	493	974		- 1.40	1,567	- 735
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					54,160	4,791
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	_
5	VaR for derivatives, Repo Transactions, Marketable Securities or EMTIA lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					_	_
	Total						5,526

# e.2) CCR2 - Credit valuation adjustment (CVA) capital charge

		Current I	Period	Risk amount (after sk credit risk ed mitigation	Period	
		Risk amount (after credit risk mitigation techniques)	Risk weighted amounts	(after credit risk mitigation	Risk weighted amounts	
	Total portfolios subject to the Advanced CVA capital charge	-	-	-	-	
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-		-	
2	(ii) Stressed VaR component (including the 3×multiplier)		-		-	
3	All portfolios subject to the Standardised CVA capital charge	15,063	76	1,567	49	
	Total subject to the CVA capital charge	15,063	76	1,567	49	

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

e.3) CCR3 - Standardised approach - CCR exposures by regulatory portfolio and risk weights:

Current Period				Ris	k Weigl	nts			
Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk <sup>(1)</sup>
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non- commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	-	-	16,395	-	-	-	-	-	16,395
Corporate receivables	-	-	-	-	-	33,264	-	-	33,264
Retail receivables	-	-	-	-	181	-	-	-	181
Other assets <sup>(2)</sup>	-	-	-	-	-	-	-	-	-
Total	-	-	16,395	-	181	33,264	-	-	49,840

() Total credit risk: The amount to be considered in the capital adequacy calculation after the CRM is applied

<sup>(2)</sup> Other receivables: Includes amounts not included in the counterparty credit risk reported in CCR8

Prior Period				Ri	sk Weigl	nts			
Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	Total Credit Risk <sup>(1)</sup>
Receivables from Central Governments or Central Banks	-	-	-	-	-	-	-	-	-
Receivables from Regional Management or Local Governments	-	-	-	-	-	-	-	-	-
Receivables from Administrative Units or Non- commercial Ventures	-	-	-	-	-	-	-	-	-
Receivables from Multilateral Development Banks	-	-	-	-	-	-	-	-	-
Receivables from International Organizations	-	-	-	-	-	-	-	-	-
Receivables from Banks and Brokerage Corporation	-	-	4,134	1,567	-	23,011	-	-	28,712
Corporate receivables	-	-	-	-	-	-	-	8,955	8,955
Retail receivables	-	-	-	-	18,060	-	-	-	18,060
Other assets <sup>(2)</sup>	-	-	-	-	-	-	-	-	-
Total	-	-	4,134	1,567	18,060	23,011	-	8,955	55,727

() Total credit risk: The amount to be considered in the capital adequacy calculation after the CRM is applied

<sup>(2)</sup> Other receivables: Includes amounts not included in the counterparty credit risk reported in CCR8

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

e.4) CCR5 - Composition of collateral for CCR exposure

	(	Collaterals for	Derivatives		Collaterals Transa	
	Collateral		Collatera	s Given		
		Not		Not	Collaterals	Collaterals
Current Period	Reserved	Reserved	Reserved	Reserved	Taken	Given
Cash- local currency	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill - local	-	-	-	-	-	30,931
Government bond/bill - other	-	-	-	-	-	30,517
Public institutions bond/bill	-	-	-	-	-	21,420
Corporate bond/bill	-	-	-	-	-	55,201
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	-	138,069

	(	Collaterals for	Derivatives		Collaterals Transa	
	Collateral	s Taken	Collateral	s Given		
		Not		Not	Collaterals	Collaterals
Prior Period	Reserved	Reserved	Reserved	Reserved	Taken	Given
Cash- local currency	-	-	-	-	-	-
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill - local	-	-	-	-	23,011	4,133
Government bond/bill - other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	5,591
Corporate bond/bill	-	-	-	-	-	21,425
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	23,011	31,149

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## e.5) CCR6 - Credit derivatives

The Bank does not have credit derivatives.

# e.6) CCR8 - Exposures to central counterparties

	Current Pe	riod	Prior Per	od
	Exposure at default (post-CRM)	RWA	Exposure at default (post-CRM)	RWA
Exposure to Qualified Central Counterparties (QCCPs) (total)		-		540
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	_	-	27,016	540
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	27,016	540
(iv) Netting sets where cross-product netting has been approved	-	_	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-
Exposures to non-QCCPs (total)		-		-
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-	-	-
(i) OTC Derivatives	-	-	-	-
(ii) Exchange-traded Derivatives	-	-	-	-
(iii) Securities financing transactions	-	-	-	-
(iv) Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

# Notes to Unconsolidated Financial Statements At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

### f. Issues to be announced to public related to securitisation positions

The Bank does not have transactions related with securitizations, the related table has not been prepared.

#### g. Explanations on market risk

The risk principles, policies and risk limits related to the management of market risk are approved by the Board of Directors and reviewed on a regular basis. The Bank's Senior Management performs day to day management of the market risk in accordance with the limits assigned by the Board of Directors. The Bank is exposed to market risk as a result of fluctuations in foreign exchange rates, interest rates, and market prices of stocks. Exchange rate risk and interest rate risk are evaluated as the two most important components of market risk. The Bank engages in derivative transactions for hedge purposes when found necessary. Market risk is calculated by the "standard method". For legal reporting, standard method is utilised.

The following table indicates the details of the market risk calculation, in accordance with the Market Risk Calculation principles pursuant to the Third Section of the "Regulation on Measurement and Assessment of Capital Adequacy of Banks" published in the Official Gazette no. 29511 on 23 October 2015.

		Current	
		Period	Prior Period
		RWA	RWA
	Outright products		
1	Interest rate risk (general and specific)	-	2,925
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	70,000	34,175
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
	Total	70,000	37,100

## h. Explanations on operational risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué is used in the operational risk calculation of the Bank and calculated on a yearly basis.

Current Dariad	2 Prior Period	Period	Period	- /		Total
Current Period	Amount	Amount	Amount		Ratio (%)	Total
Gross Revenue	82,185	97,898	88,998	89,694	15	13,454
Amount Subject to Operational Risk (Total*12,5)						168,175
Prior Period	2 Prior Period Amount	Period Amount	Current Period Amount	Total/Positive GI year number	Ratio (%)	Total
Gross Revenue	45,588	82,185	97,898	75,224	15	11,284
Amount Subject to Operational Risk (Total*12,5)						141,044

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

# Fair value calculations of financial assets and liabilities

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

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

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

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

	Carrying	Value	Fair Va	lue
	Current Period	Prior Period	Current Period	Prior Period
Financial Assets	3,362,479	1,948,081	3,349,675	1,947,198
Interbank money market placements	-	23,011	-	23,011
Banks	209,910	121,511	209,910	121,511
Cash and balances at Central Bank	283,769	155,100	283,769	155,100
Derivative Financial assetes	13,604	493	13,604	493
Financial assets at fair value through profit or loss	20,956	7,405	20,956	7,405
Financial assets at fair value through other comprehensive income	50,685	30,850	50,685	30,850
Financial assets measured at amortised cost	361,103	116,776	362,777	123,407
Loans	2,422,452	1,492,935	2,407,974	1,485,421
Financial Liabilities	2,906,564	1,574,249	2,915,019	1,565,880
Banks' deposits	-	-	-	-
Other deposits	-	-	-	-
Funds borrowed from other fin. Institutions	1,376,052	803,224	1,382,000	798,463
Securities issued	1,222,459	647,016	1,225,068	643,397
Miscellaneous Payables	74,237	44,804	74,196	44,804
Payables to money market	205,523	53,263	205,465	53,274
Derivative financial liabilities	114	1,430	114	1,430
Borrowers' Funds	28,179	24,512	28,176	24,512

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### Fair value hierarchy:

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

Aforesaid fair value hierarchy is determined as follows:

a) Identical assets and quoted market prices (non-adjusted) (1st level);

b) Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1<sup>st</sup> level (2<sup>nd</sup> level);

c) Data not based on observable market data regarding assets or liabilities (3rd level).

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

Current Period	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	13,604	-	13,604
Financial assets at fair value through profit or loss	2,679	18,277	-	20,956
Financial assets at fair value through other comprehensive income	43,026	7,659	-	50,685
Total Assets	45,705	39,540	-	85,245
Derivative financial liabilities	-	114	-	114
Total liabilities	-	114	-	114
Prior Period	Level 1	Level 2	Level 3	Total
Derivative financial assets	-	493	-	493
Financial assets at fair value through profit or loss	1,472	5,933	-	7,405
Financial assets at fair value through other comprehensive income	23,191	7,659	-	30,850
Total Assets	24,663	14,085	-	38,748
Derivative financial liabilities	-	1,430	-	1,430
Total liabilities	-	1,430	-	1,430

There are no transfers between the levels.

# X. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PERSONS

The Bank, has been authorized to provide trading brokerage activity, portfolio brokerage activity, best-effort copy public offering brokerage activity and limited custody services. The Bank does not deal with fiduciary transactions.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### XI. EXPLANATIONS ON OPERATING SEGMENTS

	Corporate	Treasury and Asset Liability	
Current Period	Banking	Management	Total
Total Assets	2,371,798	1,190,755	3,562,553
Total Liabilities	128,576	3,433,977	3,562,553
Net Interest Income/(Loss)	190,060	(77,145)	112,915
Net Fee and Commission Income/(Loss)	3,499	6,786	10,285
Trading Gain/(Loss)	340	20,176	20,516
Other Operating Segments Gain/(Loss)	8,589	2,566	11,155
Provisions for Loan Losses and Other Receivables(-)	(34,809)	(2,750)	(37,559)
Other Operating Expense (-)	-	(53,122)	(53,122)
Profit Before Tax	167,679	(103,489)	64,190
Tax Provision	(44,578)	27,513	(17,065)
Net Profit/Loss	123,101	(75,976)	47,125
		Treasury and	
	Corporate	Asset Liability	
Prior Period	Banking	Management	Total
Total Assets	1,448,990	730,419	2,179,409
Total Liabilities	78,725	2,100,684	2,179,409
Net Interest Income/(Loss)	112,993	(37,101)	75,892
Net Fee and Commission Income/(Loss)	3,121	1,065	4,186
Trading Gain/(Loss)	146	5,330	5,476
Other Operating Segments Gain/(Loss)	6,531	2,534	9,065
Provisions for Loan Losses and Other Receivables(-)	(2,884)	(1,664)	(4,548)
Other Operating Expense (-)	-	(47,983)	(47,983)
Profit Before Tax	119,907	(77,819)	42,088
Tax Provision	(30,518)	19,806	(10,712)
Net Profit/Loss	89,389	(58,013)	31,376

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

#### SECTION FIVE

## EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

### I. EXPLANATIONS AND NOTES Related to Assets

#### a. 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

	Current Period		Prior Peri	od
	LC	FC	LC	FC
Cash/Foreign currency	10	14	10	4
CBRT	7,582	276,163	6,073	149,013
Other	-	-	-	-
Total	7,592	276,177	6,083	149,017

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

	Current Period		Prior Period	
	LC	FC	LC	FC
Demand Unrestricted Amount (1)	7,582	446	6,073	15,182
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount <sup>(2)</sup>	-	275,717	-	133,831
Total	7,582	276,163	6,073	149,013

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

<sup>(2)</sup> 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 3% and 8% according to their maturities as of 31 December 2021 (31 December 2020 - between 1% and 6%). The reserve rates for foreign currency liabilities vary between 5% and 25% according to their maturities as of 31 December 2021 (31 December 2020 - between 5% and 21%).

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

a. As of 31 December 2021, the Bank has no financial assets at fair value through profit or loss subject to repo transactions and given as collateral/blocked (31 December 2020 - None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## b. Financial assets at fair value through profit or loss

	Current Period	Prior Period
Debt Securities	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Share Certificates/Investment Funds	20,956	7,433
Quoted on Stock Exchange	-	-
Not Quoted	20,956	7,433
Impairment Provision (-)	-	(28)
Total	20,956	7,405

# c. Positive differences related to derivative financial assets

	Current	Current Period		Prior Period	
	LC	FC	LC	FC	
Forward transactions	-	-	16	-	
Swap transactions	13,604	-	477	-	
Futures transactions	-	-	-	-	
Options	-	-	-	-	
Other	-	-	-	-	
Total	13,604	-	493	-	

# 3. Information on banks

# a. Information on banks

	Current Period		Prior Period	
	LC	FC	LC	FC
Banks	2,967	206,943	2,522	118,989
Domestic	2,967	80,032	2,522	89,788
Foreign	-	126,911	-	29,201
Branches and offices abroad	-	-	-	-
Total	2,967	206,943	2,522	118,989

# b. Information on foreign banks accounts

	Unrestricte	Unrestricted Amount		Amount
	Current Period	Prior Period	<b>Current Period</b>	Prior Period
European Union Countries	18,900	20,656	-	-
USA, Canada	79,682	6,412	-	-
OECD Countries <sup>1</sup>	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	28,329	2,133	-	-
Total	126,911	29,201	-	-

<sup>(1)</sup> OECD Countries other than EU countries, USA and Canada.

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### 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

	Current Period		Prior Period	
	LC	FC	LC	FC
Collateral/Blocked	8,262	-	6,731	-
Repurchase transaction	30,931	-	4,133	-
Total	39,193	-	10,864	-

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

	Current Period	Prior Period
Debt Securities	45,807	23,191
Quoted on Stock Exchange	45,807	23,191
Not Quoted	-	-
Share Certificates	7,659	7,659
Quoted on Stock Exchange	-	-
Not Quoted	7,659	7,659
Impairment Provision (-)	(2,781)	-
Total	50,685	30,850

# 5. Information on loans

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

	Current Per	Current Period		bd
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	25,071	187,981	-	44,749
Legal Entities	25,071	187,981	-	44,749
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total <sup>(1)</sup>	25,071	187,981	-	44,749

(1) The bank has TL 25,071 cash loan was granted as a counter-guarantee of Parent Bank (31 December 2020 - None).

# PASHA Yatırım Bank A.Ş. Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

Current Period				
		Loans l	toring	
			Restructur	ed Loans
Cash Loans (1)	Standard Loans	the scope of	Modifications on agreement conditions	Refinancing
Non-specialized Loans	2,008,688	44,093	-	-
Loans given to enterprises	512,260	20,239	-	-
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	338,125	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	1,158,303	23,854	117,845	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	2,008,688	44,093	117,845	-

<sup>(1)</sup>TL 45,824 non-performing loans are not included.

Prior Period Cash Loans <sup>(1)</sup>		Loans Under Close Monitoring		
		the scope of	Restructur	ed Loans
	Standard Loans		-	Refinancing
Non-specialized Loans	1,229,498	35,947	83,244	-
Loans given to enterprises	328,630	35,947	11,804	-
Export Loans	15,163	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	280,369	-	-	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	605,336	-	71,440	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	1,229,498	35,947	83,244	-

(1) TL 36,077 non-performing loans are not included.

	current	Current Period		Prior Period	
		Loans		Loans	
	Standard	Under Close	Standard	Under Close	
Expected Credit Loss	Loans	Monitoring	Loans	Monitoring	
12 Months Expected Credit Loss	14,919	-	7,039	-	
Significant Increase in Credit Risk	-	29,827	-	14,439	
Total	14,919	29,827	7,039	14,439	

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Current Period		Prior Period	
Number of modifications made to extend payment plan	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Extended by 1 or 2 times	-	117,845	-	83,244
Extended by 3,4 or 5 times	-	-	-	-
Extended by more than 5 times	-	-	-	-
Total	-	117,845	-	83,244
	Current Period		Prior Period	
	Standard	Loans Under Close	Standard	Loans Under Close
Extended period of time	Loans	Monitoring	Loans	Monitoring
o - 6 Months	-	-	-	-
6 - 12 Months	-	-	-	-
1 - 2 Years	-	-	-	29,753
2 - 5 Years	-	117,845	-	53,491
5 Years and over	-	-	-	-
Total	-	117,845	-	83,244

## c. Breakdown of loans according to their maturities

		Loans Under Close Monitori	
		Not under	
	Standard	the scope of	Restructured
Current Period	Loans	restructuring	Loans
Short-Term Loans	845,782	9,198	-
Medium and Long-Term Loans	1,162,906	34,895	117,845
Total	2,008,688	44,093	117,845

		Loans Under Clo	ose Monitoring
		Not under	
	Standard	the scope of	Restructured
Prior Period	Loans	restructuring	Loans
Short-Term Loans	430,558	17,893	-
Medium and Long-Term Loans	798,940	18,054	83,244
Total	1,229,498	35,947	83,244

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

None (31 December 2020 - None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

e. Information on commercial instalment loans and corporate credit cards

Current Period	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	-	14,151	14,151
Business residential loans	-	-	-
Automobile loans	-	14,151	14,151
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans- Indexed to FC	-	23,732	23,732
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	23,732	23,732
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	-	37,883	37,883

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

Prior Period	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	-	7,243	7,243
Business residential loans	-	-	-
Automobile loans	-	7,243	7,243
Consumer loans	-	-	-
Other	-	-	-
Commercial installment loans- Indexed to FC	-	18,676	18,676
Business residential loans	-	-	-
Automobile loans	-	353	353
Consumer loans	-	18,323	18,323
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	-	25,919	25,919

#### f. Loans according to types of borrowers

	Current Period	Prior Period
Public	-	-
Private	2,216,450	1,384,766
Total <sup>(1)</sup>	2,216,450	1,384,766

(1) TL 45,824 (31 December 2020 - TL 36,077) non-performing loans are included.

## g. Distribution of domestic and foreign loans

	Current Period	Prior Period
Domestic Loans	1,727,230	994,890
Foreign Loans	489,220	389,876
Total <sup>(i)</sup>	2,216,450	1,384,766

(1) TL 45,824 (31 December 2020 - TL 36,077) non-performing loans are included.

# h. Loans granted to investments in associates and subsidiaries

None (31 December 2020 - None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### i. Specific provisions accounted for loans

	Current Period	Prior Period
Loans with limited collectability	-	-
Loans with doubtful collectability	7,117	-
Uncollectible loans	17,777	19,831
Total	24,894	19,831

# j. 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	-	-	20,207
Loans under restructuring	-	-	20,207
Prior period			
Gross amounts before specific reserves	-	-	30,581
Loans under restructuring	-	-	30,581

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

	III. Group	IV. Group	V. Group
	Loans with limited	Loans with doubtful	Uncollectible
Current Period	collectability	collectability	loans
Prior period end balance	-	-	36,077
Additions (+)	12,568	11	5,095
Transfers from other categories of loans under			
follow-up (+)	-	11,755	-
Transfers to other categories of loans under follow-up (-)	(11,755)	-	-
Collections (-)	(813)	-	(7,114)
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	11,766	34,058
Provision (-)	-	(7,117)	(17,777)
Net Balance on balance sheet	-	4,649	16,281

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	III. Group	IV. Group	V. Group
	Loans with limited	Loans with doubtful	Uncollectible
Prior Period	collectability	collectability	loans
Prior period end balance	-	30,011	5,443
Additions (+)	-	3,924	53
Transfers from other categories of loans under follow-up			
(+)	-	_	30,601
Transfers to other categories of loans under follow-up (-)	-	(30,601)	-
Collections (-)	-	(3,334)	(20)
Deducted from the record (-)	-	-	-
Sold (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	-	-	36,077
Provision (-)	-	-	(19,831)
Net Balance on balance sheet	-	-	16,246

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

	III. Group	IV. Group	V. Group
	Loans with limited	Loans with doubtful	Uncollectible
	collectability	collectability	loans
Current period			
Period end balance	-	-	10,854
Provision (-)	-	-	(682)
Net balance on balance sheet	-	-	10,172
Prior period			
Period end balance	-	-	12,175
Provision (-)	-	-	(1,787)
Net balance on balance sheet	-	-	10,388

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

	III. Group	IV. Group	V. Group
	Loans with limited	Loans with doubtful	Uncollectible
	collectability	collectability	loans
Current period (Net)	-	4,649	16,281
Loans granted to real persons and legal entities (Gross)	-	11,766	34,058
Provision (-)	-	(7,117)	(17,777)
Loans granted to real persons and legal entities (Net)	-	4,649	16,281
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	-	-	16,246
Loans granted to real persons and legal entities (Gross)	-	-	36,077
Provision (-)	-	-	(19,831)
Loans granted to real persons and legal entities (Net)	-	-	16,246
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 Ioans
Current period (Net)	-	842	146
Interest accruals and rediscounts and valuation differences	-	1,968	1,594
Provision (-)	-	(1,126)	(1,448)
Prior Period (Net)	-	-	82
Interest accruals and rediscounts and valuation differences	-	-	1,519
Provision (-)	-	-	(1,437)

# 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.

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

### 6. Information on financial assets measured at amortized cost

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

	Current Period		Prior Period	
	LC	FC	LC	FC
Collateral/Blocked	-	67,479	-	22,323
Repurchase transaction	-	105,169	-	27,016
Total	-	172,648	-	49,339

# b. Information on government debt securities measured at amortized cost

	Current Period	Prior Period
Government bonds	189,860	45,092
Treasury bills	-	-
Other public sector debt securities	-	-
Total	189,860	45,092

# c. Information on financial assets measured at amortized cost

	Current Period	Prior Period
Debt Securities	361,103	116,776
Quoted in a stock exchange	361,103	116,776
Not quoted	-	-
Impairment provisions (-) <sup>(1)</sup>	-	-
Total	361,103	116,776

<sup>(1)</sup> TL 4,224 (31 December 2020 - TL 1,755) expected credit losses included at line for expected credit losses on financial statements.

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

	Current Period	Prior Period
Beginning balance	116,776	79,975
Foreign currency differences on monetary assets <sup>(1)</sup>	124,452	22,579
Purchases during year	119,875	49,278
Disposals through sales and redemptions	-	(35,056)
Impairment provisions (-)	-	-
Total	361,103	116,776

(1) TL 3,741 (31 December 2020 - TL 223) of differences arising from the rediscounts and accruals are shown in the "Foreign currency differences on monetary assets line.

#### 7. Information on investments in associates (Net)

# a. Information on unconsolidated investments in associates

None (31 December 2020 - None).

## b. Information on consolidated investments in associates

None (31 December 2020 - None).

#### 8. Information on subsidiaries (Net)

None (31 December 2020 - None).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## 9. Information on joint ventures

# None (31 December 2020 - None).

### 10. Information on lease receivables (Net)

# a. Information on lease receivables

	<b>Current Period</b>	Prior Period
Financial lease receivables, Gross	253,003	137,125
Unearned income	(47,001)	(28,956)
Financial lease receivables, Net	206,002	108,169

(1) TL 1,293 (31 December 2020 - TL 881) expected credit losses included at line for expected credit losses on financial statements.

#### b. Remaining maturities of financial lease investments

	Current P	Current Period		Prior Period	
	Gross	Net	Gross	Net	
Up to 1 Year	77,841	58,659	46,695	37,252	
1 - 5 Years	175,162	147,343	90,430	70,917	
Over 5 Years	-	-	-	-	
Total	253,003	206,002	137,125	108,169	

# 11. Information on hedging derivative financial assets

None (31 December 2020 - None).

# 12. Information on property and equipment

	Immovable/		Right of	Other Tangible	
	Land	Vehicles	use assets	Fixed Assets	Total
Prior Period					
Cost	97,768	1,628	345	8,360	108,101
Accumulated Depreciation(-)	(15,496)	(523)	(184)	(3,020)	(19,223)
Net Book Value 31 December 2020	82,272	1,105	161	5,340	88,878
Current Period					
Net Book Value : 31 December 2020	82,272	1,105	161	5,340	88,878
Additions	139	-	458	1,063	1,660
Transfers	-	-	-	-	-
Disposals(-), cost	-	-	(138)	(613)	(751)
Disposals(+), accumulated					
depreciation	-	-	138	579	717
Depreciation (-)	(696)	(325)	(119)	(1,382)	(2,522)
Impairment	-	-	-	-	-
Net Book Value: 31 December 2021	81,715	780	500	4,987	87,982
Cost at Period End	97,907	1,628	665	8,810	109,010
Accumulated Depreciation at Period					
End (-)	(16,192)	(848)	(165)	(3,823)	(21,028)
Net Book Value: 31 December 2021	81,715	780	500	4,987	87,982

# Notes to Unconsolidated Financial Statements At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

	Immovable/		Right of use	Other Tangible	
	Land	Vehicles	assets	Fixed Assets	Total
Prior Period					
Cost	97,768	1,628	238	7,623	107,257
Accumulated Depreciation(-)	(14,921)	(213)	(97)	(1,788)	(17,019)
Net Book Value 31 December 2019	82,847	1,415	141	5,835	90,238
Current Period					
Net Book Value : 31 December 2019	82,847	1,415	141	5,835	90,238
Additions	-	-	107	753	860
Transfers	-	-	-	-	-
Disposals(-), cost	-	-	-	(16)	(16)
Disposals(+), accumulated depreciation	-	-	-	1	1
Depreciation (-)	(575)	(310)	(87)	(1,233)	(2,205)
Impairment	-	-	-	-	-
Net Book Value: 31 December 2020	82,272	1,105	161	5,340	88,878
Cost at Period End	97,768	1,628	345	8,360	108,101
Accumulated Depreciation at Period End (-)	(15,496)	(523)	(184)	(3,020)	(19,223)
Net Book Value: 31 December 2020	82,272	1,105	161	5,340	88,878

#### 13. Information on intangible assets

	Current Period	Prior Period
Net Book Value at the beginning of the Period	6,849	6,077
Additions	3,625	2,660
Disposals(-), net	-	-
Depreciation (-)	(2,690)	(1,888)
Closing Net Book Value	7,784	6,849

# 14. Information on investment property:

The Bank has purchased a real estate classified as investment property 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	Prior Period
Beginning balance, Net	144,862	145,599
Additions (+)	-	-
Disposals (-), net	-	-
Impairment (-)	-	-
Depreciation (-)	(952)	(737)
Transfers	-	-
Current period end balance, Net <sup>(1)</sup>	143,910	144,862

<sup>(1)</sup> As of 31 December 2021, the fair value of investment property is TL 161 million (31 December 2020 - TL 153 million).

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## 15. Information on deferred tax asset

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

As of 31 December 2021, the Bank calculated deferred tax asset amounting TL 13,020 and reflected this amount to the financial statements (31 December 2020 - TL 13,746 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.

	Current Pe	Current Period		iod
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	1,349	270	808	162
Expected credit losses	57,564	11,513	33,986	6,797
Other provisions	3,149	781	4,461	980
Tangible and intangible assets	19,829	3,966	26,403	5,281
Derivatives	114	23	1,430	286
Other	7,098	1,420	2,547	509
Deferred Tax Asset	89,103	17,973	69,635	14,015
Derivatives	(13,604)	(2,721)	(493)	(99)
Other	(11,161)	(2,232)	(852)	(170)
Deferred Tax Liability	(24,765)	(4,953)	(1,345)	(269)
Deferred Tax Asset/(Liability), net	64,338	13,020	68,290	13,746

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

None (31 December 2020 - None).

## 17. Information on other assets

As of 31 December 2021, other assets amount to TL 22,533 (31 December 2020- TL 20,639) and do not exceed 10% of total balance sheet except off balance sheet commitments.

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## 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

	Current Period		Prior I	Prior Period	
	LC	FC	LC	FC	
Forward transactions	-	-	-	-	
Swap transactions	-	114	118	1,312	
Futures transactions	-	-	-	-	
Options transactions	-	-	-	-	
Other	-	-	-	-	
Total	-	114	118	1,312	

## 3. Information on borrowings

### a. Information on banks and other financial institutions

	Curren	Current Period		Period
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	40,053	98,068	40,304	50,155
From foreign banks, institutions and funds	50,894	1,187,037	52,225	660,540
Total	90,947	1,285,105	92,529	710,695

#### b. Information on maturity structure of borrowings

	Current Period		Prior Period	
	LC	FC	LC	FC
Short-term	90,947	535,169	92,529	282,362
Medium and long-term	-	749,936	-	428,333
Total	90,947	1,285,105	92,529	710,695

# 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 funds its local currency assets mainly with its capital, funds borrowed and debt securities issued. The Bank aims to have consistency on interest and maturities among assets and funding.

# 4. Money Market Funds

As of 31 December 2021, the Bank have money market borrowings amounting to TL 105,023 through repo transaction and 100,500 through Takasbank transaction (31 December 2020 - TL 22,782 through repo transaction and TL 30,481 through Takasbank transaction)

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### 5. Securities Issued

	Current F	Current Period		eriod
	LC	FC	LC	FC
Nominal	64,651	1,154,584	-	644,983
Cost	61,900	1,154,584	-	644,983
Book Value	64,264	1,158,195	-	647,016

The Bank netted TL 36,858 (31 December 2020 - TL 912) nominal amount of debt securities that bought backed on its financial statements.

# 6. Information on other liabilities

As of 31 December 2021, other liabilities amount to TL 98,213 (31 December 2020 - TL 65,700) and do not exceed 10% of total balance sheet.

## 7. Information on financial lease agreements

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 Year	286	208	93	67
1 - 5 Years	382	330	129	111
Over 5 Years	-	-	-	-
Total	668	538	222	178

# 8. Information on hedging derivative financial liabilities

None (31 December 2020 - None).

## 9. Information on provisions

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

None (31 December 2020 - None).

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

As of 31 December 2021, the Bank has no specific provision (31 December 2020 - None) and TL 6,820 (31 December 2020 - TL 9,539) provision for expected credit loss to the financial statements.

Expected Credit Loss for Non-Cash Loans	<b>Current Period</b>	Prior Period
12 Months Expected Credit Loss	5,968	1,744
Significant Increase in Credit Risk	852	7,795
Total	6,820	9,539

# c. Information on other provisions

## i. Information on provisions for possible risks

None (31 December 2020 - None).

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

Other provisions amount of TL 7,800 (31 December 2020 - TL 7,250 bonuses and ongoing lawsuits) is comprising of provisions for bonuses and ongoing lawsuits.

# iii. Obligations related to employee rights

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees.

The movement of employee termination benefits is shown below

	Current Period	Prior Period
Balance at the Beginning of the Period	226	152
Provisions Recognised During the Period	29	74
Balance at the end of the period	255	226

In addition, as of 31 December 2021, the Bank have unused vacation provision of TL 734 (31 December 2020 - TL 582).

# 10. Information on taxes payable:

## a. Information on current year tax liability

#### i. Information on tax provision

The Bank recognized TL 5,275 as current tax liability as of 31 December 2021 (31 December 2020 - TL 2,377).

#### ii. Information on taxes payable

	Current Period	Prior Period
Corporate Tax Payable	5,275	2,377
Taxation on Marketable Securities	187	10
Property Tax	1	-
Banking Insurance Transaction Tax	1,767	682
Foreign Exchange Transaction Tax	22	-
Value Added Tax Payable	329	78
Other	571	388
Total	8,152	3,535

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### iii. Information on premium payables

	Current Period	Prior Period
Social Security Premiums - Employee	159	122
Social Security Premiums - Employer	182	136
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	11	9
Unemployment Insurance - Employer	22	17
Other	-	-
Total	374	284

#### 11. Information on deferred tax liability

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

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

None (31 December 2020 - None).

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

None (31 December 2020 - None).

14. Information on shareholders' equity

a. Presentation of paid-in capital

	Current Period	Prior Period
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 periods

None (31 December 2020 - None).

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

# (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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 2020 - None).

## h. Information on marketable securities value increase fund

	Current Peri	Current Period		Prior Period	
	LC	FC	LC	FC	
From investment and associates, subsidiaries and joint					
ventures (business partners)	-	-	-	-	
Revaluation difference	(2,911)	-	(96)	-	
Foreign exchange difference	-	-	-	-	
Total	(2,911)	-	(96)	-	

#### 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

	Current Period	Prior Period
Forward asset purchase and sale commitments	-	4,472
Forward deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	-	-
Other irrevocable commitments	15,388	17,961
Total	15,388	22,433

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

The Bank, within the context of banking activities, undertakes certain commitments, consisting of letters of guarantee, acceptance credits, letters of credit and other guarantees.

As of 31 December 2021, the Bank has no specific provision (31 December 2020 - None) and TL 6,820 (31 December 2020 - TL 9,539) provision for expected credit loss to the financial statements.

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

	Current Period	Prior Period
Letters of guarantee	305,087	291,819
Letters of credit	109,673	-
Bank acceptances	-	-
Other guarantees	317,729	40,807
Total	732,489	332,626

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

	Current Period	Prior Period
Final letters of guarantee	118,851	88,946
Provisional letters of guarantee	-	375
Letters of guarantee for advances	-	2,369
Letters of guarantee given to customs offices	77,882	47,838
Letter of guarantees given against cash loans	108,354	152,291
Other letter of guarantees	-	-
Total	305,087	291,819

### c. Total amount of non-cash loans

	Current Period	Prior Period
Non-cash Loans Given against Cash Loans	426,083	193,098
With Original Maturity of 1 Year or Less Than 1 Year	82,395	33,387
With Original Maturity of More Than 1 Year	343,688	159,711
Other Non-cash Loans	306,406	139,528
Total	732,489	332,626

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

Current Period	I. Group	II. Group		
	LC	FC	LC	FC
Non-Cash Loans	144,560	580,821	7,108	-
Letters of Guarantee	144,560	153,419	7,108	-
Bank Acceptances	-	-	-	-
Letters of Credit	-	109,673	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	317,729	-	-
Prior Period	I. Group		II. Group	
	LC	FC	LC	FC
Non-Cash Loans	127,127	130,183	38,219	37,097
Letters of Guarantee	127,127	89,376	38,219	37,097
Bank Acceptances	-	-	-	-
Letters of Credit	-	-	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	-	40,807	-	-

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

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

	Current Period			Prior Period				
	LC	(%)	FC	(%)	LC	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Stockbreeding	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	2,848	1.88	13,329	2.29	3,566	2.16	7,419	4.44
Mining	-	-	-	-	-	-	-	-
Production	1,817	1.20	13,329	2.29	1,817	1.10	7,419	4.44
Electric, Gas and Water	1,031	0.68	-	-	1,749	1.06	-	-
Construction	-	-	251,084	43.23	-	-	-	-
Services	148,803	98.11	316,408	54.48	161,763	97.83	159,861	95.56
Wholesale and Retail Trade	26,866	17.71	66,645	11.47	26,866	16.25	37,097	22.18
Hotel, Food and Beverage Services	1,368	0.90	-	-	83	0.05	-	-
Transportation and Telecommunication	4,000	2.64	31,506	5.42	4,000	2.42	56,072	33.52
Financial Institutions	116,064	76.53	188,084	32.40	130,814	79.11	44,749	26.74
Real Estate and Leasing Services	-	-	30,173	5.19	-	-	21,943	13.12
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	505	0.33	-	-	-	-	-	-
Other	17	0.01	-	-	17	0.01	-	-
Total	151,668	100.00	580,821	100.00	165,346	100.00	167,280	100.00

#### 2. Information on derivative transactions

	Current Period	Prior Period
Trading Derivative Financial Instruments		
Foreign Currency Transactions (I)	278,708	194,643
Forward Foreign Currency Buy/Sell Transactions <sup>(1)</sup>	-	4,472
Foreign Currency Swap-Buy-Sell Transactions	278,708	190,171
Futures Transactions	-	-
Options-Buy-Sell Transactions	-	-
Interest Rate Transactions (II)	-	-
Forward interest rate Buy-Sell	-	-
Interest Rate Swap-Buy-Sell	-	-
Interest Rate Options-Buy-Sell	-	-
Interest Rate Futures But-Sell	-	-
Other Trading Derivative Financial Instruments (III)	-	-
A. Total Trading Derivative Transactions (I+II+III)	278,708	194,643
Hedging Derivative Financial Instruments		
Transactions for Fair Value Hedge	-	-
Transactions for Cash Flow Hedge	-	-
Transactions for Foreign Net Investment Hedge	-	-
B. Total Hedging Derivative Financial Instruments	-	-
Total Derivatives (A+B)	278,708	194,643

<sup>(1)</sup> Includes asset purchase and sale commitments

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

## 3. Information on credit derivatives and related imposed risks

None (31 December 2020 - None).

#### 4. Information on Contingent Assets and Liabilities

As of 31 December 2021, the Bank has booked the provision for its ongoing lawsuits amounting TL 100 to the financial statements (31 December 2020 - TL 50). The process regarding the law suits is still ongoing and decisions will be finalized after trial.

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

The Bank, has been authorized to provide limited custody services. The investment securities held in custody is recorded on offbalance sheet.

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

#### 1. Information on interest income

#### a. Information on interest income on loans (1)

	Current Period		Prior Period	
	LC	FC	LC	FC
Short-term Loans	82,407	17,414	43,943	9,458
Medium/Long-term Loans	21,851	51,662	8,565	43,709
Interest on Loans Under Follow-up	1,934	547	1,145	785
Premiums Received from Resource Utilization Support Fund	-	-	-	-
Total	106,192	69,623	53,653	53,952

<sup>(1)</sup> Commission income from cash loans are also included.

#### b. Information on interest income on banks

	Current	Current Period		Prior Period	
	LC	FC	LC	FC	
From the CBRT <sup>(1)</sup>	1,951	-	149	-	
From Domestic Banks	610	76	218	567	
From Foreign Banks	66	40	35	51	
Branches and Offices Abroad	-	-	-	-	
Total	2,627	116	402	618	

<sup>(1)</sup> The interest income from required reserves are also included.

#### c. Information on interest income on marketable securities

	Current Period		Prior Perio	d
	LC	FC	LC	FC
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive				
income	3,925	-	2,318	-
Financial assets measured at amortized cost	-	14,102	-	8,709
Total	3,925	14,102	2,318	8,709

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

None (31 December 2020 - None).

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### 2. Information on interest expense

#### a. Information on interest expense(1)

	Current Per	Current Period		d
	LC	FC	LC	FC
Banks	26,494	25,933	6,028	18,681
The Central Bank of Turkey	-	-	-	-
Domestic Banks	1,666	152	158	166
Foreign Banks	24,828	25,781	5,870	18,515
Branches and offices abroad	-	-	-	-
Other Institutions	3,840	-	3,297	-
Total	30,334	25,933	9,325	18,681

<sup>(1)</sup> Commission expense for borrowings are also included.

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

None (31 December 2020 - None).

#### c. Interest expense on issued marketable securities

	Current	: Period	Prior P	Period
	LC	FC	LC	FC
Interest expense on securities issued	10,728	29,126	1,664	21,042

#### 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 (31 December 2020 - None).

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

	Current Period	Prior Period
Income	1,837,420	589,412
Profit on trading account securities	3,159	-
Profit on derivative financial transactions <sup>(1)</sup>	34,284	12,116
Foreign exchange gains	1,799,977	577,296
Loss (-)	(1,816,904)	(583,936)
Losses on trading account securities	(1)	-
Losses on derivative financial transactions 🕅	(4,022)	(6,909)
Foreign exchange losses	(1,812,881)	(577,027)
Net Trading Income/Loss	20,516	5,476

<sup>(1)</sup> 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.

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### 5. Information on other operating income

TL 8,612 of reversal of prior year specific and expected credit loss provisions included on other operating income and there is no income regarding extraordinary accounts (31 December 2020 - TL 6,531).

#### 6. Provision expenses related to loans and other receivables

	Current Period	Prior Period
Expected Credit Loss <sup>(1)</sup>	37,459	4,520
12 Month Expected Credit Loss (Stage 1)	15,279	2,521
Significant increase in credit risk (Stage 2)	15,388	1,999
Non-Performing Loans (Stage 3)	6,792	-
Marketable Securities Impairment Provision	-	28
Financial Assets at Fair Value Through Profit or Loss	-	28
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	100	-
Tota <sup>(2)</sup>	37,559	4,548

<sup>(1)</sup> Includes expected credit losses for the non-cash loans.

(2) While considering the provision reversals included in other operating income, net provision expense is TL 28,947 (31 December 2020 - TL 2,011 net provision income).

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

	<b>Current Period</b>	Prior Period
Reserve for employee termination benefits <sup>(1)</sup>	540	257
Bank social aid fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	3,474	3,371
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	2,690	2,066
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	12,663	8,550
Leasing expenses related to TFRS 16 exemptions	108	55
Maintenance expenses	2,595	1,130
Advertisement expenses	865	590
Other expenses	9,095	6,775
Loss on sales of assets	33	-
Other	5,820	9,731
Total	25,220	23,975

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

# Notes to Unconsolidated Financial Statements At 31 December 2021

## (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

#### 8. Information on fees for services received from the independent auditor

In accordance with the decision of the Public Oversight, Accounting and Auditing Standards Authority dated 26 March 2021, the fee information for the reporting period (excluding VAT) for the services received from the independent auditors is given in the table below

	Current Period	Prior Period
Independent audit fee	695	545
Fees for tax advisory services	129	64
Other assurance services fee	-	-
Fees for services other than independent audit	-	-
Total	824	609

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

Profit before tax consists of net interest income/expense amounting to TL 112,915, net commission fee income amounting to TL 10,285, trading gain/loss amounting to TL 20,516, other operating income amounting to TL 11,155, provision for loan losses and other receivables amounting to TL 37,559 and other operating expenses including personnel expenses amounting to TL 53,122.

#### 10. Information on provision for taxes from continuing or discontinued operations

As of 31 December 2021 the Bank has current tax expense TL 15,635 (31 December 2020 - TL 8,744) and the Bank has deferred tax expense amounting to TL 8,463 and deferred tax income amounting to TL 7,033 (31 December 2020 - TL 641 deferred tax income and TL 2,609 deferred tax expense).

As of 31 December 2021, the Bank doesn't have any discontinued operations.

#### 11. 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 47,125 (31 December 2020 - TL 31,376 profit).

#### 12. Information on net income/(loss) for the period

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

None (31 December 2020 - 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.

### 13. 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.

## V. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

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

"Unrealized gains and losses" arising from changes in the fair value of securities classified as financial assets at fair value through other comprehensive income are not recognized in current year income statements; they are recognized in the "Marketable securities value increase fund" account under equity, until the financial assets are sold, disposed or impaired.

## (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

As of 31 December 2021, The Bank has booked TL 2,911 loss (31 December 2020 - TL 96 loss) for marketable securities valuation difference related to financial assets at fair value through other comprehensive income.

## 2. Amounts transferred to legal reserves

According to decisions of General Assembly held on 18 March 2021, TL 31,376 prior year's income has been transferred to legal reserves.

#### 3. Information on distribution of profit

According to decisions of General Assembly held on 18 March 2021, TL 31,376 prior year's income has been transferred to legal reserves.

No dividend distribution has been announced after the balance sheet date.

#### 4. Information on capital increase:

None.

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

1. Information on cash and cash equivalents

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

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

## a. Cash and cash equivalents at the beginning of the period

	Current Period	Prior Period
Cash	283,769	155,100
Cash and Foreign Currency Cash	24	14
Turkish Central Bank	283,745	155,086
Other	-	-
Cash Equivalents	209,910	144,522
Banks	209,910	121,511
Interbank Money Market Placements	-	23,011
Total Cash and Cash Equivalents	493,679	299,622
Blocked amounts on cash and cash equivalents	(42,908)	(2,296)
Interest income rediscounts on cash and cash equivalents	(632)	(134)
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(275,717)	(133,831)
Cash Flow Statements Cash and Cash Equivalents	174,422	163,361

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

The "Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to TL 18,869 (31 December 2020 - TL 17,268) mainly consists fees and commissions paid and other operating expenses excluding personnel expenses.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 444 (31 December 2020 - TL 953) consists of mainly changes in prepaid expenses and other assets.

# Notes to Unconsolidated Financial Statements

# At 31 December 2021

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

(Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 187,000 (31 December 2020 - TL 94,846) consists of mainly changes in miscellaneous payables, borrower funds, other liabilities and taxes and other duties payable.

The effect of change in foreign exchange rate on cash and cash equivalents is approximately increase of TL 115,356 (31 December 2020 - TL 36,806 increase).

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

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

#### a. Information on loans of the Bank's risk group:

		ivestments 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	
Current Period	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash	
Loans							
Beginning of the Period	-	-	-	44,749	277,974	83	
End of the Period	-	-	25,071	187,981	464,149	268	
Interest and Commission Income Received	-	-	-	695	19,908	8	

	Investments in Associates,		Other real and legal			
	subsidiar	ies, and	Direct and	l indirect	persons that	have been
	joint vei	ntures	shareholders	of the Bank	included in th	e risk group
Prior Period	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans						
Beginning of the Period	-	-	-	26,610	202,650	33,718
End of the Period	-	-	-	44,749	277,974	83
Interest and Commission Income Received	-	-	-	366	11,730	328

#### b. Information on deposits of the Bank's risk group:

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

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

c. Information on forward and option agreements and other similar agreements made with the 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	
	Current	Prior		Prior		Prior
Bank's Risk Group	Period	Period	Period	Period	Period	Period
Financial Assets where Fair Value Through Profit or Loss						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	170	2	(1,816)	(75)
Transactions for Hedging Purposes						
Beginning of the Period	-	-	-	-	-	-
End of the Period	-	-	-	-	-	-
Total Income/Loss	-	-	-	-	-	-

#### d. Information on key management compensation

As of Current Period, total benefits paid key management amounts to TL 11,307 (31 December 2020 - TL 5,951).

#### 2. Disclosures of transactions with the Bank's risk group

# a. Relations with entities in the risk group of/or controlled by the Parent Bank regardless of the nature of relationship among the parties:

Transactions with the risk group are made on an arms-length basis; terms are set according to the market conditions and in compliance with the Banking Law.

# b. In addition to the structure of the relationship, type of transaction, amount, and share in total transaction volume, amount of significant items, and share in all items, pricing policy and other matters:

	Cι	Current Period		F	Prior period	
	Risk Group	Total	% Share	Risk Group	Total	% Share
Banks	276	209,910	0.1	1.004	121,511	0.8
Cash loans and receivables from leasing transactions	489,220	2,422,452	20.2		1,492,935	18.6
Loans received	14,010	1,376,052	1.0	532	803,224	0.1
Money market funds	10,835	205,523	5.3	1,194	53,263	2.2
Marketable securities issued	982,820	1,222,459	80.4	588,381	647,016	90.9
Borrower funds	3,782	126,392	3.0	916	90,212	1.0
Non-Cash loans	188,249	732,489	25.7	44,832	332,626	13.5
Derivatives <sup>(1)</sup>	-	278,708	0.0	-	194,643	0.0

() Includes asset purchase and sale commitments and represent the total buy and sale transactions amounts

# Notes to Unconsolidated Financial Statements At 31 December 2021

(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.) (Convenience Translation of Publicly Announced Financial Statements Originally Issued in Turkish, See Note I of Section Three)

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

c. Explanations on purchase and sale of real estate and other assets, sales and purchases of services, agent contracts, financial lease agreements, transfer of data obtained from research and development, licensing agreements, financing (including loans and cash and in-kind capital support), guarantees and promissory notes, and management contracts:

The Bank's other income includes rental income amounting to TL 2,280 (31 December 2020 - TL 1,777) due to the investment property that the Bank has leased to its risk group and the Bank's operating expense includes TL 1,084 (31 December 2020 - TL 845) of other expenses regarding the building management expenses of the risk group.

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

	Number	Number of employees			
Domestic Branch	1	60			
			Country of incorporation		
Foreign representation	-	-	-	-	
				Total assets	Statutory share capital
Foreign branch	-	-	-	-	-
Off-share banking region branches	-	-	-	-	-

## SECTION SIX

#### OTHER EXPLANATIONS AND NOTES

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

#### a. Explanations on ratings of the Bank

FITCH	December 2021
National Long Term (tur)	A- Stable

#### b. Explanations on ratings of the Bank's compliance score of Corporate Governance Principles

JCR Eurasia Rating has assigned PASHA Bank an overall compliance score of (9.23) with CMB Corporate Governance Principles by revising it upwards along with a (Stable) outlook on 8 June 2021.

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

The Bank issued a debt security a total amount of TL 120,000. The debt security's issuance date was on 13 January 2022 with 70 days to maturity and has a yearly fixed rate as 22.25% with redemption date as 24 March 2022.

#### SECTION SEVEN

### EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

#### I. EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

The unconsolidated financial statements for the year ended 31 December 2021 have been audited by Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A member firm of Ernst&Young Global Limited) and the independent auditor's report dated 15 February 2022 has been presented preceding the unconsolidated financial statements.

### II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None.

Report period	01.01.2021-31.12.2021		
Trade Name of the Bank	PASHA Yatırım Bankası A.Ş.		
The Bank's Trade Registry Number	240320		
Headquarters Address	Sultan Selim Mahallesi, Hümeyra Sokak, PASHA Plaza, No: 2/7, Kağıthane, İstanbul		
Headquarters Phone Number	0212 705 89 00		
Headquarters Fax Number	0212 345 07 12		
Website Address	www.pashabank.com.tr		
Email Address	info@pashabank.com.tr		



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