

POWER, TRUST, FUTURE



PASHA Bank

Annual Report 2018



Annual Report 2018

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A strong and confident look into the future

At PASHA Bank, our core aim is to contribute to the fostering of trade between Turkey, Azerbaijan and Georgia.

We improve ourselves to show the right path for those of our customers who seek opportunities in these three high potential countries.

Fortified by our values, we walk confidently towards a new future and more ambitious goals.





POWER THAT UNITES THREE COUNTRIES

PASHA Bank has set out on its journey to provide sustainable banking services to corporate customers who are eager to grow both in Turkey and in the triangle encompassing Azerbaijan and Georgia. We work to strengthen our long standing relations with financial ties, and to contribute to fostering regional trade between Turkey, Azerbaijan and Georgia.



EVER-GROWING TRUST

Our ever-increasing visibility and the performance we display our customers' trust in us constantly mounts up. Our business capabilities improve continuously and are reflected in the numbers. We raise our total loans and assets to greater heights on the back of our product diversity.





NEW HEIGHTS AND THE GOAL FOR THE *FUTURE*

The year 2018 was the launch point of our new strategic period: by the end of 2020, we expect to achieve our objectives, propelled by our rapid-growth business model. These goals include double-digit growth in key performance indicators and further promoting economic relations in the region as a reliable business partner.

AGENDA OF THE ANNUAL GENERAL 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 recommendations of the Board of Directors on the Bank's profit/loss for year 2018 and adopting a resolution,
4. Approval of the appointment of the board member who was elected to fill the vacant position during the previous year.
5. Releasing Board Members separately, who have served during the accounting period, with regard to their activities in the year 2018;
6. Determination of the number of the Board Members, election of the Board Members, and determination of their term of office and informing the shareholders about the external duties conducted by the Board Members and the grounds thereof in accordance with the Corporate Governance Principle no. 4.4.7. promulgated by Capital Markets Board.
7. Determination of remuneration of the Board Members,
8. 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,

- | | | |
|--|---|---|
| <p>9. Election of the Independent Audit Institution that would undertake the independent audit of the Bank in 2019 in accordance with Article 399 of the Turkish Commercial Code,</p> | <p>and dividends granted to the Board Members and executives in 2018 in accordance with the Corporate Governance Principle no. 4.6.2 promulgated by Capital Markets Board,</p> | <p>13. Informing the shareholders with regard to significant transactions executed in 2018 which may cause conflict of interest in accordance with the Corporate Governance Principle no. 1.3.6 promulgated by Capital Markets Board,</p> |
| <p>10. Informing the shareholders with regard to the total bonus amount to be paid to employees according to Bank's performance for the year 2018,</p> | <p>12. 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</p> | <p>14. Granting Approval for the Changes on Bank's Internal Directive for General Assemblies as per the Regulation of General Assembly Meetings of the Joint Stock Companies.</p> |
| <p>11. 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</p> | | <p>15. Wishes, suggestions and closing.</p> |

VALUES THAT WILL CARRY PASHA BANK TO THE FUTURE

INTEGRITY

The “backbone”: essence and the basis of PASHA Bank philosophy. Integrity in everything: conduct of business both for the bank and the client; integrity of the image in society; integrity in dealing with regulator.

QUALITY

The visible and tangible element of the bank’s philosophy. Something that should be applied to all aspects of PASHA Bank existence and can be measured. Quality of services and products, quality of the work done, quality of the relationship between the people both horizontally and vertically.

COLLABORATION

We can only reach success working as one team, both within the bank, with the customers, across the strategic assets and other stakeholders.

ENTREPRENEURSHIP

The key to success and sustainability is ownership of the goals, strategy and the vision of the Bank. Only by owning them we can remain dynamic and agile to capture new opportunities and keep open mind and heart for innovations.

PROFITABILITY

The natural outcome of previous four elements. In PASHA Bank case profitability cannot exist independently. We don’t proclaim “profitability at all costs”, it should be reached as the result of all other values.



PASHA Bank continues its activities with the strength of its corporate vision and mission.

Vision

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

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



SUMMARY OF FINANCIAL HIGHLIGHTS

PASHA Bank maintained its robust financial performance in 2018.

PASHA Yatırım Bankası A.Ş. has no affiliate subject to consolidation. A summary of unconsolidated financial information on activities in 2018 is presented below.

(TL Thousand)	31.12.2018	31.12.2017
Cash and balances with the Central Bank	85,111	77,573
Assets Designated at Fair Value through P/L (Securities Held-for-Trading)	2,787	4,943
Assets Designated at Fair Value Through Comprehensive Income (Available-for-Sale Securities)	8,405	21,308
Financial Assets Measured with Amortized Cost (Marketable Securities to be Held Until Maturity)	60,694	-
Due from Banks and Money Markets	92,636	73,616
Loans and Lease Receivables	840,278	713,048
Subsidiaries	-	-
Other Assets	259,654	6,357
Total Assets	1,349,565	896,845
Credits Obtained	460,390	341,387
Due to Money Markets	-	62,729
Marketable Securities Issued	318,492	181,741
Other Liabilities	65,026	50,381
Paid-in Capital	500,000	255,000
Profit Reserves	5,655	324
Marketable Securities Valuation Reserves	(41)	(48)
Prior Years' Profit/(Loss)	3,606	(10,677)
Net Profit/(Loss)	(3,563)	16,008
Total Liabilities	1,349,565	896,845

**Capital
Adequacy
Ratio**

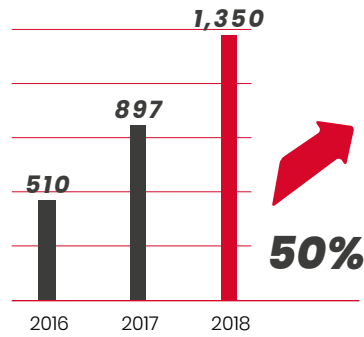
38%

PASHA Bank maintained its steady growth in 2018, increasing its asset size by 50% year-on-year.

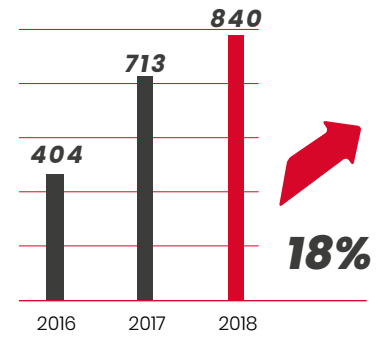
Total Assets

TL 1.3 Billion

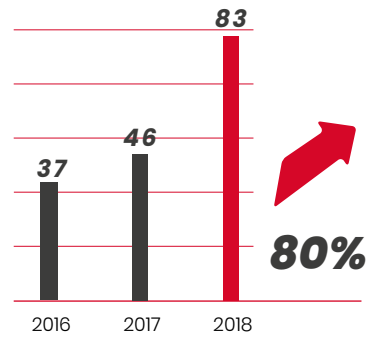
Total Assets
TL Million



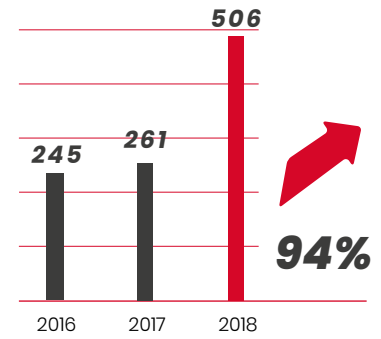
Loans and Lease Receivables
TL Million (Net)



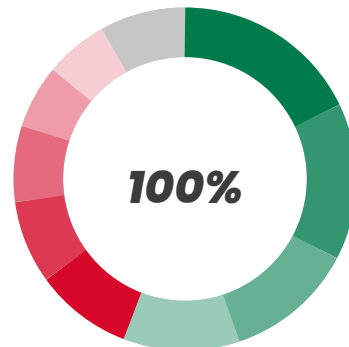
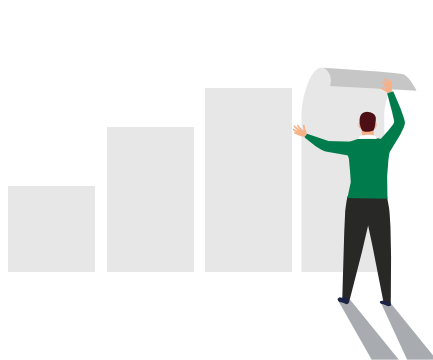
Total Operating Income
TL Million



Shareholders' Equity
TL Million



Breakdown of Loans by Sector (%)



Factoring	18%
Banking	15%
Transportation	12%
Construction	11%
Holding	9%
Trade	8%
Electricity, Gas and Water Production	7%
Financial Leasing	6%
Other	8%

PASHA BANK'S HISTORICAL DEVELOPMENT AND MILESTONES

**TL 1,276
Million**

*PASHA Bank reached
a total loan size of
TL 1,276 million in 2018.*

PASHA Yatırım Bankası A.Ş., established in Istanbul on December 25, 1987 under the name Yatırım Bank A.Ş., was the first foreign investment bank in Turkey. The Bank provided services under the management of different shareholder groups until 2015.

Following the acquisition of majority shares in 2015 by the Baku-based regional financial institution PASHA Bank OJSC, the new title of the Bank became PASHA Yatırım Bankası A.Ş. and the business name became PASHA Bank.

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

PASHA Bank provides services to entrepreneurs through corporate and investment banking products that contribute to the development of trade between Turkey, Azerbaijan and Georgia. The Bank also offers resources and guidance to businesses investing in the region.

1987

Yatırım Bank A.Ş.
PASHA Bank 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 name 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 qualified investors.

2018

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

2017

The first M&A transaction was finalized.

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

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



SHAREHOLDING STRUCTURE OF PASHA BANK

**TL 500
Million**

*PASHA Bank's
paid-in capital was
increased to
TL 500 million.*

PASHA Bank increased its TL 255 million capital to TL 500 million by TL 245 million top-up in cash.

PASHA Holding LLC's acquisition of 49% of the direct stake in the Bank, formerly holding 55.95% of indirect shares, was approved by the Banking Regulation and Supervision Agency on May 4, 2018, with the total direct and indirect shares of controlling shareholder PASHA Holding LLC reaching 79.57% after the capital increase.

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 Holding LLC holds 60%, Ador LLC 30% and Arif Pashayev 10% of the shares in PASHA Bank.

The Bank has no preferred shares.

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

PASHA Bank Shareholding Structure (%)



■ PASHA Bank OJSC

50.96%

■ PASHA Holding LLC

49.00%

■ Other

0.04%

ABOUT PASHA GROUP

PASHA Bank OJSC is the highest-capitalized private bank in Azerbaijan, with total shareholders' equity of AZN 418 million.

PASHA Bank Azerbaijan

PASHA Bank OJSC is one of the leading corporate banks in Azerbaijan. Established in 2007, the Bank provides a range of corporate banking services, including loans, securities, current account and treasury services, to domestic clients, as well as to foreign companies seeking to conduct business in the region. The Bank offers a range of financial products backed by trade finance-related partnerships with international

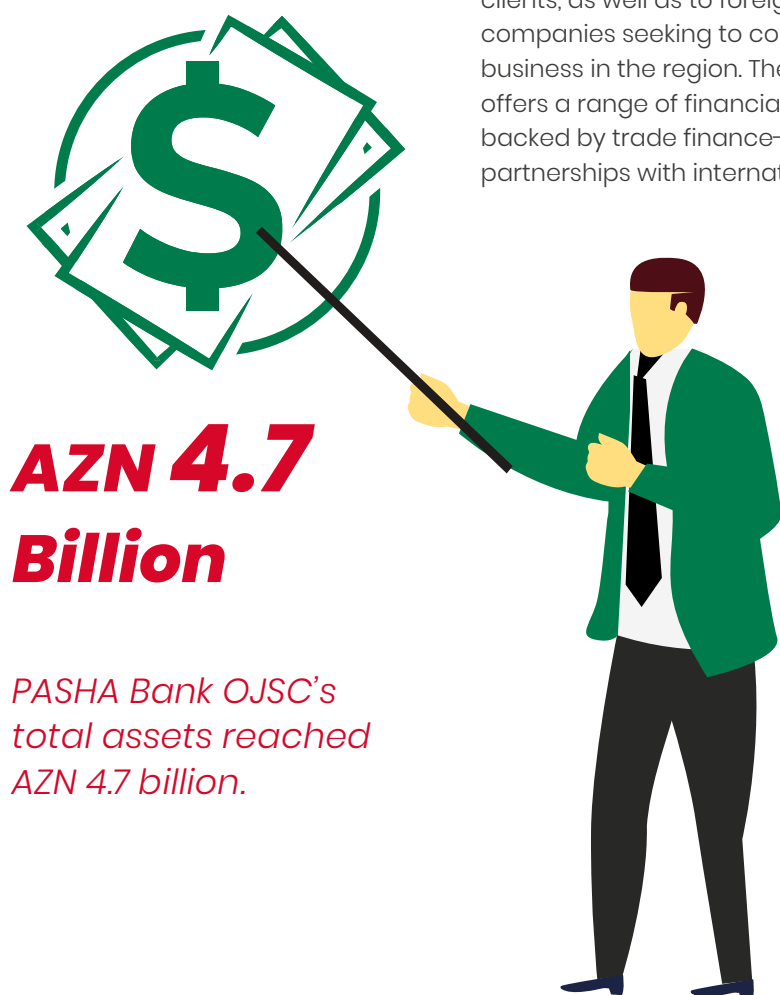
banks and financial institutions. The Bank also offers underwriting services to legal entities and was the first in the local securities market to act as a market maker. Additionally, PASHA Bank OJSC provides a wide range of financial products to finance foreign trade in collaboration with international banks and financial institutions.

PASHA Bank OJSC has provided private banking services to High Net Worth Individuals since 2011, including deposits, loans and financial planning.

PASHA Bank OJSC serves with a team of approximately 760 people of eight nationalities, in its Baku-based Headquarters and in six branches. The Bank's long-term regional strategy includes creating interconnected banking operations to facilitate the rapidly growing trade and deal flow between Baku, Tbilisi and Istanbul, the three most vibrant markets in the region.

The Bank opened its first subsidiary, PASHA Bank Georgia, in 2013.

PASHA Bank OJSC was named "Best Investment Bank of Azerbaijan" in 2011, 2012 and 2013 by EMEA Finance, the international financial magazine. It was also recognized



PASHA Bank OJSC's total assets reached AZN 4.7 billion.

for “Best Corporate Social Responsibility (CSR) Program in Europe” by the Europe Banking Awards in 2013. Additionally, World Finance magazine named PASHA Bank’s Private Banking Unit the “Best Private Bank in Azerbaijan” in 2013. According to the results of the BNE survey, PASHA Bank was named “Best Bank in Azerbaijan” in 2012 and also recognized as “Best Bank in Azerbaijan” at the EMEA Finance Europe Banking Awards in 2014 and 2015. In 2014, PASHA Bank also received a “Trade Award” from Commerzbank AG in recognition of its active involvement in trade financing in Azerbaijan. In 2016, Global Finance named PASHA Bank “Azerbaijan’s Best Bank and Banking Group,” and the Bank was also named “Best Commercial Bank” by World Finance in the same year.

In 2017, PASHA Bank was recognized as the “Best Bank in Azerbaijan” by Euromoney magazine.

EMEA Finance named PASHA Bank the “Best Bank in Azerbaijan” and “Best Investment Bank in Azerbaijan,” and the Bank won the “Bank with Corporate Social Responsibility in CEE & CIS Countries” award from Europe Banking Awards.

Global Finance Magazine also named PASHA Bank the “Best Bank in Azerbaijan” in 2017.

In 2018, PASHA Bank won the “Best Private Bank” and “Best Bank in Azerbaijan” awards from Global Finance; the “SAP” and “Best Trade Bank in Azerbaijan” awards from World Finance, and “The Bank of the Year” award from Banker.

Finally, 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 Bankers’ Association.

In 2018, PASHA Bank received a long-term credit rating of ‘BB-’ and a short-term counterparty rating of ‘B’ from Standard & Poor’s and a long-term credit rating of ‘B+’ and a short-term counterparty rating of ‘B’ from Fitch Ratings.

PASHA Bank OJSC is part of the PASHA Group, a major investment holding group in Azerbaijan, with significant assets in insurance, property development, construction, tourism and other businesses.

PASHA Bank OJSC is the highest-capitalized private bank in Azerbaijan, with a total equity of AZN 418 million, and ranking among the top-three banks with total assets of AZN 4,696 million.

The Bank is committed to establishing and developing long-term supportive relationships with its expanding customer base. It aims to deliver banking services at the highest international level of transparency and service, built on the three core values of Integrity, Quality and Profitability.

PASHA Bank Georgia

A subsidiary of PASHA Bank OJSC, PASHA Bank Georgia has offered corporate banking and investment banking services to large and medium-sized firms since its establishment in 2013. As of December 31, 2018, the Bank had attained a GEL 327 million asset size, becoming 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. In the greatest M&A realized in Georgia to date, PASHA Bank Georgia acted as the second largest participant with PASHA Bank Turkey, in a first, as part of the cooperation between PASHA Group enterprises.

2018^(*)	PASHA BANK AZERBAIJAN (AZN ‘000)	PASHA BANK GEORGIA (GEL ‘000)
Net Profit	77,057	3,849
Loans	1,320,893	188,766
Total Assets	4,695,717	326,922

^(*) Not audited

GENERAL OVERVIEW OF 2018 AND EXPECTATIONS FOR 2019

Escalating trade disputes between the US and China had a direct impact on the economies of the European Union, Turkey and other countries.



The Fed will guide the markets with its interest rate decisions in 2019.

The year 2018 also marked a period of soaring global risks. Severe fluctuations impacted the global economy, with the effect of price readjustments that occurred in the face of rising risk. Escalating trade disputes between the US and China had a direct impact on the economies of the European Union, Turkey and other countries. The inconclusive Brexit issue, coupled with the effects of the budget crisis in Italy, increased pressure on the Euro and Sterling and influenced European stock markets in particular. The excess supply of oil that emerged brought steep declines in oil prices.

The US Federal Reserve (the Fed), increased interest rates four times, despite initial expectations of only three at the beginning of the year, due to its unofficial, yet strong messages. However, the Fed's attitude softened in the last quarter of the year, triggered by concerns that the US economy might face a recession in 2019. Members expect two interest rate hikes in 2019, in the light of the last meeting in December; however, market players anticipate that the Fed will make do with just one hike, due to growth concerns in the US.

As the European Central Bank (ECB) keeps drawing down its asset purchase program incrementally, it is expected to increase interest rates only towards the end of 2019. The additional taxes that the US plans to implement on imports may pressure exports and growth in Europe. If Brexit remains gridlocked and Italy fails to reach its budget targets, the ECB could be expected to wait until 2020 before taking steps on interest rates.

The Turkish economy had a volatile year due to both global trade wars and the re-pricing of political and geopolitical risks that arose in the country. Meanwhile, the rapid rise in exchange rates pressured inflation, while the Central Bank of the Republic of Turkey (CBRT) increased interest rates above expectations, raising funding interest to 24% to preserve price stability. Diplomatic relations got back on track in September. Swift implementation of decisions made as part of the new Economic Program, along with the CBRT's unwavering stance on maintaining a tight monetary policy, led to a fall in exchange rates, followed by a decline in inflation and a drop in

interest rates. The year ended with an inflation rate of 20.30%. In the aftermath of high growth in the first half of the year, exchange and interest rates soared, leading to a downturn in domestic demand, severely curbing investments and weakening the contributions of the manufacturing sector -- all stripping the Turkish economy of its growth momentum in. In consequence of the aforementioned developments, growth is expected to reach 3% as of the end of 2018.

As suggested in the New Economic Program, the re-balancing period in Turkey's economy is anticipated to continue in the first half of 2019. In terms of economic data, the key indicator, without a doubt, will be inflation. A downward trend in inflation, combined with recovering growth, is anticipated as of the second half of 2019, driven by tax reductions, government incentives and the base effect; 2019 year-end inflation is expected to range between 14% and 15%, and growth between 1.5% and 2%. Global trade wars are also likely to remain a leading agenda item in 2019, while Brexit, China's economy, oil prices,

SWIFT IMPLEMENTATION OF DECISIONS MADE AS PART OF THE NEW ECONOMIC PROGRAM ACCELERATED THE DECLINE IN EXCHANGE RATES AND INFLATION.

and growth figures in the EU and US will be closely followed by global markets. In Turkey, geopolitical risk, the outcome of the local elections of March, and the repercussions for the markets will shape the economic trajectory. The Turkish economy is expected to follow a more balanced course compared to the previous year.

14-15% Expected Inflation

The year 2018 ended with an inflation rate of 20.30%.

MESSAGE FROM THE CHAIRMAN

We are proud to say that PASHA Bank, as a dynamic market player, maintains its healthy expansion at a pace that exceeds that of the market.



Esteemed Stakeholders,

The Turkish economy lives through the path of alignment of current economic performance with potential growth of the country. On one hand, rebalancing in the economy improves imbalances; on the other hand, reducing tension on the geopolitical side provides an additional boost to economic activity. In general, the macro economic framework is supported by rebalancing measures as well as the pro-growth policies of the government, and growth is considered to be critical factor of sustained economic momentum.

The Turkish economy does clearly demonstrate rebalancing, namely putting improvement of external balance and adaptation of domestic demand to new prices in the economy following exchange rate depreciation. The release of the New Economic Program, the increase of the policy rate by the Central Bank, and some improvement in the political landscape have

Jalal Gasimov
Chairman

resulted in a stabilization of the exchange rate and even further appreciation. It is clear that certain economic fundamentals, including activity indicators such as industrial production, GDP growth and unemployment, would see some deterioration, but the government's proactive policies and the dynamic nature of the Turkish market increase the probability of a rebound within a relatively short period of time.

Despite difficult and challenging times, the overall banking system has succeeded in keeping risk within the acceptable levels, and profitability in two-digit territory. But it cannot be disputed that an overall slowdown in the economy is reflected in the performance indicators of the banking sector. Yet, according to latest data, total assets in the sector increased by 18% compared to 2017 year-end, reaching TL 3,843 billion. The same trend was recorded in loan portfolios, where growth and total assets are, respectively, 14% and TL 2,385 billion.

TOTAL ASSETS OF THE BANK REACHED TL 1,350 MILLION.

However, we are proud to state that PASHA Bank, as a dynamic market player, continues its healthy expansion at a pace that exceeds that of the market. In general, continuous investment into strengthening our internal capabilities - from building core competencies for managing business, to increasing the Bank's human capital potential - has already demonstrated a strategic return in the form of capable and confident navigation through this challenging period.

Attesting to the Bank's proficient management, its total assets increased 50% compared to the prior year-end, reaching TL 1,350 million. Our cash loan and leasing receivables portfolio, comprising 62% of total assets, reached TL 840 million with an

18% increase. Thanks to an effective risk management framework, and the prudent credit policy pursued by the Bank, we have been successful in maintaining a minimal level of non-performing loans in our balance sheet. It is worth noting that the flexible revisiting of the credit policy, as well as adjusting credit and underwriting policy tactics to the current realities of the macroeconomic environment, form the substance of the Bank's overall risk approach. As a reliable indicator of trust in the Bank and the national economy, the Bank's paid-in capital has been increased by TL 245 million in cash, to a total of TL 500 million. Additionally, the Bank has acquired an investment property which is planned to be used as the headquarters in the future.

MESSAGE FROM THE CHAIRMAN

As an indication of trust in PASHA Bank and the national economy, the Bank's paid-in capital was increased by TL 245 million in cash to a total of TL 500 million.

**TL 500
million**

Paid-in Capital

In 2018, the Bank set out the road map for the beginning of the 2018-2020 strategic period. These strategic objectives are in line with the targets of an investment bank, including leveraging up, increasing profitability and achieving diversification. To achieve its strategic objectives, the Bank will need to quickly build up its balance sheet. By the end of the new strategic period, in 2020, aggressive growth of the business is envisaged, with project finance, sales and leasebacks and cash loans as the main drivers. All the Bank's strategic targets and initiatives are geared towards yielding double-digit growth in the main performance indicators, fast convergence to efficiency and profitability metrics vis-a-vis the benchmark, and being a reliable business partner in supporting regional economic relationships. Overall, the Bank's defined strategy is designed not just to drive an impressive bottom line performance, but to also focus on introducing a totally different value proposition to the market, which in turn acquires its aspirations from the values of the Bank and its shareholders.

In order to execute the strategy successfully, we will allocate substantial investments to strengthening internal capabilities, including employee development and information technology, to build up the required capabilities. In general, our agility and know-how regarding the sectors of focus are expected to be differentiating capabilities where the Bank will need to excel; risk management, credit management, fund raising and talent acquisition among them. It is essential to remember that initiatives by the Bank with respect to strengthening its risk management capacity have proven to be decisive considering current market challenges, and supportive in providing transition in provisioning (IFRS 9).

We will continue to make efforts to diversify the Bank's funding structure and expand our correspondent network and investor base. We will maintain our prudent approach to managing credit risks in order

to ensure that the asset quality of the Bank is not affected by the current environment, which is characterized with increasing tensions and stress in the market. We shall continue to offer products and services that are tailored to our customers' needs, to make the banking experience with PASHA Bank even more advantageous.

I am truly looking forward to sharing a prosperous operating environment with all our stakeholders, in a manner that provides enormous benefit to all and serves to build business relationships based on mutual interest. As well, it is my intention to continue to sustain an operating environment supported with stability at the macro level and the shared prosperity of stakeholders at the micro level. Therefore, I would like to take this opportunity to thank our valued employees and our management

WE WILL MAINTAIN OUR PRUDENT APPROACH TO MANAGING CREDIT RISKS.

team for their dedicated professional work, our customers for their confidence in PASHA Bank, and our shareholders and all our business partners for their valuable support. It is definitely your good will that renews even further our belief in ourselves and our potential for advancement.

Sincerely Yours,



Jalal GASIMOV
Chairman

MESSAGE FROM THE GENERAL MANAGER

PASHA Bank attracted the attention of reputable academic circles with its successful strategy and the success story was published as a case study in The Case Centre and SAGE Business Cases.



H. Cenk EYNEHAN
General Manager and
Board Member

Esteemed Stakeholders,

While successfully completing our Bank's first three-year strategy period from 2015 through 2017; we have embarked on our second three-year strategy period in 2018, our Bank has embedded "Integrity", "Quality", "Collaboration", "Entrepreneurship" and "Profitability" values in its working culture, recording many important steps and significant developments.

Despite the fact that, 2018 was a tough year due to reflections of turbulence experienced in global economy on our economy, PASHA Bank achieved a gross operating profit of TL 68.7 million and an asset size of TL 1.35 billion.

Our Bank purchased a property to be used as the Head Office on Büyükdere Avenue, at the heart of business and finance in Istanbul. In parallel with developments in the Turkish economy, the Bank closed the year with a net period loss of TL 3.5 million, as a result of the decrease in the value of tangible assets by TL 42.1 million and allocation of TL 17.7 million as general reserves as per IFRS 9. This investment undertaken in such a challenging year encouraged by our shareholders is a development which is an indication of

PASHA Bank's advancements with a stable strategy and render PASHA Bank even more visible.

PASHA Bank increased its paid-in capital to TL 500 million with PASHA Holding LLC's TL 245 million direct investment last year after it embarked upon its journey to become the "top of the mind brand in the region". This is a clearly indication of confidence of our main shareholders, PASHA Bank OJSC and PASHA Holding LLC, in our country, and in the Turkish economy.

Evaluating last year from an economic perspective, we note a rather rattling year both for global markets and the Turkish economy. Having achieved 6% growth in the first half of the year thanks to household consumption expenditures and public spending, the Turkish economy witnessed a deceleration in growth as of the second half of the year. In a year where we had early elections, both political and geopolitical risks led to sharp fluctuations in exchange rates and steep rises in interest rates. Globally, it was a turbulent year where previously supply of abundant liquidity ground to a halt; central banks continued with their interest rates hikes; trade war concerns ; Brexit developments and sanctions on Iran; protests in Europe, and tumbling oil prices. Following interest rate hike September interest rate hike at higher levels than expected by the CBRT; positive steps taken towards

WE EXPECT THE CBRT TO MAINTAIN ITS TIGHT MONETARY POLICY STANCE IN 2019 AS WELL.

the normalization in international diplomatic relations; and actions were rapidly implemented as part of the recently-announced New Economic Program since September- all paved way for a recess in interest rates and exchange rates. However, with deteriorating balances, recovery in inflation and growth is likely to take some time. We anticipate the Turkish economy to grow 3% annually, with the shrinkage projected in the last quarter. We expect the inflation to be around 14-15% for the next year, and CBRT to maintain its tight monetary policy stance to achieve price stability in 2019. As for the banking sector, I reckon the pace of credit growth, which has decelerated in the recent period, to pick up again next year, and record an annual rise of 10%.

In the light of these projections and the financial data, I have no doubt that PASHA Bank will continue to grow and walk firmly towards its goals over the coming years.

Indeed, the Bank's achievements and progress in the previous period provide the greatest testament for this belief.

Our Bank issued the second Eurobond in 2018, following the first Eurobond issue in Azerbaijan as a foreign organization in 2017. Upon issuing the second Eurobond, amounting to USD 25 million, with a maturity of 3 years and 3 months, PASHA Bank provided funds of up to USD 50 million from the Azerbaijani Capital Markets. Our TL-denominated bond issues in Turkey continue steadily.

It is also a source of pride for us to see that PASHA Bank's achievements are confirmed by international academic circles. Case studies on PASHA Bank's strategy were recorded on DIVA, the inter-university database in Sweden, and published at the Case Centre, an independent case house operating for more than 40 years with over 500 partners, and on SAGE Business Cases.

MESSAGE FROM THE GENERAL MANAGER

2018 was an introspective year during which we focused on internal communication efforts.



**TL 68.8
Million
Gross
Operating
Profit**

At PASHA Bank, we furthered our mission of being a commercial and cultural bridge in 2018, through the project we co-ran with Atlas magazine entitled “neighbouRoute: One Road, Three Neighbours; Baku, Tbilisi, Kars”, covering the Turkey-Azerbaijan-Georgia triangle in which we operate. As part of the project, routes on the Iron Silk Road, which will connect trade between three countries, were photographed. Impressive photos published on the digital channels of PASHA Bank will also be featured in the first 2019 issue of Atlas magazine.

2018 was an introspective year during which we focused on internal communication efforts. Our efforts on ‘Mission’, ‘Vision’ and ‘Corporate Values’ with PASHA Holding LLC were a guiding light for all of us, while helping all PASHA Bank employees to internalize the values of ‘Integrity, Quality, Collaboration, Entrepreneurship and Profitability’.

We have launched two important projects in 2018 to serve our customers at the highest level: We intend to update all the processes, related policies,

guidelines, procedures and work flows of our Bank, and improve our service quality, while minimizing operational risk.

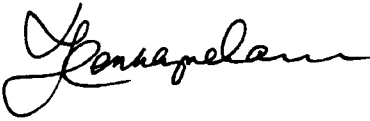
Another significant project was launched to equip Information Systems with cutting edge technology; a must in our era, and a key tool in the delivery of banking services. The initiatives we have undertaken to boost our Bank’s competitive edge and serve at the highest levels are ongoing, and we will renew our IT infrastructure, starting from the core banking system in 2019.

Despite any and all challenges that may arise globally, in Turkey’s economy, or in the banking sector, PASHA Bank will continue its financial support of investors, encouraging investment and guiding them in related decision making, thereby fostering trade in the Turkey-Azerbaijan-Georgia triangle in next year, too. We will continue to support entrepreneurs and our economy through our services and products, by providing funding with our long-term financial products, through investment projects that add value to our country, and through our strong capital

structure, qualified workforce and advanced infrastructure. We will be as delighted and excited as we have been thus far in supporting corporate social responsibility projects that contribute to our country in social, cultural and educational terms.

I would like to thank, from the bottom of my heart, my colleagues who will continue to serve customers by fully embodying our corporate culture and values, and the Members of the Board of Directors, our customers and investors for the confidence in, and invaluable contributions they have made to our Bank.

Sincerely Yours,



H. Cenk EYNEHAN

General Manager and
Board Member

***WE WILL CONTINUE TO
FOSTER TRADE IN THE
TRIANGLE OF TURKEY,
AZERBAIJAN AND GEORGIA.***

ACTIVITIES OF PASHA BANK IN 2018

PASHA Bank is the only bank established in Turkey with a main shareholder based in Azerbaijan.

PASHA Bank operates in two main areas, corporate and investment banking. The Bank offers cash and non-cash loans, leasing, treasury and 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 project financing, structured funding and corporate finance products.

PASHA Bank achieved regular lending through bond and bill issues in the capital markets and secured funds in various amounts with different maturities to diversify its funding sources. The Bank increased the amount and number of issues made to qualified investors in the domestic capital markets. As it did the previous year, in 2018, PASHA Bank successfully issued its second long-term Eurobond, denominated in US dollars, for qualified investors in Azerbaijan.

In line with its boutique service approach and three-year strategy, PASHA Bank maintained a selective and limited customer base in order to provide its clientele with the most comprehensive and effective services. The Bank expects to

maintain its high service quality, as well as its considerable agility in that area.

The Bank reviewed its credit scoring system and established an early warning system to improve the quality and speed of services offered to customers, and to maintain its loan portfolio quality at the desired level.

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

The core banking system was further improved to increase the efficiency of banking processes. 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; and backup and improvement of data transmission to the disaster recovery center.

In 2018, PASHA Bank operated with a team of 52 experienced and qualified employees at its Head Office in Istanbul.

PASHA Bank issued debt instruments that grew by 75% to reach TL 318.4 million.

Strategic Management

The strategic planning function is carried out by the Financial Planning, Strategy & Budget Management, and Change & Project Management Departments under the supervision of the Strategy and Budget Committee, which reports directly to the Board of Directors. 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 2017, strategic actions and projects were determined for setting 2018 goals and building the roadmap to achieve these goals, with all units working in line with the Bank's strategic priorities. Accordingly, strategic plans for marketing, corporate communications, human resources and information technologies were formulated.

During the year, a number of projects were carried out to ensure that the Bank's processes fulfilled the evolving needs of its customers and employees.

The digitalization of business processes continued.

PASHA BANK IS THE ONLY BANK IN TURKEY TO PERFORM TRANSACTIONS IN MANAT (AZN) AND LARI (GEL).

The credit scoring system was reviewed in line with the objectives of improving the quality and speed of services offered to customers, and of maintaining loan portfolio quality at the desired level; meanwhile, software development initiatives are ongoing.

Early warning criteria were reviewed to establish more effective monitoring systems; initiatives to build systemic warning mechanisms continue.

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, by actively monitoring market developments and taking all potential risks, particularly liquidity and pricing risks, into account. Performing trading transactions for profit on the inter-bank market in line with the risk limits set by the Board of Directors, the Treasury Department succeeded in closing the notably volatile year of 2018, profitably, in line with Department goals.

PASHA Bank has increased its use of Treasury products to meet the needs of its customers. The Bank helps them hedge against risks by offering derivative products such as forwards and swaps at competitive prices, as well as structured products created in line with their needs. In addition to its 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 long-term repo transactions denominated in Turkish lira and foreign currencies. It also provides support to customers at home and abroad via daily newsletters and daily reports summarizing market developments, and guides the marketing of local financial products in the target region via instant notifications to the research departments in PASHA Bank Azerbaijan and Georgia of developments and opportunities in Turkey's financial markets.

ACTIVITIES OF PASHA BANK IN 2018

PASHA Bank's main corporate banking principles are based on the concepts of "Boutique Service," "Continuous Development," "Customer Loyalty" and "Regional Player."

The Treasury Department aims in 2019 as well to manage all risks, particularly liquidity and pricing risks, in the most effective way in line with the Bank's risk management strategy. It 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.

Corporate Banking Activities

PASHA Bank's main corporate banking principles are predicated on the concepts of "Boutique Service," "Continuous Development," "Customer Loyalty" and being a "Regional Player."

"Boutique Service" principle:

In accordance with its belief that its customers are its business partners as well, the Bank offers not only traditional solutions, but also solution-oriented and diversified boutique services, thus adopting as a principle the building of efficient, sustainable and productive relationships.

"Continuous Development"

principle: 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.

"Customer Loyalty" principle:

The prioritized goal of the Bank is to ensure high customer satisfaction and loyalty. Therefore, the Bank's principle is to know our customers well, to treat them with integrity, and to create relationships based on trust.

PASHA Bank's priority is to achieve the highest levels of customer satisfaction and loyalty.

“Regional Player” principle:

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 subsidiary operating in Georgia, the Bank serves Azerbaijani and Georgian firms operating in Turkey with banking services. It is also the only bank in Turkey to perform transactions in Azerbaijan manat and Georgian Lari.

Serving customers in line with these principles, PASHA Bank continued to support business partners and maintain controlled growth, in parallel with prevailing economic conditions in the markets in 2018. The banking transactions the Bank focused on accordingly in 2018 included cash and non-cash loans, project finance, syndicated loans, transactions related with financing regional trade, and forfeiting transactions.

The Bank meets its objective of being the “first-in-mind” partner for firms seeking to do business in the Turkey-Azerbaijan-Georgia triangle by increasing the volume and diversity of transactions every year. The Bank’s pursuit of innovative solutions and initiatives continues, and its goal is to increase activities in this field throughout 2019.

Leasing (Sale and Leaseback)

PASHA Bank provides funding to its customers by purchasing their fixed assets at their appraised value through sale and leaseback transactions.

Forfeiting

In 2018, PASHA Bank provided funding to customers by irrevocably purchasing their undue receivables arising from export transactions that were bound with instruments such as letters of credit, promissory notes and policies under the guarantee of the importer’s bank, capturing a volume of approximately TL 106 million in this field.

Project Finance & Syndicated Loans

In 2018, PASHA Bank played an active role in project finance, and participated in syndicated loans for the financing of investments in Azerbaijan and Georgia. In 2018, the Bank secured TL 66 million for project finance and TL 61 million for syndicated loans.

The Bank’s priority industries in project finance are energy, mining, real estate and construction; however, it is amenable to considering other industries, depending on the project type, in 2019 as well.

In 2019, PASHA Bank primarily aims to expand its engagement in project finance and syndicated loans, by taking market conditions into account.

Financing of Regional Trade

PASHA Bank aims to play a major role in increasing trade volume within the Turkey-Azerbaijan-Georgia triangle, and the sales of its customers exporting in the region, leveraging the strong position of its main shareholder, PASHA Bank Azerbaijan – the highest-capitalized banking group in its home country – as well as PASHA Bank Georgia’s

established reputation in its country. Having carried out active and timely marketing activities in this field, the Bank increased its transaction volume in 2018. PASHA Bank introduces a new service for the first time in the region covering Turkey, Azerbaijan and Georgia, by guaranteeing within the PASHA Bank Group the term receivables of its customers arising from their sales, as well as by providing the necessary financial support.

PASHA Bank in 2019 will continue to finance investments and trade, and to follow up and develop new products in line with its vision, while taking market conditions into consideration.

Financial Institutions and Investor Relations Services

The Financial Institutions and Investor Relations Department has set additional cash and non-cash limits by expanding its correspondent network and continued to contribute to rising foreign trade and inter-bank treasury transactions wherein PASHA Bank acted as an intermediary.

In parallel with foreign trade and treasury transactions, accounts in new foreign currencies were opened at correspondent banks, in order to mediate PASHA Bank customers’ transactions in different foreign currencies, in particular the Manat, the Lari and the Ruble.

The Financial Institutions and Investor Relations Department will continue contributing to the growing structure of the Bank in 2019.

ACTIVITIES OF PASHA BANK IN 2018

As part of its investment banking operations, PASHA Bank acted as an intermediary “in debt instrument issuance” to provide corporate clients with funding.

Investment Banking and Intermediary Services

PASHA Bank serves leading corporations in accessing necessary funding under the optimal model through Mergers and Acquisitions. These consultancy services are realized through intermediation for financial and strategic partnerships, and the purchase and sale of assets tailored to companies' needs.

As part of its investment banking operations, PASHA Bank has acted as an “intermediary in a debt instrument issue” for corporate clients to provide funding.

In step with its strategy of diversifying funding sources, PASHA Bank has been issuing bonds and bills since October 2016. The Bank continued in 2018 to provide funds to customers through the issue of debt instruments with different maturities and increasing amounts, while playing a role in the provision of funds as an intermediary.

Concurrent with its needs and those of its customers, the Bank has, to date, provided funds from the capital markets by issuing conventional debt instruments. In 2019, PASHA Bank now plans to

raise funds from different investors through issuing sukuk, in conformity with its strategy of diversifying funding sources.

PASHA Bank is authorized to engage in the Activity of Execution of Orders, the Activity of Dealing on Own Account, the Activity of Intermediation for Public Offering through Best Efforts and Limited Custody Services, within the framework of the approval issued by the Capital Markets Board in 2015.

Change and Project Management

PASHA Bank improved its business processes to offer customers better quality services as part of its 2018-2020 Strategic Plan. In order to develop the design for an effective ‘decision-making tool’ in credit processes, and to minimize the time allocated for decision making, the Credit Risk Scoring Model and Early Warning Systems were established, and software enhancements finalized.

Efforts were launched to define and document the process, both at the Group level and at financial subsidiaries, in order to improve and structure the strategic planning and monitoring process.

The Risk Management, Financial Planning, Budget and Reporting Departments finalized their works for utilization of a shared and efficient reporting structure at the subsidiaries.

Business continuity processes were revised according to the growing organization, products and services of PASHA Bank, aligned with the internationally recognized ISO22301:2012 standard; and applicable policies, procedures and plans were updated and improved.

Testing and gap analyses were performed throughout the year on alternative solutions for enhancement of the core banking system and migration of processes to the digital banking infrastructure. Plans were made to address these needs for the systems development set to take place in 2019. PASHA Bank will continue to invest in leading-edge technological infrastructure and digital processes, with the aim of offering faster and higher quality services to customers, minimizing operational risk and ensuring efficiency.

In 2018, 12 legal projects were deployed to respond to legal authorities' reporting and integration requirements, including issuing Banking Transactions Entries (BIK) Guide 1.5 Report and Intra-Day Liquidity Forms; instant notification and inquiry of foreign currency loans and FX earnings to the Risk Center, pursuant to the "Amendment to the Decree no. 32 on the Protection of the Value of the Turkish Currency" and amendments to the reporting of re-discount credits; improvements to Risk Center credit limits, credit

risk reports and implementations; amendments to the e-ledger structure; and amendments within the scope of TFRS 9.

Improvements were made for reporting to the Revenue Administration pursuant to the Common Reporting Standard (CRS) regarding tax residency in OECD countries.

The corporate website of the Bank was renewed and updated with new products and services meeting the Group's standards.

Information Technologies and Security

The organizational layout of the Information Technologies and Security department was changed according to the Bank's emerging needs and growth trend, and strengthened by the recruitment of new staff.

The firewall application was enhanced; penetration tests were performed to minimize security and cyber threat risks, and no critical finding was detected during those tests. Infrastructure reinforcement efforts continued in light of the test result. Awareness-raising courses on corporate information security were provided to all employees.

As a result of the actions taken in 2018, there is no outstanding finding as a Noteworthy Control Deficiency or Significant Control Deficiency with regard to the Banking Information System and Process Audit conducted in 2017 and the COBIT audit performed in 2018.

Information security policies were updated in line with new changes and threats. Information management processes are reviewed on a regular basis to significantly increase efficiency.

In line with enhancements to core banking applications and the principles of compliance with COBIT processes, a series of development projects, including capacity and performance improvement for data storage and processing, network and system infrastructure monitoring, and backup and improvement of data transmission to the disaster recovery center continued with new investments in 2018. In 2019, the Bank will continue its investments to improve its information technology infrastructure.

The share regarding the basic quantities that PASHA Bank receives from the sector is as follows:

TL Million	Sector*	Bank	Bank's Share
Total Assets	3,867,135	1,350	0.03%
Equity	421,185	506	0.12%
Cash Loans	2,394,740	840	0.04%

*Reference: Banking Regulation and Supervision Agency

INFORMATION ON TOP MANAGEMENT

Board of Directors



Jalal Gasimov
Chairman

Jalal Gasimov earned his Bachelor's degree in economics from Azerbaijan Economy University, and his Master's degree in International 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 İlbank OSJC, Azerbaijan in 1999. In 2002–2003, he held various finance-related positions at private sector companies. From 2003–2004, he worked at Azpetrol Oil Company as 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 was named the First Deputy CEO effective October 17, 2016. He also serves as a board member at PASHA Insurance and Pasha Life, JSC PASHA Bank Georgia, and as the Chairman of the Board of Kapital BANK OSJC.

Mr. Gasimov has served as the Chairman of the Board of Directors of PASHA Bank since March 31, 2017, where he joined as a board member effective August 17, 2015.

He has 20 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 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 a board member at PASHA Insurance, PASHA Life and Kapital Bank OJSC, in addition to his role as Chairman of the Board at JSC PASHA Bank Georgia.

Mammadov has been the Deputy Chairman at PASHA Bank Turkey since March 31, 2017.

He has 20 years of experience in banking and business administration.



Taleh Kazimov
Board Member

Taleh Kazimov completed his undergraduate study in Automation Controls and Computer Engineering at Azerbaijan Technical University between 2000 and 2004. He also obtained an MBA from the Azerbaijan State Oil Academy. In addition, he successfully completed the executive educational programs of London Business School (UK) in 2010, and Harvard Business School (USA) in 2012.

Kazimov has extensive professional experience in commercial and investment banking, loans and risk management. Mr. Kazimov began his career in the financial sector in 2004 as a leading specialist in the Treasury Department at Bank Standard and later as the Head of Accounting Management and Budget Planning. He was promoted to Deputy Director of the Corporate Loans Department. In 2006, he joined Ernst and Young as an auditor, and from 2007 worked as a General Director of "FinEko" Informational Analytical Agency.

Kazimov joined PASHA Bank OJSC Azerbaijan in July 2007 as a risk manager and was promoted to Treasury Director in August 2009. He has also served as a member of the Board effective as of December 7, 2011. He has been the CEO and Chairman of the PASHA Bank Executive Board since July 1, 2015.

Kazimov is also a board member of the American Chamber of Commerce (AmCham) in Azerbaijan.

He joined PASHA Bank Turkey as a board member effective March 31, 2015.

He has 17 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 Leadership Development Program (Executive Education) in July 2017. He began his career as an accountant at Yapı Kredi Bank Azerbaijan (formerly, Koçbank JSB Azerbaijan), and later served as Deputy Chief Accountant at the same bank. He joined Deloitte & Touche in 2005 as an auditor and was subsequently promoted to Audit Manager.

In 2009, he became the Director of the Financial Management Department at the PASHA Bank head office, and in 2011 a member of the Executive Board. In 2013, he moved to the Executive Board of PASHA Bank Georgia responsible for business development. In July 2014, Shahin Mammadov was appointed Chairman of the Executive Board and CEO at PASHA Bank Georgia.

He was appointed Business Support Director and Deputy CEO of PASHA Holding in January 2018. Mammadov became a Board Member of PASHA Bank Azerbaijan and PASHA Bank Georgia on March 1, 2018, and May 30, 2018, respectively. He also serves at PASHA Life and PASHA Insurance in Azerbaijan as a Board Member.

Shahin Mammadov has been a member of the Association of Chartered Certified Accountants (ACCA) since 2014.

He joined PASHA Bank Turkey as a board member effective March 31, 2015.

He has 16 years of experience in banking and business administration.



Kamala Nuriyeva
Board Member

Kamala Nuriyeva obtained her Bachelor's degree in Banking Management from Azerbaijan 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 Rural Investment Fund, established under the TACIS program for agricultural industry development in Azerbaijan, serving as a loan officer. In the 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 in McDermott Caspian Contractors Inc. as a cost controller for the fabrication and installation of Central Azeri Offshore Platforms. Between 2005 and 2007, she worked at 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 as the Chairman of the Audit Committee at PASHA Bank. In 2013, she was appointed as the Head of Group Risk Management at PASHA Holding. She is a Board Member and Chairperson of the Risk Committee at Kapital Bank OJSC Azerbaijan, and a Member of the Risk Committee at PASHA Bank Georgia.

She joined PASHA Bank Turkey as a Board Member on November 25, 2016.

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



Meriç Uluşahin
Independent
Board Member

Meriç Uluşahin graduated from Boğaziçi University, Department of Economics. She began her professional career in 1987 at Akbank T.A.Ş., followed by roles in the treasury department at Demirbank A.Ş. between 1990-2000. In 2002, she joined Şekerbank T.A.Ş., where she held various senior management positions before being appointed General Manager in 2008. Ms. Uluşahin served as General Manager and Board Member of Şekerbank T.A.Ş. between March 2008 and March 2014, and as General Manager and Board Member of Alternatifbank A.Ş. between April 2014 and March 2016. Since October 2016, she has served as Chairman of Kent Bank d.d. Croatia and as a Board Member at Türkiye Finans Katılım Bankası A.Ş. since March 2017.

Uluşahin joined PASHA Bank Turkey as an independent board member effective March 31, 2017.

She has 32 years of experience in banking and business administration.

INFORMATION ON TOP MANAGEMENT

Yönetim Kurulu



Ebru Oğan Knottnerus^(*)
Independent
Board Member

She graduated from the department of business administration, Middle East Technical University. 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 worked as a Risk Manager for Subsidiaries and as Risk Management President in charge of the Bank's and Subsidiaries' Risk Management Activities at T. Garanti Bankası A.Ş., in 2001-2003 and 2003-2018 respectively. Since 2002, she has also been a Board Member and Chairperson of the Risk Managers' Association, of which she is a founding member.

Ms. Knottnerus has been serving on the Board of PASHA Bank Turkey as an independent member since July 2, 2018, and has simultaneously been a board member of PASHA Bank Georgia since December 31, 2018.

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



Adnan Aykol
Independent
Board Member

He obtained his Bachelor's degree from the Political Sciences Faculty of Marmara University. Aykol started his banking career at the Board of Auditors of T. Garanti Bankası A.Ş. He served as an auditor at İktisat Bankası T.A.Ş. from 1985 until 1989. He was then deputy general manager in charge of credits at Demirbank T.A.Ş. between 1989 and 2002 and, following the acquisition by HSBC Bank A.Ş., he served as a group leader in the Risk Control Department until 2008. He served as BankPozitif A.Ş.'s deputy general manager in charge of credits from 2008 until 2010 and from 2012 to 2013 served as a board member of Alternatif Bank A.Ş.

Aykol joined PASHA Bank Turkey as an independent board member effective August 20, 2013.

He has 39 years of experience in banking and business administration.



H. Cenk Eynehan
General Manager
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 completed an Executive MBA program at Koç University, Istanbul.

Eynehan started his banking career in 1994, serving in various management and business development capacities at DHB Bank (Nederland) 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 of Ekspo Factoring A.Ş. from 2011 until 2013.

H. Cenk Eynehan began serving as General Manager and Board member at PASHA Bank Turkey on August 2, 2013. He concurrently held the position of Board Member at PASHA Bank Georgia between September 2015 and December 2018.

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

^(*) Replacing Mesut Özding, who resigned from his role as independent board member pursuant to the Board's decision no. 63 dated July 2, 2018, Ebru Oğan Knottnerus was elected Independent Board Member subject to approval of the shareholders at the first General Assembly Meeting, according to Article 363 of the Turkish Commercial Code and Article 12 of the Articles of Association, and was further appointed Chairperson of the Audit Committee.

Top Management



Ali İhsan Tokkuzun
Deputy General
Manager

Ali İhsan Tokkuzun earned a Bachelor's degree in management from Gazi University and completed the Executive MBA program at Istanbul Technical University.

Tokkuzun started his professional career in 1991 at the Board of Auditors of Esbank T.A.Ş., and until 2000 served as deputy chairman of the Board of Auditors and held various managerial positions at Esbank AG in Vienna. He served as a group manager of financial institutions and international marketing at Kentbank A.Ş. from 2000-2002, from 2002 to 2010 continued his career as a deputy general manager of Denizbank AG, Vienna, and from 2010 to 2012 as General Manager at SK Danube AG, Vienna. Prior to joining PASHA Bank he was a member of the Executive Board and finance coordinator of Istanbul Gemi İnşa San. Tic.A.Ş. between 2012 and 2014.

Ali İhsan Tokkuzun was appointed Deputy General Manager of PASHA Bank effective June 2014, and currently serves as Deputy General Manager in charge of Financial Planning, Strategy and Budgeting, Accounting and Statutory Reporting, Operations and Credit Monitoring.

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



Ayşe Hale Yıldırım
Deputy General
Manager

Ayşe Hale Yıldırım completed her undergraduate education at the Department of Economics of Istanbul University.

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 Manager of the Corporate Marketing Department in 2013. Ayşe Hale Yıldırım has been the Deputy General Manager in charge of Marketing, Corporate Communications, Human Resources and Administrative Affairs since August 1, 2016.

She has 21 years of experience in banking and business administration.



Uğur Koç
Deputy General
Manager

Uğur Koç graduated from Middle East Technical University, Department of Political Science and Public Administration in 1993. He began his banking career in the same year at T.C. Ziraat Bank and, from 1996 to 2014; he worked at Çukurova Demir Çelik A.Ş., Kentbank, Anadolubank, and Finansbank in various positions. Between 2014 and 2016, Mr. Koç served as the Head of Corporate Loans Department at Burgan Bank.

Since September 18, 2017, Mr. Koç has served as Deputy General Manager in charge of Credit Allocation and Intelligence, Change and Project Management, Information Technologies and Security at PASHA Bank. He has 26 years of experience in banking and business administration.

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)
Meltem Kiyak	Manager	Compliance	05.05.2015 - Ongoing	Undergraduate	17
Önder Devrim Erol	Manager	Internal Audit	23.05.2016 - Ongoing	Undergraduate	18
Pınar Abanoz	Manager	Internal Control	18.12.2017 - Ongoing	Undergraduate	8
İşıl Uyar ^(*)	Manager	Risk Management	18.01.2018 - 21.12.2018	Graduate	11

^(*) İşıl Uyar, Head of the Risk Management Department, resigned on December 21, 2018, and no appointment has been made to replace Ms. Uyar as of the date of this report.

TERMS OF OFFICE AND PROFESSIONAL EXPERIENCE OF THE INDEPENDENT AUDITOR

At the annual General Meeting of Shareholders of the Bank held on March 16, 2018, 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 2018. The Independent Audit Company with trade name Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (A Member firm of Ernst&Young Global Limited) was found 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 01.01.2019-31.12.2019, 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 no. 125 on December 21, 2018.

BOARD COMMITTEES, INFORMATION ON MEETING ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND 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 12 times, eight times with all members physically present, and four times via telecommunication. The Board passed 138 resolutions.

The average attendance rate of the Board Members in the meeting held throughout the year is 88%, and the details of attendance are provided in the following table:

Meeting Dates	Number of Attending Members	Manner of Meeting
19.01.2018	7	Electronic Media
23.02.2018	8	Physical attendance
16.03.2018	8	Physical attendance
18.04.2018	8	Physical attendance
18.05.2018	8	Electronic Media
14.06.2018	8	Electronic Media
20.07.2018	8	Physical attendance
17.08.2018	7	Physical attendance
21.09.2018	8	Electronic Media
15.10.2018	8	Physical attendance
23.11.2018	9	Physical attendance
21.12.2018	8	Physical attendance

The Credit Committee, Audit Committee, Corporate Governance Committee, Human Resources 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.

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 Committees of the Board 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 maintenance 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 fulfill the duties specified within the Banking and Capital Markets legislation. The present structure of the Audit Committee is given below:

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

* Ebru Oğan Knottnerus was appointed as the Chairperson of the Audit Committee on July 2, 2018, replacing Mesut Özdiñç who resigned from PASHA Bank, upon the Board Resolution of the same date.

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 July 11, 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 submits to the Board of Directors the results of activities under its responsibility through Activity Reports issued every three months.

The Audit Committee presented the results of its activities in 2018 and its assessment of internal systems in quarterly activity reports.

BOARD COMMITTEES, INFORMATION ON MEETING ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES

The Audit Committee held fifteen meetings during the period to evaluate reports, activity reports and risk assessment reports prepared by the Internal Control Compliance, Internal Audit and Risk Management Units; to determine the selection of unit managers within the internal systems and any position changes; to determine internal capital adequacy assessment and stress testing studies; to evaluate technical competence, risk analysis, and annual evaluation reports for support service organizations and annual evaluation reports on appraisal institutions; to evaluate the independent auditor's works and independence; and to evaluate financial statements that have been independently audited, declaration of management, and the action plans regarding the findings of the audit report on penetration tests and information systems. The Audit Committee passed a total of 27 resolutions for the related accounting year either at meetings or by examining the files.

The Chairperson of the Audit Committee held regular meetings with unit managers within the internal systems to discuss matters related to 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 reports and plans prepared by the Committee and the Internal Systems Units were presented to the Board of Directors for information and/or approval.

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 Incorporation, 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
Meriç Uluşahin	Chairperson
Jalal Gasimov	Member

The Committee carries out its activities within the framework of the Regulation on Corporate Governance and convenes at the frequency 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.

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

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
Kamala Nuriyeva	Chairperson
Farid Mammadov	Member
Ebru Oğın Knottnerus ¹	Member

¹Ebru Oğın Knottnerus was appointed as the Member of the Risk Committee on July 20, 2018, replacing Mesut Özdiç who resigned from PASHA Bank, upon the Board Resolution of the same date.

The Committee continues its activities under the Risk Management Committee Regulation that came into force on September 23, 2016, and convenes as often as business needs require and at least once every three months.

Board of Directors' Evaluation of Committee Effectiveness

The Risk Management Committee presented the results of its activities to the Board of Directors in quarterly activity reports.

The Risk Management Committee convened 13 times during the accounting period to evaluate policies and procedures regarding risk management processes; ICAAP studies; risk management reports prepared monthly; the Risk Appetite Statement and respective concentration and financial institution limits; excess amounts within determined limits; risk limits document; modeling of provisions under IFRS 9; IFRS 9 impairment methodology; the Bank's risk limits during capital increase; classification method regarding re-structuring of loans; the Group's Risk Health Index Project; the Bank's credit policy; business continuity management plan and crisis management plan; operational risks arising from information technologies; use of signatory powers; FX sensitivities of customers bearing short FX positions; and the projects conducted.

Date of Meeting	Number of Attending Members	Manner of Meeting
15.01.2018	3	Videoconference
8.02.2018	3	Videoconference
15.03.2018	3	Videoconference
18.04.2018	3	Videoconference
11.05.2018	3	Videoconference
12.06.2018	3	Videoconference
20.07.2018	2	Physical attendance
8.08.2018	3	Telecommunication
14.08.2018	3	Telecommunication
20.09.2018	3	Videoconference
15.10.2018	2	Videoconference
2.11.2018	3	Videoconference
19.11.2018	3	Videoconference

BOARD COMMITTEES, INFORMATION ON MEETING ATTENDANCE BY THE MEMBERS OF THE BOARD OF DIRECTORS AND COMMITTEES

Human Resources and Remuneration Committee

The HR 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 present structure of the committee is given below.

Name-Surname	Committee Position
Jalal Gasimov	Chairperson
Farid Mammadov	Member

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

Board of Directors' Evaluation of Committee Effectiveness

In 2017, the Human Resources and Remuneration Committee reviewed the Bank's remuneration policy and practices regarding remuneration systematics and, in February 2018, submitted its assessment report and recommendations on such matters to the Board of Directors.

The Committee also evaluated the key performance indicators for 2018; strategic key performance indicators for the period of 2018-2020 and amendments to the calculation references for the 2018 key performance indicators; the Bank's compliance with the bonus pool and achievement bonuses paid to employees; recommendations to the Board of Directors regarding compensations to be paid to Board Members and executives with administrative responsibility; and annual rates of increase in fixed wages paid and fringe benefits provided to the employees of the Bank.

The Committee convened four times during the accounting period.

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
Jalal Gasimov	Chairperson
Farid Mammadov	Member
Meriç Uluşahin	Member
H. Cenk Eynehan	Member

The Committee continues its activities under the Strategy and Budget Committee Regulation that came into force on September 23, 2016, and convenes 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 Committee held seven meetings during the period to make decisions on the budget for 2019 and macroeconomic and market assumptions in the light of the budget process; interim financial performance and financial statements; year-end projections; single and group exposure risk limits covered in the Risk Appetite Statement; the Committee's interim reports, and strategic projects and initiatives undertaken; and key performance indicators.

Date of Meeting	Number of Attending Members	Manner of Meeting
19.01.2018	3	Physical attendance
18.04.2018	3	Physical attendance
20.07.2018	3	Physical attendance
14.09.2018	3	Videoconference
15.10.2018	3	Physical attendance
14.11.2018	3	Videoconference
30.11.2018	3	Videoconference

Credit Committee

The Credit Committee was established to take credit allocation decisions, and to perform related tasks concerning credits within its own competence, 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
Adnan Aykol	Permanent Member
Taleh Kazimov	Permanent Member
Farid Mammadov	Substitute Member
Shahin Mammadov	Substitute Member

Carrying out its activities under the provisions of the Credit Committee Regulation, the Committee evaluates, within the framework of authorizations by the Board of Directors, credit limits and conditions reviewed and proposed by the Credit Underwriting and Intelligence Unit compliant with banking legislation and our Bank's internal regulations.

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 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.

The Credit Committee convened 18 times and passed 46 resolutions during the accounting period.

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 Committee, early detection and management of internal and external risks which may jeopardize the Bank's operations, and review of risk management systems;

- 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 HR and Remuneration Committee, recommendations on remuneration principles for Board Members and senior managers by taking into account the Bank's long-term objectives, and recommendations on establishing benchmarks that may be used for remuneration purposes in association with the performance of the Bank and Board Members

Information and documentation regarding the agenda are prepared and shared with the members in a reasonable and timely manner prior to the meeting.

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.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

It has been decided to increase the paid up share capital from TL 255,000,000 to TL 500,000,000 by adding cash amount of TL 245,000,000 and to amend article 7 ("Share Capital") of the Articles of Association of our Bank so as to reflect such increase, pursuant to the resolution dated 16 March 2018 of the Board of Directors of our Bank.

Article 7 (Share Capital) of the Articles of Association of our Bank has been amended in line with the resolution of the Extraordinary General Assembly meeting dated 18 May 2018 so as to reflect the increase of the share capital from TL 255,000,000 to TL 500,000,000 by adding cash amount of

TL 245,000,000 pursuant to the permit No. 6449 of 14 May 2018 of the Banking Regulation and Supervision Agency and permit No. 431.02 of 16 May 2018 of the Turkish Ministry of Customs and Trade.

The resolution of the Extraordinary General Assembly dated 18 May 2018 with respect to the amendment to article 7 (Share Capital) of the Articles of Association of the Bank so as to read as follows has been registered by Turkish Trade Registry on 06 June 2018 and announced in Turkish Trade Registry Gazette No. 9598 of 12 June 2018 and thus, the share capital increase process has been duly completed.

PASHA YATIRIM BANKASI A.Ş. AMENDMENT TEXT OF THE ARTICLES OF ASSOCIATION

OLD TEXT PRINCIPAL CAPITAL Article 7

The Bank's capital is TL 255,000,000- (two hundred and fifty-five million Turkish Liras) and this capital was divided into 255,000,000 (two hundred and fifty-five million) registered shares, each with a nominal value of TL 1.- (One Turkish Lira).

The Bank's capital in the amount of TL 80,000,000.- (eighty million Turkish Liras) prior to increase was fully paid. All of the capital in the amount of TL 175,000,000.- (one hundred and seventy-five million Turkish Liras) that was issued this time around was fully committed by the shareholders free of collusion and paid in cash.

Shareholder	Number of Shares	Amount in TL	Share (%)
1. PASHA Bank OJSC	203,795,121.00	203,795,121.00	79.9197
2. Aksoy Holding A.Ş.	51,000,000.00	51,000,000.00	20.0000
3. Sheikh Abdullah Mohamed BAROM	40,975.00	40,975.00	0.0161
4. Iqbal G. MAMDANI	40,975.00	40,975.00	0.0161
5. Sheik Abdulrahman AL JERAISSY	40,975.00	40,975.00	0.0161
6. Sheik Abdulaziz AL RASHED	40,975.00	40,975.00	0.0161
7. First Anglo Holdings Ltd.	40,975.00	40,975.00	0.0161
8. Syed Shezad ABEDI	2.00	2.00	0.0000
9. Sheikh Ahmed Mohammed BAROM	2.00	2.00	0.0000
Total	255,000,000.00	255,000,000.00	100.0000

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

NEW TEXT PRINCIPAL CAPITAL Article 7

The Bank's capital is TL 500,000,000- (five hundred million Turkish Liras) and this capital was divided into 500,000,000 (five hundred million) registered shares, each with a nominal value of TL 1.- (One Turkish Lira).

The Bank's capital in the amount of TL 255,000,000.- (two hundred and fifty-five million Turkish Liras) prior to increase was fully paid. All of the capital in the amount of TL 245,000,000.- (two hundred and forty-five million Turkish Liras) that was issued this time around was fully committed by the shareholders free of collusion and paid in cash.

Shareholder	Number of Shares	Amount in TL	Share (%)
1. PASHA Bank OJSC	254,795,121.00	254,795,121.00	50.9590
2. PASHA Holding LLC	245,000,000.00	245,000,000.00	49.0000
3. Sheikh Abdullah Mohamed BAROOM	40,975.00	40,975.00	0.0082
4. Iqbal G. MAMDANI	40,975.00	40,975.00	0.0082
5. Sheik Abdulrahman AL JERAISSY	40,975.00	40,975.00	0.0082
6. Sheik Abdulaziz AL RASHED	40,975.00	40,975.00	0.0082
7. First Anglo Holdings Ltd.	40,975.00	40,975.00	0.0082
8. Syed Shezad ABEDI	2.00	2.00	0.0000
9. Sheikh Ahmed Mohammed BAROOM	2.00	2.00	0.0000
Total	500,000,000.00	500,000,000.00	100.0000

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

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 2018 Annual General Meeting of Shareholders of our Bank.

Our bank completed its activities in 2018 with a 50% growth in asset size, our total assets reached TL 1,350 million, according to the audited unconsolidated financial statements for 2018, and the share of total cash loans and lease receivables constituted 62% of total assets.

PASHA Bank's total shareholders' equity as of December 31, 2018 was TL 505.7 million.

The increase in loans reflected positively on the results of 2018. The total cash, non-cash loans and lease receivables of the Bank reached TL 1,263 million, rising by 17% compared to the previous year as a result of the prudent risk policies that were applied. The net loss for the period was recorded at TL 3.5 million.

We have examined the Bank's financial statements for the period of January 1 to December 31, 2018, 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 2018 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 December 31, 2018, 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 IMPLEMENTATIONS

PASHA Bank continues its activities within the framework of the principles of integrity, quality, collaboration, entrepreneurship and profitability; all of which constitute the corporate values of the Bank.

In parallel with these values, PASHA Bank offers its employees a work environment that is conducive to open communication, and places importance on employee motivation. The Bank consistently implements a transparent management style that supports innovation and development.

In 2017, PASHA Bank initiated Organizational Health Index assessments, a key indicator of the importance the Group places on organizational development and cultural integration. In consequence of the activities performed for this purpose, new projects were planned both at PASHA Group and PASHA Bank Turkey's HR Department, and these projects were run in coordination with the Group throughout 2018.

As part of "Organizational Health Index" assessments, studies were launched in the fields of leadership, teamwork, communication and motivation to manage change holistically and boost performance, while seven projects were undertaken to steer development and change.

To ensure visibility and adoption of our vision, mission, strategic objectives and corporate values by all our employees during the projects undertaken, periodic letters from the General Manager were published to convey desired messages firsthand, and all employees attended breakfast meetings with the General Manager.

Orientation trainings were organized, and supported by orientation booklets, in order to ensure newcomers become familiarized with the vision, mission and corporate culture of the Bank from the first day of recruitment. Training courses highlighted the importance of the vision, mission, competencies and corporate culture.

Efforts were made toward recognition and rewarding to increase employee motivation, and awards were given to employees with seniority of more than three years on the third anniversary year of the Bank. Again, as part of the recognition and rewarding system, an internal team of trainers was created and an internal trainers' system, supported by the training of trainers, was established comprising of volunteers.

Performance management processes and tools were re-designed to support employee development and establish a strong feedback culture. "Communication courses" were designed to strengthen communication in terms of receiving and giving feedback, and to tackle the matter from various perspectives.

Personal Performance Cards and goal-setting activities, an important step as part of the 2018-2020 Strategic Plan, were implemented at all units and levels. As part of the feedback culture feedback fields were created on performance assessment forms for the dissemination of feedback.

In 2018, employees took training courses on feedback culture in order to better embed this culture within the Bank, and the first module of the project, launched to empower the executive team, was completed.

The total amount of compensation provided to Board Members and senior executives in the form of wages, honorarium and bonuses corresponded to TL 4,387 thousand as of December 31, 2018.

The sum of the compensation provided to Board Members and senior executives pursuant to the Bank's remuneration policy and bonus policy is available in the unconsolidated financial statements for the accounting period ended on December 31, 2018, and in sub-paragraph D on "Information regarding the benefits provided to senior management" under "Explanations regarding the Bank's risk group," in the seventh footnote of Chapter 5 of the independent auditor's report.

HUMAN RESOURCES IMPLEMENTATIONS

Compensation and other benefits provided by the Bank to senior management are disclosed to the public collectively, rather than on an individual basis, pursuant to CMB regulations on qualitative and quantitative explanations regarding remuneration policies, and provisions of Law no. 6698 on the Protection of Personal Data.

Training requirements were identified to improve leadership competencies and courses tailored for individual needs were provided to middle management. A risk management course was delivered to all Bank employees in order to raise risk awareness within the group, and the efficiency of the course was measured through tests conducted upon completion of the course.

In order to enhance communication beyond the Bank and further reinforce collaboration among employees, a "Social Event Team" was formed in April 2018 comprising volunteers from different functions. The team organized six events in 2018 including a summer welcome party, a concert, and a social responsibility project, which all saw an average employee participation rate of 70%.

Efforts initiated regarding the data derived from "Organization Health Index" assessments within the Group will continue over the coming years to address the growing structure and needs of the Bank.

The recruitment policy of PASHA Bank is based on the principle of bringing qualified human resources of high potential in line with the Bank's goals and strategies, corporate values and candidate competencies. 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. Competency-based interviews are

conducted by human resources and unit managers, and competency inventories are used to objectively evaluate those candidates deemed eligible for the vacant position.

Our training activities are a process planned when the individual begins working, and with a perspective of ensuring continual development. Newcomers begin the training process at PASHA Bank with an orientation program and continue carrying out training and development activities throughout their employment. PASHA Bank promotes the organization of courses that will help develop employees professionally and personally and encourage them to discover their potentials. Training and developmental activities are offered in the form of courses organized both within and beyond the Bank, as well as conferences, seminars, and on-the-job trainings.

The number of employees increased by 15% in 2018. The Bank has contributed to employee development through internal and external training programs within the framework of its strategies and objectives. PASHA Bank provided average 4.5 days in training per employee throughout 2018, and coaching services offered to managers continued in 2018, as well.

In the summer of 2018, university students were given the opportunity to perform their compulsory internship at PASHA Bank, in order to introduce them to the banking profession, and to support their education and development alongside the Bank's experienced staff. Two trainees who concluded their internship programs successfully began to work at the Bank upon graduation.

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 prioritizing staff 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. Accordingly, three employees were promoted to a higher position in 2018. 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 performance assessments, 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 assessments 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 assessments:

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

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

PASHA Bank's Remuneration Policy is supported by a fair, internal compensation strategy based on industry research. 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 in accordance with the requirements of their position. Employees and senior executives may receive fixed and performance-based compensation in accordance with the Bank's Remuneration Policy and Bonus Policy. Detailed information on this subject has been provided in the relevant sections of the Corporate Governance Principles Compliance Report.

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

As of December 2018, there are 52 people working at PASHA Bank, where the number of employees rose by 15% compared to the previous year. Among the employees 96% are university graduates, 27% of who hold graduate and PhD degrees. The median age of all employees working at the Bank is 38%, and 55% of middle and senior managers are female.

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 website of the Bank.

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

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

TRANSACTIONS MADE WITH THE BANK'S RISK GROUP

There are no derivative transactions made with the Bank's risk group. The total of borrower funds by the risk group amounted to TL 20 thousand. The funds borrowed by the Bank from its risk group amounted to TL 186,735 thousand. Of international debt securities issued by the Bank, TL 90,447 thousand has been sold to the risk group.

The details of the transactions realized with the risk group are as follows.

Loans (TL thousand)

Bank's Risk Group	Participations, Subsidiaries, and Jointly Controlled Entities (Joint Ventures)		Direct and Indirect Shareholders of the Bank		Other Real and Legal Persons Included in the Risk Group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Credits and Other Receivables						
Beginning of the Period	-	-	555	31,699	-	-
End of the Period	-	-	826	22,983	-	-
Interest and Commission Income Received	-	-	33	352	-	-

INFORMATION ON SUPPORT SERVICE PROVIDERS

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

Trade Name of Support Services Provider	Service Description	Operating Area
FİNEKSUS BİLİŞİM ÇÖZÜMLERİ TİCARET A.Ş.	Maintenance and support service for the SWIFT Alliance system that provides the connection to the SWIFT network	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 Security Module	Information Systems
KOÇSİSTEM BİLGİ VE İLETİŞİM HİZMETLERİ A.Ş.	Information Security and System Management Support Services	Information Systems
TEPE SAVUNMA VE GÜVENLİK SİSTEMLERİ SANAYİ A.Ş.	Private physical security service for the head office	Private Security Service
VEGA BİLGİSAYAR HİZMETLERİ LTD. ŞTİ.	Maintenance and update service for the computer software "Vega Transfer Merkezi" where XML-based Revenue Administration reports are generated as per the Common Reporting Standard (CRS)	Information Systems

IMPORTANT DEVELOPMENTS RELATED TO THE BANK'S ACTIVITIES

Information on Administrative or Judicial Sanctions Imposed on the Bank and Its Managing Members Due to Any Practice Which is Contrary to the Laws and Regulations

There was no administrative or judicial sanction for non-conformity with the provisions of the legislation, against the Bank and the members of its Board of Directors, during the reporting period.

Information on the Lawsuits Filed Against the Bank, Which May Affect the Financial Status and Operations of the Bank, and Their Possible Consequences

No lawsuit that may affect the financial status and operations of the Bank was filed against the Bank in 2018.

Information on Regulatory Changes That May Have a Material Effect on the Operations of the Bank

Amendment to the Decree No. 32 and Update to the Capital Movements Circular:

Persons residing in Turkey and generating income in foreign currency with a loan balance of less than USD 15 million at the time of the use of the new loan are free to borrow loans in foreign currency, provided the sum of such a balance and the amount of the new loan are less than the sum of the borrower's foreign currency income of the three previous financial years. Persons residing in Turkey without foreign currency income may not take out foreign currency loans in circumstances other than the exceptions described in the Circular. Persons based in Turkey may not borrow FX-indexed loans domestically, or from abroad.

Contracts Denominated and Indexed in FX:

Residents in Turkey are prohibited from agreeing in their payment obligations in, or indexed to, foreign currencies in the contracts between them, for and in relation to the sale/lease of immovable properties including households and roofed workplaces registered in Turkey, and in service contracts including consultancy, brokerage and transportation, or in contracts on works of art, except for circumstances to be determined by the Ministry.

Bringing in Export Revenues to Turkey and Closing of Export Accounts (Foreign Exchange Commitment Monitoring):

Revenues related to export transactions carried out by residents in Turkey are required to be brought to the country effectively, or else transferred directly and without delay to the bank which mediates the export upon the importer's payment. At least 80% of export revenues shall be sold to a bank (converted into Turkish Lira). Foreign Currency Receipt Documents shall be issued by the bank that has purchased the export revenues.

Financial Restructuring:

Those debtors who qualify for Financial Restructuring ("FR") must be able to demonstrate that restructuring of their financial situation and debts, or preparation of a new repayment schedule, will result in the repayment of their outstanding indebtedness.

Debtors should not be subject to pending execution proceedings initiated by any Creditor Institution. Debtors whose payables are held at one or several Creditor Institutions to a maximum 25% of the total mixed amount shall qualify for restructuring, even where legal proceedings have been initiated as of the date of application.

Unless the Creditors' Consortium reaches a decision on restructuring within a maximum of 90 days following the date of application, the process shall terminate. This 90-day period may be extended for a maximum of 2 additional months. The total time period shall not exceed 150 days, including the day of contract execution.

Following the execution of the Financial Restructuring Agreement, execution proceedings may not be undertaken, existing proceedings may not be maintained, new proceedings may not be and other legal actions may not be taken against the debtor so long as the debtor fulfills its liabilities arising from the Financial Restructuring Agreement.

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.

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.

Consultancy services regarding ICAAP were received by the Risk Management Committee within the period, and no conflict of interest or any other situation that may prevent service procurement or harm the independence of the firm was encountered.

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

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 Management Communiqué II-17.1's Article 8 with the heading "Compliance with the corporate governance principles reports" 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 Corporate Governance Compliance Report was prepared as follows 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 applications other than yes.

Statement of Compliance with Corporate Governance Principles

With the awareness of the importance of corporate governance practices as well as financial performance, PASHA Bank improves its inner workings 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. Three 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 2018 by SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş., an independent rating agency; and the rating that had been assigned was revised in June 2018 and disclosed as 9.19 (on a scale of 1-10).

The revised note of the Corporate Governance Rating is posted on the Bank's corporate website at www.pashabank.com.tr. PASHA Bank has continued to expand the contents of its corporate website in order to inform its stakeholders about the Bank's activities.

The differences arising between the CMB's Corporate Governance Principles and the practices by the Bank were included in the report under the relevant subject headings. PASHA Bank complied in the 2019 operating period with 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.

- 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 website.
- 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. There are three female members at the Board of Directors in 2018.
- With respect to the principle numbered 4.5.3: The chairs of all the committees established pursuant to corporate governance principles, have not been elected from among the independent board members. However, the chairs of all the committees are composed of our non-executive board members. The reason for not electing chairs of the Risk Management Committee and Human Resources and Remuneration Committee from independent board members is to enhance the synergy for similar processes carried out before the controlling shareholder group.
- With respect to the principle numbered 4.5.5: Assignment to the Board of Directors' 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 fees and other benefits provided to the members of the Board of Directors and executive directors are disclosed to the public through the annual report. However, the disclosure made is for the entire top management collectively, not on an individual basis.

CORPORATE GOVERNANCE COMPLIANCE REPORT

Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS					
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X				
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION					
1.2.1- Management did not enter into any transaction that would complicate the conduct of special audit.				X	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.	X				
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.				X	There are no privileges contained in the Bank's Articles of Association for the exercise of voting rights.
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.	X				
1.3.10- The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X				Aids and donations made during the year were presented to the General Assembly for their knowledge and approval.
1.3.11- The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.		X			There is no media participation.
1.4. VOTING RIGHTS					
1.4.1- There is no restriction preventing shareholders from exercising their shareholder rights.	X				
1.4.2- The company does not have shares that carry privileged voting rights.	X				
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.				X	The Bank has no subsidiaries and affiliates.

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable
1.5. MINORITY RIGHTS					
1.5.1-The company pays maximum diligence to the exercise of minority rights.			X		
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.			X		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.	X				
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.	X				
1.6.3-The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X Profit is not distributed.
1.6.4-The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X				
1.7. TRANSFER OF SHARES					
1.7.1-There are no restrictions preventing shares from being transferred.	X				
2.1. CORPORATE WEBSITE					
2.1.1-The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X				
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.			X		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.		X			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.	X				
		X			The paragraph 2.2.2/e did not contain information on conflicts of interest with the institutions from which it received services such as investment consultancy and rating and on the measures taken to prevent them, and the information on the attendance status of the members of the Board of Directors in the Board meetings during the year was not covered within the scope of the paragraph 2.2.2/f.
2.2.2- The annual report includes all elements listed in Corporate Governance Principle 2.2.2.					

Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable
3.1. CORPORATION'S POLICY ON STAKEHOLDERS					
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X				
3.1.3- Policies or procedures addressing stakeholders' rights are published on the company's website.	X				
3.1.4- A whistleblowing programme is in place for reporting legal and ethical issues.	X				
3.1.5- The company addresses conflicts of interest among stakeholders in a balanced manner.	X				
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT					
3.2.1- The Articles of Association, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X				
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.	X				
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.	X				
3.3.2- Recruitment criteria are documented.	X				
3.3.3- The company has a policy on human resources development, and organises trainings for employees.	X				
3.3.4- Meetings have been organised to inform employees on the financial status of the company, remuneration, career planning, education and health.	X				
3.3.5- Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.	X				
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.	X				
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.	X				
3.3.8- The company ensures freedom of association and supports the right for collective bargaining.			X		The Bank does not have a regulation issued on this matter.
3.3.9- A safe working environment for employees is maintained.	X				

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS					
3.4.1- The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X				
3.4.2- Customers are notified of any delays in handling their requests.	X				
3.4.3- The company complied with the quality standards with respect to its products and services.	X				
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.	X				
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY					
3.5.1- The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X				
3.5.2- The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X				
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.	X				
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.	X				
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS					
4.2.1- The board of directors documented its meetings and reported its activities to the shareholders.	X				
4.2.2- Duties and authorities of the members of the board of directors are disclosed in the annual report.	X				
4.2.3- The board has ensured the company has an internal control framework adequate for its activities, size and complexity.	X				
4.2.4- Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X				
4.2.5- The roles of the Chairman and Chief Executive Officer are separated and defined.	X				
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.	X				
4.2.8- The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X		The directors' and officers' liability insurance does not exceed 25% of the capital of the Bank, and there was not a disclosure made on the PDP on this issue.

Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable
4.3. STRUCTURE OF THE BOARD OF DIRECTORS					
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.		X			There has been no target rate and target time determined for the female member rate in the Board of Directors. In 2018, the Board of Directors of the Bank consisting of nine members had three female members, and a rate of 33% was attained.
4.3.10- At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X				
4.4. BOARD MEETING PROCEDURES					
4.4.1- Each board member attended the majority of the board meetings in person.	X				
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.	X				
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.	X				
4.4.4- Each member of the board has one vote.	X				
4.4.5- The board has a charter/written internal rules defining the meeting procedures of the board.	X				
4.4.6- Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X				

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

	Company Compliance Status					Explanation
	Yes	Partial	No	Exempted	Not Applicable	
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.		X				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.
4.5. BOARD COMMITTEES						
4.5.5- Board members serve in only one of the Board's committees.		X				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.	X					
4.5.7- If external consultancy services are used, the independence of the provider is stated in the annual report.			X			The committees did not receive any significant advisory services other than the independent audit firm and credit rating agency.
4.5.8- Minutes of all committee meetings are kept and reported to board members.	X					
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.	X					The Board of Directors' report and the Annual Report contained the relevant performance evaluations.
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.	X					
4.6.5- The individual remuneration of board members and executives is disclosed in the annual report.			X			The salaries paid and other benefits provided to the senior management by the Bank are disclosed to the public on a collective basis, rather than on the basis of persons, by taking into account the regulations of the BRSA regarding the qualitative and quantitative disclosures on remuneration policies and the provisions of the Law no. 6698 on the Protection of Personal Data.

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	In 2018, the Bank sponsored the following events and held 15 meetings with bond investors. • 7 th Working Dinner with Azerbaijani businessmen operating in Turkey, 20 July 2018 • 9 th Istanbul Finance Summit, September 19-20, 2018
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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	There was no request for a special auditor at the Ordinary General Assembly Meeting and the Extraordinary General Assembly Meeting held in 2018.

1.3. General Assembly

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 2018 as part of ordinary operations were presented to the Board of Directors by means of financial reports that were disclosed to the public. In 2018, 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 2018 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/669118
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

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

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

In line with the proposal by the Board of Directors covered by its resolution no. 2018/16 dated February 23, 2018 and the motion put by the representative of the shareholder PASHA Bank OJSC, it was decided unanimously to set aside TL 266,573.71 as the general legal reserve out of the net profit of TL 5,331,474.22 that remained after the deduction of TL 10,176,561.51 in previous years' losses from the Bank's unconsolidated net profit for the period of TL 16,008,035.73 and to keep the remaining TL 5,064,900.51 as the extraordinary reserve.

PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends

<https://www.kap.org.tr/tr/Bildirim/669118>

General Assembly Meetings

General Meeting Date 16.03.2018

The number of additional disclosure requests submitted to the company in relation to the agenda of the General Assembly 0

Percentage of Shareholders' attendance to the GSM 99.92%

Percentage of shares directly present at the GSM 99.92%

Percentage of shares represented by proxy 0

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

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.pashabank.com.tr".

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

None.

The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions

None.

The number of declarations by insiders received by the board of directors

18

The link to the related PDP general shareholder meeting notification

<https://www.kap.org.tr/tr/Bildirim/662200>

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 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 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 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 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 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 activities that arises social and environmental results	It is located under the heading "Human Resources Practices" in the section of "Information on Management and Corporate Governance Practices" of the Annual Report.

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

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. <ul style="list-style-type: none"> • 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 the 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.	None.
Any measures combating any kind of corruption including embezzlement and bribery	<p>The following methods are used pursuant to the Misconduct Prevention Policy to prevent abuses before they occur and to reveal them after they occur.</p> <ul style="list-style-type: none"> • External Audit of Financial Statements and Financial Reporting • Financial Reporting Approved by Senior Management <ul style="list-style-type: none"> • Authority Limits • Segregation of Duties • Ethical Principles Policy • Corporate Governance • Independent Audit Committee <ul style="list-style-type: none"> • Notifications Line • Misconduct Training for Staff and Managers <ul style="list-style-type: none"> • Misconduct Prevention Policy • Official Misconduct Risk Assessments • Internal Audit and Internal Control Practices <ul style="list-style-type: none"> • Unexpected Inspections • Supervision • Physical Inspections and Reconciliations <ul style="list-style-type: none"> • 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	15.10.2018
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 auditors to the audit committee or any relevant committee to the board	12
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 separate 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	3 people, with a rate of 33%.

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

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	17.08.2015	Non-Executive	Chairman of the Board of Directors Chairman of Strategy and Budget Committee Chairman of HR and Remuneration Committee Member of Corporate Governance Committee
Farid Mammadov	-	Male	Deputy Chairman	Banker	31.03.2017	Non-Executive	Deputy Chairman of the Board of Directors Member of the Strategy and Budget Committee Member of the HR and Remuneration Committee Member of the Risk Management Committee Substitute Member of the Credit Committee
Taleh Kazimov	-	Male	Board Member	Banker	31.03.2015	Non-Executive	Member of the Board of Directors Member of the Credit Committee
Shahin Mammadov	-	Male	Board Member	Banker	31.03.2015	Non-Executive	Member of the Board of Directors Substitute Member of the Credit Committee
Kamala Nuriyeva	-	Female	Board Member	Banker	25.11.2016	Non-Executive	Member of the Board of Directors Chairperson of the Risk Management Committee Member of the Audit Committee
Meriç Uluşahin	-	Female	Board Member	Banker	31.03.2017	Non-Executive	Independent Member of the Board of Directors Member of the Strategy and Budget Committee Chairperson of the Corporate Governance Committee
Ebru Oğan Knottnerus	-	Female	Board Member	Banker	02.07.2018	Non-Executive	Independent Member of the Board of Directors Chairperson of the Audit Committee Member of the Risk Management Committee
Adnan Aykol	-	Male	Board Member	Banker	20.08.2013	Non-Executive	Independent Member of the Board of Directors Member of the Credit Committee
H. Cenk Eynehan	-	Male	General Manager and Board Member	Banker	02.08.2013	Executive	General Manager and Board Member Member of the Strategy and Budget Committee Chairperson of the Credit Committee

INFORMATION ON MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

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	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, First Deputy 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	Yes	Not Independent			Strategy and Budget Committee Chairperson HR and Remuneration Committee Member Corporate Governance Committee Member
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	Yes	Not Independent			Strategy and Budget Committee Member HR and Remuneration Committee Member Risk Management Committee Member Credit Committee Substitute Member
PASHA Bank OJSC, CEO, Chairman of the Executive Board	Yes	Not Independent			Credit Committee Member
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	Yes	Not Independent			Credit Committee Substitute Member
PASHA Holding LLC, Director, Group Risk Kapital Bank OJSC, Azerbaijan, Member of the Supervisory Board Chairman of Risk Management Committee JSC PASHA Bank, Georgia, Member of Risk Management Committee	Yes	Not Independent			Risk Management Committee Chairperson Audit Committee Member
KentBank d.d., Croatia, Chairperson of the Supervisory Board Türkiye Finans Katılım Bankası, Member of the Supervisory Board	Yes	Independent	Not Considered	No	Strategy and Budget Committee Member Corporate Governance Committee Chairperson
JSC PASHA Bank, Georgia, Member of the Supervisory Board	Yes	Independent	Not Considered	No	Risk Management Committee Member Audit Committee Chairperson
-	Yes	Independent	Not Considered	No	Credit Committee Member
-	Yes	Not Independent			Strategy and Budget Committee Member Credit Committee Chairperson

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

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 2018, 8 meetings were held by meeting physically.
Director average attendance rate at board meetings	88%
Whether the board uses an electronic portal to support its work or not	Not used.
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	None.

4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented.	It is contained in the "Information on Management and Corporate Governance Practices" section of the annual report.
Link(s) to the PDP announcement(s) with the board committee charters	None.

Composition of Board Committees-I

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column
Audit Committee	-
Corporate Governance Committee	-
Risk Management Committee	-
HR and Remuneration Committee	-
Strategy and Budget Committee	-
Credit Committee	-

Names of the Board Committees	Name-Surname of Committee Members
Audit Committee	Ebru Oğın Knottnerus
Audit Committee	Kamala Nuriyeva
Corporate Governance Committee	Meriç Uluşahin
Corporate Governance Committee	Jalal Gasimov
Risk Management Committee	Kamala Nuriyeva
Risk Management Committee	Farid Mammadov
Risk Management Committee	Ebru Oğın Knottnerus
HR and Remuneration Committee	Jalal Gasimov
HR and Remuneration Committee	Farid Mammadov
Strategy and Budget Committee	Jalal Gasimov
Strategy and Budget Committee	Farid Mammadov
Strategy and Budget Committee	Meriç Uluşahin
Strategy and Budget Committee	H. Cenk Eynehan
Credit Committee	H. Cenk Eynehan
Credit Committee	Adnan Aykol
Credit Committee	Taleh Kazimov
Credit Committee	Farid Mammadov
Credit Committee	Shahin Mammadov

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

Names of the Board Committees	Name-Surname of Committee Members	Whether Committee Chair or Not	Whether Board of Member or Not
Audit Committee	Ebru Oğan Knottnerus	Yes	Board Member
Audit Committee	Kamala Nuriyeva	No	Board Member
Corporate Governance Committee	Meriç Uluşahin	Yes	Board Member
Corporate Governance Committee	Jalal Gasimov	No	Board Member
Risk Management Committee	Kamala Nuriyeva	Yes	Board Member
Risk Management Committee	Farid Mammadov	No	Board Member
Risk Management Committee	Ebru Oğan Knottnerus	No	Board Member
HR and Remuneration Committee	Jalal Gasimov	Yes	Board Member
HR and Remuneration Committee	Farid Mammadov	No	Board Member
Strategy and Budget Committee	Jalal Gasimov	Yes	Board Member
Strategy and Budget Committee	Farid Mammadov	No	Board Member
Strategy and Budget Committee	Meriç Uluşahin	No	Board Member
Strategy and Budget Committee	H. Cenk Eynehan	No	Board Member
Credit Committee	H. Cenk Eynehan	Yes	Board Member
Credit Committee	Adnan Aykol	No	Board Member
Credit Committee	Taleh Kazimov	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 General Manager'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 and Debt Servicing Ability" 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 was mentioned in the Footnote titled Disclosures on the Risk Group that the Bank was Involved contained on page 108 of the Seventh Section of the Independent Auditor's Report, which was included in the Annual Report.

CORPORATE GOVERNANCE COMPLIANCE REPORT AND INFORMATION FORM

Composition of Board Committees-II	Name of Committees Defined as "Other" in the First Column
Names of the Board Committees	
Audit Committee	-
Corporate Governance Committee	-
Risk Management Committee	-
HR and Remuneration Committee	-
Strategy and Budget Committee	-
Credit Committee	-
Names of the Board Committees	The Percentage of Non-Executive Directors in the Committee
Audit Committee	100%
Corporate Governance Committee	100%
Risk Management Committee	100%
HR and Remuneration Committee	100%
Strategy and Budget Committee	75%
Credit Committee	66%
Names of the Board Committees	The Percentage of Independent Directors in the Committee
Audit Committee	50%
Corporate Governance Committee	50%
Risk Management Committee	33%
HR and Remuneration Committee	0%
Strategy and Budget Committee	25%
Credit Committee	33%
Names of the Board Committees	The Number of Meetings Held in Person
Audit Committee	1
Corporate Governance Committee	1
Risk Management Committee	1
HR and Remuneration Committee	3
Strategy and Budget Committee	4
Credit Committee	18
Names of the Board Committees	The Number of Reports on its Activities Submitted to the Board
Audit Committee	4
Corporate Governance Committee	1
Risk Management Committee	4
HR and Remuneration Committee	1
Strategy and Budget Committee	4
Credit Committee	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:

1. 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 December 31, 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



Meriç ULUŞAHİN

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:

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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 December 31, 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

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:

1. 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 December 31, 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



Adnan AYKOL

STATEMENT OF RESPONSIBILITY

PASHA YATIRIM BANKASI A.Ş
2018 ANNUAL REPORT
STATEMENT

The 2018 Annual Report of PASHA Yatırım Bankası A.Ş. has been prepared in accordance with the provisions of the "Regulation on Principles and Standards for the Preparation and Publication of Annual Reports by the Banks" published in the Official Gazette numbered 26333, dated November 11, 2006 and presented hereafter.



Jalal GASIMOV
Chairman



Ebru Oğan Knottnerus
Chair of the Audit
Committee



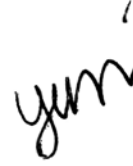
Kamala NURIYEVA
Member of the Audit
Committee



Hikmet Cenk EYNEHAN
General Manager and
Board Member



Ali İhsan TOKKUZUN
Deputy General Manager



Yeşim ÇAĞLAR
Financial Planning,
Strategy & Budget
Manager

ANNUAL REPORT COMPLIANCE OPINION

(Convenience translation of a report originally issued in Turkish)

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

To the Shareholders of Pasha Yatırım Bankası A.Ş.

1) Opinion

We have audited the annual report of Pasha Yatırım Bankası A.Ş. ("the Bank") for the period of 1 January 2018-31 December 2018.

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 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 Unconsolidated Financial Statements

We have expressed unqualified opinions in our auditor's reports dated February 14, 2019 on the full set unconsolidated financial statements of the Bank for the period of 1 January 2018-31 December 2018.

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:

- 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.
- 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 the consolidated and 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.
- 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 Customs and 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 November 1, 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 Turkish Financial Reporting Standards (TFRS) for the matters which are not regulated by these regulations, on whether the consolidated and unconsolidated financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the 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 consolidated and 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 consolidated and 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 member firm of Ernst & Young Global Limited


Emre Çelik, SMMM
Associate Partner

March 1, 2019
Istanbul, Turkey

ASSESSMENTS OF THE AUDIT COMMITTEE ON THE ACTIVITIES OF INTERNAL SYSTEMS

PASHA Bank's risk management, internal audit, and 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 Regarding Prevention of Laundering of Proceeds of Crime and Combating the Financing of Terrorism."

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 MASAK directives reports to the Board of Directors through the Audit Committee and the Risk Management Committee.

Internal Audit Department

The annual internal audit plan that is prepared each year according to the Bank's developing and changing activities, legislative amendments, the results of the risk assessment report, and the risk matrix prepared as of the previous year-end, is submitted to the Board of Directors following the endorsement by the Audit Committee.

During the year, the main activities of such internal systems departments are carried out in accordance with these plans and are reported accordingly. The findings and report requests made during the Audit Committee meetings are forwarded to the relevant departments of the Bank through the Bank's internal systems departments.

Risk analysis studies for support service institutions are created in line with the views of the internal systems departments, and the periodic evaluation reports and audit reports issued on the relevant organizations are 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 July 30, 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. Test results were reviewed by the Audit Committee and the results were presented to the Board of Directors.

Internal systems are at the focal point of all operations in the Bank in terms of the risk, organization, quality management, efficiency, adequacy, and compliance function.

The internal audit department carries out its activities in accordance with the annual audit plan prepared and approved by the Board of Directors at the beginning of each year based on the evolving, changing structure of the Bank, changing legislation, and the risk assessments resulting from internal audit and internal control activities carried out the year before.

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 all 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 Senior Management 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 and risk management systems. It provides opinions and proposals for effective and efficient use of bank resources.

The Internal Audit Department carried out all audits in line with the annual audit plan and submitted to the Board of Directors through the Audit Committee a total of 10 internal audit reports covering the audits of the banking processes, information systems, risk management and internal control activities.

In 2019, the Internal Audit Department will continue to oversee the effectiveness, adequacy and compliance of the Bank's internal control function with the Banking Law and the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process.

Internal Control Department

Using a risk-focused approach and taking into consideration the Bank's constantly evolving and changing structure, PASHA Bank's Internal Control Department performs second level controls in an objective and independent manner to improve the effectiveness and efficiency of the Bank's internal control system.

The main goals of the Internal Control Department are to protect the Bank's assets, ensure that all operations are carried out in compliance with the banking laws and regulations and bylaws, and to ensure the accuracy and safety of all accounts and records. To achieve these goals, the Department closely follows all developments in the field of internal control around the world, and revises the Bank's internal control practices as necessary.

The Internal Control Department monitors the banking operations in accordance with the frequency specified in the internal control plan, performs the controls at the second level, and ensures correction of errors and nonconformities through determinative controls. During the 2018 operating year, all operational activities of the Bank were controlled within the framework of the control points that change at daily, weekly, biweekly, monthly, quarterly, annual frequencies, and are realized based on needs; and the control results are reported on a monthly basis.

In 2019, the Internal Control Department will continue its efforts to establish and operate an effective and adequate internal control system that complies with the Banking Law and the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process.

Compliance Department

The Compliance Department develops and executes, within the scope of the compliance function, monitoring and control activities in accordance with the field of activity of our Bank and ensure compliance with ethical principles, the prevention of conflicts of interest, and the organization of compulsory training programs subject to the Law No. 5549 and Law No. 6415 and secondary legislation related to these laws. Within this framework, embargo checks and controls within the scope of the prevention of laundering of crime revenues are carried out, legally mandated training programs are organized, and a culture of compliance is promoted for the Bank's staff. Compliance models are being developed within the scope of new products and services, opinions are being provided for the Bank's procedures and policies, and customer acceptance, correspondent banking, suppliers, all payments and foreign trade transactions mediated by our bank are being monitored and controlled. At

the same time, the best practices in FATCA and CRS (Common Reporting Standards) and local legislation are followed, and necessary arrangements are made within the Bank. On the other hand, opinions are provided on the policies and procedures for the relevant processes, including the new products and services and the projects being implemented.

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 2018:

- The Risk Limits Document was updated in line with the Bank's needs.
- Risk maps, key risk indicators, and risk mitigating actions for operational risks exposed to by the Bank were monitored within the framework of the Operational Risk Procedure.
- The Operational Risk Procedure was updated. The Operational Risk Inventory was aligned with the Bank's strategy for the 2018-2020 period; hence, a correlation was established between strategy and risks.
- Within the scope of weekly, monthly, quarterly, and annual regular reporting to the BRSA:
- Calculation on a monthly basis of credit risk and capital requirements for credit risk by using the standard method,
- Calculation on a monthly basis of the interest rate risk and exchange rate risk, and capital requirements for such risks by using the standard method,
- Measurement of operational risk by using the basic indicator approach and calculation of capital requirements for operational risk,
- Calculation of liquidity coverage ratio on a weekly and monthly basis were made. In addition to these, the necessary information that was requested was provided.
- Monthly provisions were calculated according to IAS 39. A provision calculation model pursuant to IFRS 9 standards was developed to ensure compliance with Group Risk and legal standards.
- Opinion and information sharing requested by the Banks Association of Turkey within the scope of risk management was made.
- In addition to the monthly periodic reporting to the Board and weekly reporting to the ALCO, timely information was provided to Senior Management on the Bank's risk profile through the reporting made upon request.

ASSESSMENTS OF THE AUDIT COMMITTEE ON THE ACTIVITIES OF INTERNAL SYSTEMS

- Policies and procedures were started to be updated within the scope of compliance with the common policies of the PASHA Group on Risk Management, and monthly reports were provided at the Group level.
- A working group on the Internal Capital Adequacy Assessment Process (ICAAP) was established. Within this scope, scenario analyses and stress tests aiming at assessing and measuring as effectively as possible all risks to which the Bank may be exposed and allowing the determination of the capital it may need were prepared and shared with the Board of Directors.
- Continual review of rating systems and monitoring of their performance are carried out independently by the Risk Management Department under the supervision of the Risk Management Committee. In an effort both to comply with the Basel criteria and to conduct customer evaluations with more objective criteria, and to increase the risk measurement capability in this way, continual improvement studies on rating systems were used, and the studies for developing more successful statistical models for emerging new needs were maintained effectively.
- In collaboration with the consulting firm, the Bank undertook projects and efforts on new risk rating models aimed at quantifying risk based on financial and subjective data, behavioral data, group approach and warning signals, to replace the existing rating models.
- The limits established for 2018-2020 under the Bank's Risk Appetite Statement were monitored with minor updates.
- Concentration limits were set for the individual company, Group companies and banks to keep credit concentration under control.
- The risk level of the portfolio, trends and changes in the portfolio, as well as various concentrations (country, borrower, group, industry, rating, collateral, etc.) were reviewed regularly within the scope of monitoring of the risk level of the credit portfolio.
- The liquidity status of the Bank was monitored both in terms of TL and FX and on total liquidity basis, and the liquidity adequacy was tested under various stress assumptions, and the results were reported regularly to the relevant Committees and the Senior Management.
- Risk assessments conducted within the scope of the support services management process were realized.
- Risk assessments were conducted for new products and services to be offered to customers under the current New Product and Service management process in place at the Bank, risks that could arise from such products and services were assessed in detail, and the business lines were enabled to take measures to minimize the risk associated with the product and service.
- Studies were continued for creating the risk-control matrices, and scoring the risks for work flows and control points specified for all processes at the Bank.

Within the scope of the business continuity management process, critical processes and dependencies of the units were determined through business impact analysis studies that were repeated periodically, and tests for loss of office and primary systems and evacuation drills were executed.

The Audit Committee also continued to fulfill the tasks of conducting preliminary assessments that are necessary in the selection by the Board of Directors of independent audit, appraisal, and support service institutions, monitoring the activities of these organizations selected and contracted with by the Board of Directors, and evaluating the results of relevant independent and internal audits. In addition, the Committee came together with the managers of the independent audit institution on a quarterly basis and received detailed information about their work.

The Internal Control Department and the Internal Audit Department will continue their work in 2019 concerning the fulfillment of the obligation to establish and operate an effective, adequate, and compliant control system at the Bank within the scope of the Banking Law and the Regulation on Internal Systems and Internal Capital Adequacy Assessment Process of Banks. The Compliance Department will continue to develop and implement monitoring and control activities under the MASAK's legislation.

ASSESSMENTS ON THE FINANCIAL POSITION, PROFITABILITY AND DEBT SERVICING CAPABILITY

PASHA Bank's total assets grew by 50% year-over-year to reach TL 1,349.6 million, due to the acquisition of the headquarters building and growth in corporate loans. In the same period, the Bank's liabilities increased to TL 843.9 million, and the paid-in capital reached TL 500 million on the back of a capital increase in cash by PASHA Holding LLC in the Bank corresponding to 49%, as a result total shareholders' equity rose to TL 505.7 million. Having attained a gross operating profit of TL 68.8 million according to the unconsolidated financials at the end of 2018, the Bank posted a TL 42.1 million impairment loss caused by the building acquired. It closed 2018 with a net period loss of TL 3.6 million, as a result of impairment loss and allocation of TL 17.7 million reserves for the expected losses.

The total amount of cash loans and lease receivables rose by 18% year-over-year at the end of 2018, increasing from TL 713 million to TL 840 million, corresponding to 62% in the total assets. TL-denominated loans constitute 42% of the cash loans. Non-cash loans amounted to TL 422.7 million with a year-over-year growth of 16%, and the total credit risk exposure rose to TL 1,276 million with a 17% increase.

Cash, banks and liquid marketable securities consist of 20% of total assets and 58% of the Bank's securities portfolio comprises of government bonds and treasury bills.

The Bank acquired a building classified as "investment property" with a total cost of TL 261 million located on Büyükdere Avenue to be used as the headquarters.

The primary funding source of the Bank is the shareholders' equity with a 37% share, followed by "Funds Borrowed" with a 34% share and "Securities Issued" with a 24% share. As of the financial reporting date, two Eurobond issues in Azerbaijan, the first issue realized by a foreign institution, constituted 83% of the total value of outstanding amounts of debt securities issued.

The Bank reported TL 3.6 million loss as of yearend 2018. Interest income increased by 90% reaching TL 124.4 million, in parallel with the growth in total assets and loans. However, net interest income grew by 100% to reach TL 79.5 million, despite rising borrowing costs due to current monetary policies. Net commission income increased to TL 3.2 million up from TL 1.8 million, due to growing volume of non-cash loans. As a result of these developments, operating income grew by 50% year-over-year, amounting to TL 69 million.

Total operating expenses reached TL 26.9 million in parallel with increased operations of the Bank.

The Bank's unconsolidated capital adequacy ratio was realized at a high level of 37.85%. PASHA Bank is in a strong position in terms of capital, and its assets are adequate to meet its liabilities.

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 work under the Risk Management Committee and independently of other business lines.

The Bank’s risk management approach aims at establishing and operating all the infrastructures necessary for the establishment and operation of a sound risk management system, including human resources, information technology infrastructures, risk assessment models, policies, procedures, implementation instructions, and reports as well as an integrated risk management based on risks and returns.

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 maintenance of an effective risk management system is among the priorities of the top management at PASHA Yatırım Bankası A.Ş. The risk-taking strategy of the bank is determined in a way to include the risks that it may take in financial markets, position limits that restrict these risks, and also control points of the risks to be taken.

The risk management function at our bank was created under the Risk Management Committee within an organizational structure independent of the business units.

The managers and the staff at all levels of the bank have been tasked with assessing the risks that are faced, knowing very well 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.

The policies, procedures, and methodologies required for measuring, analyzing, monitoring, reporting, and controlling the risks that have been identified are determined by the Risk Management Unit and come into force after they have been accepted by the Risk Management Committee and approved by the Board of Directors.

The risk management unit is responsible for monitoring the risk 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. The findings are included in a report to inform the Audit Committee and the Board of Directors.

INFORMATION ON RATINGS ASSIGNED BY RATING AGENCIES

The international credit rating agency Fitch Ratings affirmed PASHA Bank's rating in its press release dated February 12, 2018 as follows.

National Long-Term Rating: BBB+ (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.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. disclosed the Corporate Governance Rating score assigned to PASHA Bank as 91.87 in its latest report dated July 2, 2018.

The corporate governance compliance rating score comprises four main sections with different weights as per the CMB's regulations relevant to this topic. These four sections and PASHA Bank's ratings are as follows:

Main Sections	Weight	Score Assigned
Shareholders	25%	92.08
Public Disclosure and Transparency	25%	90.95
Stakeholders	15%	91.34
Board of Directors	35%	92.61
Total	100%	91.87

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	31.12.2018	31.12.2017	31.12.2016	31.12.2015	31.12.2014
Total Assets	1,349,565	896,845	510,357	322,405	61,071
Total Cash Loans	839,986	679,099	403,870	245,744	51,282
Securities	60,694	26,251	20,538	9,619	1,764
Total Equity	505,657	260,607	244,658	230,552	46,849
Net Profit/Loss	(3,563)	16,008	14,005	8,787	(1,817)

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

PASHA YATIRIM BANKASI A.Ş.

**PUBLICLY ANNOUNCED UNCONSOLIDATED
FINANCIAL STATEMENTS TOGETHER WITH AUDIT
REPORT AT 31 DECEMBER 2018**



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(Convenience translation of the 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 2018, 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, 2018 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.

Key Audit Matter

How the matter is addressed in our audit

Transition impact of TFRS 9 “Financial Instruments” Standard and recognition of impairment on financial assets and related significant disclosures

As presented in Section 3 disclosure VII, as of 1 January 2018, the Bank adopted the TFRS 9 “Financial Instruments” standard began to recognize expected credit losses of financial assets in accordance with TFRS 9. We considered the transition to TFRS 9 and impairment of financial assets as a key audit matter since:

- Balance sheet and off balance sheet items that are subject to expected credit loss calculation is material for the financial statements.
- Complex accounting requirements of TFRS 9.
- The model that is established by the Group 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.
- The new or revised processes that is started to be used with the transition of TFRS 9, have complex and intensive control environment.
- The new, significant and complex judgements and estimations needed for the calculation of expected credit losses and,
- The complex disclosure requirements of TFRS

Our audit procedures include among others include:

- Evaluating the appropriateness of management’s selection of accounting policies based on the requirements of TFRS 9, our business understanding and industry practice.
- Identifying and testing relevant controls by involving Process audit specialists.
- Evaluating the reasonableness of management’s key judgments 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.
- 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, and recovery rates and significant estimates and judgements.
- Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss.
- Evaluating the appropriateness and testing the mathematical accuracy of Expected credit loss models applied.
- Evaluating the reasonableness of and tested the post-model adjustments.

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.

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

- 1) 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, 2018 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



Emre Çelik SMMM
Associate Partner

14 February 2019
İstanbul, Türkiye



**THE YEAR-END UNCONSOLIDATED FINANCIAL REPORT OF
PASHA YATIRIM BANKASI A.Ş. AS OF 31 DECEMBER 2018**

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

- **SECTION ONE** - GENERAL INFORMATION ABOUT THE BANK
- **SECTION TWO** - UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- **SECTION THREE** - EXPLANATIONS ON ACCOUNTING POLICIES
- **SECTION FOUR** - INFORMATION RELATED TO UNCONSOLIDATED FINANCIAL POSITION AND RISK MANAGEMENT
- **SECTION FIVE** - EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
- **SECTION SIX** - OTHER EXPLANATIONS AND NOTES
- **SECTION SEVEN** - EXPLANATIONS ON INDEPENDENT AUDITOR'S REPORT

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


Jalal GASIMOV
Chairperson of
Board of Directors


Ebru Özkan KNOTTNERUS
Chairperson of
Audit Committee


Kamala NURIYEVA
Member of
Audit Committee


H. Cenk EYNEHAN
General Manager


Ali İhsan TOKKUZUN
Deputy General Manager


Yeşim ÇAĞLAR
Financial Planning, Strategy
and Budget Dept. Manager

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

Name-Surname/Title : Yeşim ÇAĞLAR / Manager
Telephone Number : (0212) 705 89 08
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CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY
ISSUED IN TURKISH, SEE NOTE I OF SECTION THREE

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

SECTION ONE GENERAL INFORMATION

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

Bank's commercial title	Pasha Yatırım Bankası A.Ş.
Reporting Period	1 January - 31 December 2018
Address of the Bank's Headquarters	A.O.S. 55. Sokak No:2 42 Maslak Ofis 3 Kat:7 34398 Maslak İstanbul, Türkiye
Telephone	(0 212) 705 89 00
Fax	(0 212) 345 07 12
Website	www.pashabank.com.tr
E-mail	info@pashabank.com.tr

PASHA Yatırım Bankası A.Ş. ("Bank", "PASHA Bank") has been permitted by the decree no. 87/11898 dated 17 June 1987 by the Council of Ministers pursuant to the Banking Law No. 3182 and the Bank has been established under the title of Yatırım Bank A.Ş. headquartered in Istanbul under the Foreign Investment Promotion Law. The establishment of the Bank was permitted by the Ministry of Industry and Trade on the date of 21 December 1987, the Articles of Association of the Bank was approved by the decision no. 1987/5087 dated 25 December 1987 of the 1st Commercial Court of Istanbul, and it was registered with the Istanbul Trade Registry Office under the no. 240320 on the date of 25.12.1987 and published in the Turkish Trade Registry Gazette no. 1924 and dated 30 December 1987. Commencing its investment banking activities on the date of 1 March 1988, the Bank has been operating as of 31 December 2018 through its head office in Istanbul only and has no branches.

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

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

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

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

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

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

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

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

Partnership structure of the Bank as of 31 December 2018, is stated below:

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS

AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

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	Jalal Gasimov	Postgraduate	-
Vice President of the Board of Directors	Farid Mammadov	Postgraduate	-
Member of the Board of Directors	Taleh Kazimov	Postgraduate	-
Member of the Board of Directors	Shahin Mammadov	PhD	-
Member of the Board of Directors / Member of Audit Committee ⁽¹⁾	Kamala Nuriyeva	Postgraduate	-
Independent Member of the Board of Directors / Chairman of Audit Committee	Ebru Oğan Knottnerus	Graduate	-
Independent Member of the Board of Directors	Adnan Aykol	Graduate	-
Independent Member of the Board of Directors	Meriç Uluşahin	Graduate	-
Member of the Board of Directors / General Manager	Hikmet Cenk Eynehan	Postgraduate	-
Assistant General Manager	Ali İhsan Tokkuzun	Postgraduate	-
Assistant General Manager	Ayşe Hale Yıldırım	Graduate	-
Assistant General Manager	Uğur Koç	Graduate	-

The individuals listed above do not possess any direct shareholdings in the Bank.

⁽¹⁾ Independent Member of the Board of the Directors and the Chairman of the Audit Committee Mesut Özdinc's resignation has been accepted with the decision of the Board of Directors dated 2 July 2018 and numbered 63. Instead of Mesut Özdinc, Ebru Ogan Knottnerus, to be submitted to shareholders' approval at the first General Meeting of the Bank, has been elected as an Independent Member of the Board of Directors as of 2 July 2018 and has been appointed as the Chairman of the Audit Committee.

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

IV. Explanation on shareholders having control shares:

Explanation on shareholders having control shares of the Bank as of 31 December 2018, is stated below;

Name/Commercial title	Share Amounts (nominal)	Share percentage	Paid-in Capital (nominal)	Unpaid portion
Reveri LLC	198,939	39.79%	198,939	-
Bless LLC	198,939	39.79%	198,939	-
Ador Ltd.	76,438	15.29%	76,438	-

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

The Bank operates as an investment bank and as of 31 December 2018 the Bank has 52 employees (31 December 2017: 45).

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

None.

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

SECTION TWO UNCONSOLIDATED FINANCIAL STATEMENTS

I. BALANCE SHEET - ASSETS (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31/12/2018		
ASSETS	Note (Section Five-I)	LC	FC	Total
I. FINANCIAL ASSETS (Net)		77,794	173,435	251,229
1.1 Cash and cash equivalents		68,672	109,075	177,747
1.1.1 Cash and balances at Central Bank	(1)	8,536	76,575	85,111
1.1.2 Banks	(3)	10,103	32,500	42,603
1.1.3 Receivables from Money Markets		50,033	-	50,033
1.2 Financial assets at fair value through profit or loss	(2)	1,250	1,537	2,787
1.2.1 Public debt securities		-	-	-
1.2.2 Equity instruments		-	-	-
1.2.3 Other financial assets		1,250	1,537	2,787
1.3 Financial assets at fair value through other comprehensive income	(4)	8,405	-	8,405
1.3.1 Public debt securities		3,839	-	3,839
1.3.2 Equity instruments		-	-	-
1.3.3 Other financial assets		4,566	-	4,566
1.4 Financial assets measured at amortised cost	(6)	-	60,694	60,694
1.4.1 Public debt securities		-	37,533	37,533
1.4.2 Other financial assets		-	23,161	23,161
1.5 Derivative financial assets		118	2,129	2,247
1.5.1 Derivative financial assets at fair value through profit or loss	(2)	118	2,129	2,247
1.5.2 Derivative financial assets at fair value through other comprehensive income	(11)	-	-	-
1.6 Non-performing financial assets		-	-	-
1.7 Allowance for expected credit losses (-)		(651)	-	(651)
II. LOANS (Net)		388,297	451,981	840,278
2.1 Loans	(5)	388,005	451,981	839,986
2.1.1 Loans measured at amortised cost		388,005	451,981	839,986
2.1.2 Loans at fair value through profit or loss		-	-	-
2.1.3 Loans at fair value through other comprehensive income		-	-	-
2.2 Receivables from leasing transactions	(10)	12,585	-	12,585
2.2.1 Finance lease receivables		15,134	-	15,134
2.2.2 Operational lease receivables		-	-	-
2.2.3 Unearned income (-)		(2,549)	-	(2,549)
2.3 Factoring receivables		-	-	-
2.3.1 Factoring receivables measured at amortised cost		-	-	-
2.3.2 Factoring receivables at fair value through profit or loss		-	-	-
2.3.3 Factoring receivables at fair value through other comprehensive income		-	-	-
2.4 Non-performing loans		2,663	-	2,663
2.5 Allowance for expected credit losses (-)	(5)	(14,956)	-	(14,956)
2.5.1 12-Month expected credit losses (Stage 1)		(5,830)	-	(5,830)
2.5.2 Significant increase in credit risk (Stage 2)		(6,463)	-	(6,463)
2.5.3 Credit-impaired (Stage 3)		(2,663)	-	(2,663)
III. NON-CURRENTS ASSETS OR DISPOSAL GROUPS "HELD FOR SALE" AND "FROM DISCONTINUED OPERATIONS (Net)"	(16)	-	-	-
3.1 Held for sale		-	-	-
3.2 Held from discontinued operations		-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES		-	-	-
4.1 Investments in associates (Net)	(7)	-	-	-
4.1.1 Associates accounted by using equity method		-	-	-
4.1.2 Non-consolidated associates		-	-	-
4.2 Investments in subsidiaries (Net)	(8)	-	-	-
4.2.1 Non-consolidated financial subsidiaries		-	-	-
4.2.2 Non-consolidated non-financial subsidiaries		-	-	-
4.3 Jointly Controlled Partnerships (Joint Ventures) (Net)	(9)	-	-	-
4.3.1 Jointly controlled partnerships accounted by using equity method		-	-	-
4.3.2 Non-consolidated jointly controlled partnerships		-	-	-
V. TANGIBLE ASSETS (Net)	(12)	2,375	-	2,375
VI. INTANGIBLE ASSETS AND GOODWILL (Net)	(13)	1,274	-	1,274
6.1 Goodwill		-	-	-
6.2 Other		1,274	-	1,274
VII. INVESTMENT PROPERTIES (Net)	(14)	218,333	-	218,333
VIII. CURRENT TAX ASSETS		351	-	351
IX. DEFERRED TAX ASSETS	(15)	12,171	-	12,171
X. OTHER ASSETS	(17)	23,481	73	23,554
TOTAL ASSETS		724,076	625,489	1,349,565

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

			Audited Prior Period 31/12/2017	
ASSETS	Note (Section Five-I)	LC	FC	Total
I. CASH AND BALANCES WITH CENTRAL BANK	(1)	9,787	67,786	77,573
II. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	(2)	4,943	-	4,943
21 Trading Financial Assets		4,943	-	4,943
211 Government Debt Securities		-	-	-
212 Share Certificates		-	-	-
213 Trading Derivative Financial Assets		-	-	-
214 Other Marketable Securities		4,943	-	4,943
22 Financial Assets Designated at Fair Value through Profit or Loss		-	-	-
221 Government Debt Securities		-	-	-
222 Share Certificates		-	-	-
223 Loans		-	-	-
224 Other Marketable Securities		-	-	-
III. BANKS	(3)	29	73,587	73,616
IV. MONEY MARKETS		-	-	-
41 Interbank Money Market Placements		-	-	-
42 Receivables from Istanbul Stock Exchange Money Market		-	-	-
43 Receivables from Reverse Repurchase Agreements		-	-	-
V. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)	(4)	14,019	7,289	21,308
51 Share Certificates		-	-	-
52 Government Debt Securities		5,080	-	5,080
53 Other Marketable Securities		8,939	7,289	16,228
VI. LOANS	(5)	485,173	193,926	679,099
61 Loans		485,173	193,926	679,099
611 Loans to Bank's Risk Group		-	555	555
612 Government Debt Securities		-	-	-
613 Other		485,173	193,371	678,544
62 Loans under Follow-up		-	-	-
63 Specific Provisions (-)		-	-	-
VII. FACTORING RECEIVABLES		-	-	-
VIII. HELD-TO-MATURITY SECURITIES (Net)	(6)	-	-	-
81 Government Debt Securities		-	-	-
82 Other Marketable Securities		-	-	-
IX. INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
91 Consolidated Based on Equity Method		-	-	-
92 Unconsolidated		-	-	-
921 Financial Investments in Associates		-	-	-
922 Non-financial Investments in Associates		-	-	-
X. SUBSIDIARIES (Net)	(8)	-	-	-
101 Unconsolidated Financial Subsidiaries		-	-	-
102 Unconsolidated Non-Financial Subsidiaries		-	-	-
XI. JOINT VENTURES (Net)	(9)	-	-	-
111 Consolidated Based on Equity Method		-	-	-
112 Unconsolidated		-	-	-
1121 Financial Joint Ventures		-	-	-
1122 Non-financial Joint Ventures		-	-	-
XII. LEASE RECEIVABLES (Net)	(10)	16,931	17,018	33,949
121 Financial Lease Receivables		22,076	17,472	39,548
122 Operational Lease Receivables		-	-	-
123 Other		-	-	-
124 Unearned Income (-)		(5,145)	(454)	(5,599)
XIII. HEDGING DERIVATIVE FINANCIAL ASSETS	(11)	-	-	-
131 Fair Value Hedge		-	-	-
132 Cash Flow Hedge		-	-	-
133 Foreign Net Investment Hedge		-	-	-
XIV. PROPERTY AND EQUIPMENT (Net)	(12)	655	-	655
XV. INTANGIBLE ASSETS (Net)	(13)	869	-	869
151 Goodwill		-	-	-
152 Other		869	-	869
XVI. INVESTMENT PROPERTY (Net)	(14)	-	-	-
XVII. TAX ASSET		902	-	902
171 Current Tax Asset		2	-	2
172 Deferred Tax Asset	(15)	900	-	900
XVIII. ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)	(16)	-	-	-
181 Held for Resale		-	-	-
182 Discontinued Operations		-	-	-
XIX. OTHER ASSETS	(17)	3,883	48	3,931
TOTAL ASSETS		537,191	359,654	896,845

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

II. BALANCE SHEET LIABILITIES (STATEMENT OF FINANCIAL POSITION)

		Audited Current Period 31/12/2018		
LIABILITIES	Note (Section Five-II)	LC	FC	Total
I. DEPOSITS	(1)	-	-	-
II. LOANS RECEIVED	(3)	34,277	426,113	460,390
III. MONEY MARKET FUNDS	(4)	-	-	-
IV. MARKETABLE SECURITIES ISSUED (Net)	(5)	54,104	264,388	318,492
4.1 Bills		54,104	-	54,104
4.2 Asset backed securities		-	-	-
4.3 Bonds		-	264,388	264,388
V. FUNDS		13,764	9,236	23,000
5.1 Borrower funds	(6)	13,764	9,236	23,000
5.2 Other		-	-	-
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES		-	116	116
7.1 Derivative financial liabilities at fair value through profit or loss	(2)	-	116	116
7.2 Derivative financial liabilities at fair value through other comprehensive income	(9)	-	-	-
VIII. FACTORING PAYABLES		-	-	-
IX. LEASE PAYABLES	(8)	-	-	-
9.1 Finance lease payables		-	-	-
9.2 Operating lease payables		-	-	-
9.3 Other		-	-	-
9.4 Deferred finance lease expenses (-)		-	-	-
X. PROVISIONS	(10)	9,830	-	9,830
10.1 Provision for restructuring		-	-	-
10.2 Reserves for employee benefits		565	-	565
10.3 Insurance technical reserves (Net)		-	-	-
10.4 Other provisions		9,265	-	9,265
XI. CURRENT TAX LIABILITIES	(11)	5,425	-	5,425
XII. DEFERRED TAX LIABILITIES	(11)	-	-	-
XIII. LIABILITIES RELATED TO NON-CURRENT ASSETS "HELD FOR SALE" AND "DISCONTINUED OPERATIONS" (Net)	(12)	-	-	-
13.1 Held for sale		-	-	-
13.2 Related to discontinued operations		-	-	-
XIV. SUBORDINATED DEBT	(13)	-	-	-
14.1 Loans		-	-	-
14.2 Other debt instruments		-	-	-
XV. OTHER LIABILITIES	(7)	25,929	726	26,655
XVI. SHAREHOLDERS' EQUITY	(14)	505,657	-	505,657
16.1 Paid-in capital		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	(41)	-	-	(41)
16.5 Profit reserves		5,655	-	5,655
16.5.1 Legal reserves		295	-	295
16.5.2 Statutory reserves		295	-	295
16.5.3 Extraordinary reserves		5,065	-	5,065
16.5.4 Other profit reserves		-	-	-
16.6 Profit or loss		43	-	43
16.6.1 Prior years' profits or losses		3,606	-	3,606
16.6.2 Current period net profit or loss		(3,563)	-	(3,563)
TOTAL EQUITY AND LIABILITIES		648,986	700,579	1,349,565

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

		Audited Prior Period 31/12/2017		
	Note (Section Five-II)	LC	FC	Total
LIABILITIES				
I. DEPOSITS	(1)	-	-	-
11 Deposits of Bank's Risk Group		-	-	-
12 Other		-	-	-
II. TRADING DERIVATIVE FINANCIAL LIABILITIES	(2)	380	692	1,072
III. BORROWINGS	(3)	39,590	301,797	341,387
IV. MONEY MARKETS		62,729	-	62,729
4.1 Funds from Interbank Money Market		-	-	-
4.2 Funds from Istanbul Stock Exchange Money Market		54,672	-	54,672
4.3 Funds Provided Under Repurchase Agreements	(4)	8,057	-	8,057
V. MARKETABLE SECURITIES ISSUED (Net)	(5)	87,329	94,412	181,741
5.1 Bills		87,329	-	87,329
5.2 Asset Backed Securities		-	-	-
5.3 Bonds		-	94,412	94,412
VI. FUNDS		6,106	13,881	19,987
6.1 Borrower Funds	(6)	6,106	13,881	19,987
6.2 Other		-	-	-
VII. MISCELLANEOUS PAYABLES		178	-	178
VIII. OTHER LIABILITIES	(7)	7,370	9,590	16,960
IX. FACTORING PAYABLES		-	-	-
X. LEASE PAYABLES (Net)	(8)	-	-	-
10.1 Financial Lease Payables		-	-	-
10.2 Operational Lease Payables		-	-	-
10.3 Other		-	-	-
10.4 Deferred Financial Lease Expenses (-)		-	-	-
XI. HEDGING DERIVATIVE FINANCIAL LIABILITIES	(9)	-	-	-
11.1 Fair Value Hedge		-	-	-
11.2 Cash Flow Hedge		-	-	-
11.3 Foreign Net Investment Hedge		-	-	-
XII. PROVISIONS	(10)	9,660	-	9,660
12.1 General Loan Loss Provision		7,393	-	7,393
12.2 Restructuring Provisions		-	-	-
12.3 Reserve for Employee Rights		475	-	475
12.4 Insurance Technical Provisions (Net)		-	-	-
12.5 Other Provisions		1,792	-	1,792
XIII. TAX LIABILITY	(11)	2,524	-	2,524
13.1 Current Tax Liability		2,524	-	2,524
13.2 Deferred Tax Liability		-	-	-
XIV. PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS	(12)	-	-	-
14.1 Held for Resale		-	-	-
14.2 Discontinued Operations		-	-	-
XV. SUBORDINATED LOANS	(13)	-	-	-
XVI. SHAREHOLDERS' EQUITY	(14)	260,606	1	260,607
16.1 Paid-in Capital		255,000	-	255,000
16.2 Capital Reserves	(49)	(49)	1	(48)
16.2.1 Share Premium		-	-	-
16.2.2 Share Cancellation Profits		-	-	-
16.2.3 Marketable Securities Valuation Reserve	(49)	(49)	1	(48)
16.2.4 Tangible Assets Revaluation Reserve		-	-	-
16.2.5 Intangible Assets Revaluation Reserve		-	-	-
16.2.6 Investment Property Revaluation Reserve		-	-	-
16.2.7 Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-
16.2.8 Hedging Reserves (Effective portion)		-	-	-
16.2.9 Value Differences of Assets Held for Resale and Discontinued Operations		-	-	-
16.2.10 Other Capital Reserves		-	-	-
16.3 Profit Reserves		324	-	324
16.3.1 Legal Reserves		29	-	29
16.3.2 Status Reserves		295	-	295
16.3.3 Extraordinary Reserves		-	-	-
16.3.4 Other Profit Reserves		-	-	-
16.4 Income or (Loss)		5,331	-	5,331
16.4.1 Prior Years' Income/ (Loss)	(10,677)	(10,677)	-	(10,677)
16.4.2 Current Year Income/ (Loss)	16,008	16,008	-	16,008
TOTAL LIABILITIES		476,472	420,373	896,845

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

II. OFF-BALANCE SHEET

	Note (Section Five-III)	Audited		
		LC	FC	Total
OFF BALANCE SHEET COMMITMENTS				
A. OFF BALANCE SHEET COMMITMENTS (I+II+III)		303,285	218,096	521,381
I. GUARANTEES AND WARRANTIES	(I)	254,023	168,630	422,653
11. Letters of guarantee		254,023	116,938	370,961
111. Guarantees subject to State Tender Law		-	-	-
112. Guarantees given for foreign trade operations		-	10,562	10,562
113. Other letters of guarantee		254,023	106,376	360,399
12. Bank acceptances		-	-	-
121. Import letter of acceptance		-	-	-
122. Other bank acceptances		-	-	-
13. Letters of credit		-	-	-
131. Documentary letters of credit		-	-	-
132. Other letters of credit		-	-	-
14. Prefinancing given as guarantee		-	-	-
15. Endorsements		-	-	-
151. Endorsements to the Central Bank of Turkey		-	-	-
152. Other endorsements		-	-	-
16. Purchase guarantees for Securities issued		-	-	-
17. Factoring guarantees		-	-	-
18. Other guarantees		-	51,692	51,692
19. Other warranties		-	-	-
II. COMMITMENTS	(I)	82	-	82
21. Irrevocable commitments		82	-	82
211. Asset purchase and sales commitments		-	-	-
212. Deposit purchase and sales commitments		-	-	-
213. Share capital commitment to associates and subsidiaries		-	-	-
214. Loan granting commitments		-	-	-
215. Securities issue brokerage commitments		-	-	-
216. Commitments for reserve requirements		-	-	-
217. Commitments for checks payments		-	-	-
218. Tax and fund liabilities from export commitments		17	-	17
219. Commitments for credit card expenditure limits		-	-	-
2110. Commitments for credit cards and banking services promotions		-	-	-
2111. Receivables from short sale commitments of marketable securities		-	-	-
2112. Payables for short sale commitments of marketable securities		-	-	-
2113. Other irrevocable commitments		65	-	65
22. Revocable commitments		-	-	-
221. Revocable loan granting commitments		-	-	-
222. Other revocable commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2), (5)	49,180	49,466	98,646
31. Derivative financial instruments held for hedging		-	-	-
311. Fair value hedges		-	-	-
312. Cash flow hedges		-	-	-
313. Hedges for investments made in foreign countries		-	-	-
32. Trading transactions		49,180	49,466	98,646
321. Forward foreign currency purchase and sale transactions		49,180	49,466	98,646
3211. Forward foreign currency purchase transactions		1,734	47,882	49,616
3212. Forward foreign currency sale transactions		47,446	1,584	49,030
322. Currency and interest rate swaps		-	-	-
3221. Currency swap purchase transactions		-	-	-
3222. Currency swap sale transactions		-	-	-
3223. Interest rate swap purchase transactions		-	-	-
3224. Interest rate swap sale transactions		-	-	-
323. Currency, interest rate and securities options		-	-	-
3231. Currency purchase options		-	-	-
3232. Currency sale options		-	-	-
3233. Interest rate purchase options		-	-	-
3234. Interest rate sale options		-	-	-
3235. Securities purchase options		-	-	-
3236. Securities sale options		-	-	-
324. Currency futures		-	-	-
3241. Currency purchase futures		-	-	-
3242. Currency sale futures		-	-	-
325. Interest rate futures		-	-	-
3251. Interest rate purchase futures		-	-	-
3252. Interest rate sale futures		-	-	-
326. Other		-	-	-
B. CUSTODY AND PLEDGED SECURITIES (IV+V+VI)		816,031	547,883	1,363,914
IV. ITEMS HELD IN CUSTODY		10,803	-	10,803
41. Assets under management		-	-	-
42. Securities held in custody		4,240	-	4,240
43. Checks received for collection		6,556	-	6,556
44. Commercial notes received for collection		7	-	7
45. Other assets received for collection		-	-	-
46. Securities received for public offering		-	-	-
47. Other items under custody		-	-	-
48. Custodians		-	-	-
V. PLEDGED ITEMS		805,193	495,885	1,301,078
51. Marketable securities		32,652	79,215	111,867
52. Guarantee notes		188,759	70,898	259,657
53. Commodity		61,127	-	61,127
54. Warrant		-	-	-
55. Immovables		322,242	-	322,242
56. Other pledged items		200,413	345,772	546,185
57. Depositories receiving pledged items		-	-	-
VI. ACCEPTED GUARANTEES AND WARRANTIES		35	51,998	52,033
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		1,119,316	765,379	1,885,295

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED OFF-BALANCE SHEET COMMITMENTS AT 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

		Audited Prior Period 31/12/2017		
	Note (Section Five-III)	LC	FC	Total
OFF-BALANCE SHEET COMMITMENTS				
A. OFF-BALANCE SHEET COMMITMENTS (I+II+III)		260,679	214,595	475,274
I. GUARANTEES AND WARRANTIES	(1)	205,473	160,454	365,927
11. Letters of Guarantee		205,473	123,303	328,776
111. Guarantees Subject to State Tender Law		-	-	-
112. Guarantees Given for Foreign Trade Operations		-	-	-
113. Other Letters of Guarantee		205,473	123,303	328,776
12. Bank Acceptances		-	-	-
121. Import Letter of Acceptance		-	-	-
122. Other Bank Acceptances		-	-	-
13. Letters of Credit		-	3,301	3,301
131. Documentary Letters of Credit		-	3,301	3,301
132. Other Letters of Credit		-	-	-
14. Prefinancing Given as Guarantee		-	-	-
15. Endorsements		-	-	-
151. Endorsements to the Central Bank of the Republic of Turkey		-	-	-
152. Other Endorsements		-	-	-
16. Securities Issue Purchase Guarantees		-	-	-
17. Factoring Guarantees		-	-	-
18. Other Guarantees		-	33,850	33,850
19. Other Collaterals		-	-	-
II. COMMITMENTS	(1)	2,458	2,438	4,896
21. Irrevocable Commitments		2,458	2,438	4,896
211. Asset Purchase and Sales Commitments		2,441	2,438	4,879
212. Deposit Purchase and Sales Commitments		-	-	-
213. Share Capital Commitments to Associates and Subsidiaries		-	-	-
214. Commitments for Loan Limits		-	-	-
215. Securities Issue Brokerage Commitments		-	-	-
216. Commitments for Reserve Deposit Requirements		-	-	-
217. Commitments for Cheques		-	-	-
218. Tax and Fund Liabilities from Export Commitments		17	-	17
219. Commitments for Credit Card Limits		-	-	-
2110. Promotion Commitments for Credit Cards and Banking Services		-	-	-
2111. Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2112. Payables for Short Sale Commitments of Marketable Securities		-	-	-
2113. Other Irrevocable Commitments		-	-	-
22. Revocable Commitments		-	-	-
221. Revocable Commitments for Loan Limits		-	-	-
222. Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2),(3)	52,748	51,703	104,451
31. Hedging Derivative Financial Instruments		-	-	-
311. Transactions for Fair Value Hedge		-	-	-
312. Transactions for Cash Flow Hedge		-	-	-
313. Transactions for Foreign Net Investment Hedge		-	-	-
32. Trading Derivative Financial Instruments		52,748	51,703	104,451
321. Forward Foreign Currency Buy/Sell Transactions		19,953	19,642	39,595
3211. Forward Foreign Currency Transactions-Buy		19,953	-	19,953
3212. Forward Foreign Currency Transactions-Sell		-	19,642	19,642
322. Swap Transactions Related to Foreign Currency and Interest Rates		32,795	32,061	64,856
3221. Foreign Currency Swap-Buy		-	32,061	32,061
3222. Foreign Currency Swap-Sell		32,795	-	32,795
3223. Interest Rate Swap-Buy		-	-	-
3224. Interest Rate Swap-Sell		-	-	-
323. Foreign Currency, Interest rate and Securities Options		-	-	-
3231. Foreign Currency Options-Buy		-	-	-
3232. Foreign Currency Options-Sell		-	-	-
3233. Interest Rate Options-Buy		-	-	-
3234. Interest Rate Options-Sell		-	-	-
3235. Securities Options-Buy		-	-	-
3236. Securities Options-Sell		-	-	-
324. Foreign Currency Futures		-	-	-
3241. Foreign Currency Futures-Buy		-	-	-
3242. Foreign Currency Futures-Sell		-	-	-
325. Interest Rate Futures		-	-	-
3251. Interest Rate Futures-Buy		-	-	-
3252. Interest Rate Futures-Sell		-	-	-
326. Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		497,259	366,446	863,705
IV. ITEMS HELD IN CUSTODY		12,408	-	12,408
41. Customer Fund and Portfolio Balances		-	-	-
42. Investment Securities Held in Custody		8,852	-	8,852
43. Cheques Received for Collection		3,556	-	3,556
44. Commercial Notes Received for Collection		-	-	-
45. Other Assets Received for Collection		-	-	-
46. Assets Received for Public Offering		-	-	-
47. Other Items Under Custody		-	-	-
48. Custodians		-	-	-
V. PLEDGES RECEIVED		484,816	320,971	805,787
51. Marketable Securities		63,936	56,579	120,515
52. Guarantee Notes		290,581	67,731	358,312
53. Commodity		27,515	15,747	43,262
54. Warranty		-	-	-
55. Immovable		102,784	-	102,784
56. Other Pledged Items		-	180,914	180,914
57. Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		35	45,475	45,510
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		757,938	581,041	1,338,979

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

III. STATEMENT OF PROFIT OR LOSS

INCOME STATEMENT		Note (Section Five-IV)	Audited Current Period 01/01/2018- 31/12/2018
I.	INTEREST INCOME	(1)	124,370
11	Interest On Loans		107,478
12	Interest Received From Reserve Deposits		1,690
13	Interest Received From Banks		6,095
14	Interest Received From Money Market Transactions		2,198
15	Interest Received From Marketable Securities Portfolio		3,806
15.1	Financial assets at fair value through profit or loss		-
15.2	Financial Assets at Fair Value Through Other Comprehensive Income		2,255
15.3	Financial Assets Measured at Amortised Cost		1,551
16	Finance Lease Income		3,097
17	Other Interest Income		6
II.	INTEREST EXPENSES (-)	(2)	(44,872)
21	Interest on Deposits		-
22	Interest on Funds Borrowed		(18,335)
23	Interest on Money Market Transactions		(4,033)
24	Interest on Securities Issued		(21,641)
25	Other Interest Expenses	(12)	(863)
III.	NET INTEREST INCOME/EXPENSE (I - II)		79,498
IV.	NET FEES AND COMMISSIONS INCOME/EXPENSES		3,168
41	Fees and Commissions Received		4,324
41.1	Non-cash loans		3,669
41.2	Other	(12)	655
4.2	Fees and Commissions Paid (-)		(1,156)
4.2.1	Non-Cash Loans		(319)
4.2.2	Other	(12)	(837)
V.	PERSONNEL EXPENSES (-)	(7)	(13,736)
VI.	DIVIDEND INCOME	(3)	-
VII.	TRADING PROFIT/LOSS (Net)	(4)	(1,009)
71	Profit/Losses From Capital Market Transactions		532
72	Profit/Losses From Derivative Financial Transactions		2,303
73	Foreign Exchange Profit/Losses		(3,844)
VIII.	OTHER OPERATING INCOME	(5)	855
IX.	GROSS PROFIT FROM OPERATING ACTIVITIES (III+IV+V+VI+VII+VIII)		68,776
X.	ALLOWANCES FOR EXPECTED CREDIT LOSSES (-)	(6)	(17,713)
XI.	OTHER OPERATING EXPENSES (-)	(7)	(55,359)
XII.	NET OPERATING PROFIT/LOSS (IX-X-XI)		(4,296)
XIII.	SURPLUS WRITTEN AS GAIN AFTER MERGER		-
XIV.	PROFIT/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-
XV.	NET MONETARY POSITION GAIN/LOSS		-
XVI.	PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (XII+...+XV)	(8)	(4,296)
XVII.	PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS (a)	(9)	733
17.1	Current Tax Provision		(9,547)
17.2	Expense Effect Of Deferred Tax (+)		10,280
17.3	Income Effect Of Deferred Tax (-)		-
XVIII.	NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XVI+XVII)	(10)	(3,563)
XIX.	INCOME FROM DISCONTINUED OPERATIONS		-
19.1	Income From Assets Held For Sale		-
19.2	Profit From Sale Of Associates, Subsidiaries And Joint Ventures		-
19.3	Other Income From Discontinued Operations		-
XX.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-
20.1	Expenses On Assets Held For Sale		-
20.2	Losses From Sale Of Associates, Subsidiaries And Joint Ventures		-
20.3	Other Expenses From Discontinued Operations		-
XXI.	PROFIT/LOSS BEFORE TAXES FROM DISCONTINUED OPERATIONS/K/Z (XIX-XX)	(8)	-
XXII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (a)	(9)	-
22.1	Current Tax Provision		-
22.2	Expense Effect Of Deferred Tax (+)		-
22.3	Income Effect Of Deferred Tax (-)		-
XXIII.	NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI+XXII)	(10)	-
XXIV.	NET PROFIT/LOSSES (XVIII+XXIII)	(11)	(3,563)
	Profit/Loss Per Share		(0.00902)

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

INCOME AND EXPENSE ITEMS	Note (Section Five-IV)	Audited Prior Period 01/01/2017- 31/12/2017
I. INTEREST INCOME	(1)	65,633
11 Interest on Loans		59,594
12 Interest Received from Reserve Requirements		720
13 Interest Received from Banks		925
14 Interest Received from Money Market Transactions		297
15 Interest Received from Marketable Securities Portfolio		1,909
15.1 Trading Financial Assets		-
15.2 Financial Assets at Fair Value through Profit or Loss		-
15.3 Available-for-sale Financial Assets		1,909
15.4 Held-to-maturity Investments		-
16 Financial Lease Income		2,188
17 Other Interest Income		-
II. INTEREST EXPENSE	(2)	(25,777)
21 Interest on Deposits		-
22 Interest on Funds Borrowed		(11,469)
23 Interest Expense on Money Market Transactions		(3,978)
24 Interest on Securities Issued		(9,994)
25 Other Interest Expenses	(12)	(336)
III. NET INTEREST INCOME (I+II)		39,856
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		1,801
41 Fees and Commissions Received		2,463
41.1 Non-cash Loans		2,254
41.2 Other	(12)	209
42 Fees and Commissions Paid		(662)
42.1 Non-cash Loans		(230)
42.2 Other	(12)	(432)
V. DIVIDEND INCOME	(3)	-
VI. TRADING INCOME/(LOSS) (Net)	(4)	3,891
61 Trading Gains/(Losses) on Securities		453
62 Trading Gains/(Losses) on Derivative Financial Instruments		(3,552)
63 Foreign Exchange Gains/(Losses)		6,990
VII. OTHER OPERATING INCOME	(5)	102
VIII. TOTAL OPERATING INCOME (III+IV+V+VI+VII)		45,650
IX. PROVISION FOR LOAN LOSSES AND OTHER RECEIVABLES	(6)	(2,922)
X. OTHER OPERATING EXPENSES	(7)	(22,022)
XI. NET OPERATING INCOME/(LOSS) (VIII+IX+X)		20,706
XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER		-
XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-
XIV. INCOME/(LOSS) ON NET MONETARY POSITION		-
XV. INCOME/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS (XI+...+XIV)	(8)	20,706
XVI. TAX PROVISION FOR CONTINUING OPERATIONS (-)	(9)	(4,698)
16.1 Current Tax Provision		(4,911)
16.2 Deferred Tax Provision		213
XVII. NET INCOME/(LOSS) FROM CONTINUING OPERATIONS (XV-XVI)	(10)	16,008
XVIII. INCOME FROM DISCONTINUED OPERATIONS		-
18.1 Income from Non-Current Assets Held for Resale		-
18.2 Sale Income from Associates, Subsidiaries and Joint Ventures		-
18.3 Other Income from Discontinued Operations		-
XIX. EXPENSES FROM DISCONTINUED OPERATIONS		-
19.1 Expense from Non-Current Assets Held for Resale		-
19.2 Sale Losses from Associates, Subsidiaries and Joint Ventures		-
19.3 Other Expenses from Discontinued Operations		-
XX. INCOME/(LOSS) BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII-XIX)	(8)	-
XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (-)	(9)	-
21.1 Current tax provision		-
21.2 Deferred tax provision		-
XXII. NET INCOME/(LOSS) FROM DISCONTINUED OPERATIONS (XX-XXI)	(10)	-
XXIII. NET INCOME/(LOSS) (XVII+XXII)	(11)	16,008
Earnings/(Loss) per share		0.0628

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

UNCONSOLIDATED INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Current Period 01/01/2018- 31/12/2018
I. PROFIT (LOSS)	(3,563)
II. OTHER COMPREHENSIVE INCOME	7
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	7
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	8
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	(1)
III. TOTAL COMPREHENSIVE INCOME (LOSS) (I+II)	(3,556)

	Prior Period 01/01/2017- 31/12/2017
INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY	
I. ADDITIONS TO THE MARKETABLE SECURITIES VALUATION RESERVE FROM THE AVAILABLE FOR SALE FINANCIAL ASSETS	(74)
II. REVALUATION DIFFERENCES OF TANGIBLE ASSETS	-
III. REVALUATION DIFFERENCES OF INTANGIBLE ASSETS	-
IV. FOREIGN EXCHANGE TRANSLATION DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS	-
V. INCOME/LOSS ON CASH FLOW HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VI. PROFIT/LOSS FROM FOREIGN INVESTMENT HEDGE DERIVATIVE FINANCIAL ASSETS (Effective Part of Fair Value Changes)	-
VII. EFFECTS OF CHANGES IN ACCOUNTING POLICY AND ERRORS	-
VIII. OTHER INCOME AND EXPENSE ITEMS ACCOUNTED IN EQUITY ACCORDING TO TAS	-
IX. DEFERRED TAX ON VALUATION DIFFERENCES	15
X. NET INCOME/LOSS ACCOUNTED DIRECTLY IN EQUITY (I+II+...+IX)	(59)
XI. CURRENT PERIOD INCOME/LOSS	16,008
11.1 Net Change in Fair Value of Marketable Securities (Transfer to Income Statement)	-
11.2 Portion of Cash Flow Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.3 Portion of Foreign Investment Hedge Derivative Financial Assets Reclassified and Presented on the Income Statement	-
11.4 Other	16,008
XII. TOTAL INCOME/LOSS RELATED TO THE CURRENT PERIOD (X+XI)	15,949

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Current Period 01/01/2018 – 31/12/2018	Audited														
	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit and Loss						Other Accumulated Comprehensive Income That Will Be Reclassified In Profit and Loss								
							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)	Foreign Currency Translation Differences	Assets at Fair Value Through Other Comprehensive Income	Accumulated Revaluation and/or Remeasurements Gain/Loss of the Financial Assets at Comprehensive Income Items Reclassified Through Other Profit or Loss	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				
	Note (Section Five-v)	Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/ Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan						Prior Period Profit or (Loss)	Current Period Profit or (Loss)	Total Shareholders' Equity
I. Balance at the beginning of the period		255,000	-	-	-	-	-	-	(48)	-	-	-	324	18,008	260,607
II. Adjustment in accordance with TMS 8		-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
21. Effect of adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-
22. Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	3,606	-	3,606
III. New balance (xii)		255,000	-	-	-	-	-	-	(48)	-	-	324	(7,071)	18,008	264,213
IV. Total comprehensive income (loss)	(1)	-	-	-	-	-	-	-	7	-	-	-	-	(3,563)	(3,563)
V. Capital increase in cash		245,000	-	-	-	-	-	-	-	-	-	-	-	-	245,000
VI. Capital increase through internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Issued capital inflation adjustment difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated debt		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase (decrease) through other changes, equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit distribution	(3)	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
XII. Dividends distributed		-	-	-	-	-	-	-	-	-	-	-	-	-	-
X12. Transfers to legal reserves	(2)	-	-	-	-	-	-	-	-	-	-	5,331	10,677	(16,008)	-
X13. Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period-End Balance (III+IV+...+X+XI)		500,000	-	-	-	-	-	-	(41)	-	-	5,655	3,606	(3,563)	505,657

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

		Note (Section Five-V)	Paid-in Capital	Adjustment to Share Capital	Share Premium	Share Cancellation Profits	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Reserves	Current Period Net Income/ (Loss)	Prior Period Net Income/ (Loss)	Marketable Securities Valuation Reserve	Tangible and Intangible Assets Revaluation Reserve	Bonus Shares Obtained from Investments	Hedging Reserves	Valuation Difference of AHS and Discontinued Operations	Total Shareholders' Equity
I.	Prior Period 01/01/2017 - 31/12/2017		255,000	-	-	-	29	295	-	-	14,005	(24,682)	11	-	-	-	-	244,658
	Balance at the beginning of the period																	
Changes in the Period																		
II.	Increase/Decrease due to merger		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Marketable Securities Valuation Differences	(1)	-	-	-	-	-	-	-	-	-	-	(59)	-	-	-	-	(59)
IV.	Hedging Reserves (Effective Portion)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
41	Cash Flow Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
42	Foreign Investment Hedge		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	Revaluation Differences of Tangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Revaluation Differences of Intangible Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Bonus Shares Obtained from Investments in Associates, Subsidiaries and Joint Ventures		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Foreign Exchange Difference		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Changes due to the Disposal of Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Changes due to the Reclassification of the Assets		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Effects of Changes in Equity of Investments in Associates		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.	Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
121	Cash		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
122	Internal Resources		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.	Share Premium		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.	Share Cancellation Profits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.	Adjustment to Share Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVI.	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XVII.	Current Year Income or Loss		-	-	-	-	-	-	-	-	16,008	-	-	-	-	-	-	16,008
XVIII.	Profit Distribution	(3)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
181	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
182	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
183	Other	(2)	-	-	-	-	-	-	-	-	(14,005)	14,005	-	-	-	-	-	-
	Period End Balance (xI+xII+...+xVII+xVIII)		255,000	-	-	-	29	295	-	-	16,008	(10,677)	(48)	-	-	-	-	280,607

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

VI. STATEMENT OF CASH FLOW

	Note (Section Five-VI)	Audited Current Period 01/01/2018 - 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		(84,527)
1.1.1 Interest Received		109,406
1.1.2 Interest Paid		(38,730)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		4,324
1.1.5 Other Income		(117,114)
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-
1.1.7 Payments to Personnel and Service Suppliers		(13,262)
1.1.8 Taxes Paid		(13,623)
1.1.9 Other	(2)	(15,528)
1.2 Changes in Operating Assets and Liabilities		(12,121)
1.2.1 Net (Increase) Decrease in Financial Assets at Fair Value through Profit or Loss		-
1.2.2 Net increase (decrease) in due from banks		181
1.2.3 Net increase (decrease) in loans		(8,863)
1.2.4 Net increase (decrease) in other assets		(145,923)
1.2.5 Net increase (decrease) in bank deposits	(2)	23,635
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		185,209
1.2.9 Net Increase/(Decrease) in matured Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(2)	(66,360)
I. Net Cash Provided from Banking Operations		(98,648)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from / (Paid For) Investing Activities		(310,910)
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		(263,962)
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		(3,642)
2.6 Cash obtained from the sale of financial assets at fair value through other comprehensive income		19,596
2.7 Cash paid for the purchase of financial assets at amortised cost		(62,902)
2.8 Cash obtained from sale of financial assets at amortised cost		-
2.9 Other	(2)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		328,045
3.1 Cash Obtained from Funds Borrowed and Securities Issued		388,338
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued		(305,293)
3.3 Equity instruments issued		245,000
3.4 Dividends Paid		-
3.5 Payments for Finance Lease Liabilities		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		96,984
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		17,471
VI. Cash and Cash Equivalents at the Beginning of the Period	(1)	83,516
VII. Cash and Cash Equivalents at the End of the Period (V+VI)	(1)	100,987

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED STATEMENTS OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

	Note (Section Five-VI)	Audited Prior Period 01/01/2017 – 31/12/2017
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		18,545
1.1.1 Interest Received		58,110
1.1.2 Interest Paid(-)		(18,921)
1.1.3 Dividend Received		-
1.1.4 Fees and Commissions Received		3,194
1.1.5 Other Income		2,726
1.1.6 Collections from Previously Written-off Loans and Other Receivables		-
1.1.7 Payments to Personnel and Service Suppliers(-)		(10,355)
1.1.8 Taxes Paid(-)		(4,724)
1.1.9 Other	(2)	(11,485)
1.2 Changes in Operating Assets and Liabilities		(129,474)
1.2.1 Net (Increase)/Decrease in Trading Securities		(4,500)
1.2.2 Net (Increase)/Decrease in Fair Value Through Profit/Loss Financial Assets		-
1.2.3 Net (Increase)/Decrease in Due from Banks		(48,019)
1.2.4 Net (Increase)/Decrease in Loans		(268,689)
1.2.5 Net (Increase)/Decrease in Other Assets	(2)	(29,782)
1.2.6 Net Increase/(Decrease) in Bank Deposits		-
1.2.7 Net Increase/(Decrease) in Other Deposits		-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		151,787
1.2.9 Net Increase/(Decrease) in Payables		-
1.2.10 Net Increase/(Decrease) in Other Liabilities	(2)	69,689
I. Net Cash Provided from Banking Operations		(110,929)
B. CASH FLOWS FROM INVESTING ACTIVITIES		
II. Net Cash Provided from / (Paid For) Investing Activities		(694)
2.1 Cash Paid for Acquisition of Investments, Associates and Subsidiaries(-)		-
2.2 Cash Obtained from Disposal of Investments, Associates and Subsidiaries		-
2.3 Purchases of Property and Equipment(-)		(212)
2.4 Disposals of Property and Equipment		1
2.5 Cash Paid for Purchase of Investments Available-for-Sale(-)		(26,972)
2.6 Cash Obtained from Sale of Investments Available-for-Sale		26,903
2.7 Cash Paid for Purchase of Investment Securities(-)		-
2.8 Cash Obtained from Sale of Investment Securities		-
2.9 Other		(414)
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net Cash Provided from Financing Activities		135,427
3.1 Cash Obtained from Funds Borrowed and Securities Issued		350,182
3.2 Cash Used for Repayment of Funds Borrowed and Securities Issued(-)		(214,755)
3.3 Issued Capital Instruments		-
3.4 Dividends Paid(-)		-
3.5 Payments for Finance Leases(-)		-
3.6 Other		-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		578
V. Net Increase/(Decrease) in Cash and Cash Equivalents (I+II+III+IV)		24,382
VI. Cash and Cash Equivalents at the Beginning of the Period	(1)	59,134
VII. Cash and Cash Equivalents at the End of the Period (V+VI)	(1)	83,516

Note: The prior period financial statements and related disclosures are not restated as permitted by TFRS 9 transition rules. Since 2017 and 2018 financial statements are prepared on different principles, 2017 financial statements are presented separately.

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED STATEMENTS OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

VII. PROFIT DISTRIBUTION STATEMENT

		Current Period 31/12/2018 ⁽¹⁾	Prior Period 31/12/2017
I.	DISTRIBUTION OF CURRENT YEAR INCOME		
11	CURRENT YEAR INCOME	(3,563)	20,706
12	TAXES AND DUTIES PAYABLE (-)	-	(4,698)
121	Corporate Tax (Income tax)	-	(4,911)
122	Income withholding tax	-	-
123	Other taxes and duties (**)	-	213
A.	NET INCOME FOR THE YEAR (1.1-1.2)	(3,563)	16,008
13	PRIOR YEAR LOSSES (-)	3,606	(10,677)
14	FIRST LEGAL RESERVES (-)	-	-
15	OTHER STATUTORY RESERVES (-)	-	-
B.	NET INCOME AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]	43	5,331
16	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
16.1	To Owners of Ordinary Shares	-	-
16.2	To Owners of Privileged Shares	-	-
16.3	To Owners of Preferred Shares	-	-
16.4	To Profit Sharing Bonds	-	-
16.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
17	DIVIDENDS TO PERSONNEL (-)	-	-
18	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
19	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
19.1	To Owners of Ordinary Shares	-	-
19.2	To Owners of Privileged Shares	-	-
19.3	To Owners of Preferred Shares	-	-
19.4	To Profit Sharing Bonds	-	-
19.5	To Holders of Profit and (Loss) Sharing Certificates	-	-
110	SECOND LEGAL RESERVES (-)	-	-
111	STATUTORY RESERVES (-)	-	-
112	EXTRAORDINARY RESERVES	-	-
113	OTHER RESERVES	-	-
114	SPECIAL FUNDS	-	-
II.	DISTRIBUTION OF RESERVES	-	5,331
21	APPROPRIATED RESERVES	-	267
22	SECOND LEGAL RESERVES (-)	-	5,064
23	DIVIDENDS TO SHAREHOLDERS (-)	-	-
23.1	To owners of ordinary shares	-	-
23.2	To owners of privileged shares	-	-
23.3	To owners of preferred shares	-	-
23.4	To profit sharing bonds	-	-
23.5	To holders of profit and (loss) sharing certificates	-	-
24	DIVIDENDS TO PERSONNEL (-)	-	-
25	DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III.	EARNINGS PER SHARE	-	-
31	TO OWNERS OF ORDINARY SHARES	-	-
32	TO OWNERS OF ORDINARY SHARES (%)	-	-
33	TO OWNERS OF PRIVILEGED SHARES	-	-
34	TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV.	DIVIDEND PER SHARE	-	-
41	TO OWNERS OF ORDINARY SHARES	-	-
42	TO OWNERS OF ORDINARY SHARES (%)	-	-
43	TO OWNERS OF PRIVILEGED SHARES	-	-
44	TO OWNERS OF PRIVILEGED SHARES (%)	-	-

⁽¹⁾ 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.

^(**) Deferred tax income/expense shown in other taxes and duties not subject to profit appropriation.

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

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

PASHA YATIRIM BANKASI A.Ş.

NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2018

(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. BASIS OF PRESENTATION

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

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

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

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

The amendments of TAS and TFRS, effectiveness date is 1 January 2018, except for TFRS 9 Financial Instruments standard, have no material impact on the Bank's accounting policies, financial position and performance. The amendments of TAS and TFRS published but not effective as of the date financial statements are signed, will have no impact on the accounting policies, financial condition and performance of the Bank. The impacts of TFRS 9 Financial Instruments standard are explained in the following related disclosures.

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

The accounting policies and valuation principles applied in the preparation of unconsolidated financial statements, are determined 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. In accordance with the transition rules of TFRS 9, prior year financial statements and disclosures are not restated. Accounting policies and valuation principles used for the year 2018 and 2017 periods are separately presented in the notes and the accounting policies for the year 2017 are included in Section three note XXIX. Impacts of transition to TFRS 9 and its adoption are disclosed in Section three note XXVIII.

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c. Explanation for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and 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 TFRS.

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

The general strategy of the Bank of using financial instruments is to sustain an optimal balance between the yield of the instruments and their risks. The most important funding source of the Bank is shareholders' equity – internal funding, in addition external funding including funding from repo transactions and borrowing from domestic and foreign financial institutions is utilised. Funds obtained from internal and external sources are invested in high yield and quality financial assets and currency, interest rate and liquidity risks are being kept within the limits following the asset-liability management strategy. The currency, interest and liquidity risks of on-balance sheet and off-balance sheet assets and liabilities are managed in accordance with the risk limits accepted by the Bank and the related legal limits. Derivative instruments are mainly utilised for liquidity needs and for mitigating currency and interest rate risks. The position of the Bank as a result of foreign currency activities being held at minimum levels and the exposed currency risk is followed within the determined levels by the Board of Directors by considering the limits given by the Banking Law. Foreign currency denominated monetary assets and liabilities are translated with the Bank's foreign currency bid rates prevailing at the balance sheet date. Gains and losses arising from such valuations are recognised in the income statement under the account of "Foreign exchange gains or losses".

III. EXPLANATIONS ON FORWARD TRANSACTIONS, OPTIONS AND DERIVATIVE INSTRUMENTS

The Bank does not have any embedded derivative instruments.

Derivative financial instruments of the Bank are classified under "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 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. The principles for the recognition of derivative transactions intended for hedging purposes are disclosed in the footnote numbered VIII of Section Four. The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

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IV. EXPLANATIONS ON INTEREST INCOME AND EXPENSE

Interest income and expenses are recognized in the income statement by using the "effective interest rate method". In accordance with the accounting policies started to be applied as of 1 January 2018, the Bank will calculate interest income accrual for the non-performing loans in the period they occur. Net book value of the non-performing loans (Gross Book Value – Expected Credit Loss) are rediscounted with effective interest rate and recognized with the gross book value of the non-performing loan.

V. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSE

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

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

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

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 "IFRS 9 Financial Instruments" standard, issued for classification and measurement of the financial instruments, published in the Official Gazette No. 29953 dated 19 January 2017 by the Public Oversight Accounting and Auditing Standards Authority. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value.

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

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

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b. Financial Assets at Fair Value Through Other Comprehensive Income:

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

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

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

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

c. Financial Assets Measured at Amortized Cost:

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

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

d. Loans:

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

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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 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized.

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:

- a. 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.
- b. 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.
- c. Provision for defaulted financial assets: This classification represents the losses that are subject to default. It is used for assets classified as Stage 3.

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, securities and liabilities that are monitored in off-balance sheet accounts, where the Bank will be exposed to a credit risk.

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

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

The basic methodology to be applied for expected loss calculated for corporate loans and financial assets are organized within the framework of a global statistical modeling published by an internationally recognized rating company and assigned to each credit rating and made within the framework of PD's. In this PD application, the Bank primarily looks at whether the financial asset is have an external rating, and if there is an internationally recognized rating note, Banks apply the corresponding PD. If the assessed asset does not have an external rating, then Bank is checked whether the risk group or the main partner of the asset have an external rating, and if external rate is determined by the internationally rating agency this PD ratio is used for that asset. Finally, for the assets that do not have any external rating, the rating grade from the rating matrix modeled by the Bank is taken into consideration. Since the Bank has started to provide loans as of 2015 and since there has been no default, the Bank has applied to external rating approach for credit risk calculation for PD's calculations.

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as unemployment rates 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 rate (CCF) application. Applied CCRs were considered as 100% for non-cash risks and 50% for others for cash supply purposes.

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

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

Expected credit loss calculation is calculated over financial assets and off-balance sheet risks that are present each reporting period.

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.

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For transitions between stages, certain criterias 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 criterias.

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

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

VIII. EXPLANATIONS ON OFFSETTING FINANCIAL ASSETS

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

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

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

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

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

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

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

The Bank has no discontinued operations.

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XI. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

XII. EXPLANATIONS ON PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

Operating Lease

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

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).

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

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

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

XVII. EXPLANATIONS ON TAXATION

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

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

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

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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.

Transfer Pricing:

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

XVIII. EXPLANATIONS ON BORROWINGS

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

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

XIX. EXPLANATIONS ON ISSUANCE OF SHARES CERTIFICATES

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

The Bank has not issued any share certificates.

No dividend payments were announced after the balance sheet date.

XX. EXPLANATIONS ON AVALIZED DRAFTS AND ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT GRANTS

As of 31 December 2018 and 31 December 2017, the Bank has no government grants.

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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.

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. Transactions regarding related parties are presented in Section Five.

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 organisational 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. Previous period financial statements are not reclassified in accordance with TFRS 9 requirements as explained above in note I. Therefore the Bank does not have any reclassifications in the prior period's financial statements.

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XXVIII. EXPLANATIONS ON OTHER MATTERS

None.

XXIX. EXPLANATIONS ON TFRS 9 FINANCIAL INSTRUMENTS STANDARD

TFRS 9 "Financial Instruments" standard relevant to classification and measurement of financial instruments has been published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017 and replaced TAS 39 Financial Instruments: Recognition and Measurement", effective as of 1 January 2018.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and hedge accounting.

Classification and measurement of financial assets

According to TFRS 9 requirements, classification and measurement of the financial assets depend on two fundamental criterias:

- The business model within financial assets are managed and
- The features of contractual cash flow; whether contractual cash flows are based on solely payments of principal and interest or not

Assessment for the business model:

The business model of the Bank represents how the Bank manages its financial assets for generating cash flows. The business model specifies whether cash flows arise from the collection of contractual cash flows or the sale of financial assets, or both. This assessment is based on scenarios the Bank expects to reasonably occur.

Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making such assessment, the Bank considers contingent events that would change the amount and timing of cash flows, conditions that limit the Bank's claim to cash flows, prepayments and extension terms and features that modify consideration for the time value of money. Such assessments are also briefly defined as contractual cash flow characteristics test.

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The Bank fulfills the on-balance sheet classification and measurement criterias by applying the procedures described above for all financial assets.

Upon initial recognition each financial asset is classified as either fair value through profit or loss ("FVTPL"), amortized cost or fair value through other comprehensive income ("FVOCI"). The rules for the classification and measurement of financial liabilities remain largely unchanged as is under TAS 39.

There has been no change in the measurement of financial assets in the opening balance sheet as 1 January 2018 during the transition period of TFRS 9 in accordance with business model and contractual cash flow characteristics. Financial assets which were previously classified as "Available for sale", are classified as "Financial assets at fair value through other comprehensive income" without changing the measurement bases as of 1 January 2018 within the scope of TFRS 9, since the previous categories under IAS 39 have been derecognised.

Information on classification and measurement of financial assets summarized in the following table:

		Differently classified as at 31 December 2017	TFRS 9 Measurement bases	Book Value 31 December 2017	Book Value 1 January 2018
Financial Assets					
Cash and cash equivalents, Balances with the CBRT, Due from Banks and Money Markets			Amortised cost	151,189	151,189
Marketable Securities	Trading financial assets		Fair value through profit or loss	4,943	4,943
	Available for sale financial assets		Fair value through other comprehensive income	21,308	21,308
Loans and Lease receivables, Gross	Loans, gross		Amortised cost	713,048	713,048

Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9

The Bank has no non-performing loan and provisions for non-performing loans as of 31 December 2017. Regarding financial assets, the Bank has only calculated general loan loss provision in accordance with "Regulation on Determining the Quality of Loans and Other Receivables by Banks and Procedures and Principles of Provisions to be made" and the amendments made to this regulation published in the Official Gazette No.26333 dated 1 November 2006. The related general provision has presented under liabilities in the balance sheet as of 31 December 2017. Within the framework of TFRS 9, The Bank has calculated the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018 and amended the equity regarding to this calculation.

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The following table summarizes the reconciliation of the general loan loss provision of the Bank as of 31 December 2017 and the provision for the expected loss model as measured in accordance with TFRS 9 as of 1 January 2018.

	Before TFRS 9	TFRS 9 Classification	After TFRS 9	Total Differences
	31 December 2017 General Loan Provision		1 January 2018 Allowance for expected losses	
Loan and lease receivables	6,712	Stage 1	3,258	
		Stage 2 ve 3	-	
Cash and Cash equivalents, Balances with the CBRT, Due from Banks and Money Markets	47	Stage 1	27	
		Stage 2 and 3	-	
Marketable securities	133	Stage 1	180	
		Stage 2 ve 3	-	
Non-cash loans, derivatives and commitments (*)	501	Stage 1	1,390	
		Stage 2 and 3	-	
TOTAL	7,393		4,855	2,538

(*) In accordance with TFRS 9, allowance for expected credit losses for Stage 1, 2, 3 non-cash loans are presented in "10.d.iii Other provisions" line under liabilities.

Effects on equity with IFRS 9 transition:

According to paragraph 15 of Clause 2 of Article 7 of TFRS 9 Financial Instruments Standard published in the Official Gazette numbered 29953 dated 19 January 2017, it is stated that it is not compulsory to restate previous period information in accordance with TFRS 9 and if the previous period information is not restated, the difference between the book value of 1 January 2018 the date of application should be reflected in the opening balance of equity. The explanations about the transition effects to TFRS 9 presented in the equity items under the scope of this article are explained below.

TL 2,538 positive difference (income natured) between the provision for impairment of the previous period of the Bank and the provision for loss that is measured in accordance with TFRS 9 impairment model as of 1 January 2018 is classified as "Prior years' profits or losses" line under shareholders' equity.

As of 1 January 2018 the Bank has started to calculate deferred tax asset for general provisions (allowance for expected credit losses for Stage 1 and Stage 2 loans) in accordance with "Communique on Uniform Chart of Accounts" published at 20 September 2017. Within this scope, deferred tax asset amounting to TL 1,068 has been accounted in the opening balance sheet of current period and the related amount is presented in "Prior years' profits or losses" line under shareholders' equity.

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XXX. EXPLANATIONS ON PRIOR PERIOD ACCOUNTING POLICIES NOT VALID FOR THE CURRENT PERIOD:

"IFRS 9 Financial Instruments" standard became effective instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of IFRS 9 are given below:

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

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

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

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

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

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

b. Available-for-sale financial assets:

Available-for-sale financial assets are defined as financial assets other than the ones classified as "Loans and receivables", "Held-to-maturity assets" or "Financial asset at fair value through profit or loss".

Government bonds included in the available-for-sale financial assets are subsequently re-measured at fair value. "Unrealised gains and losses" arising from changes in the fair value of financial assets classified as available-for-sale are recognised in the shareholders' equity as "Marketable Securities Valuation Reserve", until there is a permanent decline in the fair values of such assets or they are disposed of. When these financial assets are disposed of or impaired, the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

Available-for-sale equity securities that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Available-for-sale equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

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c. Loans and receivables:

Loans and receivables are financial assets which are created by providing money, services or goods to a debtor. Loans and receivables originated by the Bank are carried initially at cost and subsequently recognised at the amortised cost value calculated using the effective interest method. The expenses incurred for the assets received as collateral are not considered as transaction costs and are recognised in the expense accounts.

The Bank provides general and specific provisions based on the assessments and estimates of the management, by considering the "Communiqué Related to Principles and Procedures on Determining the Qualifications of Banks' Loans and Other Receivables and the Provision for These Loans and Other Receivables" published in the Official Gazette No. 26333 dated 1 November 2006. Apart from specific provisions, the Bank has general loan loss provision within the scope of the stated regulations. Deferred tax asset is not allocated over the amount of general provisions for possible losses in accordance with the circular of BRSA dated 8 December 2004 no. BRSA. DZM.2/13/1-a-3.

d. Held-to-maturity financial assets:

Held-to-maturity financial assets are assets that are not classified under loans and receivables, with fixed maturities and fixed or determinable payments where management has the intent and ability to hold the financial assets to maturity. Held-to-maturity financial assets are initially recognised at cost. Held-to-maturity securities are carried at "amortised cost" net of impairment using the effective interest method after their recognition. Interest income earned from held-to-maturity financial assets is reflected to the statement of income.

The Bank does not have any held-to-maturity financial assets. There are no financial assets that were previously classified as held-to-maturity but which cannot be subject to this classification for two years due to the violation of classification principles.

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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 523,664% (31 December 2019 –TL 267,080) while its capital adequacy standard ratio is 37.85% (31 December 2017 –31.36%) as of 31 December 2018. The aforementioned capital adequacy calculation includes the equity and allowance for expected credit losses amounts after the transition to TFRS 9. The equity and capital adequacy standard ratio which were calculated regardless of TFRS 9 requirements is TL 267,080 and 31.36% respectively. The capital adequacy ratio of the Bank is far beyond the minimum rate determined by the related legislation.

a. Information on shareholders equity

	Current Period 31 December 2018	Prior Period 31 December 2017 ^(*)
Common Equity Tier 1 capital		
Directly issued qualifying common share capital plus related stock surplus	500,000	255,000
Share premium	-	-
Legal reserves	5,655	324
Projected gains to shareholders' equity of the accounting standards in Turkey	1,989	-
Profit	43	16,008
Net current period profit	(3,563)	16,008
Prior period profit	3,606	-
Free shares from investments and associates, subsidiaries and joint ventures that is not recognised in profit	-	-
Common Equity Tier 1 capital before regulatory adjustments	507,687	271,332
Common Equity Tier 1 capital: regulatory adjustments		
Prudential valuation adjustments	-	-
Sum of current year net loss and prior period's loss that is not covered with reserves and losses on shareholders' equity of the accounting standards in Turkey	-	10,725
Development cost of operating lease	45	51
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	1,274	695
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Cash-flow hedge reserve	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Securitisation gain on sale	-	-
Gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	-
Reciprocal cross-holdings in common equity	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	-
Mortgage servicing rights (amount above 10% threshold)	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
Amount exceeding the 15% threshold	-	-
of which: significant investments in the common stock of financials	-	-
of which: mortgage servicing rights	-	-
of which: deferred tax assets arising from temporary differences	-	-
National specific regulatory adjustments	-	-
Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
Total regulatory adjustments to Common equity Tier 1	1,319	11,471
Common Equity Tier 1 capital (CET1)	506,368	259,861

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	Current Period 31 December 2018	Prior Period 31 December 2017 ^(*)
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	-	174
Goodwill or other intangibles and deferred tax liabilities of which the regulation concerning transitional Article 2 of subsection of core capital not reduced from (-)	-	174
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) ^(**)	506,368	259,687
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	17,296	7,393
Tier 2 capital before regulatory adjustments	17,296	7,393
Tier 2 capital: regulatory adjustments	-	-
Investments in own Tier 2 instruments (-)	-	-
Reciprocal cross-holdings in Tier 2 instruments	-	-
Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above the 10% threshold) (-)	-	-
Significant investments in the capital banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	-
National specific regulatory adjustments (-)	-	-
Total regulatory adjustments to Tier 2 capital	-	-
Tier 2 capital (T2)	17,296	7,393
Total capital (TC = T1 + T2) ^(**)	523,664	267,080
Total risk weighted assets	-	-
Loans extended being non-compliant with articles 50 and 51 of the Law	-	-
Portion of the sum of the banks' real estate net book values, which is in excess of fifty per cent of their own funds and net book values of those of merchandise and real estate which have to be acquired due to their receivables and disposed of pursuant to Article 57 of the Banking Law, which cannot be disposed of despite the lapse of a period of five years since the date of such acquisition(-)	-	-
National specific regulatory adjustments	-	-
The process of transition will continue to reduce from Common Equity Tier 1 capital and	-	-
Additional Tier 1 capital	-	-
of which: The sum of partnership share on banks and financial institutions (domestic and abroad), with shareholding of less than 10%	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-
of which: Partnership share on banks and financial institutions (domestic and abroad) that are not consolidated, with a shareholding of 10% and above	-	-
Shareholders' Equity	-	-
Total shareholders' equity	523,664	267,080
Total risk weighted items	1,383,825	851,763
CAPITAL ADEQUACY RATIOS	-	-
Core Capital Adequacy Ratio ^(***)	36.60%	30.51%
Tier 1 Capital Adequacy Ratio ^(***)	36.60%	30.49%
Capital Adequacy Standard Ratio ^(***)	37.85%	31.36%
BUFFERS	-	-
Total additional core capital requirement ratio (a+b+c)	2142%	1.37%
a) Capital conservation buffer requirement (%)	1.875%	1.25%
b) Bank specific countercyclical buffer requirement (%)	0.267%	0.12%
c) Higher bank buffer requirement ratio ^(**)	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets) (%) ^(***)	27.74%	22.51%

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	Current Period 31 Decembbber 2018	Prior Period 31 December 2017 ^(*)
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)	17,296	7,393
Cap on inclusion of provisions in Tier 2 under standardised approach	17,296	7,393
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)	-	-

^(*) The equity statement as of 31 December 2017 presents the equity and general loan loss provisions before TFRS 9 application. As of 31 December 2018, the "Prior years' profits or losses" line presents 80% of the positive difference between the allowance for expected credit losses in the opening balance sheet after the adoption of TFRS 9 and the total provision calculated before adoption of TFRS 9 (excluding deferred tax effect) amounting to TL 2,030.

^(**) Only systematically important banks with no obligation to prepare consolidated financial statements within the scope of paragraph 4 of Article 4 of the Regulation on Systemically Important Bank Regulation shall be filled with important banks and other banks shall be reported as zero.

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

None (31 December 2017: None).

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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 and 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. Borrower and facility 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, loans are classified as overdue loans that are not have performing loan specifications.

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 Note 5 Section 5 (b).

The discrimination of credit risk is performed through borrower and facility 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 2017: 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 2017: 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 2017: 100% and 100%).

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- j.** The expected credit losses for the credit risk is TL 12,944 (31 December 2017: TL 7,393).
- k.** The Bank have TL 2,663 of specific provision for cash loans and TL 3,370 of specific provision for non-cash loans (31 December 2017 : None.) Cash loans are commercial loans, classified as standard credits.
- l.** 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:

	31 December 2018		31 December 2017	
	Current Period Risk Amount ^(*)	Average Risk Amount ^(**)	Prior Period Risk Amount ^(*)	Average Risk Amount ^(**)
Risk Classifications	1,707,714	1,603,390	1,184,576	862,262
Conditional and unconditional receivables from Central Governments or Central Banks	89,301	98,986	78,431	44,457
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	249,918	176,516	149,494	116,245
Conditional and unconditional corporate receivables	1,051,300	981,045	907,963	656,815
Conditional and unconditional retail receivables	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	12,588	21,666	33,949	25,933
Non-performing receivables	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-
Securities collateralized by mortgages	-	-	-	-
Securitization positions	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	48,186	142,281	8,939	4,592
Investments in nature of Collective Investment funds	-	-	-	-
Equity security investments	-	-	-	-
Other receivables	256,421	182,896	5,800	14,220

^(*) The figures represent total risk amounts before Credit Risk Mitigation and after credit conversion factor.

^(**) Average risk amounts are calculated as arithmetical average of monthly amounts of relevant year.

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m1. Profile of significant exposures in significant regions

Current Period	Risk Classifications ^(*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Domestic	89,301	-	-	-	-	208,001	919,386	-	12,588	-	-	-	-	48,186	-	-	256,421	1,533,883
European Union Countries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OECD Countries ^(**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	1,012	-	-	-	-	-	-	-	-	-	-	-	1,012
Other Countries	-	-	-	-	-	40,906	131,913	-	-	-	-	-	-	-	-	-	-	172,819
Associates, Subsidiaries and Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets/Liabilities ^(***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	89,301	-	-	-	-	249,919	1,051,299	-	12,588	-	-	-	-	48,186	-	-	256,421	1,707,714

⁽¹⁾ 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
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- 15) Investments in nature of Collective Investment funds
- 16) Equity security investments
- 17) Other receivables

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

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

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	Risk Classifications (*)																	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	Total
Prior Period																		
Domestic	78,431	-	-	-	-	128,374	843,683	-	33,949	-	-	-	-	8,939	-	-	5,800	1,099,176
European Union Countries	-	-	-	-	-	1,757	-	-	-	-	-	-	-	-	-	-	-	1,757
OECD Countries (**)	-	-	-	-	-	-	56,991	-	-	-	-	-	-	-	-	-	-	56,991
Off-share Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	2,959	-	-	-	-	-	-	-	-	-	-	-	2,959
Other Countries	-	-	-	-	-	16,404	7,289	-	-	-	-	-	-	-	-	-	-	23,693
Associates, Subsidiaries and																		
Joint –Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated																		
Assets/Liabilities (***)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	78,431	-	-	-	-	149,494	907,963	-	33,949	-	-	-	-	8,939	-	-	5,800	1,184,576

^(*) 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
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- 17) Includes OECD countries other than EU countries, USA and Canada.

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

^(***)

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m2. Risk profile by sectors or counterparties

Current Period	Risk Classifications ⁽¹⁾																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Farming and stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	217,957	-	-	-	-	-	-	-	-	49,277	168,680
Mining and Quarrying	-	-	-	-	-	-	37,650	-	-	-	-	-	-	-	-	-	37,650
Production	-	-	-	-	-	-	88,946	-	-	-	-	-	-	-	-	-	88,946
Electricity, Gas and Water	-	-	-	-	-	-	91,361	-	-	-	-	-	-	-	-	-	91,361
Construction	-	-	-	-	-	-	90,102	-	5,436	-	-	-	-	-	-	-	95,538
Services	89,301	-	-	-	-	249,918	639,297	-	7,152	-	-	-	48,186	-	-	-	806,894
Wholesale and Retail Trade	-	-	-	-	-	-	112,497	-	-	-	-	-	-	-	-	-	112,497
Accommodation and Dining	-	-	-	-	-	-	758	-	-	-	-	-	-	-	-	-	758
Transportation and Telecom	-	-	-	-	-	-	143,161	-	-	-	-	-	-	-	-	-	143,161
Financial Institutions	89,301	-	-	-	-	249,918	341,906	-	-	-	-	-	48,186	-	-	-	729,391
Real Estate and Rental Services	-	-	-	-	-	-	40,975	-	7,152	-	-	-	-	-	-	-	21,349
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	103,944	-	-	-	-	-	-	-	-	-	-
Total	89,301	-	-	-	-	249,918	1,051,300	-	12,588	-	-	-	48,186	-	-	-	359,979
																	1,707,714

⁽¹⁾ 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
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Prior Period	Risk Classifications ^(c)																				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	LC	FC	Total	
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Farming and Stockbreeding	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Forestry	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Fishery	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Manufacturing	-	-	-	-	-	161,958	-	-	-	-	-	-	-	-	-	-	-	53,769	108,189	161,958	
Mining and Quarrying	-	-	-	-	-	37,705	-	-	-	-	-	-	-	-	-	-	-	-	37,705	37,705	
Production	-	-	-	-	-	77,255	-	-	-	-	-	-	-	-	-	-	-	42,529	34,726	77,255	
Electricity, Gas and Water	-	-	-	-	-	46,988	-	-	-	-	-	-	-	-	-	-	-	11,240	35,758	46,988	
Construction	-	-	-	-	-	112,858	-	8,026	-	-	-	-	-	-	-	-	-	66,076	54,808	120,884	
Services	78,431	-	-	-	-	149,494	547,411	-	25,923	-	-	-	-	8,939	-	-	-	560,839	249,359	810,198	
Wholesale and Retail Trade	-	-	-	-	-	-	49,127	-	17,018	-	-	-	-	-	-	-	-	22,027	44,118	66,145	
Accommodation and Dining	-	-	-	-	-	-	932	-	-	-	-	-	-	-	-	-	-	932	-	932	
Transportation and Telecom	-	-	-	-	-	-	79,196	-	-	-	-	-	-	-	-	-	-	31,719	47,477	79,196	
Financial Institutions	78,431	-	-	-	-	149,494	394,445	-	8,905	-	-	-	-	8,939	-	-	-	482,450	157,764	640,214	
Real Estate and Rental Services	-	-	-	-	-	-	23,711	-	-	-	-	-	-	-	-	-	-	23,711	-	23,711	
Professional Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Educational Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Health and Social Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	85,736	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total	78,431	-	-	-	-	149,494	907,963	-	33,949	-	-	-	-	8,939	-	-	-	5,800	29,981	61,555	91,536
																		5,800	710,665	473,911	1,184,576

(*) 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
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- 8) Conditional and unconditional retail receivables
- 9) Conditional and unconditional collateralized by real estate mortgages receivables
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- 11) Receivables defined in high risk category by BRSA
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- 17) Other receivables

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(AMOUNTS ARE EXPRESSED IN THOUSANDS OF TURKISH LIRA ("TL") UNLESS OTHERWISE STATED.)

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

Risk Classifications (Current Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ^(*)
Conditional and unconditional receivables from Central Governments or Central Banks	85,462	-	-	3,839	-
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	63,371	68,758	25,537	16,387	75,864
Conditional and unconditional corporate receivables	222,094	163,194	78,063	227,357	360,592
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	478	976	1,517	3,236	6,381
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	48,186	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	-	-	-	-	256,422
Total^(*)	419,591	232,928	105,117	250,819	699,259

^(*) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

^(**) Includes also undistributed amounts.

Risk Classifications (Prior Period)	Time to Maturity				
	1 month	1-3 months	3-6 months	6-12 months	Over 1 year ^(*)
Conditional and unconditional receivables from Central Governments or Central Banks	77,526	-	-	905	-
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	100,089	2,500	15,555	14,500	16,850
Conditional and unconditional corporate receivables	218,542	79,179	169,878	179,055	261,309
Conditional and unconditional retail receivables	-	-	-	-	-
Conditional and unconditional collateralized by real estate mortgages receivables	-	-	-	17,018	16,931
Non-performing receivables	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-
Securitization positions	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	8,939	-	-	-	-
Investments in nature of Collective Investment funds	-	-	-	-	-
Equity security investments	-	-	-	-	-
Other receivables	-	-	-	-	5,800
Total^(*)	405,096	81,679	185,433	211,478	300,890

^(*) Includes risk amounts before the effect of credit risk mitigation and after the credit conversion factors.

^(**) Includes also undistributed amounts.

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- o. The Bank has no particular agreement with a credit rating agency.
- p. There is no credit rating for issuer or issue for the items not included in trading accounts where there is no credit ratings.

q. Risk amounts according to risk weights

Risk Weights (Current Period)	0%	20%	50%	100%	150%	1250%	Deductions from Equity
Amounts before Credit Risk Mitigation	151,472	116,994	305,699	1,133,549	-	-	-
Amounts after Credit Risk Mitigation	151,472	116,994	305,699	1,133,549	-	-	-

Risk Weights (Prior Period)	0%	20%	50%	100%	150%	1250%	Deductions from Equity
Amounts before Credit Risk Mitigation	79,658	145,447	347,804	611,644	23	-	920
Amounts after Credit Risk Mitigation	87,714	145,447	347,804	603,588	23	-	920

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.

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The Bank does not have any impaired loans or overdue loans as at 31 December 2017. The impaired and overdue loans as at 31 December 2018 are as follows;

Sectors / Counterparties		Loans ^(*)		
		Impaired Loans (TFRS 9)		
		Significant increase in credit risk (Stage 2)	Non-Performing Loans (Stage 3)	Expected Credit Losses ^(**)
1	Agriculture	-	-	-
2	Production	4,730	-	7
2.1	Manufacturing	4,730	-	7
3.	Construction	9,307	2,663	4,300
4.	Services	72,023	-	4,819
4.1	Wholesale and Retail Trade	10,874	-	
4.2	Transportation and Telecom	35,956	-	4,812
4.3	Financial Institutions	22,413	-	7
4.4	Real Estate and Rental Services	2,780	-	-
5.	Others	-	-	-
6.	Total	86,060	2,663	9,126

(*) Cash loans distribution

(**) The expected credit losses for the cash loans

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s. Movements in value adjustments and provisions

	Opening Balance – Before TFRS9	Recalculations	Opening Balance – After TFRS9	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Specific provisions	-			6,033			6,033
General provisions	7,393	(2,538)	4,855	11,630			16,485

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 Country	Banking book for private sector lending	RWAs of trading book	Total
Azerbaijan	26,927	-	26,927
Georgia	37,084	-	37,084
Ireland	79,917	-	79,917
Russia	20,000	-	20,000
Cyprus	3,997	-	3,997
Total	167,925	-	167,925

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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:

	USD		EURO	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Bid Rate	5.2810	3.7719	6.0422	4.5155
1. Day's bid rate	5.2609	3.8104	6.0280	4.5478
2. Day's bid rate	5.2889	3.8197	6.0245	4.5385
3. Day's bid rate	5.2832	3.8029	6.0185	4.5116
4. Day's bid rate	5.3034	3.8087	6.0419	4.5205
5. Day's bid rate	5.2926	3.8113	6.0291	4.5171

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

	USD		EURO	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Arithmetic average - 31 days	5.3010	3.8417	6.0359	4.5496

Information on currency risk of the Bank:

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

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

	EUR	USD	Other FC	Total
31 December 2018				
Assets				
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	15,398	61,177	-	76,575
Due from Banks	1,655	30,836	9	32,500
Financial Assets at Fair Value Through Profit or Loss	-	1,537	-	1,537
Money Market Placements	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	-	-
Loans (*)	138,110	350,255	-	488,365
Investments in Associates, Subsidiaries and Joint Ventures	-	60,694	-	60,694
Financial assets at amortised cost	-	-	-	-
Derivative Financial Assets	-	-	-	-
Property and Equipment	-	-	-	-
Intangible Assets	-	73	-	73
Other Assets (***)	155,163	504,572	9	659,744
Total Assets				
Liabilities				
Bank Deposits	-	-	-	-
Foreign Currency Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Funds Borrowed From Other Financial Institutions	154,071	272,042	-	426,113
Marketable Securities Issued	-	264,388	-	264,388
Miscellaneous Payables	-	3	-	3
Other Liabilities	948	9,011	-	9,959
Total Liabilities	155,019	545,444	-	700,463
Net On-balance Sheet Position	144	(40,872)	9	(40,719)
Net Off-balance Sheet Position	-	46,298	-	46,298
Derivative Financial Assets	-	47,882	-	47,882
Derivative Financial Liabilities (**)	-	1,584	-	1,584
Non-Cash Loans (****)	83,873	78,183	6,574	168,630

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31 December 2017

Total Assets	117,274	287,321	7,290	411,885
Total Liabilities	93,503	318,927	7,250	419,680
Net On-balance Sheet Position	23,771	(31,606)	40	(7,795)
Net Off-balance Sheet Position	(22,080)	32,061	-	9,981
Derivative Financial Assets	-	32,061	-	32,061
Derivative Financial Liabilities	22,080	-	-	22,080
Non-Cash Loans (***)	87,692	72,762	-	160,454

(⁽¹⁾) Foreign currency indexed loans amounting to TL 36,384 (31 December 2017 : TL 52,231) are included.

(⁽²⁾) Forward purchase/sell transactions and swaps recorded under commitments are included.

(⁽³⁾) Does not have an effect on currency position.

Foreign Exchange Sensitivity Analysis:

The effects (excluding tax effects) of 10% weakening of TL against the foreign currencies below at 31 December 2018 and 2017 on the equity and profit or loss are presented below. This analysis assumes that all other variables, in particular interest rates, remain constant.

Change in Currency Rate (⁽¹⁾)		Effect on Profit and Loss		Effect on Equity	
		31 December 2018 (⁽¹⁾)	31 December 2017 (⁽¹⁾)	31 December 2018 (⁽¹⁾)	31 December 2017 (⁽¹⁾)
USD	10%	543	46	543	46
EUR	10%	14	169	14	169

(⁽¹⁾) Calculated as 10% weakening of TL against the foreign currencies as of year end of 2018 and 2017

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.

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Interest rate sensitivity of the Bank:

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

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

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

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

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

^(****) Finance lease receivables are included.

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31 December 2017	Up to 1 Month	1-3 Months	3-12 Months	1-5 Year	5 Year and over	Non- Interest Bearing	Total
Assets							
Cash and Cash Equivalents (Cash in vault, effectiveness, money in transfer and cheques purchased) and Balances with the Central Bank of Turkey	67,673	-	-	-	-	9,900	77,573
Due from Banks	58,478	-	-	-	-	15,138	73,616
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-	-	4,943	4,943
Money Market Placements	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	2,524	9,303	9,481	-	-	-	21,308
Loans	254,990	169,508	133,604	111,387	9,610	-	679,099
Held-to-Maturity Investments	-	-	-	-	-	-	-
Other Assets ^(*) ^(**)	-	-	17,018	16,931	-	6,357	40,306
Total Assets	383,665	178,811	160,103	128,318	9,610	36,338	896,845
Liabilities							
Bank Deposits	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-
Funds From Interbank Money Market	62,729	-	-	-	-	-	62,729
Miscellaneous Payables	-	-	-	-	-	178	178
Marketable Securities Issued	29,252	58,077	-	94,412	-	-	181,741
Funds Borrowed From Other Financial Institutions	70,164	27,931	167,656	75,636	-	-	341,387
Other Liabilities ^(**)	11,997	187	193	-	-	298,433	310,810
Total Liabilities	174,142	86,195	167,849	170,048	-	298,611	896,845
Balance Sheet Long Position	209,523	92,616	-	-	9,610	-	311,749
Balance Sheet Short Position	-	-	(7,746)	(41,730)	-	(262,273)	(311,749)
Off-balance Sheet Long Position	-	-	-	-	-	-	-
Off-balance Sheet Short Position	-	-	-	-	-	-	-
Total Position	209,523	92,616	(7,746)	(41,730)	9,610	(262,273)	-

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

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

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

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b. Average interest rates for monetary financial instruments

	EUR %	USD %	JPY %	TL %
31 December 2018				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	0.97	-	8.77
Due From Banks	-	4.00	-	26.42
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	0.01	2.13	-	27.13
Financial assets at fair value through other comprehensive income	-	-	-	22.56
Loans (*)	5.17	7.24	-	21.33
Financial assets measured at amortised cost	-	8.19	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	-
Miscellaneous Payables	-	2.02	-	10.99
Marketable Securities Issued	-	3.90	-	30.08
Funds Borrowed From Other Financial Inst.	0.27	2.63	-	25.84
	EUR %	USD %	JPY %	TL %
31 December 2017				
Assets				
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	-	1.29	-	4.00
Due From Banks	0.04	1.21	-	13.97
Financial Assets at Fair Value Through Profit/Loss	-	-	-	-
Interbank Money Market Placements	-	-	-	13.43
Available-for-Sale Financial Assets	-	-	-	12.14
Loans (*)	4.54	6.09	-	15.33
Held-to-Maturity Investments	-	-	-	-
Liabilities				
Bank Deposits	-	-	-	-
Other Deposits	-	-	-	-
Funds From Interbank Money Market	-	-	-	13.72
Miscellaneous Payables	-	-	-	-
Marketable Securities Issued	-	4.85	-	13.93
Funds Borrowed From Other Financial Inst.	1.43	3.17	-	12.64

(*) Average interest rates applied to lease receivables are included in the "Loans" line.

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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
TL	(+) 500 bps	(3,086)	(0.59%)
TL	(-) 400 bps	2,631	0.51%
USD	(+) 200 bps	(5,584)	(1.07%)
USD	(-) 200 bps	6,712	1.29%
EUR	(+) 200 bps	(1,864)	(0.36%)
EUR	(-) 200 bps	-	-
TOTAL (for negative shocks)		9,343	1.79%
TOTAL (for positive shocks)		(10,534)	(2.02%)

Prior Period Type of Currency	Shocks Applied (+/- basis points)	Gains/Losses	Gains/Equity- Losses/Equity
TL	(+) 500 bps	(7,942)	(2.97%)
TL	(-) 400 bps	7,145	2.68%
USD	(+) 200 bps	2,667	1.00%
USD	(-) 200 bps	(1,787)	(0.67%)
EUR	(+) 200 bps	(1,654)	(0.62%)
EUR	(-) 200 bps	2,602	0.97%
TOTAL (for negative shocks)		7,959	2.98%
TOTAL (for positive shocks)		(6,930)	(2.59%)

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

None (31 Aralık 2017: None).

V. EXPLANATIONS ON EQUITY POSITION RISK

The Bank does not hold equity position as of 31 December 2018 (31 December 2017: None).

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VI. EXPLANATIONS ON LIQUIDITY RISK

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

Liquidity risk is the risk occurring as a result of non-availability of sufficient cash on hand or cash inflow to meet cash outflows in a timely manner completely as a result of imbalance in cash flows. Treasury department manages the cash flow and the liquidity of the Bank and informs ALCO about the liquidity position of the Bank. Planning the weekly, monthly and annual liquidity management and taking the necessary measures is the responsibility of Treasury Department coordinately with Regulatory Reporting and Risk Management departments, informing the top managements is the responsibility of Risk Management 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, weekly simple average of total liquidity adequacy rates related to primary maturity segment and total liquidity adequacy rate related to secondary maturity segment cannot be less than 100% while weekly simple average of foreign currency liquidity ratio related to primary maturity segment and foreign currency adequacy rate related to secondary maturity segment cannot be less than 80%.

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

Regulatory reporting department is responsible for measuring and reporting of legal liquidity ratios.

Stress test applied to liquidity position and calculation of liquidity coverage rate is performed by Risk Management Department.

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

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

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

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

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

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

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

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

TL and foreign currency cash flow of the Bank in scope of Balance sheet management is monitored separately. Risk Management Department reports to ALCO and Risk Management Committee periodically.

e) Information on liquidity risk reduction techniques

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

f) Disclosure regarding use of stress test

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

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

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

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

h) Liquidity ratios realized in the current period

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

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

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31 December 2017	First Maturity Tranche (Weekly) ^(*)		Second Maturity Tranche (Monthly) ^(*)	
	FC	FC+LC	FC	FC+LC
Average (%)	595	221	180	157
Maximum (%)	1,137	291	382	220
Minimum (%)	190	156	81	107

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

i) Liquidity Coverage Ratio

Referring to the BRSA's announcement dated 29/12/2014, no: 30223; it is stated that, as of year 2017, development and investment banks' foreign currency and total consolidated and unconsolidated liquidity coverage ratios are not subject to regulatory limits according to paragraph 5 of article 4 of Regulations About Banks' Liquidity Coverage Ratio Measurement.

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

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

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

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Prior Period-31 December 2017 ^(*)	Total amount which is not applied consideration rate		Total amount which is applied consideration rate	
	LC+FC	FC	LC+FC	FC
High-quality Liquidity Assets (HLA)				
1 High-quality Liquidity Assets			77,920	57,566
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	203,346	64,520	203,346	64,520
6 Operational assets	-	-	-	-
7 Non-operating assets	-	-	-	-
8 Other Junior debt	203,346	64,520	203,346	64,520
9 Secured Debts			-	-
10 Other Cash Outflows	90,556	31,824	36,222	12,730
11 Derivative liabilities and margin liabilities	-	-	-	-
12 Debts from Structured financial instruments	-	-	-	-
13 Payment commitments for debts to financial markets and other off-balance sheet liabilities	90,556	31,824	36,222	12,730
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	273,059	128,934	27,306	12,893
16 TOTAL CASH OUTFLOWS			266,874	90,143
CASH INFLOWS				
17 Secured receivables	-	-	-	-
18 Unsecured receivables	194,543	54,823	126,410	54,549
19 Other cash inflows	-	-	-	-
20 TOTAL CASH INFLOWS	194,543	54,823	126,410	54,549
			Upper limit applied amount	
21 TOTAL HLA STOCK			77,920	57,566
22 TOTAL NET CASH OUTFLOWS^(*)			140,464	35,594
23 LIQUIDITY COVERAGE RATION (%)			55.47%	161.73%

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

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

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j) Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified (*)	Total
31 December 2018								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	8,575	76,536	-	-	-	-	(26)	85,085
Due From Banks	8,759	33,844	-	-	-	-	(54)	42,549
Financial Assets at Fair Value Through Profit/Loss	2,787	1,309	938	-	-	-	-	5,034
Interbank Money Market Placements	-	50,033	-	-	-	-	-	50,033
Financial assets at fair value through other comprehensive income	-	76	81	4,480	2,778	990	(91)	8,314
Loans (****)	-	225,381	106,715	154,509	234,015	131,951	(12,293)	840,278
Financial assets measured at amortised cost	-	-	148	13,858	46,688	-	(480)	60,214
Other Assets (**)	-	22,161	351	-	-	-	235,546	258,058
Total Assets	20,121	409,340	108,233	172,847	283,481	132,941	222,602	1,349,565
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds Borrowed From Other Financial Institutions	-	106,173	183,879	170,338	-	-	-	460,390
Funds Borrowed From Money Markets	-	-	-	-	-	-	-	-
Marketable Securities Issued	-	30,049	26,609	7,507	254,327	-	-	318,492
Miscellaneous Payables	-	29	-	-	-	-	-	29
Other Liabilities (***)	7,951	39,012	4,601	-	-	-	519,090	570,654
Total Liabilities	7,951	175,263	215,089	177,845	254,327	-	519,090	1,349,565
Liquidity Gap	12,170	234,077	(106,856)	(4,998)	29,154	132,941	(296,488)	-
Net Off-Balance Sheet Liquidity Gap	-	925	(339)	-	-	-	-	586
Financial Derivative Assets	-	22,220	27,396	-	-	-	-	49,616
Financial Derivative Liabilities	-	(21,295)	(27,735)	-	-	-	-	(49,030)
Non-cash Loans (*****)	119,750	267	98,674	182,754	21,209	-	422,653	119,749

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

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

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

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

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

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	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	5 Year and Over	Unclassified ^(*)	Total
31 December 2017								
Assets								
Cash (Cash in Vault, Effectives, Cash in Transit, Cheques Purchased) and Balances with the CBRT	9,900	67,673	-	-	-	-	-	77,573
Due From Banks	15,138	58,478	-	-	-	-	-	73,616
Financial Assets at Fair Value Through Profit/Loss	4,943	-	-	-	-	-	-	4,943
Interbank Money Market Placements	-	-	-	-	-	-	-	-
Available-for-Sale Financial Assets	-	-	-	9,482	9,303	2,523	-	21,308
Loans	-	188,818	94,000	190,375	196,296	9,610	-	679,099
Held-to-Maturity Investments	-	-	-	-	-	-	-	-
Other Assets ^(***)	-	3,208	2	17,018	16,931	-	3,147	40,306
Total Assets	29,981	318,177	94,002	216,875	222,530	12,133	3,147	896,845
Liabilities								
Bank Deposits	-	-	-	-	-	-	-	-
Other Deposits	-	-	-	-	-	-	-	-
Funds From Interbank Money Market	-	70,164	27,931	167,656	75,636	-	-	341,387
Miscellaneous Payables	-	62,729	-	-	-	-	-	62,729
Marketable Securities Issued	-	29,252	58,077	-	94,412	-	-	181,741
Funds Borrowed From Other Financial Institutions	-	150	-	28	-	-	-	178
Other Liabilities ^(**)	8,682	28,460	1,860	193	-	-	271,615	310,810
Total Liabilities	8,682	190,755	87,868	167,877	170,048	-	271,615	896,845
Liquidity Gap	21,299	127,422	6,134	48,998	52,482	12,133	(268,468)	-
Net Off-Balance Sheet Liquidity Gap	-	(729)	(47)	356	-	-	-	(420)
Financial Derivative Assets	-	34,503	8,307	11,645	-	-	-	54,455
Financial Derivative Liabilities	-	(35,232)	(8,354)	(11,289)	-	-	-	(54,875)
Non-cash Loans ^(****)	-	4,651	5,493	194,317	51,508	-	109,958	365,927

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

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

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

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

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k) Breakdown of contractual cash outflows of financial liabilities according to their remaining maturities:

Current Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	106,438	184,821	172,195	-	-
Funds from interbank money market	-	-	-	-	-
Financial leasing payables	-	-	-	-	-
Marketable securities issued	30,225	27,290	7,723	290,075	-
Current accounts of customers	14,883	539	-	-	-
Total	151,546	212,650	179,918	290,075	-

Prior Period	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years
Liabilities					
Deposits	-	-	-	-	-
Funds borrowed from other financial inst.	70,384	28,081	170,466	78,394	-
Funds from interbank money market	62,799	-	-	-	-
Financial leasing payables	-	-	-	-	-
Marketable securities issued	29,484	59,244	-	117,165	-
Current accounts of customers	19,995	-	-	-	-
Total	182,662	87,325	170,466	195,559	-

l) Breakdown of derivative instruments according to their remaining contractual maturities:

The Bank's derivative transactions according to their contractual maturities are in the table below as of 31 December 2018:

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	5 years and above
Forward	924	(338)	-	-	-
Inflows from forward transactions	22,220	27,396	-	-	-
Outflows from forward transactions (-)	21,296	27,734	-	-	-
Swap	-	-	-	-	-
Futures	-	-	-	-	-
Options	-	-	-	-	-
Other	-	-	-	-	-
Total	43,516	55,130		-	-

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Prior Period ⁽¹⁾	Up to 1 month	1-3 Months	3-12 Months	1-5 Year	5 years and above
Forward ⁽¹⁾	4,879	16,661	22,934	-	-
Swap	64,856	-	-	-	-
Futures	-	-	-	-	-
Options	-	-	-	-	-
Other	-	-	-	-	-
Total	69,735	16,661	22,934	-	-

⁽¹⁾ Asset purchase and sales commitments are included two days termed transactions.

VII. EXPLANATIONS ON LEVERAGE RATIO

Unconsolidated leverage ratio was realized as 28.3% (31 December 2017: 20.1%). 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 *	Prior Period *
Asset On The Balance Sheet		
Assets on the balance sheet (excluding derivative financial instruments and loan derivatives, including collaterals)	1,395,261	834,480
(Assets deducted from core capital)	(1,264)	(865)
Total risk amount for assets on the balance sheet	1,393,997	833,615
Derivative Financial Instruments and Loan Derivatives		
Renewal cost of derivative financial instruments and loan derivatives	3,288	1
Potential credit risk amount of derivative financial instruments and loan derivatives	1,547	549
Total risk amount of derivative financial instruments and loan derivatives	4,835	550
Financing Transactions With Securities Or Goods Warranties		
Risk amount of financial transactions with securities or goods warranties (excluding those in the balance sheet)	-	652
Risk amount arising from intermediated transactions	-	-
Total risk amount of financing transactions with securities or goods warranties	-	652
Off-the-Balance Sheet Transactions		
Gross nominal amount of the off-the-balance sheet transactions	447,994	457,103
Adjustment amount arising from multiplying by the credit conversion rate	-	-
Total risk amount for off-the-balance sheet transactions	447,994	457,103
Capital and Total Risk		
Core capital	521,932	258,605
Total risk amount	1,846,826	1,291,920
Leverage Ratio		
Leverage ratio	%28.3	%20.1

* Arithmetic average of last three months including reporting period.

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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.

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Locally and internationally accepted risk models and parameters are used in the identification, measurement and monitoring of risks within the scope of risk management. The Bank strives continuously for development and improvement of internal methods and models. Forward looking risk reports prepared through regular and close monitoring of the market developments are made available for the Senior Management and the Board of Directors. In order to 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.

b. General view to risk weighted amounts

	Risk weighted amounts		Minimum capital requirements
	Current Period 31 December 2018	Prior Period 31 December 2017	Current Period 31 December 2018
Credit risk (excluding counterparty credit risk) (CCR)	1,308,308	804,097	104,665
Of which standardised approach (SA)	1,308,308	804,097	104,665
Of which internal rating-based (IRB) approach	-	-	-
Counterparty credit risk	1,489	2,516	119
Of which standardised approach for counterparty credit risk (SA-CCR)	1,489	2,516	119
Of which internal model method (IMM)	-	-	-
Equity positions in banking book under market-based approach	-	-	-
Equity investments in funds – look-through approach	-	-	-
Equity investments in funds – mandate-based approach	-	-	-
Equity investments in funds – fallback approach	-	-	-
Settlement risk	-	-	-
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	5,713	3,288	457
Of which standardised approach (SA)	5,713	3,288	457
Of which internal model approaches (IMM)	-	-	-
Operational risk	68,147	41,862	5,452
Of which Basic Indicator Approach	68,147	41,862	5,452
Of which Standardised Approach	-	-	-
Of which Advanced Measurement Approach	-	-	-
Amounts below the thresholds for deduction (subject to 250% risk weight)	-	-	-
Floor adjustment	-	-	-
Total	1,383,657	851,763	110,693

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c. Linkages between financial statements and regulatory exposures

c.1) Differences and mapping between regulatory consolidation and financial statement:

31 December 2018	Carrying values of items in accordance with TAS					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements ^(*)	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ^(**)	
Assets						
Cash and balances at central bank	85,111	85,111	-	-	-	-
Financial Assets at Fair Value Through Profit/Loss	2,787	-	2,787	-	-	-
Banks	42,603	42,603	-	-	5,597	-
Receivables from money markets	50,033	50,033	-	-	-	-
Financial assets at fair value through other comprehensive income	8,405	8,405	-	-	-	-
Loans and receivables	840,278	840,278	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Financial assets measured at amortized cost	60,694	60,694	-	-	-	-
Derivative financial assets held for hedges	2,247	-	2,247	-	-	-
Allowance for expected credit losses (-)	651	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-
Tangible assets (net)	2,375	2,375	-	-	-	45
Intangible assets (net)	1,274	-	-	-	-	1,274
Investment properties (net)	218,333	218,333	-	-	-	-
Tax assets	12,522	351	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-	-
Other assets	23,554	23,554	-	-	-	-
Total assets	1,349,565	1,331,737	5,034	-	5,597	1,319
Liabilities						
Deposits	-	-	-	-	-	-
Derivative financial liabilities held for trading	116	-	116	-	116	-
Funds borrowed	460,390	-	-	-	-	460,390
Debt to money markets	-	-	-	-	-	-
Debt securities in issue	318,492	-	-	-	-	318,492
Funds	23,000	-	-	-	-	23,000
Other liabilities	26,655	-	-	-	-	26,655
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	9,830	-	-	-	-	9,830
Tax liability	5,425	-	-	-	-	5,425
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	505,657	-	-	-	-	505,657
Total liabilities	1,349,565	-	116	-	116	1,349,565

(*) Unconsolidated financial statements of Bank are stated.

(**) 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.

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31 December 2017	Carrying values of items in accordance with TAS					Not subject to capital requirements or subject to deduction from capital
	Carrying values as reported in published financial statements ^(*)	Subject to credit risk	Subject to counterparty credit risk	Subject to the securitisation	Subject to market risk ^(**)	
Assets						
Cash and balances at central bank	77,573	77,573	-	-	-	-
Financial assets held for trading	4,943	-	-	-	4,943	-
Financial assets designated at fair value through profit/loss	-	-	-	-	-	-
Banks	73,616	73,616	-	-	-	-
Receivables from money markets	-	-	-	-	-	-
Available for sale financial assets (net)	21,308	11,386	9,922	-	-	-
Loans and receivables	679,099	679,099	-	-	-	-
Factoring receivables	-	-	-	-	-	-
Held to maturity investments (net)	-	-	-	-	-	-
Investments in associates (net)	-	-	-	-	-	-
Investments in subsidiaries (net)	-	-	-	-	-	-
Investments in joint ventures (net)	-	-	-	-	-	-
Leasing receivables	33,949	33,949	-	-	-	-
Derivative financial assets held for hedges	-	-	-	-	-	-
Tangible assets (net)	655	604	-	-	-	51
Intangible assets (net)	869	-	-	-	-	869
Investment properties (net)	-	-	-	-	-	-
Tax assets	902	902	-	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	-	-	-	-	-	-
Other assets	3,931	3,931	-	-	-	-
Total assets	896,845	881,060	9,922	-	4,943	920
Liabilities						
Deposits	-	-	-	-	-	-
Derivative financial liabilities held for trading	1,072	-	1,072	-	1,072	-
Funds borrowed	341,387	-	-	-	-	341,387
Debt to money markets	62,729	-	8,057	-	-	54,672
Debt securities in issue	181,741	-	-	-	-	181,741
Funds	19,987	-	-	-	-	19,987
Various debts	178	-	-	-	-	178
Other liabilities	16,960	-	-	-	-	16,960
Factoring debts	-	-	-	-	-	-
Debts from leasing transactions	-	-	-	-	-	-
Derivative financial liabilities held for hedges	-	-	-	-	-	-
Provisions	9,660	-	-	-	-	9,660
Tax liability	2,524	-	-	-	-	2,524
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-	-
Subordinated debts	-	-	-	-	-	-
Equity	260,607	-	-	-	-	260,607
Total liabilities	896,845	-	9,129	-	1,072	887,716

^(*) Unconsolidated financial statements of Bank are stated.

^(**) 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.

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c.2) Main sources of differences between regulatory exposure amounts and carrying values in financial statements

Current Period 31.12.2018	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ^(*)
1 Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	1,348,246	1,331,737	-	5,034	5,713
2 Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	-	-	-	-	-
3 Total net amount under regulatory scope of consolidation	1,348,246	1,331,737	-	5,034	5,713
4 Off-balance sheet amounts	422,653	343,228	-	-	-
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		(364,817)	-	(3,546)	-
10 Risk amounts		1,308,308		1,488	5,713

Prior Period 31.12.2017	Total	Subject to credit risk	Subject to securitization	Subject to counterparty credit risk	Subject to market risk ^(*)
1 Assets carrying value amount in accordance with TAS under scope of regulatory consolidation	895,925	881,060	-	9,922	4,943
2 Liabilities carrying value amount in accordance with TAS under regulatory scope of consolidation	(9,129)	-	-	(9,129)	(1,072)
3 Total net amount under regulatory scope of consolidation	886,796	881,060	-	793	3,871
4 Off-balance sheet amounts	370,823	291,790	-	-	-
5 Differences in valuations		-	-	-	-
6 Differences due to different netting rules		-	-	(142)	(583)
7 Differences due to consideration of provisions		-	-	-	-
8 Differences due to BRSA's applications		-	-	-	-
9 Differences due to risk reduction		11,726	-	1,865	-
10 Risk amounts		1,184,576		2,516	3,288

^(*) 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.

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c.3) Explanations of differences between amounts in accordance with TAS and regulatory exposure amounts:

a) There are no differences between amounts presented in financial statements in accordance with TAS and amounts accounted in accordance with regulatory consolidation.

b) 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".

c) 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. 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 (borrower rating model and facility rating model) 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.

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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.

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) CRI – Credit quality of assets:

Gross Carrying Amounts reported in Financial Statements in accordance with TAS

	Defaulted exposures (a)	Non-defaulted exposures (b)	Allowances / amortization and impairment (c)	Net Value (a+b-c)
1 Loans and lease receivables	2,663	852,571	(14,956)	840,278
2 Debt securities	-	69,099	(571)	68,528
3 Off-balance sheet exposures	-	422,653	(6,911)	415,742
4 Total	2,663	1,344,323	(22,438)	1,324,548

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	Commercial Loans		Leasing	
	Amount	Provision	Amount	Provision
Loans	842,649	14,819	12,585	137
Stage 1	761,078	5,693	5,433	137
Stage 2	78,908	6,463	7,152	-
Stage 3	2,663	2,663	-	-
Financial Assets – Debt Securities ^(*)	69,099	571	-	-
Other Financial Assets	42,603	80	-	-
Non-Cash Loans	422,653	6,911	-	-
Stage 1 and 2	419,283	3,541	-	-
Stage 3	3,370	3,370	-	-

(*) Excluding Financial Assets at Fair Value Through Profit/Loss.

d.2) CR2 – Changes in stock of defaulted loans and debt securities:

	Current period	Prior Period
1 Beginning Balance	-	-
2 Additions	2,663	-
3 Receivables that are not re-default	-	-
4 Write-offs	-	-
5 Other changes	-	-
6 Ending Balance(1+2-3-4+5)	2,663	-

d.3) CRB – Additional explanations on credit quality of assets:

The breakdown of receivables by geographical area, sector and time to maturity are provided in the tables below:

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Geographic breakdown

31 December 2018	Cash loans	Lease receivables	Debt securities	Banks	Total
Domestic	710,284	12,585	69,099	26,056	794,755
European countries	-	-	-	324	-
USA, Canada	-	-	-	7,692	-
OECD countries	79,917	-	-	-	-
Off-shore banking regions	-	-	-	-	-
Other	52,740	-	-	8,531	-
Total	842,941	12,585	69,099	42,603	967,228

Sector breakdown

31 December 2018	Cash Loans
Agriculture	
Farming and Stockbreeding	-
Forestry	-
Fishery	-
Manufacturing	205,979
Mining and Quarrying	37,650
Production	77,342
Electricity, Gas and Water	90,987
Construction	82,809
Services	462,004
Wholesale and Retail Trade	76,753
Accommodation and Dining	-
Transportation and Telecom	54,191
Financial Institutions	309,919
Real Estate and Rental Services	21,140
Professional Services	-
Educational Services	-
Health and Social Services	-
Others	89,486
Total	840,278

Maturity breakdown:

The breakdown of assets by time to maturity is provided on Section Four, Note VI.

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Non-Performing loans and specific provision by geographic and sectoral breakdown:

	Current Period - 31.12.2018	
	NPL	Specific provision
Domestic	2,663	2,663
European countries	-	-
USA, Canada	-	-
OECD countries	-	-
Off-shore banking regions	-	-
Other	-	-
Total	2,663	2,663

	Current Period	
31.12.2018	NPL	Specific provision
Construction	2,663	2,663
Total	2,663	2,663

Aging analysis of performing loans with overdue

	Current Period
	31 December 2018
1-30 days overdue	-
30-60 days overdue	-
60-90 days overdue	2,555
Total	2,555

d.4) CR3 – 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.

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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	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans and lease receivables	840,278	-	-	-	-	-	-
2	Debt securities	68,528	-	-	-	-	-	-
3	Total	908,806	-	-	-	-	-	-
4	Defaulted items	2,663	-	-	-	-	-	-

Prior 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	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans and lease receivables	713,048	-	-	-	-	-	-
2	Debt securities	21,308	-	-	-	-	-	-
3	Total	734,356	-	-	-	-	-	-
4	Defaulted items	-	-	-	-	-	-	-

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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KR4: Standardised approach – Credit risk exposure and credit risk mitigation effects

Current Period		Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA 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	89,301		89,301	-	-	0.00%
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	175,379	118,353	131,565	118,353	156,515	63%
7	Corporate receivables	806,779	280,131	771,169	280,131	865,517	82%
8	Retail receivables	-	-	-	-	-	0.00%
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	0.00%
10	Collateralized by trading mortgages receivables	12,588		12,588		6,294	50%
11	Non-performing receivables	-	-	-	-	-	0.00%
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	48,186		48,186	-	37,221	77%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	0.00%
16	Equity security investments	256,421	-	256,421	-	244,250	95%
17	Other receivables	-	-	-	-	-	0.00%
18	Total	1,388,654	398,484	1,309,230	398,484	1,309,797	77%

^(*) Credit risk amount resulting from counterparty risk is included.

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KR4: Standardised approach – Credit risk exposure and credit risk mitigation effects

Prior Period	Risk Classifications	Exposures before credit risk mitigation and credit conversion factors		Exposures after credit risk mitigation and credit conversion factors		Risk weighted assets (RWA) amounts and RWA density	
		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	78,431	-	78,431	-	-	0.00%
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	85,738	100,366	85,738	63,756	105,975	13.14%
7	Corporate receivables	684,817	270,456	684,817	223,146	667,375	82.73%
8	Retail receivables	-	-	-	-	-	
9	Collateralized by real estate mortgages receivables	-	-	-	-	-	
10	Collateralized by trading mortgages receivables	33,949	-	33,949	-	19,751	2.45%
11	Non-performing receivables	-	-	-	-	-	
12	Receivables defined in high risk category by BRSA	-	-	-	-	-	
13	Securities collateralized by mortgages	-	-	-	-	-	
14	Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	8,939	-	8,939	-	8,939	1.11%
15	Investments in nature of Collective Investment funds	-	-	-	-	-	
16	Equity security investments	-	-	-	-	-	
17	Other receivables	5,800	-	5,800	-	4,574	0.57%
18	Total	897,674	370,822	897,674	286,902	806,614	100.00%

^(*) Credit risk amount resulting from counterparty risk is included.

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KR5 – Standardised approach – exposures by risk classes and risk weights:

Current Period	0%	10%	20%	50% Guaranteed by mortgages	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	89,301	-	-	-	-	-	-	-	-	89,301
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	50,000	-	-	86,806	-	113,112	-	-	-	249,918
7	-	-	106,891	200,540	-	743,869	-	-	-	1,051,300
8	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
10	-	-	-	12,588	-	-	-	-	-	12,588
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	10,103	5,765	-	32,318	-	-	-	48,186
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	12,171	-	-	-	-	244,250	-	-	-	256,421
18	151,472	-	116,994	305,699	-	1,133,549	-	-	-	1,707,714

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Current Period	0%	10%	20%	50% Guaranteed by mortgages	75%	100%	150%	200%	Others	Total credit risk amount (after CRM and CCF)
1	78,431	-	-	-	-	-	-	-	-	78,431
2	-	-	-	-	-	-	-	-	-	-
3	-	-	-	-	-	-	-	-	-	-
4	-	-	-	-	-	-	-	-	-	-
5	-	-	-	-	-	-	-	-	-	-
6	8,057	-	441	70,243	-	70,730	23	-	-	149,494
7	-	-	145,006	249,164	-	513,793	-	-	-	907,963
8	-	-	-	-	-	-	-	-	-	-
9	-	-	-	-	-	-	-	-	-	-
10	-	-	-	28,397	-	5,552	-	-	-	33,949
11	-	-	-	-	-	-	-	-	-	-
12	-	-	-	-	-	-	-	-	-	-
13	-	-	-	-	-	-	-	-	-	-
14	-	-	-	-	-	8,939	-	-	-	8,939
15	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
17	1,226	-	-	-	-	4,574	-	-	-	5,800
18	87,714	-	145,447	347,804	-	603,588	23	-	-	1,184,576

- 1) Receivables from Central Governments or Central Banks
- 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
- 7) Corporate receivables
- 8) Retail receivables
- 9) Collateralized by real estate mortgages receivables
- 10) Collateralized by trading mortgages receivables
- 11) Non-performing receivables
- 12) Receivables defined in high risk category by BRSA
- 13) Securities collateralized by mortgages
- 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
- 18) Total

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.

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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 deterioration 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.

e.1) CCRI – Analysis of counterparty credit risk (CCR) exposure by approach:

	Current period	Revaluation Cost	Potential credit risk exposure	EEPE	Alpha	Exposure after credit risk mitigation	Risk Weighted Amounts
1	Standard approach-CCR (for derivatives)	2,000	495		1.4	2,977	1,489
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)			-	-	-	-
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)					50,000	
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						1,489

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e.2) CCR2 – Credit valuation adjustment (CVA) capital charge:

	Risk amount (after credit risk mitigation techniques)	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	2,977	363
4 Total subject to the CVA capital charge	2,977	363

e.3) CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk weights:

	Risk Weights								Total Credit Risk
Risk Classifications	0%	10%	20%	50%	75%	100%	150%	Other	
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	50,000	-	-	-	-	-	-	-	50,000
Corporate receivables	-	-	-	-	-	-	-	-	-
Retail receivables	-	-	-	-	-	-	-	-	-
Collateralized by real estate mortgages receivables	-	-	-	-	-	-	-	-	-
Non-performing receivables	-	-	-	-	-	-	-	-	-
Receivables defined in high risk category by BRSA	-	-	-	-	-	-	-	-	-
Securities collateralized by mortgages	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short-term receivables and short-term corporate receivables from Banks and Brokerage corporations	-	-	-	2,977	-	-	-	-	2,977
Investments in nature of Collective Investment funds	-	-	-	-	-	-	-	-	-
Equity security investments	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total	50,000	-	-	2,977	-	-	-	-	52,977

e.4) CCR4 – Risk class and counterparty credit risk based on PD:

Since standard approach is used in capital adequacy calculation, the relevant table is not presented.

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e.5) CCR5 – Composition of collateral for CCR exposure:

	Collaterals for Derivatives				Collaterals or Other Transactions	
	Collaterals Taken		Collaterals Given		Collaterals Taken	Collaterals Given
	Reserved	Not Reserved	Reserved	Not Reserved		
Cash- local currency	-	-	-	-	-	50,000
Cash- foreign currency	-	-	-	-	-	-
Government bond/bill – local	-	-	-	-	50,033	-
Government bond/bill – other	-	-	-	-	-	-
Public institutions bond/bill	-	-	-	-	-	-
Corporate bond/bill	-	-	-	-	-	-
Share equities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
Total	-	-	-	-	50,033	50,000

e.6) CCR6 – Credit derivatives:

There is no credit derivatives arising from purchasing or selling the credit derivatives of the Bank's portfolio.

e.7) CCR8 – Exposures to central counterparties:

The Bank does not have transactions related with exposures to central counterparty, the related table has not been prepared.

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 two different methods, namely the "inherent model" and the "standard method". According to inherent model market risk is measured by Value at Risk ("VaR") approach which takes into account different risk factors. VaR calculations are performed based on variance-covariance and/or historical simulation methods, depending on whichever is appropriate given the economic conditions. VaR is calculated weekly and reported to Senior Management. For legal reporting, standard method is utilised.

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The following table indicates the details of the market risk calculation as of 31 December 2017, 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.

	RWA
Outright products	
1 Interest rate risk (general and specific)	725
2 Equity risk (general and specific)	-
3 Foreign exchange risk	4,988
4 Commodity risk	-
Options	
5 Simplified approach	-
6 Delta-plus method	-
7 Scenario approach	-
8 Securitisation	-
9 Total	5,713

h. Explanations on operational risk

The "Basic Indicator Method" that is mentioned in "Regulation on Measurement and Assessment of Capital Adequacy of Banks" Communiqué published in the Official Gazette no. 29511 on 23 October 2015 and entered into force as of July 1, 2012, is used in the operational risk calculation of the Bank. For 31 December 2018, it was calculated as TL 41,862.

Current Period	31 December 2015 Amount	31 December 2016 Amount	31 December 2017 Amount	Total/Positive GI year number	Ratio (%)	Total
Gross Revenue	26,066	35,342	45,588	35,665	15	5,350
Amount Subject to Operational Risk (Total*12,5)						66,875
Prior Period	31 December 2014 Amount	31 December 2015 Amount	31 December 2016 Amount	Total/Positive GI year number	Ratio (%)	Total
Gross Revenue	5,571	26,066	35,342	22,326	15	3,349
Amount Subject to Operational Risk (Total*12,5)						41,862

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IX. EXPLANATIONS ON THE PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT THEIR FAIR VALUES

1. 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 Value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets	1,006,755	807,972	959,902	805,370
Interbank Money Market Placements	50,033	-	50,033	-
Banks	42,603	73,616	42,603	73,616
Financial assets at fair value through profit or loss	5,034	21,308	5,034	21,308
Financial assets at fair value through other comprehensive income	8,405	-	8,405	-
Loans	839,986	679,099	792,853	676,805
Financial assets measured at amortised cost	60,694	-	60,974	-
Lease receivables	-	33,949	-	33,641
Financial Liabilities	802,027	606,022	804,646	605,771
Funds borrowed from other fin. Institutions	460,390	341,387	460,531	341,279
Payables to money market	-	62,729	-	62,729
Securities issued	318,492	181,741	320,970	181,598
Derivative Financial Liabilities	116	-	116	-
Miscellaneous Payables	29	178	29	178
Borrower Funds	23,000	19,987	23,000	19,987

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i. 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:

- Identical assets and quoted market prices (non-adjusted) (1st level);
- Directly (by way of prices) or indirectly (derived from prices) data for the assets or liabilities, other than quoted prices in the 1st level (2nd level);
- 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:

31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,787	-	-	2,787
Derivative financial assets	-	2,247	-	2,247
Financial assets at fair value through other comprehensive income	8,405	-	-	8,405
Financial assets measured at amortised cost	60,974	-	-	60,974
Loans	-	-	792,853	792,853
Total Assets	72,166	2,247	792,853	867,266
Funds borrowed from other fin. Institutions	-	-	460,531	460,531
Securities issued	-	-	320,970	320,970
Derivative financial liabilities	-	116	-	116
Hedging derivative financial liabilities	-	-	-	-
Total liabilities	-	116	781,501	781,617

31 December 2017	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss	4,943	-	-	4,943
Available for sale financial assets	14,019	-	7,289	21,308
Total assets	18,962	-	7,289	26,251
Trading derivative financial liabilities	-	1,072	-	1,072
Hedging derivative financial liabilities	-	-	-	-
Total liabilities	-	1,072	-	1,072

There are no transfers between the levels.

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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.

XI. EXPLANATIONS ON OPERATING SEGMENTS

Current Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	837,615	511,950	1,349,565
Total Liabilities	23,000	1,326,565	1,349,565
Net Interest Income/(Loss)	110,575	(31,077)	79,498
Net Fee and Commission Income/(Loss)	3,168	-	3,168
Trading Gain/(Loss)	-	(1,009)	(1,009)
Other Operating Segments Gain/(Loss)	-	855	855
Provisions for Loan Losses and Other Receivables(-)	(17,713)	-	(17,713)
Other Operating Expense (-)	-	(69,095)	(69,095)
Profit Before Tax	96,030	(100,326)	(4,296)
Tax Provision	-	733	733
Net Profit	96,030	(99,593)	(3,563)

Prior Period	Corporate Banking	Treasury and Asset Liability Management	Total
Total Assets	713,048	183,797	896,845
Total Liabilities	32,091	864,754	896,845
Net Interest Income/(Loss)	61,782	(21,926)	39,856
Net Fee and Commission Income/(Loss)	1,801	-	1,801
Trading Gain/(Loss)	-	3,891	3,891
Other Operating Segments Gain/(Loss)	-	102	102
Provisions for Loan Losses and Other Receivables(-)	(2,922)	-	(2,922)
Other Operating Expense (-)	-	(22,022)	(22,022)
Profit Before Tax	60,661	(39,955)	20,706
Tax Provision	-	(4,698)	(4,698)
Net Profit	60,661	(44,653)	16,008

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

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

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Cash/Foreign currency	9	8	33	13
CBRT	8,527	76,567	9,754	67,773
Other	-	0	-	-
Total	8,536	76,575	9,787	67,786

b. Information on the account of the CBRT:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Demand Unrestricted Amount	8,527	31	9,754	100
Time Unrestricted Amount	-	-	-	-
Time Restricted Amount	-	76,536	-	67,673
Total	8,527	76,567	9,754	67,773

According to CBRT's "Required Reserves Announcement" numbered 2013/15, the Bank has to provide reserve requirement amounts in CBRT for Turkish currency and foreign currency denominated liabilities. The reserve requirements may be kept as Turkish Lira, USD, Euro and standard gold. The Bank does not keep reserve requirements in standard gold. CBRT started paying interest on reserve balances in TL starting from November 2014 and held in USD starting from May 2015.

The reserve rates for TL liabilities vary between 1.5% and 8% according to their maturities as of 31 December 2018 (31 December 2017: between 4% and 10.5%). The reserve rates for foreign currency liabilities vary between 6% and 20% according to their maturities as of 31 December 2018 (31 December 2017: between 4% and 24%).

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

a. As of 31 December 2018, the Bank has no financial assets at fair value through profit or loss subject to repo transactions (31 December 2017: None).

As of 31 December 2018; there are no and financial assets given as collateral/are blocked (31 December 2017: None).

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b. Positive differences related to trading derivative financial assets

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Forward transactions	118	2,129	-	-
Swap transactions	-	-	-	-
Futures transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	118	2,129	-	-

c. Financial assets at fair value through profit or loss

	31 December 2018	31 December 2017
Debt Securities	2,787	4,943
Quoted on Stock Exchange	2,787	4,943
Not Quoted	-	-
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	2,787	4,943

3. Information on banks

a. Information on banks

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Banks	10,103	32,500		
Domestic	10,103	16,491	29	68,871
Foreign	-	16,009	-	4,716
Branches and offices abroad	-	-	-	-
Total	10,103	32,500	29	73,587

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b. Information on foreign banks accounts:

	Unrestricted Amount		Restricted Amount	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
European Union Countries	1,012	1,757	-	-
USA, Canada	6,680	2,959	-	-
OECD Countries ^(*)	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	8,317	-	-	-
Total	16,009	4,716	-	-

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

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

a. As of 31 December 2018, TL 4,423 of financial assets at fair value through other comprehensive income given as collateral/blocked (31 December 2017: TL 711).

As of 31 December 2018; there are no financial assets at fair value through other comprehensive income subject to repo transaction (31 December 2017: None). The financial assets at fair value through other comprehensive income were classified as available for sale financial assets (31 December 2017: TL 9,922).

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

	31 December 2018	31 December 2017^(*)
Debt Securities	8,405	21,308
Quoted on Stock Exchange	8,405	14,019
Not Quoted	-	7,289
Share Certificates	-	-
Quoted on Stock Exchange	-	-
Not Quoted	-	-
Impairment Provision (-)	-	-
Total	8,405	21,308

^(*) As of 31 December 2017, the amounts were classified as available for sale financial assets.

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5. Information on loans

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

	31 December 2018		31 December 2017	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	804	22,983	555	31,966
Legal Entities	804	22,983	555	31,966
Individuals	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	-	-	-	-
Total	804	22,983	555	31,966

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

Cash Loans	Standard Loans		Loans Under Close Monitoring	
	Loans and other receivables	Not under the scope of restructuring	Modifications on agreement conditions	Refinancing
Non-specialized Loans	761,078	-	60,945	17,963
Loans given to enterprises	169,250	-	31,295	17,963
Export Loans	-	-	-	-
Import Loans	-	-	-	-
Financial Sector Loans	213,904	-	15,262	-
Consumer Loans	-	-	-	-
Credit Cards	-	-	-	-
Other	377,924	-	14,388	-
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Total	761,078	-	60,945	17,963

Expected Credit Loss	Standard Loans	Loans Under Close Monitoring
12 Months Expected Credit Loss	5,830	-
Significant Increase in Credit Risk	-	6,463
Total	5,830	6,463

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

Extended period of time	Loans Under	
	Standard Loans	Close Monitoring
0 - 6 Months	-	9,158
6 - 12 Months	-	8,805
1 - 2 Years	-	-
2 - 5 Years	-	-
5 Years and over	-	-
Total	-	17,963

c. Breakdown of loans according to their maturities:

	Standard Loans and Other Receivables		Loans and Receivables Under Close Monitoring	
	Loans and Other Receivables	Restructured or Rescheduled	Loans and Other Receivables	Restructured or Rescheduled
Cash Loans				
Short-Term Loans and Other Receivables	321,687	-	32,116	9,158
Non-Specialized Loans	321,687	-	32,116	9,158
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-
Medium and Long-Term Loans and Other Receivables	439,391	-	28,829	8,805
Non-Specialized Loans	439,391	-	28,829	8,805
Specialized Loans	-	-	-	-
Other Receivables	-	-	-	-

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d. Information on specific provision by types of cash loans:

1) Information on specific provision by types of cash loans:

Current Period	Commercial loans	Finance lease receivables	Total
Standard Loans (Stage 1)	761,078	5,433	766,511
Loans and Receivables Under Close Monitoring (Stage 2)	78,908	7,152	86,060
Loan under follow up Stage 3)	2,663	-	2,663
Specific Provision (-)	14,819	137	14,956
Total	827,830	12,448	840,278

- There is no loan classified as loans under close monitoring and loans under follow-up as of 31 December 2017.
- As of 31 December 2017, TL 3,258 expected credit losses calculated for cash loans and finance lease receivables at stage 1 amounting to TL 713,048 due to transition effect of TFR9.

2) Information on specific provisions

	Commercial loans	Finance lease receivables	Total
31 December 2017 Closing Balance	-	-	-
TFRS 9 Effect	-	-	-
Opening Balance	-	-	-
Impairment (-)	2,663	-	2,663
Collections (-)	-	-	-
Deducted from the record (-)	-	-	-
Foreign exchange differences	-	-	-
31 December 2018 Closing Balance	2,663	-	2,663

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

None (31 December 2017: None).

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f. Information on commercial instalment loans and corporate credit cards

31 December 2018	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	6,109	13,782	19,891
Business residential loans	-	-	-
Automobile loans	877	11,424	12,301
Consumer loans	-	1,716	1,716
Other	5,232	642	5,874
Commercial installment loans- Indexed to FC	76	27,392	27,468
Business residential loans	-	-	-
Automobile loans	76	10,956	11,032
Consumer loans	-	16,436	16,436
Other	-	-	-
Commercial installment loans - FC	-	48,585	48,585
Business residential loans	-	-	-
Automobile loans	-	-	-
Consumer loans	-	-	-
Other	-	48,585	48,585
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	6,185	89,759	95,944

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Prior Period :31 December 2017	Short Term	Medium-Long Term	Total
Commercial installment loans-LC	-	7,003	7,003
Business residential loans	-	-	-
Automobile loans	-	4,949	4,949
Consumer loans	-	2,054	2,054
Other	-	-	-
Commercial installment loans- Indexed to FC	-	3,416	3,416
Business residential loans	-	-	-
Automobile loans	-	3,416	3,416
Consumer loans	-	-	-
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	-	10,419	10,419

g. Loans according to types of borrowers:

	31 December 2018	31 December 2017
Public	-	-
Private	839,986	679,099
Total	839,986	679,099

h. Distribution of domestic and foreign loans

	31 December 2018	31 December 2017
Domestic Loans	628,156	621,553
Foreign Loans	211,830	57,546
Total	839,986	679,099

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i. Loans granted to investments in associates and subsidiaries

None (31 December 2017: None).

j. Specific provisions accounted for loans

	Current Period	Prior Period
Loans with limited collectability	2,663	-
Loans with doubtful collectability	-	-
Uncollectible loans	-	-
Total	2,663	-

k. Information on non-performing loans

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

None (31 December 2017: None).

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Prior period end balance	-	-	-
Additions (+)	2,663	-	-
Transfers from other categories of loans under follow-up (+)	-	-	-
Transfers to other categories of loans under follow-up (-)	-	-	-
Collections (-)	-	-	-
Deducted from the record (-)	-	-	-
Commercial and corporate loans	-	-	-
Individual loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Current period end balance	2,663	-	-
Provision (-)	(2,663)	-	-
Net Balance on balance sheet	-	-	-

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

None (31 December 2017: None).

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current period (Net)	-	-	-
Loans granted to real persons and legal entities (Gross)	2,663	-	-
Provision (-)	(2,663)	-	-
Loans granted to real persons and legal entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-
Prior Period (Net)	-	-	-
Loans granted to real persons and legal entities (Gross)	-	-	-
Provision (-)	-	-	-
Loans granted to real persons and legal entities (Net)	-	-	-
Banks (Gross)	-	-	-
Provision (-)	-	-	-
Banks (Net)	-	-	-
Other loans (Gross)	-	-	-
Provision (-)	-	-	-
Other loans (Net)	-	-	-

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

	III. Group Loans with limited collectability	IV. Group Loans with doubtful collectability	V. Group Uncollectible loans
Current period: 31 December 2018	-	-	-
Interest accruals and rediscounts and valuation differences and Provision (*)	-	-	-
Prior Period: 31 December 2017	-	-	-
Interest accruals and rediscounts and valuation differences and Provision	-	-	-

(*) Since the Stage 3 of loans occurred at year-end and the accrual and rediscount weren't calculated.

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

Non-performing loans and other receivables are collected through legal follow-up and liquidation of collaterals. Credits that have become losses in nature, are attached to the certificate of insolvency or insufficient collateral document, and written off from the Bank's assets. However, if the Bank's receivable is an insignificant amount compared to the costs and expenses to be incurred for the preparation of said documents, writing off of assets may be performed if the Board of Directors decides so. As of 31 December 2018, there is no write-off of assets (31 December 2017: None).

6. Information on financial assets measured at amortized cost

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

None (31 December 2018 - None).

b. Information on financial assets measured at amortized cost

	31 December 2018	31 December 2017
Debt Securities	60,694	-
Quoted in a stock exchange	60,694	-
Not quoted	-	-
Impairment provisions (-)	-	-
Total	60,694	-

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

	31 December 2018	31 December 2017*
Beginning balance	-	-
Foreign currency differences on monetary assets	(2,997)	-
Purchases during year (**)	63,691	-
Disposals through sales and redemptions	-	-
Impairment provisions (-)	-	-
Total	60,694	-

(*) As of 31 December 2017, financial assets classified as held to maturity financial assets

(**) Includes TL 789 of interest accruals.

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7. Information on investments in associates (Net)

None (31 December 2017: None).

8. Information on subsidiaries (Net)

None (31 December 2017: None).

9. Information on joint ventures

None (31 December 2017: None).

10. Information on lease receivables (Net)

a. Remaining maturities of financial lease investments

	31 December 2018		31 December 2017	
	Gross	Net	Gross	Net
Up to 1 Year	-	-	-	-
1 – 4 Years	15,134	12,585	39,548	33,949
Over 4 Years	-	-	-	-
Total	15,134	12,585	39,548	33,949

b. Information on lease receivables

	31 December 2018	31 December 2017
Financial lease receivables, Gross	15,134	39,548
Unearned income	(2,549)	(5,599)
Terminated lease contracts	-	-
Net financial lease receivables	12,585	33,949

11. Information on hedging derivative financial assets

None (31 December 2017: None).

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12. Information on property and equipment:

Prior Period End: 1 January 2018	Immovable	Leased Fixed Assets	Vehicles	Other Tangible Fixed Assets	Total
Cost	-	271	-	1,162	1,433
Accumulated Depreciation(-)	-	(271)	-	(507)	(778)
Net Book Value	-	-	-	655	655
Current Period End: 31 December 2018					
Net Book Value at the beginning of the Period	-	-	-	655	655
Additions	-	-	625	1,340	1,965
Disposals(-), net	-	-	-	-	-
Depreciation (-)	-	-	(21)	(224)	(245)
Impairment	-	-	-	-	-
Cost at Period End	-	271	625	2,501	3,397
Accumulated Depreciation at Period End (-)	-	(271)	(21)	(730)	(1,022)
Closing Net Book Value	-	-	604	1,771	2,375

Prior Period End: 1 January 2017	Immovable	Leased Fixed Assets	Other Tangible Fixed Assets	Total
Cost	-	271	1,080	1,351
Accumulated Depreciation(-)	-	(203)	(467)	(670)
Net Book Value	-	68	613	681
Current Period End: 31 December 2017				
Net Book Value at the beginning of the Period	-	68	613	681
Additions	-	-	212	212
Disposals(-), net	-	-	(4)	(4)
Depreciation (-)	-	(68)	(166)	(234)
Impairment	-	-	-	-
Cost at Period End	-	271	1,162	1,433
Accumulated Depreciation at Period End (-)	-	(271)	(507)	(778)
Closing Net Book Value	-	-	655	655

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13. Information on intangible assets:

	Current Period	Prior Period
	31 December 2018	31 December 2017
Net Book Value at the beginning of the Period	869	981
Additions	1,081	414
Disposals(-), net	-	-
Depreciation (-)	(676)	(526)
Closing Net Book Value	1,274	869

14. Information on investment property:

The Bank has purchased a real estate classified as investment property amounting to TL 260,916 as of balance sheet date with the deed transfer process has completed as of 18 June 2018.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value in accordance with TAS 40 "Investment Property".

	Immovables
Beginning balance, Net	-
Additions (+)	260,916
Disposals (-), net	-
Impairment (*)	(42,173)
Depreciation (-)	(410)
Current period end balance, Net	218,333

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

15. Information on tax asset

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

As of 31 December 2018, the Bank calculated deferred tax asset amounting TL 12,171 and reflected this amount to the financial statements (31 December 2017 - 900 TL deferred tax asset before TFRS 9).

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.

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	31 December 2018		31 December 2017 ^(*)	
	Temporary Differences of Deferred Tax Base	Deferred Tax Amount	Temporary Differences of Deferred Tax Base	Deferred Tax Amount
Provision for employee benefits	565	124	475	105
Expense provisions	139	30	256	56
Expected credit losses	16,485	3,627	4,855	1,068
Impairment for investment property	42,173	9,278		
Other	4,162	916	3,830	842
Deferred Tax Asset	63,524	13,975	9,416	2,071
Tangible and intangible assets	(5,153)	(1,134)	(470)	(103)
Other	(3,046)	(670)	-	-
Deferred Tax Liability	(8,199)	(1,804)	(470)	(103)
Deferred Tax Asset/(Liability), net	55,325	12,171	8,946	1,968

(*) TL 1,068 of deferred tax assets were recorded on beginning balance as result of TFRS 9 effect and the amount was reflected under the equity as retained earnings. The above table includes TL 1,068 of deferred tax effect.

16. Information on assets held for resale and discontinued operations

None (31 December 2017: None).

17. Information on other assets

As of 31 December 2018, other assets amount to TL 23,554 (31 December 2017: TL 3,931) and don't exceed 10% of total balance sheet except off balance sheet commitments.

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II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. Information on deposits

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

2. Negative differences related to derivative financial liabilities

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Forward transactions	-	116	380	-
Swap transactions	-	-	-	692
Futures transactions	-	-	-	-
Options transactions	-	-	-	-
Other	-	-	-	-
Total	-	116	380	692

3. Information on borrowings

a. Information on banks and other financial institutions

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Borrowings from the CBRT	-	-	-	-
From domestic banks and institutions	226	26,586	18,521	27,518
From foreign banks, institutions and funds	34,051	399,527	21,069	274,279
Total	34,277	426,113	39,590	301,797

b. Information on maturity structure of borrowings

	31 December 2018		31 December 2017	
	TP	YP	TP	YP
Short-term	34,277	426,113	39,590	62,390
Medium and long-term	-	-	-	239,407
Total	34,277	426,113	39,590	301,797

c. Liability concentration areas Additional explanations on the areas where the Bank's liabilities are concentrated on the basis of funding customers, sector groups or other criteria where risk concentration is observed:

The Bank, funds its assets mainly with funds borrowed, issued securities and equity. The major portion of the funds borrowed is provided from the Bank's main shareholder and its risk group. Additionally, a portion of the issued securities are sold to the risk group companies. The Bank's total borrowings from its risk group constitutes 26% of total assets (31 December 2017: 31%).

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4. Information on Repo Transactions:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Financial Institutions	-	-	7,224	-
Other	-	-	833	-
Total	-	-	8,057	-

5. Securities Issued:

The Bank has issued ten bill/bond issuances, one of which was issued abroad, in year 2018. The summary information about related issuance is below;

ISIN	Security type	Issue date	Issued Nominal amount	Maturity Date	Total days	Redeem status
TRFPASH51814	Discounted bond	1/22/2018	36,000 TRY	5/30/2018	128	Redeemed
TRFPASH71812	Discounted bond	2/16/2018	32,500 TRY	7/6/2018	140	Redeemed
TRFPASH71820	Discounted bond	3/1/2018	25,000 TRY	7/31/2018	152	Redeemed
TRFPASH91810	Discounted bond	5/23/2018	21,083 TRY	9/4/2018	104	Redeemed
AZ2002020173	Coupon bond	6/14/2018	25,000 USD	9/14/2021	1,170	
TRFPASHE1819	Discounted bond	7/6/2018	33,224 TRY	10/19/2018	105	Redeemed
TRFPASHK1811	Discounted bond	7/31/2018	48,500 TRY	11/13/2018	105	Redeemed
TRFPASHK1829	Discounted bond	9/4/2018	23,820 TRY	11/2/2018	59	Redeemed
TRFPASH11917	Discounted bond	11/2/2018	30,600 TRY	1/9/2019	68	
TRFPASH21916	Discounted bond	11/13/2018	25,040 TRY	2/8/2019	87	

The carrying amount of the related bonds are TL 318,492 as at 31 December 2018 (31 December 2017: TL 181,741).

6. Information on Borrower Fund:

	Demand	Up to 1 month	1-3 Month	3-12 Month	1-5 Year	Over Years
31 December 2018						
Borrower fund	7,951	14,524	525	-	-	-
31 December 2017						
Borrower fund	8,681	11,306	-	-	-	-

7. Information on other foreign sources:

As of 31 December 2018, other liabilities amount to TL 26,655 (31 December 2017: TL 16,960) and don't exceed 10% of total balance sheet.

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8. Information on financial lease agreements:

None (31 December 2017: None).

9. Information on hedging derivative financial liabilities:

None (31 December 2017: None).

10. Information on provisions:

a. Information on general provisions:

As of 1 January 2018, the Bank has applied TFRS 9 regulation and has started to calculate allowance for expected credit losses. The Bank presented allowance for expected credit losses for loans and lease receivables, banks, securities and other balance sheet items by offsetting the assets in the balance sheet.

The information on the general provisions of the Bank as of 31 December 2017 before adoption of TFRS 9 is presented below:

	31 December 2017
Provisions for Group I. Loans and Receivables	6,710
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Group II. Loans and Receivables	-
Additional Provision for Loans and Receivables with Extended Maturities	-
Provisions for Non Cash Loans	479
Other	204
Total	7,393

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

None (31 December 2017: None).

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

TL 3,370 of specific provisions for non-cash loans that are non-funded and non-transformed into cash were booked (31 December 2017: None)

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d. Information on other provisions:

i. Information on provisions for possible risks:

None (31 December 2017: None).

ii. Obligations related to employee rights:

In accordance with Turkish Labour Law, the reserve has been calculated by estimating the present value of the future probable obligation of the Bank arising from the retirement of its employees. TAS 19 necessitates the actuarial valuation methods to calculate liabilities of enterprises. In this context, the following actuarial assumptions were used in the calculation of total liabilities.

	31 December 2018	31 December 2017
Discount rate (%)	6.42	5.14

The movement of employee termination benefits is shown below

	31 December 2018	31 December 2017
Balance at the Beginning of the Period	238	180
Provisions Recognised During the Period	(19)	58
Balance at the end of the period	219	238

In addition, as of 31 December 2018 the Bank have unused vacation provision of TL 346 (31 December 2017: TL 237).

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

Other provisions amount of TL 9,265 comprising of TL 6,911 for expected credit losses for non cash loans, TL 2,004 for bonus provisions and TL 350 for ongoing lawsuits and other. (31 December 2017: TL 1,792).

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11. Information on taxes payable:

a. Information on current year tax liability:

i. Information on tax provision:

The explanations on tax calculation has been presented in Section Three. The Bank recognized TL 4,076 as current tax liability, after the deducting temporary taxes paid in the period, as of 31 December 2018 (31 December 2017: TL 1,673).

ii. Information on taxes payable:

	31 December 2018	31 December 2017
Corporate Tax Payable	4,076	1,673
Taxation on Marketable Securities	77	10
Property Tax	-	-
Banking Insurance Transaction Tax (BITT)	586	278
Foreign Exchange Transaction Tax	-	-
Value Added Tax Payable	71	162
Other	414	250
Total	5,224	2,373

iii. Information on premium payables:

	31 December 2018	31 December 2017
Social Security Premiums – Employee	87	65
Social Security Premiums – Employer	96	72
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	6	5
Unemployment Insurance – Employer	12	9
Other	-	-
Total	201	151

b. Information on deferred tax liability:

Explanations on the taxation of the Bank are presented in Section 5, explanations and notes related to unconsolidated assets.

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

None (31 December 2017: 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 2017: None).

14. Information on shareholders' equity:

a. Presentation of paid-in capital:

	31 December 2018	31 December 2017
Common Stock	500,000	255,000
Preferred Stock	-	-

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

The Bank does not apply the registered share capital system.

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

The paid-in capital of the Bank has increased from TL 255,000 to TL 500,000 by TL 245,000 cash injection by Pasha Holding LLC in the current period.

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

None.

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

None (31 December 2017: None).

f. Information on the Bank's income, profitability, prior period indicators on liquidity and uncertainty on these indicators and their potential effects on the Bank's capital:

The Bank considers there is no uncertainty regarding the prior period income, profitability and liquidity indicators, therefore the Bank does not foresee an effect on capital.

g. Summary information about privileged shares representing the capital:

None (31 December 2017: None).

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h. Information on marketable securities value increase fund:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
From investment and associates, subsidiaries and joint ventures (business partners)	-	-	-	-
Revaluation difference	(41)	-	(49)	1
Foreign exchange difference	-	-	-	-
Total	(41)	-	(49)	1

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:

Irrevocable Commitments	31 December 2018	31 December 2017
Forward Asset purchase and sale commitments	-	4,879
Forward Deposit purchase and sale commitments	-	-
Tax and fond liabilities from export commitment	17	17
Other Irrevocable commitments	65	-
Total	82	4,896

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

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

As of 31 December 2018, the Bank has guarantee and indemnities amounting TL 422,653 (31 December 2017: TL 365,927) based upon the guarantee letter

Revocable, irrevocable guarantees and other similar commitments and contingencies:

As of 31 December 2018, the Bank has other guarantees amounting TL 51,692 (31 December 2017: TL 33,850).

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c. Total amount of non-cash loans:

	31 December 2018	31 December 2017
Non-cash Loans Given against Cash Loans	263,803	207,861
With Original Maturity of 1 Year or Less Than 1 Year	227,578	131,867
With Original Maturity of More Than 1 Year	36,225	75,994
Other Non-cash Loans	158,850	158,066
Total	422,653	365,927

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

	Current Period				Prior Period			
	31 December 2018				31 December 2017			
	LC	(%)	FC	(%)	LC	(%)	FC	(%)
Agricultural	-	-	-	-	-	-	-	-
Farming and Raising Livestock	-	-	-	-	-	-	-	-
Forestry	-	-	-	-	-	-	-	-
Fishing	-	-	-	-	-	-	-	-
Manufacturing	1,842	0.73	10,829	6.42	1,842	0.90	46,532	29.00
Mining	-	-	-	-	-	-	-	-
Production	1,817	0.72	10,829	6.42	1,817	0.89	46,532	29.00
Electric, Gas and Water	25	0.01	-	-	25	0.01	-	-
Construction	3,370	1.33	6,574	3.90	4,037	1.96	25,873	16.12
Services	248,811	97.94	151,227	89.68	199,594	97.14	88,049	54.88
Wholesale and Retail Trade	26,498	10.43	76,878	45.59	6,303	3.07	27,894	17.38
Hotel, Food and Beverage Services	1,516	0.60	-	-	1,865	0.91	-	-
Transportation and Telecommunication	4,505	1.77	39,282	23.29	18,705	9.10	19,424	12.11
Financial Institutions	215,671	84.90	22,983	13.63	172,087	83.75	31,700	19.76
Real Estate and Leasing Services	621	0.24	12,084	7.17	634	0.31	9,031	5.63
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	-	-
Health and Social Services	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	254,023	100.00	168,630	100	205,473	100.00	160,454	100.00

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

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

2. Information on derivative transactions:

Derivatives	31 December 2018	31 December 2017
Forward foreign currency purchase transactions	49,616	19,953
Forward foreign currency sell transactions	49,030	19,642
Currency swap-buy	-	32,061
Currency swap-sell	-	32,795
Total	98,646	104,451

3. Information on credit derivatives and related imposed risks:

None (31 December 2017: None).

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4. Information on Contingent Assets and Liabilities:

(i) Contingent assets

None.

(ii) Contingent liabilities

As of 31 December 2018, the Bank has reflected the provision for its ongoing lawsuits amounting TL 350 to the financial statements. The process regarding the law suits is still ongoing and decisions will be finalised after trial.

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

None (31 December 2017: None).

IV.EXPLANATIONS AND NOTES RELATED TO INCOME STATEMENT

1. Information on interest income:

a. Information on interest income on loans:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Short-term Loans	72,873	2,188	46,488	349
Medium/Long-term Loans	9,610	22,559	5,228	7,529
Interest on Loans Under Follow-up	248	-	-	-
Premiums Received from Resource Utilisation Support Fund	-	-	-	-
Total	82,731	24,747	51,716	7,878

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b. Information on interest income on banks:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
From the CBRT ^(*)	1,690	-	720	-
From Domestic Banks	3,905	1,868	676	215
From Foreign Banks	1	321	34	-
Headquarters and Branches Abroad	-	-	-	-
Total	5,596	2,189	1,430	215

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

c. Information on interest income on marketable securities

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Trading Financial Assets	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income ^(*)	2,184	71	1,183	726
Financial assets measured at amortized cost	-	-	-	-
Total	2,184	71	1,183	726

^(*) 2017: Interest income from available from sale financial assets.

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

None (31 December 2017: None.).

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2. Information on interest expense:

a. Information on interest expense on borrowings:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Banks	6,044	12,291	5,707	5,762
The CBRT	-	-	-	-
Domestic Banks	894	52	2,089	333
Foreign Banks	5,150	12,239	3,618	5,429
Headquarters and Branches Abroad	-	-	-	-
Other Institutions	-	-	-	-
Total	6,044	12,291	5,707	5,762

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

None (31 December 2017: None).

c. Interest expense on issued marketable securities:

	31 December 2018		31 December 2017	
	LC	FC	LC	FC
Interest expense on marketable securities issued	13,180	8,461	8,724	1,270

d. Maturity structure of the interest expense on deposits:

None (31 December 2017: None).

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3. Information on dividend income:

None (31 December 2017: None).

4. Explanations on trade profit/loss(Net):

	31 December 2018	31 December 2017
Income	688,388	75,345
Income from Capital Market Transactions	551	460
Income from Derivative Financial Transactions ^(*)	3,593	1,386
Foreign Exchange Gains	684,244	73,499
Loss (-)	(689,397)	(71,454)
Loss from Capital Market Transactions(-)	(19)	(7)
Loss from Derivative Financial Transactions(-) ^(*)	(1,290)	(4,938)
Foreign Exchange Loss(-)	(688,088)	(66,509)
Trading Income / (Loss) (Net)	(1,009)	3,891

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

5. Information on other operating income:

Other operating income TL 855 income from previous years' provision cancellations and there is no income regarding extraordinary accounts (31 December 2017: TL 102).

6. Provision expenses related to loans and other receivables:

	31 December 2018
Expected Credit Loss	12,266
12 Month Expected Credit Loss (Stage 1)	3,016
Significant increase in credit risk (Stage 2)	6,587
Non-Performing Loans (Stage 3)	2,663
Marketable Securities Impairment Provision	50
Financial Assets at Fair Value Through Profit or Loss	50
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 ^(*)	5,397
Total	17,713

^(*)Other provisions consist of expected loss provision for non-cash loans.

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	31 December 2017
Specific Provisions for Loans and Other Receivables	-
III. Group Loans and Receivables	-
IV. Group Loans and Receivables	-
V. Group Loans and Receivables	-
General Provision Expenses	2,922
Provision Expense for Possible Risks	-
Marketable Securities Impairment Expense	-
Financial Assets at Fair Value Through Profit or Loss	-
Available-for-sale Financial Assets	-
Investments in Associates, Subsidiaries and Held-to-Maturity Securities Value Decrease	-
Investments in Associates	-
Subsidiaries	-
Joint Ventures	-
Held-to-Maturity Investments	-
Other	-
Total	2,922

7. Information related to other operating expenses:

	31 December 2018	31 December 2017
Personnel Expenses**	13,736	10,535
Reserve For Employee Termination Benefits	109	123
Bank Social Aid Pension Fund Deficit Provision	-	-
Impairment Expenses of Fixed Assets	42,173	-
Depreciation Expenses of Fixed Assets	655	234
Impairment Expenses of Intangible Assets	-	-
Goodwill impairment expenses	-	-
Amortisation Expenses of Intangible Assets	676	526
Impairment Expenses of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held For Resale	-	-
Depreciation Expenses of Assets Held for Resale	-	-
Impairment Expenses of Fixed Assets Held for Sale	-	-
Other Operating Expenses	8,362	6,716
Operational Lease Expenses	2,116	1,868
Maintenance Expenses	276	46
Advertising Expenses	443	427
Other Expense	5,527	4,375
Loss on Sales of Assets	-	3
Other	3,384	3,885
Total	69,095	22,022

(*) Provision expenses for unused vacation provision and employee termination benefits are presented in personnel expenses line of current period profit and loss statement.

(**) Personnel expense are presented at different line on financial statements.

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

Profit before tax consists of net interest income/expense amounting TL 79,498, net commission fee income/expense amounting TL 3,168, trading profit/loss amounting TL (1,009), other operating income amounting TL 855, provision for loan losses and other receivables amounting to TL (17,713) and other operating expenses including personnel expenses amounting TL 69,095.

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

As of 31 December 2018, the Bank has current tax expense TL 9,547 TL (31 December 2017: TL 4,911). The Bank has deferred tax income amounting to TL 10,280 (31 December 2017: TL 213 income).

As of 31 December 2018, the Bank doesn't have any discontinued operations.

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

The Bank doesn't have discontinued operations. The Bank's net loss from continuing operations amounting to TL 3,563 (31 December 2017: TL 16,008 profit).

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

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

None (31 December 2017 : 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.

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

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

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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.

The Bank has booked loss for marketable securities valuation difference related to financial assets at fair value through other comprehensive income of TL 59.

2. Amounts transferred to legal reserves:

In the current period, after distributing TL 5,331 profit for the year 2017, TL 266 is transferred to legal reserves and TL 5,065 extraordinary reserves.

3. Information on distribution of profit:

No dividend distribution has been announced after the balance sheet date.

4. Information on capital increase:

The information related to capital increase is presented under Section Five.

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

1. Information on cash and cash equivalents:

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

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

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

	31 December 2018	31 December 2017
Cash	85,111	77,573
Cash and Foreign Currency Cash	17	46
Turkish Central Bank	85,094	77,527
Other	-	-
Cash Equivalents	92,636	73,616
Banks	42,603	73,616
Interbank Money Market Placements	50,033	-
Total Cash and Cash Equivalents	177,747	151,189
Blocked amounts on cash and cash equivalents	-	-
Interest income rediscounts on cash and cash equivalents	-	-
Cash equivalents with a maturity longer than three months	-	-
Restricted reserve deposits	(76,760)	(67,673)
Cash Flow Statements Cash and Cash Equivalents	100,987	83,516

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

The "Other" items presented in "Net operating income before changes in operating assets and liabilities" amount to TL 15,118 (31 December 2017: TL 11,485) 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 23,635 (31 December 2017: TL 29,672) consists of mainly changes in prepaid expenses and other assets including lease receivables.

The "Net increase/decrease in other liabilities" item under "Changes in operating assets and liabilities" amounting to TL 66,360 (31 December 2016: 69,689) consists of mainly changes in miscellaneous payables, borrower funds, other liabilities and taxes and other duties payable.

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

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

a. Current Period (31 December 2018):

Banks' Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning of the Period	-	-	555	31,699	-	-
End of the Period	-	-	826	22,983	-	69
Interest and Commission Income Received	-	-	33	352	-	47

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Prior Period (31 December 2017):

Banks' Risk Group	Investments in Associates, subsidiaries and joint ventures		Direct and indirect shareholders of the Bank		Other real and legal persons that have been included in the risk group	
	Cash	Non-cash	Cash	Non-cash	Cash	Non-cash
Loans and Other Receivables						
Beginning of the Period	-	-	-	30,199	-	-
End of the Period	-	-	555	31,699	-	-
Interest and Commission Income Received	-	-	24	311	-	-

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

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

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

There are no derivative transactions with the Bank's Risk Group (31 December 2017: None).

As of 31 December 2018, the Bank has TL 654 borrower funds from its risk group (31 December 2017: TL 20).

As of 31 December 2018, the Bank has borrowings from its risk group TL 37,475 (31 December 2017: TL 186,735). Additionally, TL 258,837 of the securities issued abroad were sold to Bank's risk group.

d. Information on key management compensation:

As of 31 December 2018, paid key management compensation amount is TL 4,397 (31 December 2017: TL 3,388).

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

None (31 December 2017: None.).

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. OTHER EXPLANATIONS RELATED TO OPERATIONS OF THE BANK

None.

II. EXPLANATIONS AND NOTES RELATED TO SUBSEQUENT EVENTS

The Bank has issued two bill/bond issuances, one of which was issued abroad.

ISIN	Issue date	Maturity Date	Issued Nominal amount (full)	Interest Rate (%)
AZ2003020172	17 January 2019	17 April 2022	25,000,000 USD	2.95
TRFPASH31915	8 February 2019	27 March 2019	25,000,000 TL	21.50
TRFPASH41914	9 January 2019	9 April 2019	25,000,000 TL	23.50

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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 2018 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 14 February 2019 has been presented preceding the unconsolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY INDEPENDENT AUDITOR

None (31 December 2017: None).

Reporting Period	01.01.2018 – 31.12.2018
Trade Name of the Bank	PASHA Yatırım Bankası A.Ş.
Trade Registration Number of the Bank	240320
Head Office Address	Maslak Mahallesi, A.O.S. 55. Sokak, No:2, 42 Maslak Ofis 3, Kat 7, Daire: 205, 34398, Sarıyer, İstanbul
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